



# Audit Report



OIG-17-044

TERRORIST FINANCING/MONEY LAUNDERING

Federal Agencies Are Generally Satisfied with TFFC's  
Collaboration Efforts, but Enhancements Can Be Made

May 23, 2017

Office of  
Inspector General

Department of the Treasury

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## Abbreviations

AML/CTF	Anti-money Laundering/ Counter-Terrorist Financing
FATF	Financial Action Task Force
GAO	Government Accountability Office
GPRA	Government Performance and Results Modernization Act of 2010
DHS	Department of Homeland Security
JAMES	Joint Audit Management Enterprise System
Justice	Department of Justice
SDWG	Securities and Derivatives Working Group
State	Department of State
TFFC	Office of Terrorist Financing and Financial Crimes
TFI	Office of Terrorism and Financial Intelligence
Treasury	Department of the Treasury

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*The Department of the Treasury  
Office of Inspector General*

May 23, 2017

Jennifer Fowler  
Acting Assistant Secretary for Terrorist Financing

This report presents the results of our audit of collaboration by the Department of the Treasury (Treasury) Office of Terrorist Financing and Financial Crimes (TFFC) with the national security community. TFFC develops initiatives and deploys strategies to support Treasury's Office of Terrorism and Financial Intelligence (TFI) in combating money laundering, terrorist financing, weapons of mass destruction proliferation, and other criminal and illicit activities, both domestically and abroad. This effort requires TFFC to collaborate with interagency partners—including law enforcement, regulatory, policy, diplomatic and intelligence communities, as well as the private sector and foreign governments—to identify and address threats of illicit finance to the international financial system.

A primary means by which TFFC supports TFI's mission is through its leadership of the U.S. Government delegation to the Financial Action Task Force (FATF).<sup>1</sup> In its role, TFFC collaborates with a variety of Federal agencies, including the Department of State (State), Department of Justice (Justice), Department of Homeland Security (DHS), and the Securities and Exchange Commission (hereinafter Federal agencies or interagency partners).

Our audit objective was to determine how, and to what extent, TFFC collaborates with the national security community to identify and address threats to the international financial system from money laundering and other forms of illicit finance. We expanded this to include other Federal agencies, beyond the national security

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<sup>1</sup> FATF is the international body that develops and implements multilateral standards relating to anti-money laundering and counterterrorist financing.

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community, that collaborate with TFFC on money laundering issues. To accomplish our objective, we reviewed relevant documentation and conducted interviews with TFFC officials and Federal agency officials who collaborate with TFFC. We performed the majority of our fieldwork from June 2014 through April 2015 with subsequent follow up in July 2016 to ensure the information supporting our conclusions had not changed. For a more detailed description of our audit objective, scope, and methodology, see appendix 1 of this report.

## Results in Brief

Most Federal agency officials we interviewed voiced satisfaction with TFFC's collaboration efforts overall and a belief that TFFC took their concerns and comments into consideration when developing positions.<sup>2</sup> However, some Federal agency officials believed there were opportunities for enhancing collaboration by improving communication through feedback, holding intersessional meetings, and widening inclusion in bilateral meetings with TFFC and foreign countries during the FATF Plenary.<sup>3</sup>

We also found that TFFC had not established policies or procedures for collaboration or a mechanism to monitor, evaluate, and report the results of its collaborative efforts as recommended by the Government Accountability Office (GAO) in its 2009 report.<sup>4</sup> Additionally, TFI currently has no performance measures specific to TFFC's collaboration efforts.<sup>5</sup>

Accordingly, we recommend that TFFC (1) develop policies and procedures to ensure continuity and consistency in collaboration efforts with interagency task forces and workgroups; (2) develop and implement a mechanism to monitor, evaluate, and report on the effectiveness of TFFC's interagency collaboration; (3) develop meaningful performance measures specific to TFFC collaboration;

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<sup>2</sup> A position refers to a policy or paper relating to the United States' stance on an issue.

<sup>3</sup> FATF Plenaries occur three times a year during the months of February, June, and October. FATF Plenary meetings are open to delegations from FATF members, observer jurisdictions, and observer organizations and are not open to the public.

