

ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

August 21, 2023

MEMORANDUM FOR: Patrick J. Lechleitner
Deputy Director and Senior Official Performing the
Duties of the Director
U.S. Immigration and Customs Enforcement

FROM: Joseph V. Cuffari, Ph.D.
Inspector General

SUBJECT: *ICE Has Limited Ability to Identify and Combat
Trade-Based Money Laundering Schemes*

JOSEPH V CUFFARI
Digitally signed by
JOSEPH V CUFFARI
Date: 2023.08.21
14:10:20 -04'00'

For your action is our final report, *ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes*. We incorporated the formal comments provided by your office.

The report contains two recommendations aimed at improving ICE's ability to identify and combat trade-based money laundering schemes. Your office concurred with both recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please contact me with any questions, or your staff may contact Kristen Bernard, Acting Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



DHS OIG HIGHLIGHTS

ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes

August 21, 2023

Why We Did This Audit

In trade-based money laundering schemes, criminal organizations use illicit cash to buy goods, which are imported and sold in another country. The sale proceeds are returned to the criminal organization, which completes the laundering. Criminal organizations use these trade transactions to disguise their criminal proceeds and finance terrorism and other illicit activities. We conducted this audit to determine to what extent ICE identifies and combats import commodities at high risk for trade-based money laundering.

What We Recommend

We made two recommendations to improve ICE's efforts to combat TBML.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at

DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

What We Found

U.S. Immigration and Customs Enforcement (ICE) has limited ability to identify and combat commodities imported as part of trade-based money laundering (TBML) schemes. Specifically, ICE does not have automated technology to identify import commodities at high risk for TBML schemes. Instead, it identifies TBML activities through manual searches of import records, which is time-consuming. Funding constraints and competing priorities have hampered ICE's development of automated capabilities to identify TBML schemes.

Additionally, ICE does not retain the expertise needed to identify and combat TBML schemes, relying instead on temporary promotions and 18-month tours to fill staffing needs. ICE has not allocated enough funding to hire the additional full-time permanent staff the Trade Transparency Unit needs to achieve its mission.

Despite the limitations we identified, ICE reported making 444 criminal arrests and seizing more than \$356 million associated with TBML investigations from fiscal years 2019 through 2021. However, until ICE addresses technology and staffing limitations, TBML-related imports will continue to go undetected, thus allowing transnational criminal organizations to finance activities, threatening U.S. national security.

ICE Response

ICE concurred with both audit recommendations. Appendix A contains ICE's management response in its entirety.



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Background

U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI) Trade Transparency Unit (TTU) is a key entity responsible for combatting trade-based money laundering (TBML) in the United States. TBML is the process of disguising criminal proceeds using trade transactions to legitimize their illegal origin and finance illicit activities.¹ Specifically, criminal organizations use illicit cash to purchase commodities, such as automobiles or electronics. The commodities are then imported and sold for cash, which is returned to the organization to launder their funds and finance illicit activities.

To move value around the world, criminal and terrorist organizations employ a variety of TBML schemes, including moving illicit goods, falsifying trade documents, and misrepresenting trade-related financial transactions. See Table 1 for types of TBML schemes.

Table 1. Types of TBML Schemes

Type of Scheme	Description
Over or Under Invoicing	Commodities are priced above or below the fair market price and the seller or buyer receives excess value.
Over or Short Shipping	The invoiced quantity of goods differs from the shipped quantity. The buyer or seller gains excess value based on the payment made.
Ghost Shipping	Fictitious trades in which a buyer and seller collude to prepare all the documentation indicating goods were sold, shipped, and paid for when no goods were shipped.
Shell Company	Companies with no meaningful assets or business operations are used to reduce the transparency of ownership in the transaction.
Multiple Invoicing	Numerous invoices are issued for the same shipment of goods, which allows the money launderer to duplicate justified payments.
Black Market Trades/Black Market Peso Exchange	Criminal organizations shift the value of their proceeds from one country to another without physically moving or transferring funds through a banking system.

