



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

February 17, 2022

OIG-CA-22-011

MEMORANDUM FOR DEPARTMENT OF DEFENSE  
LEAD INSPECTOR GENERAL

FROM: Gregory Sullivan /s/  
Audit Director

SUBJECT: Overseas Contingency Operations - Summary of Work  
Performed by the Department of the Treasury Related to  
Terrorist Financing and Anti-Money Laundering for First  
Quarter Fiscal Year 2022

This summary provides an update on the Department of the Treasury's (Treasury) programs to combat terrorist financing. Per your request, we provided this information in a question and answer format to help streamline the information. This information is provided by Treasury management and is not audited by Treasury Office of Inspector General.

**Q1. In an unclassified, publicly releasable format, provide information on individuals and organizations sanctioned for providing support to the Islamic State of Iraq and Syria (ISIS) as follows:**

- a. **Reasonable estimate of the cumulative number of individuals and organizations sanctioned (by Treasury, not cumulative with State) for providing support to ISIS since 2014.**

Treasury told us it uses the full range of its authorities to aggressively target ISIS leaders, operatives, and associated organizations around the world. These efforts resulted in Treasury designating 100 ISIS-associated individuals and organizations since 2014.

**b. Details on individuals and organizations sanctioned for providing support to ISIS during the reporting period: October 1, 2021 – December 31, 2021.**

On November 22, 2021, Treasury sanctioned Afghan national Ismatullah Khalozai for supporting the ISIS branch in Afghanistan, ISIL-Khorasan (ISIS-K), pursuant to Executive Order 13224.<sup>1</sup>

Ismatullah Khalozai was sanctioned for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, ISIS-K. Khalozai has been an international financial facilitator for ISIS-K and has carried out missions for senior ISIS leadership. For a period of two years, Khalozai operated a Turkey-based hawala<sup>2</sup> business to transfer funds to finance ISIS-K operations. He previously operated a United Arab Emirates-based financing scheme, which involved sending luxury items to international destinations for resale to generate funds in support of ISIS-K. Khalozai also carried out human smuggling operations for ISIS-K, including personally smuggling an ISIS-K courier from Afghanistan to Turkey.

**c. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: October 1, 2021 – December 31, 2021.**

No sanctioned individuals or organizations were removed from the sanctions list during this reporting period.

**Q2. In an unclassified, publicly releasable format, describe what was done this quarter with Coalition partners in Iraq and Syria to disrupt ISIS financial networks.**

Treasury told us it continues to work with interagency and Coalition partners, including the Government of Iraq, to prioritize identifying ISIS's financial reserves and financial leaders, disrupting its financial facilitation networks in Iraq, and designating ISIS facilitators, front companies, and fundraisers in Iraq, Syria, Turkey, and elsewhere.

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<sup>1</sup> Executive Order 13224, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism" (September 23, 2001) targets terrorists and those who have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of terrorists.

<sup>2</sup> Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to, traditional banking or financial channels. The components of a hawala that distinguish it from other remittance systems are trust and the extensive use of connections such as family relationships or regional affiliations.

Treasury also takes a leadership role in the Global Coalition to Defeat ISIS, serving as a co-lead of the Counter ISIS Finance Group along with its counterparts from Italy and Saudi Arabia.

**Q3. In an unclassified, publicly releasable format, describe ISIS funding in Iraq and Syria, to include what has changed since last quarter, the estimated amount of funds at its disposal, how funds are generated and distributed, and any shortfalls in the amount or distribution of funds this quarter.**

Treasury told us ISIS's financial situation remains largely unchanged since the previous quarter. ISIS continued to raise funds through extortion of oil smuggling networks in eastern Syria, kidnapping for ransom targeting civilian businesses and populations, extortion, looting, and the possible operation of front companies. The group relied on money services businesses (MSB), including hawalas, throughout Iraq, Syria, and Turkey to transfer funds internationally. ISIS probably has tens of millions of U.S. dollars available in cash reserves dispersed across the region, but Treasury does not know the amount of money ISIS distributed during this quarter.

**Q4. In an unclassified, publicly releasable format, describe ISIS-core's<sup>3</sup> methods and ability to move funds into and out of Syria and Iraq.**

Treasury told us ISIS's financial situation remains largely unchanged compared to the previous quarter. ISIS continued to use MSBs, including hawalas, to move funds in and out of Iraq and Syria, often relying on ISIS facilitators in Turkey and in other financial centers. ISIS also continued to use networks of couriers to smuggle cash between Iraq and Syria. In addition, ISIS supporters also use virtual currencies and online fundraising platforms to transfer funds, including to Internally Displaced Persons camps, such as al-Hawl.<sup>4</sup> The group's supporters gathered and sent funds to intermediaries in Turkey who then smuggled the cash into Syria or sent the funds to hawalas operating in the camp.

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<sup>3</sup> ISIS-core refers to the main portion of ISIS in Iraq and Syria, along with the key leaders of the global organization. The term is mainly used to differentiate the main ISIS leadership from the regional ISIS affiliates, such as ISIS-K in the Khorasan region and ISIS-Philippines.

<sup>4</sup> Al-Hawl is an Internally Displaced Persons camp in northern Syria housing upwards of 70,000 refugees. It holds one of the largest concentrations of current and former ISIS members who continue to receive donations from ISIS supporters internationally. The Tawasul hawala in al-Hawl served ISIS members and transferred payments for ISIS from outside Syria.

**Q5. In an unclassified, publicly releasable format, describe any changes to Treasury's programs and activities in light of the U.S.-Iraq Strategic Dialogue<sup>5</sup> and the planned end of the U.S. combat mission in Iraq and Syria on December 31, 2021.**

Treasury told us no changes to its programs and activities to counter ISIS financing in Iraq and Syria occurred during this quarter.

**Q6. In an unclassified, publicly releasable format, describe any changes to Treasury's actions to freeze Afghan government reserves held in U.S. bank accounts, to include Afghan central bank assets inside the United States.**

Treasury told us Afghan central bank reserves are mostly held outside of Afghanistan, with the majority of the funds located in the United States. The Taliban does not have access to Afghan central bank assets held in the United States.

**Q7. In an unclassified, publicly releasable format, describe Treasury's role in (1) issuance of licenses to facilitate the continued delivery of humanitarian assistance to Afghanistan; and (2) placing Taliban officials on the Specially Designated Nationals list, and its impact on Treasury's ongoing sanctions against the Taliban regime.**

Treasury told us that its policy priority is to minimize disruptions to humanitarian aid in Afghanistan while still denying assets to the Taliban and other sanctioned entities and individuals.

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<sup>5</sup> The U.S.-Iraq Strategic Dialogue were discussions held between Iraq and the United States, initiated on June 11, 2020, and ended on July 26, 2021, in accordance with the *2008 Strategic Framework Agreement for a Relationship of Friendship and Cooperation between the United States and Iraq*. The discussions focused on strengthening the long-term strategic partnership and key issues of mutual concern: regional stability, public health, climate change, energy efficiency, energy independence, humanitarian aid, human rights, economic cooperation, and cultural and educational exchanges, among other issues.