<sup>4</sup> GAO, *Combating Illicit Financing: Treasury's Office of Terrorism and Financial Intelligence Could Manage More Effectively to Achieve Its Mission* (GAO-09-794; issued Sep. 2009).

<sup>5</sup> TFI develops performance measures for the offices and bureaus it oversees.

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and (4) address areas of concern expressed by Federal agencies regarding TFFC's collaboration that includes feedback, intersessional meetings, and invitations to participate in bilateral meetings with foreign countries during the FATF Plenary.

In its management response, TFFC agreed with our recommendations and stated that TFFC was already working to address several of the recommendations to further interagency collaboration. This includes developing policies and procedures to ensure continuity and consistency in collaboration; seeking feedback on collaboration and possible improvements three times a year in its meetings with the interagency; recommending TFFC's collaboration be included in TFI's performance measures, and; addressing areas of concern expressed by Federal agencies with agency feedback and inclusion in bilateral meetings where appropriate.

We found that TFFC management's response meets the intent of our recommendations, and the response is summarized in the recommendation sections of this report. TFFC management's response, in its entirety, is included as appendix 3. TFFC will need to record the estimated date for completing its planned corrective actions in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system.

## Background

TFFC serves as the policy development and outreach office for Treasury's TFI and works with Federal agencies to develop and promote the U.S. position in both international and domestic forums related to money laundering and illicit financing. As part of this responsibility, TFFC leads or assists in leading several task forces or working groups, including:

- U.S. delegation to the FATF and FATF-Style Regional Bodies,
- Anti-Money Laundering (AML) Task Force,
- U.S. Charities Working Group, and
- United States- Mexico Bilateral Banking Group.

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Under the Intelligence Reform and Terrorism Prevention Act of 2004,<sup>6</sup> TFFC carries out Treasury's responsibility for coordination of the U.S. Government's efforts in leading the FATF, and continuing to "convene the interagency U.S. Government FATF working group," which consist of relevant Federal agencies. These agencies are to meet to advise the Secretary of the Treasury on policies for developing, evaluating, and recommending common international anti-money laundering and combatting terrorist financing standards.

TFFC also participates in other domestic and international working groups to combat money laundering, terrorist financing, the proliferation of weapons of mass destruction, and other criminal and illicit activities, including the National Security Council's Interagency Policy Committees,<sup>7</sup> Threat Mitigation Working Group, and delegation to the G-20 Anti-Corruption Working Group. Additional information about TFFC and the task forces and working groups that it leads or participates in is provided in appendix 2.

One of TFFC's most significant roles is leading the U.S. delegation to the FATF. In this regard, TFFC oversees interagency collaboration to develop U.S. positions and represents the U.S. delegation at FATF plenary meetings.

In September 2009, GAO reported on the importance of TFI's collaboration with interagency partners. At that time, State and Justice officials reported that they believed interagency collaboration on the FATF had substantially declined. These officials were concerned that their personnel were excluded in key situations and that Treasury was making unilateral decisions, which undermined how well the United States combatted illicit financing networks and influenced the activities of international partners. GAO recommended that in TFI's oversight of TFFC, to develop and implement, in consultation with interagency partners, compatible policies, procedures, and other means to operate across agency boundaries, as well as a mechanism for monitoring, evaluating, and reporting on interagency collaboration.

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<sup>6</sup> Public Law 108-458 (December 17, 2004).

<sup>7</sup> Interagency Policy Committees are responsible for managing the development and implementation of presidential national security policies when they involve more than one government agency.



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## Audit Results

### Finding 1 **TFFC Does Not Have Policies and Procedures For Its Interagency Collaboration or a Means to Monitor Its Efforts**

TFFC has not established policies and procedures for its interagency collaboration or a mechanism to monitor, evaluate, and report on the results of its collaborative efforts. Furthermore, TFFC had not established performance measures to monitor and track its efforts.

#### Policies and Procedures Have Not Been Established

In its function as lead for the FATF delegation, TFFC has yet to create any written policies or procedures to establish roles and responsibilities of the interagency members or define the process of coordinating and developing a cohesive U.S. position to be submitted to the FATF.