Source: Department of Homeland Security Office of Inspector General analysis of TBML schemes

The increase in globalization, worldwide trade, and financial interdependence makes it challenging to find, combat, and dismantle TBML schemes. Per the Financial Action Task Force,² schemes can involve a variety of sectors and commodities, from auto parts to second-hand textiles, meaning no one scheme

¹ Financial Action Task Force and Egmont Group, *Trade-Based Money Laundering: Trends and Developments*, December 2020.

² The Financial Action Task Force is an inter-governmental body that promotes policies to protect the global financial system against money laundering.



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is like another, and these difficulties have led to a relatively small number of successful TBML investigations worldwide.³

The Financial Action Task Force further reported the increasing volume of international trade and trade data challenges investigating and detecting TBML. In 2021, the value of goods exported throughout the world was approximately \$22.3 trillion. The United States alone imported goods valued at \$2.8 trillion in fiscal year 2021. This volume of trade provides criminal organizations ample opportunity to launder an estimated \$1.6 trillion across the world every year.⁴ Figure 1 provides an example of the lifecycle of a TBML scheme involving price misrepresentation.

Figure 1. Example of a TBML Scheme



Source: DHS OIG depiction of a simple TBML scheme using under-invoicing

The TTU works to prevent transnational criminal organizations from exploiting international trade and financial systems. The TTU's primary function is to support law enforcement and foreign partners in combatting TBML. The TTU also facilitates the exchange of trade data with its 19 foreign partner countries.⁵ This trade data allows the TTU to compare values reported on U.S. import and export declarations against values reported on foreign counterpart import and export declarations. It also allows investigators to see both sides of the trade transaction, thereby adding a level of transparency.

HSI deployed the Data Analysis and Research for Trade Transparency System (DARTTS) for the TTU. DARTTS is a component of HSI's larger Repository for

³ Financial Action Task Force and Egmont Group, *Trade-Based Money Laundering: Trends and Developments*, December 2020.

⁴ *Estimating Illicit Financial Flows Resulting From Drug Trafficking and Other Transnational Organized Crime*, United Nations Office on Drugs and Crime Research Report (October 2011).

⁵ Partner countries are Argentina, Australia, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, France, Guatemala, Mexico, New Zealand, Panama, Paraguay, Peru, Philippines, United Kingdom, and Uruguay.



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Analytics in a Virtualized Environment (RAVEN),⁶ which is a cloud-based platform enabling HSI users to perform analytics across datasets. Analysts use DARTTS to examine U.S. and foreign trade data to identify anomalous trade patterns that may indicate TBML. In addition, the TTU has access to financial information derived from the *Bank Secrecy Act*⁷ data collected by the Financial Crimes Enforcement Network⁸ through DARTTS. The TTU uses this information in conjunction with trade data to form a clearer picture of TBML schemes or independently research the financial portion of any type of criminal investigation.

HSI's Innovation Lab is the office's central hub for developing advanced analytics capabilities, tools, and enhanced business processes. The Innovation Lab strives to create a framework that drives the development of state-of-the-art solutions for HSI, allowing individuals in the field to share insights and feedback with leadership.

HSI relies on money laundering and trade laws to prosecute those involved in TBML schemes. This includes the *Money Laundering Control Act of 1986*,⁹ which established money laundering as a Federal crime. Additionally, the *Bank Secrecy Act* established record keeping and reporting requirements for individuals and financial institutions to identify the source, volume, and movement of funds in or out of the United States.

We conducted this audit to determine to what extent ICE identifies and combats import commodities at high risk for TBML.

⁶ In November 2022, ICE began transitioning DARTTS from a vendor-owned cloud platform to RAVEN, an internally developed solution to maximize the efficiency and capabilities of its tools.

⁷ 31 U.S.C. § 5311, *et seq.*

⁸ The Financial Crimes Enforcement Network is part of the U.S. Department of the Treasury and is responsible for collecting financial information derived from the *Bank Secrecy Act*.

⁹ Pub. L. No. 99-570.



Results of Audit

ICE's Technology Limitations Hinder Its Ability to Identify and Target TBML Schemes

ICE does not have an automated system capable of identifying potential discrepancies and flagging suspected TBML activities. Specifically, ICE's DARTTS does not contain automated processes to search the trade data ICE receives to identify transactions linked to TBML. According to *U.S. Immigration and Customs Enforcement Homeland Security Investigation's Countering Transnational Organized Crime: Trade Transparency Unit Strategic Plan for Fiscal Years 2022-2027*, "HSI will enhance its work smart approach through the TTU by applying data science solutions to real world challenges" it faces. Specifically, "HSI will design algorithms and machine learning solutions"¹⁰ to help identify TBML transactions in DARTTS. The TTU's strategic plan aligns with U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, Principle 11, which states "management should design an entity's information system and related control activities to achieve objectives and respond to risks."

We determined that TTU analysts must manually search more than 1.9 billion import records to identify any discrepancies indicative of TBML. Analysts conduct these searches using the DARTTS discrepancy application, which allows users to compare U.S. trade data with foreign partner trade data to help identify discrepancies. For example, differences in reported values, quantities, counts, or weights between U.S. import data and foreign export data could indicate TBML. However, this application requires analysts to manually define the search criteria, such as countries for comparison, dates, Harmonized Tariff Schedule commodity codes,¹¹ and to specify threshold differences requiring further review. According to TTU officials, the manual process prohibits analysts from searching all the import records. Instead, analysts focus on items they identify as relevant to the commodity or target.

The manual nature of TBML searches diverts TTU analysts from focusing on TBML leads and providing information to solidify investigations. TTU officials also described manual searches as time-consuming. Further, TTU officials cannot identify the total number of import records analyzed because their manual searches do not capture this information. Using automated processes for searches would allow ICE to analyze all trade data and provide additional

¹⁰ Machine learning uses historical information to predict new outcomes.

¹¹ U.S. International Trade Commission maintains the Harmonized Tariff Schedule, which classifies a good based on its name, use, and/or material using a ten-digit number. The importer, customs broker, or other person preparing the entry papers is responsible for classification of imported items. Customs and Border Protection uses the classification to enforce the Harmonized Tariff Schedule.



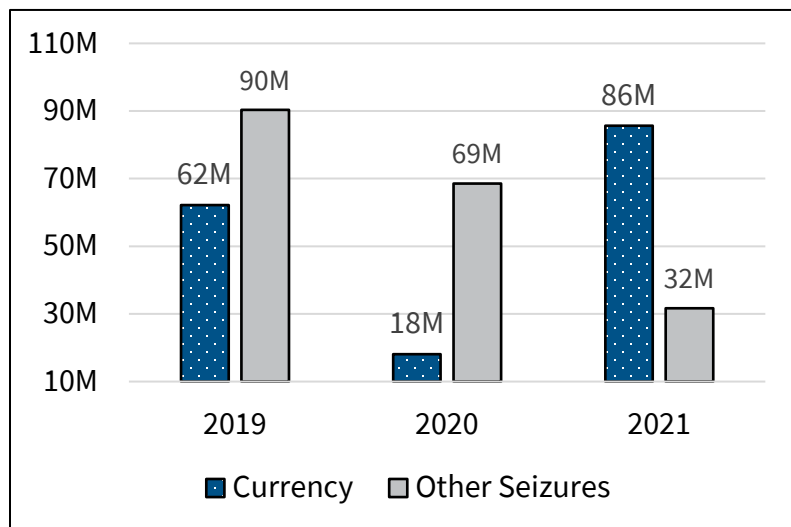
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time analysts need to generate TBML leads. Despite the limitations of manual searches, ICE reported making 444 criminal arrests and seizing more than \$356 million related to TBML investigations between FYs 2019 and 2021. However, this amount is a small fraction of estimated amounts laundered. As reported by the United Nations in 2011, less than 1 percent of the total amounts being laundered are seized.¹² See Figure 2 for a breakout of TBML-related seizures from FYs 2019 through 2021.