In a GAO 2009 audit report, it was found that collaborating with interagency partners is important to TFI's ability to perform effectively. According to GAO, collaboration allows TFI to benefit from the expertise and input from multiple Federal agencies, including State, Justice, and DHS as well as the Securities and Exchange Commission.

GAO made two recommendations for TFI in its oversight of TFFC which were to: 1) establish compatible policies, procedures, and other means to operate across agency boundaries; and 2) develop a mechanism for monitoring, evaluating, and reporting on the results of collaborative efforts. In its response, Treasury said it would redouble its efforts to coordinate with other agencies but did not identify specific steps it planned to take.<sup>8</sup>

We found at the time of our audit that TFFC still did not have written policies and procedures to guide collaboration with

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<sup>8</sup> GAO, *Combating Illicit Financing: Treasury's Office of Terrorism and Financial Intelligence Could Manage More Effectively to Achieve Its Mission* (GAO-09-794; issued Sep. 2009).

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interagency partners as recommended in the 2009 GAO report. TFFC also did not have policies and procedures for its daily operations. Treasury Directive 80-05, *Records and Information Management Program* requires all Treasury bureaus and offices establish adequate and proper documentation of their functions, policy decisions, procedures, and essential transactions in a manner that promotes accountability and establishes a historical record. All program officials are to maintain “a record of the conduct of government business that is complete and accurate to the extent required to document the organization, functions, policies, decisions, procedures, and essential transactions of their office and to protect the legal and financial interest of the government and of persons directly affected by the activities of their office.” In this regard, Treasury offices are to maintain records containing “adequate and proper documentation” of the organization, functions, policies, procedures, decisions, and essential transactions.

In addition, in order to monitor TFFC’s collaboration efforts, performance measures need to be established in accordance with Government Performance and Results Modernization Act of 2010 (GPRA). According to GPRA, agencies need to establish performance indicators to measure and assess progress toward each agency’s performance goal(s).<sup>9</sup> In light of this, TFI needs to establish performance measures to assess and monitor TFFC’s collaboration efforts to support the agency’s goal of safeguarding the financial system and use financial measures to counter national security threats.

Despite Treasury’s commitment to redouble its efforts as well as undertake new efforts that addressed GAO’s recommendations, a TFFC official did not see value in having written procedures on interagency collaboration, as it is an activity inherent in the work TFFC conducts. Another TFFC official said that TFFC, by design, must collaborate with other Federal agencies to influence policy because the office does not have policy-making authority.

Some of the Federal agency officials we spoke with said they too did not see much value in policies and procedures, specifically with

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<sup>9</sup> Public Law 111-352 (January. 4, 2011).

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regard to the FATF process. We were told that the trends and current events that the FATF focuses on are constantly changing in a dynamic environment. One Federal agency official told us that policies and procedures could become inflexible, preventing Federal agencies from achieving results. On the other hand, officials from two Federal agencies believed that policies and procedures would be beneficial. One Federal agency official said that policies and procedures would provide a mechanism and improve interagency collaboration and engagement by providing greater clarity on how the Federal agencies collaborate. We believe a lack of policies and procedures could lead to inconsistencies in the way TFFC's staff resolves future issues that may arise.

#### No Mechanism to Monitor, Evaluate, and Report on Interagency Collaboration

We found that TFFC does not have a mechanism in place to monitor, evaluate, or report on its collaboration with Federal agencies. Without effective monitoring and reporting of its collaboration, TFFC has no formal process to determine whether it is effective in that role or to identify areas for improvement.

Although TFFC does not have a mechanism for monitoring or reporting staff interagency collaborative efforts, it includes a collaboration element in its employee performance evaluations based on interagency feedback. A TFFC official told us that TFFC's management would be made aware if a policy advisor is not effective or does not have the right attitude for facilitating collaboration based on feedback from TFFC's interagency counterparts. We believe that, in addition to evaluating TFFC staff with performance appraisals, TFI needs to establish performance measures for TFFC in order to comply with GPRA, which requires agencies to establish performance indicators to measure and assess progress toward each agency's performance goal(s).

TFI has not had its own strategic plan for 10 years and still does not have one. During our review of TFI performance measures in Treasury's Fiscal Year 2015 Citizens' Report, we did not find any measures specific to measuring TFFC's effectiveness on interagency collaboration. A TFI official provided us a draft summary of a plan to develop performance measures for TFI's own

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4-year strategic plan. The plan will outline a comprehensive set of goals and objectives with the purpose of fostering a more collaborative, effective, and efficient way forward.

## Recommendations

We recommend that the Assistant Secretary for Terrorist Financing do the following:

1. Develop policies and procedures to ensure continuity and consistency in collaboration efforts with interagency task forces and workgroups.

### Management Response

Management agrees with the recommendation. According to its response, TFFC understands the importance of collaboration with the interagency and will develop policies and procedures to ensure continuity and consistency in its collaboration.

### OIG Comment

TFFC's response meets the intent of our recommendation. TFFC will need to record the estimated date for completing its planned corrective actions in JAMES.

2. Develop and implement a mechanism to monitor, evaluate, and report on the effectiveness of TFFC's interagency collaboration.

### Management Response

Management agrees with this recommendation and will implement this through its meetings to discuss FATF issues with the interagency which is done three times a year. At those meetings, TFFC will ask the interagency for feedback on its collaboration and possible improvements.

In addition, the Department of the Treasury's individual performance plans contain the required core competencies of sharing information and working cooperatively with internal and external colleagues. TFFC encourages its employees to

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collaborate with its Treasury colleagues and its other U.S. government colleagues, and has specific collaboration performance measures in each employee's performance plan which is evaluated twice a year.

OIG Comment

TFFC's response meets the intent of our recommendation. For those actions that TFFC plans to take, it will need to record the estimated date for completion in JAMES.

3. Develop meaningful performance measures specific to TFFC collaboration.

Management Response

Management agrees with the recommendation. According to TFFC, TFI, its parent office and developer of its performance measures, published a strategic plan in the fall of 2016 that included collaboration as one of the organization's core values and highlighted interagency coordination as key to successfully carrying out TFI's mission. TFFC's interagency collaboration can be reviewed as part of meeting performance measures specific to TFI's mission. TFFC will make the recommendation to TFI that TFFC's collaboration be included in TFI's performance measures.

OIG Comment

TFFC's response meets the intent of our recommendation. With its planned actions, TFFC will have performance measures both as an organization under TFI, and in its employees' performance plans in order to evaluate its collaboration. TFFC will need to record the estimated date for completing its planned corrective actions in JAMES.

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## Finding 2

### **Areas to Improve in TFFC's Collaboration With Federal Agencies**

TFFC works with the Federal agencies involved in the national security community as the policy development and outreach office for Treasury. Effective collaboration with these Federal agencies is essential to address the threats of illicit finance to the international financial system.

Federal agency officials we spoke with were generally satisfied with TFFC's collaboration efforts. We were told that in groups that TFFC leads, such as FATF, FATF-Style Regional Bodies, and the AML Task Force, TFFC provides a good venue for developing consensus among agencies. Most Federal agency officials believed that TFFC took their concerns and comments into consideration when developing positions. Specifically, several Federal agency officials stated that TFFC did an excellent job in its collaboration efforts specifically with the FATF-Style Regional Bodies by providing consistent feedback to these groups, fostering discussions on issues, and holding meetings to address concerns to work out a unified position.

Additionally, officials from Federal agencies that led working groups in which TFFC participated told us that they valued the assistance TFFC provided and TFFC staff's strong analytical capabilities, knowledge, and responsiveness.

Although most Federal agency officials expressed overall satisfaction with TFFC's collaboration efforts, some Federal agency officials believed there were opportunities for enhancing collaboration by improving communication. This would include more feedback on agency comments, intersessional meetings, and wider inclusion of agency officials in bilateral meetings with foreign countries during the FATF Plenary.

#### Federal Agencies Had Feedback and Communication Concerns

A few Federal officials stated that TFFC did not always provide feedback to their responses on FATF issues. They said this left Federal agency members unsure about whether TFFC had taken into account their comments or what final position had been

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developed by TFFC until late in the process. Additionally, several officials stated the short deadlines hindered their ability to coordinate and have discussions on issues within their own agency or with other Federal agencies. State officials stated they would appreciate greater involvement in bilateral meetings that occur during the FATF Plenaries.