According to officials from ICE HSI's Innovation Lab, automated discrepancy searches for TBML schemes are possible, but ICE has not developed the capability because of a lack of funding and other competing priorities. Further, according to these officials, DARTTS does not have direct funding to develop the system upgrades and instead ICE relies on funding from the HSI budget, when available.

Figure 2. TBML-related Seizures: FYs 2019 - 2021



Source: DHS OIG analysis of ICE enforcement statistics

Despite the need for an automated TBML scheme identification and targeting capability, the anticipated work plan¹³ for DARTTS does not include plans to implement the needed automated capability within RAVEN. According to the work plan, ICE prioritized 10 functionalities to incorporate into DARTTS through December 2023. Seven of these features were already available in DARTTS through ICE's legacy system. Although ICE plans to incorporate three new functionalities into DARTTS, they do not include automated capabilities to target TBML schemes.

ICE's Staffing Limitations Hinder Its Ability to Identify and Target TBML Schemes

Staffing limitations challenge ICE's ability to identify and combat TBML schemes. According to *U.S. Immigration and Customs Enforcement Homeland Security Investigation's Countering Transnational Organized Crime: Trade*

¹² *Estimating Illicit Financial Flows Resulting From Drug Trafficking and Other Transnational Organized Crime*, United Nations Office on Drugs and Crime Research Report (October 2011).

¹³ The work plan includes anticipated work and completion dates for prioritized features and functionalities to be implemented in RAVEN DARTTS.



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Transparency Unit Strategic Plan for Fiscal Years 2022-2027, HSI plans to “recruit, train, and retain a world class workforce focused on operational and analytical support of TBML enforcement.” The TTU’s strategic plan aligns with *GAO Standards for Internal Control in the Federal Government*, Principle Four, which states “management should demonstrate a commitment to recruit, develop, and retain competent individuals.”

The TTU has only one full-time section chief and three full-time criminal research specialists. Instead of hiring additional permanent TTU staff to actively identify and target TBML schemes, ICE relies on temporary promotions and 18-month tours for personnel from its field offices. ICE advertises TTU rotational details quarterly. As of April 2023, four program managers were detailed to the TTU, one under a temporary promotion and three on 18-month tours.

According to TTU officials, the constant rotation of staff often leads to the TTU losing institutional knowledge required to identify TBML schemes. These officials further stated it takes 6 months for a TTU detailee to understand trade laws and identify import commodities used for TBML activities. Prosecuting TBML may require proof that the laundered funds or assets are the proceeds of specified unlawful activity, and that the defendant knew the activity was unlawful. Crimes the TTU relies on to build TBML cases include smuggling goods into and out of the United States, committing bank fraud, laundering monetary instruments,¹⁴ and structuring transactions to evade reporting requirements.

According to TTU officials, hiring permanent staff would allow the TTU to retain knowledge needed to conduct investigations instead of losing the knowledge each time individuals rotate back to their units. The officials further stated that one of the most difficult parts for detailed agents investigating TBML activities is unfamiliarity with trade laws and traditional smuggling related to money laundering. According to the officials, detailed agents need time and exposure to develop experience building TBML cases. After the TTU-detailed agents rotate back to their respective units, the level of expertise in identifying the import commodities used in TBML schemes diminishes. In addition, detailing agents to the TTU diminishes staffing levels at HSI field offices. Field offices do not receive additional agents to backfill when an agent is detailed to support the TTU.

The TTU does not have a direct line of funding in ICE’s HSI budget. TTU officials told us the unit is funded as part of the budget for HSI’s National Targeting Center – Investigations. Overall, the TTU had less than \$1 million

¹⁴ Monetary instruments are coin or currency of the United States or of any other country, traveler’s checks, personal checks, bank checks, money orders, or investment securities in a form that title passes upon delivery.



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per year to conduct operations from FYs 2019 through 2021, which does not allow for hiring additional full-time staff. That amount does not include the funds for temporary duty assignments the TTU uses to fill its staffing requirements. TTU officials stated it is difficult to get the funds needed to identify and combat TBML activities and achieve the needed staffing levels due to the number of competing priorities.

Also, the TTU has not conducted an official workforce analysis within the last 2 years to determine the number of full-time positions needed to accomplish its mission to counter TBML. TTU officials estimate it would require a minimum of five program managers and two or three criminal research specialists to perform the basic duties of the TTU. However, the basic duties do not include generation of TBML-related leads, increased outreach, and training with other government agencies and outside entities. Having more full-time staff to identify TBML activities and support investigations would likely increase the number of arrests and seizures resulting from the investigations.

In sum, ICE has limited ability to identify and combat commodities imported as part of TBML schemes. Without the resources necessary to analyze, identify, and target suspicious transactions and schemes, TBML-related imports will continue to go undetected. Consequently, transnational criminal organizations will continue to launder illicit proceeds using TBML to finance activities that threaten U.S. national security.

Recommendations

Recommendation 1: We recommend the Executive Associate Director for Homeland Security Investigations develop and implement a work plan detailing prioritized upgrades to the Repository for Analytics in a Virtualized Environment, Data Analysis & Research for Trade Transparency System, estimated funding requirements for those upgrades, and timelines for implementing the upgrades. The upgrades should include processes to achieve program objectives and respond to program risks such as capabilities to facilitate identifying trade-based money laundering transactions.

Recommendation 2: We recommend the Executive Associate Director for Homeland Security Investigations conduct an analysis of the Trade Transparency Unit workforce to determine the number of full-time staff needed to accomplish the unit's mission and convey those requirements to the Office of the Chief Financial Officer for future funding consideration.

OIG Analysis of ICE Comments

We obtained written comments on a draft of this report from ICE. We reviewed ICE's management comments, as well as the technical comments previously



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submitted and updated the report as appropriate. ICE concurred with recommendations 1 and 2, and we consider them open and resolved. A summary of ICE's responses and our analysis follows.

ICE Response to Recommendation 1: Concur. ICE's Innovation Lab and TTU established work plans including budget, feature prioritization, and development timelines that continue to evolve responding to the needs of the users, available resources, and agency priorities. Phase 1 of this plan includes developing features deemed the highest priority and vital to the operation of the application. Phase 2 involves adding advanced analytics and features to the application, including automated identification of TBML activity. Estimated completion date: March 31, 2025.

OIG Analysis: ICE's actions are responsive to this recommendation, which will remain open and resolved until ICE provides the detailed work plan including funding requirements and timelines for implementing upgrades to RAVEN DARTTS.

ICE Response to Recommendation 2: Concur. ICE conducted an analysis of the TTU workforce and will submit it to ICE's Office of the Chief Financial Officer after approval. The analysis highlighted the need for permanent staffing due to the complex nature of TBML. Additionally, the TTU addresses staffing issues by submitting requests to increase the staffing level through the annual budget process. Estimated completion date: March 29, 2024.

OIG Analysis: ICE's actions are responsive to this recommendation, which will remain open and resolved until ICE provides the approved workforce analysis conducted on the TTU.

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We conducted this audit to determine to what extent ICE identifies and combats import commodities at high risk for TBML. To answer this objective, we reviewed Federal laws and regulations related to TBML. We also reviewed ICE's internal controls, policies, procedures, and guidance associated with TBML. Furthermore, we reviewed congressional testimony and prior audits from DHS OIG, GAO, and other non-governmental agencies related to our objective.



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GAO reported that the TTU experienced various challenges including lapses in information sharing, differing priorities pursuing TBML investigations between ICE and foreign partner TTUs, limitations in the data systems that ICE and the TTUs use,¹⁵ and missed opportunities to better analyze and distribute information that could help investigative and enforcement agencies identify suspicious activity.¹⁶ To avoid redundant audit efforts, we did not report on these issues because GAO previously identified them.

In planning and performing our audit, we identified the internal control components and underlying internal control principles that were significant to the audit objective. Specifically, we reviewed ICE's commitment to a competent workforce and its design of the information system and related control activities. We identified internal control deficiencies that could adversely affect ICE's ability to identify and combat import commodities at high risk for TBML. However, because we limited our review to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of our audit.