According to officials from two Federal agencies, feedback from TFFC regarding comments on FATF issues or interagency consultations was not always provided. As a result, the officials did not know whether their comments or other Federal agencies' comments were being considered or incorporated by TFFC in the responses to FATF.

As lead to the FATF delegation, TFFC's role is to disseminate FATF documentation on international money laundering and terrorist financing issues and solicit feedback from Federal agencies for use in developing a position for the U.S. Government prior to a FATF plenary meeting.

TFFC officials stated that they distribute FATF documentation to U.S. delegation members for comment and reach out to build consensus if disagreements exist between Federal agencies. We were told by both TFFC and Federal agency officials that developing a position requires the ability to consolidate the opinions and comments from agencies that can have different interests and views on a position. The difficulty in developing a position increases when views differ within the same Federal agency and topics and issues become more complex. TFFC officials stated that conflicting comments could not be included in responses to the FATF Secretariat because a unified position must be reached.

Federal officials who we interviewed told us that the time provided to review and comment on FATF documentation was adequate. Most FATF documentation was distributed 2 to 4 weeks before the FATF Plenary. However, there were instances when TFFC had only 2 to 3 days to develop a response and requested interagency partners to provide comments in even less time. Several Federal agency officials stated they were aware that these requests stemmed from short-fused deadlines set by the FATF Secretariat. They told us that the short time frame to respond was problematic

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and made the collaboration process difficult within their own agency and with counterparts at other Federal agencies. According to TFFC officials, there is nothing TFFC can do to adjust timelines as they are set entirely by the FATF Secretariat.

According to TFFC officials, TFFC was aware of topics in advance because most issues were already works in progress or were new topics included on the FATF President's special agenda. TFFC believed all Federal agency delegation members should be aware of topics because they also participate in working groups prior to FATF plenary meetings.

Days prior to a FATF plenary meeting, TFFC holds an interagency meeting to discuss issues on the plenary agenda and address any Federal agency members' policy disputes or grievances. TFFC utilizes the interagency meeting prior to the FATF Plenary to brief the group on the topics including requesting any specific feedback on papers or issues to be discussed. Officials at one Federal agency believed the interagency meeting prior to the FATF Plenary was not the correct forum to discuss comments on FATF documents, especially concerning sensitive issues. We were told that the interagency meeting held just prior to the Plenary occurred too late in the process to have a meaningful discussion. An agency official suggested intersessional meetings would be beneficial because there would be more time to have dialogue on issues and avoid disorganization right before the FATF Plenary.

#### Invitations To Participate in Bilateral Discussions Had Not Been Consistent

During the FATF plenary meetings, U.S. delegation members meet outside of the FATF forum with foreign government counterparts. These meetings can be either planned or impromptu and are organized by foreign counterparts or the U.S. delegation members. Depending on the issue to be discussed, not all Federal agency representatives participate or are invited to participate.

State officials told us they appreciated TFFC's invitation to attend these meetings in the past; however, invitations have not been consistent. One official said that the absence of State at these bilateral meetings may give the appearance that the U.S.



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Government is uncoordinated. Another State official suggested developing a mechanism to communicate the occurrence of bilateral meetings to allow agencies the opportunity to provide input or participate.

State officials who attend the FATF meetings told us there were instances when TFFC relied on input directly from U.S. embassies for bilateral meetings. TFFC did not notify State Headquarter's officials before contacting the embassies. State officials told us that they would appreciate their FATF delegation members being included in the bilateral meetings to ensure that State had the opportunity to offer its whole perspective.

## **Recommendation**

We recommend that the Assistant Secretary for Terrorist Financing do the following:

1. Address areas of concern expressed by Federal agencies regarding TFFC's collaboration that includes feedback, intersessional meetings, and invitations to participate in bilateral meetings with foreign countries during the FATF Plenary.

### Management Response

Management agrees with the recommendation. According to its response, TFFC has processes in place to ensure that its staff provides FATF documents to its interagency partners as soon as the documents become available to Treasury. TFFC stated that it will continue this policy and provide feedback whenever possible while all of its interagency partners do not always provide input to these documents. Regarding intersessional meetings, TFFC has held these meetings with its interagency partners on specific FATF topics of interest where appropriate, and these meetings would not be practical when there are no documents available for FATF Plenary discussion. In regards to bilateral meetings, TFFC is already working to implement this recommendation and will continue to involve Federal agencies in bilateral meetings when the topic is appropriate to involve the agencies.