We conducted interviews with personnel from ICE's HSI TTU and the HSI Innovation Lab to understand their roles and responsibilities for TBML efforts. Additionally, we conducted interviews with officials from CBP's Office of Trade, Office of Field Operations, Office of Intelligence, Laboratories and Scientific Services, and Office of International Affairs. We held virtual meetings and interviews to answer our audit objective and substantiate claims made throughout the audit. We determined CBP had a supportive role identifying and combatting TBML.

We analyzed the systems used by ICE to combat TBML. Our analyses included a review of system manuals to identify key characteristics and determine system capabilities. Specifically, we sought to determine how ICE uses those systems to identify TBML schemes. Further, we obtained and analyzed future system upgrades to determine what additional capabilities ICE planned to implement to combat TBML.

We evaluated ICE's staffing and budget levels to identify how TBML operations are funded. Specifically, we looked at budget data to determine whether there were specific funding items for TBML activities and related systems. We also analyzed TTU staffing levels to determine how the TTU fills its positions and the number of staff required to perform the functions of the TTU.

¹⁵ *Trade-Based Money Laundering: U.S. Government Has Worked with Partners to Combat the Threat, but Could Strengthen Its Efforts*, GAO Report No. GAO-20-333, April 2020.

¹⁶ *Countering Illicit Finance and Trade: Better Information Sharing and Collaboration Needed to Combat Trade-Based Money Laundering*, GAO Report No. GAO-22-447, November 2021.



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Finally, we evaluated ICE's strategic plans. As part of our evaluation, we identified goals, objectives, and planned initiatives affecting or related to TBML operations for both components.

We did not request data sets or pull a sample for testing from the TTU due to limitations in the unit's system capabilities that affect how the TTU receives and analyzes foreign partner data. Therefore, we did not conduct a data reliability assessment as part of our audit. Instead, we reported on the data system limitations as a finding within our audit report. The data we used in our audit included background information such as the total number of arrests and the dollar amount of HSI seizures identified in internal ICE reports.

We conducted this performance audit between October 2022 and May 2023 pursuant to the *Inspector General Act of 1978*, 5 U.S.C. §§ 401-424, and 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.

DHS OIG's Access to DHS Information

During this audit, ICE provided timely responses to our requests for information and did not deny or delay access to the information we requested.



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Appendix A
ICE Comments to the Draft Report

U.S. Department of Homeland Security
500 12th Street, SW
Washington, D.C. 20536



**U.S. Immigration
and Customs
Enforcement**

August 2, 2023

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Max Aguilar **MAX L AGUILAR** Digitally signed by MAX L AGUILAR
Date: 2023.08.02 13:33:54 -04'00'
Chief Financial Officer (Acting) and Deputy Executive
Associate Director for Management and Administration
U.S. Immigration and Customs Enforcement

SUBJECT: Management Response to Draft Report: "ICE Has Limited
Ability to Identify and Combat Trade-Based Money
Laundering Schemes" (Project No. 23-007-AUD-ICE, CBP)

Thank you for the opportunity to comment on this draft report. U.S. Immigration and Customs Enforcement (ICE) appreciates the work of the Office of the Inspector General (OIG) in planning and conducting its review and issuing this report.

ICE leadership is pleased to note OIG's recognition that ICE Homeland Security Investigations (HSI) Trade Transparency Unit (TTU) is a key entity responsible for combatting trade-based money laundering (TBML) in the United States. HSI TTU identifies global TBML trends and conducts ongoing analysis of trade data provided through partnerships with other countries' trade transparency units. One of the most effective ways to identify instances and patterns of TBML is through the exchange and subsequent analysis of trade data for anomalies that would only be apparent by examining both sides of a trade transaction.

The tool for accomplishing that analysis is the Data Analysis and Research for Trade Transparency System (DARTTS) application, which has been under redevelopment within HSI's Repository for Analytics in a Virtualized Environment (RAVEN) while transitioning away from the legacy system. The legacy system was retired in November 2022. HSI prioritized replicating the most needed features from the previous legacy system while concurrently developing the underlying framework of RAVEN to enable automated identification of TBML activity in the future.

www.ice.gov



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Management Response to Draft Report: "ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes" (Project No. 23-007-AUD-ICE, CBP)

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ICE remains committed to supporting domestic and international partners in identifying and responding to TBML. The ongoing roll-out of RAVEN DARTTS features and capabilities will help ensure that continues.