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OIG Comment

TFFC's response meets the intent of our recommendation. TFFC will need to record the estimated date for completing its planned corrective actions in JAMES.

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We appreciate the cooperation and courtesies extended to our staff during the audit. If you wish to discuss the report, you may contact me at (617) 223-8638 or Ken O'Loughlin, Audit Manager, at (617) 223-8624. Major contributors to this report are listed in appendix 4. A distribution list for this report is provided in appendix 5.

/s/

Sharon Torosian  
Director

Our objective was to determine how, and the extent to which, the Department of the Treasury's (Treasury) Office of Terrorist Financing and Financial Crimes (TFFC) collaborates with the national security community to identify and address threats to the international financial system from money laundering and other forms of illicit finance.

To accomplish our objective, we interviewed officials within TFFC and Treasury's Office of Terrorism and Financial Intelligence (TFI). We also identified agencies that participate in interagency collaboration efforts with TFFC and interviewed officials from those agencies. We performed our fieldwork from June 2014 through April 2015 with subsequent follow up through July 2016 to ensure the information supporting our conclusions had not changed.

At TFFC, we interviewed:

- the Deputy Assistant Secretary for TFFC, to obtain an overview of how TFFC is organized and how TFFC engages in effective collaboration with interagency partners
- directors for the Offices of Strategic Policy and Global Affairs, to obtain an understanding of how each office within TFFC works to facilitate interagency collaboration
- assistant directors from the Offices of Strategic Policy and Global Affairs, to obtain an understanding of their role in facilitating interagency collaboration, the interagency groups they participate in and how those groups operate, and how they evaluate their policy advisors on interagency collaboration
- policy advisors from the Offices of Strategic Policy and Global Affairs, to better understand their role in facilitating interagency collaboration, to obtain an understanding of the interagency groups they are involved in and how they operate, and to determine how they are evaluated on their interagency collaboration efforts

At TFI, we interviewed:

- the Senior Advisor to the Assistant Secretary and Senior Resource Manager, to obtain an overview of TFI's strategy

to monitor TFFC's interagency collaboration efforts and obtain updates on TFI's strategic plan and performance measure development

We interviewed officials from the following external agencies, identified by TFFC as interagency partners, to obtain their views on TFFC's interagency collaboration efforts:

- Commodity Futures Trading Commission
- Department of Defense
- Department of Homeland Security
- Department of Justice
- Department of State
- Federal Deposit Insurance Corporation
- Financial Crimes Enforcement Network
- Federal Reserve Board
- Internal Revenue Service
- National Credit Union Association
- National Security Council
- Office of the Comptroller of the Currency
- Office of Director of National Intelligence
- Office of Foreign Assets Control
- U.S. Securities and Exchange Commission

We reviewed prior Office of Inspector General and Government Accountability Office reports. We also reviewed legislation and congressional intent, Treasury orders and directives, and government-wide guidance relating to TFFC and its interagency collaboration efforts. We reviewed TFFC's monitoring, evaluation, and reporting of collaboration.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Establishment of TFFC**

The Office of Terrorist Financing and Financial Crimes (TFFC) was established in 2004 after law enforcement functions were transferred from the Department of the Treasury (Treasury) to the Department of Homeland Security (DHS) and Department of Justice (Justice). TFFC comprises two offices: the Office of Strategic Policy and the Office of Global Affairs. Office of Strategic Policy personnel specialize in specific functionalities, such as international anti-money laundering standards or money laundering threats. Office of Global Affairs personnel are considered experts on issues specific to a particular region. Each office has its own director and three assistant directors, with policy advisors supporting them. Each office director reports to the Deputy Assistant Secretary for TFFC, who reports to the Assistant Secretary for Terrorist Financing.

### **Collaboration**

TFFC collaborates with the following groups, either as a lead or participant as discussed below.

### **Financial Action Task Force (FATF) and FATF-Style Regional Bodies**

TFFC is responsible for heading the U.S. delegation to FATF. FATF is an international policy-making and standard-setting body made up of 36 countries and organizations dedicated to combating money laundering and terrorist financing. FATF monitors its members' progress in implementing its recommendations, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of its recommendations globally.

FATF-Style Regional Bodies were established to disseminate FATF international standards throughout the world. These bodies develop systems for combating money laundering and terrorist financing in their respective regions. FATF-Style Regional Bodies conduct evaluations of member anti-money laundering/counter-terrorist financing (AML/CFT) systems and make recommendations for improvement. These regional bodies also study common methods used by money launderers and terrorist financiers. The United

States is a co-operating and supporting nation of the Caribbean Financial Action Task Force, a member to the Asia/Pacific Group on Money Laundering, and an observer for five FATF-Style Regional Bodies:

- Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism,
- Eurasian Group,
- Eastern and Southern Africa Anti-Money Laundering Group,
- Financial Action Task Force of Latin America, and
- Middle East and North Africa Financial Action Task Force.

### **Anti-Money Laundering (AML) Task Force**

TFI leads the AML Task Force, an interagency group tasked with assessing the entire anti-money laundering/counter-terrorist financing (AML/CFT) framework, to determine how the individual AML/CFT components work together to create an overall strong framework. The goal is to address gaps within the framework and develop recommendations to ensure the effectiveness of AML/CFT compliance programs within financial institutions.

### **Terrorist Financing Working Group**

The Department of State leads the Terrorist Financing Working Group, which provides foreign assistance to eliminate terrorist financing. TFFC represents Treasury as a member of this group.

### **Charities Working Group**

The Charities Working Group meets quarterly as a forum for charitable organizations to present issues that prevent them from conducting charity operations in foreign countries. TFFC leads this working group.

### **United States-Mexico Bilateral Banking Group**

The United States-Mexico Bilateral Banking group comprises United States and Mexican Government law agencies and regulators, as

well as industry members. The group meets to discuss general banking issues, such as information sharing between the two countries, and produces discussion papers on the issues. TFFC leads this working group.

### **Interagency Policy Committee (IPC)**

IPCs, led by the National Security Council, are attended by senior officials from the Department of State, Treasury, Department of Defense, Department of Energy, Justice Office of the Attorney General, DHS, Office of Management and Budget, Office of the Director of National Intelligence, and Joint Chiefs of Staff. IPCs manage the development and implementation of national security policies, serving as the main forum for review, analysis, and coordination of the implementation of presidential policy decisions in their area. TFFC participates on these committees.

### **G-20 Anti-Corruption Group**

The G-20 is a forum for international economic cooperation and decision making, comprising 19 countries and the European Union. The group meets annually to discuss ways to strengthen the global economy, reform international financial institutions, improve financial regulation, and implement key economic reforms. The U.S. delegation is chaired by the National Security Council and includes seats from State and Treasury. G-20 working groups coordinate policy on specific issues, including the Anti-Corruption Working Group, which focuses on financial transparency and anti-corruption. TFFC participates in this working group.

### **Federal Financial Institutions Examination Council Quarterly Meeting**

Federal bank regulatory agencies work through the Federal Financial Institutions Examination Council to develop policies for examinations of financial institutions and discuss the status of different policies and risks or threats that affect financial institutions. In addition to the Federal bank regulatory agencies, TFFC participates in these quarterly meetings.

### **Securities and Derivatives Working Group**

The Securities and Derivatives Working Group is co-chaired by the U.S. Securities and Exchange Commission and the Commodities Futures Trading Commission with a mission to analyze money-laundering risks in the securities and derivative markets. TFFC participates in this working group.

### **Threat Mitigation Working Group**

The Threat Mitigation Working Group is run by the National Security Council with the objective to determine where to target and focus intelligence resources and tools against terrorist organizations. The group is law-enforcement centered, with a focus on asset seizures. TFFC participates in this working group.





**DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220**

May 10, 2017

**Ms. Sharon Torosian, Director  
Department of the Treasury  
Office of Inspector General  
408 Atlantic Avenue  
Room 300  
Boston, MA 02110**

Dear Ms. Torosian,

Thank you for the opportunity to comment on the draft audit report entitled "TFFC Collaboration" received on January 30, 2017. We are committed to effectively collaborating with our U.S. government colleagues, and appreciate your recommendations to further that effort. Our responses to the recommendations are as follows:

1. Develop policies and procedures to ensure continuity and consistency in collaboration efforts with interagency task forces and workgroups.

TFFC agrees with this recommendation and understands the importance of collaboration with the interagency. We will develop policies and procedures to ensure continuity and consistency in collaboration. Under the procedures in place now and as reflected in the report, for collaboration on FATF-related issues, we circulate the documents for feedback and hold an interagency meeting to discuss comments. In addition, policy advisors are responsible for active and regular communication with interagency task forces and working groups.

2. Develop and implement a mechanism to monitor, evaluate, and report on the effectiveness of TFFC's interagency collaboration.

TFFC agrees with this recommendation and will implement this through its meetings with the interagency three times a year on FATF issues. At those meetings, TFFC will ask the interagency for feedback on collaboration and possibly improvements.

3. Develop meaningful performance measures specific to TFFC collaboration.

TFFC agrees with the recommendation for performance measures that include collaboration and has taken steps towards addressing this. However, the performance measures of TFI (TFFC's parent office and the developer of performance measures for all of TFI's component organizations) are substantive in nature, not process-oriented. TFI did publish a Strategic Plan in the fall of 2016 and one of the organization's core values is "collaboration." The strategic plan also highlighted interagency coordination, in particular, as key to successfully carrying out TFI's mission. As these core aspects are integrated into the substantive performance measures, TFFC's collaboration with the interagency can be reviewed as part of meeting these measures. We will make the

recommendation to TFI that TFFC's collaboration should be included in TFI's performance measures.

In addition, at the individual level, employees are encouraged to collaborate with their Treasury colleagues and their other U.S. government colleagues. The Treasury Department's required core competencies in all performance plans include "sharing information" and "working cooperatively with internal and external colleagues." As noted in this report, TFFC also has specific collaboration performance measures in each employee's performance plan that is evaluated twice a year.

4. Address areas of concern expressed by Federal agencies regarding TFFC's collaboration that includes feedback, intersessional meetings, and invitations to participate in bilateral meetings with foreign countries during the FATF Plenary.

TFFC agrees with aspects of this recommendation and will continue to work on this issue. On feedback, we have processes in place to ensure that our staff is providing FATF documents to our interagency partners as soon as the documents become available to Treasury. While we often do not receive responses or input from all involved interagency partners to our FATF-related documents, we will continue to carry out this policy and provide feedback whenever possible.

On the proposal of FATF intersessional meetings with the interagency, this would not be practical as we do not have any of the documents for Plenary discussion that would form the basis of such meetings. TFFC has held intersessional meetings with the interagency on specific FATF topics of interest where appropriate.

On bilateral meetings, TFFC is already working to implement this recommendation to involve our colleagues in bilateral meetings as appropriate. Many of these meetings are ad hoc, and are not initiated by TFFC or Treasury; our foreign counterparts often request meetings with our head of delegation on a variety of issues, including some that may not be appropriate for our colleagues to join. However, when our bilateral partner includes other agencies and when the topic is appropriate, TFFC is now, and will continue, to ensure that our U.S. government colleagues are involved in the appropriate areas.

If you have any questions or wish to discuss these comments in more detail, please feel free to contact me at (202) 622-1634.

Sincerely,  
/S/

Jennifer Fowler  
Acting Assistant Secretary

Appendix 4  
Major Contributors to This Report

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Ken O'Loughlin, Audit Manager  
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Patrick Arnold, Auditor-In-Charge  
Kajuana Britt, Referencer  
Andrew Morgan, Referencer

**The Department of the Treasury**

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Under Secretary for Terrorism and Financial Intelligence  
Assistant Secretary for Terrorist Financing  
Office of Strategic Planning and Performance Improvement  
Office of the Deputy Chief Financial Officer, Risk and Control  
Group

**Office of Management and Budget**

OIG Budget Examiner

**U.S. Senate**

Chairman and Ranking Member  
Committee on Finance

**U.S. House of Representatives**

Chairman and Ranking Member  
Committee on Financial Services



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