The draft report contained two recommendations with which ICE concurs. Enclosed find our detailed response to each recommendation. ICE previously submitted technical comments addressing several accuracies, contextual and other issues under a separate cover for OIG's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Enclosure



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Management Response to Draft Report: "ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes" (Project No. 23-007-AUD-ICE, CBP)
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Enclosure: Management Response to Recommendations Contained in 23-007-AUD-ICE, CBP

OIG recommended that the Executive Associate Director for HSI:

Recommendation 1: Develop and implement a work plan detailing prioritized upgrades to the Repository for Analytics in a Virtualized Environment, Data Analysis & Research for Trade Transparency System, estimated funding requirements for those upgrades, and timelines for implementing the upgrades. The upgrades should include processes to achieve program objectives and respond to program risks such as capabilities to facilitate identifying trade-based money laundering transactions.

Response: Concur. The ICE HSI Innovation Lab, in collaboration with TTU, implemented a two-phased approach for developing and enhancing the DARTTS application within the RAVEN platform beginning in 2020, and users were transitioned from the legacy system to RAVEN DARTTS in November 2022. TTU provides the requirements for DARTTS, communicates the needs of the users, and prioritizes the order by which new features will be added or enhanced. Accordingly, since 2020, the Innovation Lab and TTU established work plans including budget, feature prioritization, and development timelines which continue to evolve responding to the needs of the users, available resources, and agency priorities.

- Phase 1 of DARTTS development includes the features TTU determined as the highest priority and vital to the operation of the application and is scheduled for completion by December 29, 2023.
- Phase 2 of DARTTS development involves adding additional advanced analytics and features to the application, including automated identification of TBML activity. Phase 2 is scheduled to begin in January 2024 following the completion of Phase 1, contingent on receiving appropriated funding for fiscal year (FY) 2024. The timeline may additionally be affected by feature re-prioritization, resource allocation, additional requirements, requests for additional features and upgrades, and other agency priorities. If properly funded, ICE HSI estimates completing both phases of DARTTS development by end of FY 2025, Quarter 2.

Overall Estimated Completion Date (ECD): March 31, 2025.

Recommendation 2: Conduct an analysis of the Trade Transparency Unit workforce to determine the number of full-time staff needed to accomplish the unit's mission and



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Management Response to Draft Report: “ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes” (Project No. 23-007-AUD-ICE, CBP)

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convey those requirements to the Office of the Chief Financial Officer for future funding consideration.

Response: Concur. ICE HSI has already conducted an analysis of the TTU workforce and is in the process of submitting requirements to the ICE Office of the Chief Financial Officer, once approved. Specifically, on April 11, 2023, ICE HSI drafted and submitted to the Department of Homeland Security Joint Requirements Counsel (JRC) for review a Capability Analysis Report (CAR) detailing the need for additional permanent staffing at the ICE HSI TTU to effectively and efficiently intake, analyze, and process sufficient volumes of actionable trade data related to TBML. The CAR highlighted the need for permanent staffing because of the complex subject matter of TBML, and to address the over-reliance on temporary duty personnel limiting TTU’s ability to standardize the process for analyzing data holdings, identify threats, and disseminate actionable TBML leads both foreign and domestic. Once the DHS JRC approves the TTU CAR, HSI will work with the ICE Office of the Chief Financial Officer (OCFO) to obtain additional positions required to properly staff the Unit which could take years to fully implement.

In the meantime, TTU continues to address staffing issues by submitting requests to OCFO to increase the staffing level through the annual budget process. For example, TTU requested funding for 10 permanent positions as part of the FY 2023 annual budget process. While this request was not approved, TTU will continue to engage with ICE leadership on resourcing requirements.

ECD: March 29, 2024.



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Appendix B

Report Distribution

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