



Department of Justice

STATEMENT FOR THE RECORD

U.S. DEPARTMENT OF JUSTICE

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

FOR A HEARING ON

**CORRUPTION: VIOLENT EXTREMISM, KLEPTOCRACY, AND THE
DANGERS OF FAILING GOVERNANCE**

PRESENTED

JUNE 30, 2016

Statement for the Record
U.S. Department of Justice
Committee on Foreign Relations
United States Senate
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Introduction

The Department of Justice (the Department, DOJ) appreciates the opportunity to submit this Statement for the Record as Congress considers the important and complex topic of combatting international corruption. The Department has a strong commitment to, and record of, fighting overseas corruption, both through our own law enforcement actions, and through building the capacity of our foreign law enforcement partners to take actions to fight corruption themselves.

As explained below, however, DOJ does not currently receive direct funding from Congress for our overseas capacity-building programs, and receives only a fraction of the funding necessary to cover the headquarters costs of administering those programs. Instead, DOJ must apply to the State Department or other U.S. government funders to receive foreign assistance funds for its capacity-building programs, and must cover the majority of its headquarters costs by charging overhead in its Interagency Agreements with the State Department. The Senate Commerce, Justice, Science, and Related Agencies (CJS) Appropriations Subcommittee has noted that it is “concerned” about “the instability of budget and staffing challenges” faced by DOJ’s overseas capacity-building programs under the current funding model. The Administration is committed to seeking a solution to this problem, to ensure that DOJ can continue to help other countries fight international corruption, to the benefit of their citizens and our own.

DOJ’s Anti-Corruption Legislative Proposals

In May 2016, DOJ put forth legislative proposals that, if enacted, would strengthen our anti-corruption authorities and close the gaps in U.S. law that are open to abuse by bad actors. Specifically, DOJ proposed legislation that would increase transparency into the beneficial ownership of companies formed in the United States and would provide additional law enforcement tools to combat corruption and money laundering. The legislation would enhance law enforcement’s ability to prevent bad actors from concealing and laundering illegal proceeds of transnational corruption and would require reporting of beneficial ownership of corporations, which would aid law enforcement in the prevention and investigation of financial crimes.

DOJ’s Anti-Corruption Programs

DOJ’s commitment to investigating and prosecuting international corruption is reflected in a number of different programs, including:

- *Foreign Corrupt Practices Act (FCPA) Unit*: DOJ’s FCPA Unit consists of a select group of approximately 30 prosecutors. The unit works with the Federal Bureau of

Investigation's (FBI) International Corruption Unit and its three dedicated International Corruption Squads, as well as other investigative agencies, to investigate and prosecute individuals and corporations that pay bribes to foreign officials in order to obtain or retain business. The FCPA Unit routinely works with its foreign law enforcement partners in corruption cases, in countries such as Belgium, Brazil, Colombia, Cyprus, France, Germany, Indonesia, Ireland, Italy, Latvia, Luxembourg, the Netherlands, Norway, Panama, the Philippines, Saudi Arabia, Singapore, Sweden, Switzerland, Taiwan, and the United Kingdom, among others. Recent case resolutions include *United States v. Alstom S.A. et al.* (\$772,290,000 criminal penalty), *United States v. VimpelCom* (\$230 million criminal penalty and a global penalty and disgorgement of \$795 million with the Securities and Exchange Commission (SEC) and Dutch Prosecution Service), and *United States v. Roberto Rincon et al.* (guilty pleas of six individuals who paid and received bribes).

- *Kleptocracy Initiative:* DOJ's Kleptocracy Unit consists of approximately 16 experienced and highly-trained prosecutors who work with agents from the FBI, the Internal Revenue Service (IRS), and the Department of Homeland Security (DHS), and with U.S. Attorney's Offices around the country. The Unit investigates and prosecutes acts of high-level foreign corruption – such as bribery, embezzlement, and money laundering – that affect the U.S. financial system. The Unit also brings asset recovery actions to forfeit the proceeds of foreign official corruption in which, as appropriate, the proceeds are returned for the benefit of the citizens of the foreign countries that were victimized by that corruption. Recent successful cases include those leading to the recovery of approximately \$30 million in bribe proceeds paid to a former President of the Republic of Korea, \$30 million in embezzled and extorted funds obtained by the Second Vice President of Equatorial Guinea, and approximately \$115 million in corruption proceeds derived from illicit payments to senior officials of the Government of Kazakhstan. Through these and other asset recovery actions, the Kleptocracy Initiative has restrained more than \$1.8 billion worldwide, and will soon have returned more than \$150 million to victims of foreign corruption.
- *Prosecution of Fraud on U.S. International Assistance Programs:* DOJ's Fraud and Public Integrity Sections investigate and prosecute individuals who embezzle, steal, or obtain by fraud or bribery U.S. federal program funds, including foreign assistance funds. Recent cases include: *United States v. Lee, et al.* (U.S. military officers, military contractors, and related co-conspirators convicted of participating in a scheme involving the payment of over \$1.27 million in bribes in exchange for obtaining bottled water and other contracts at Camp Arifjan in Kuwait); *United States v. Kline* (U.S. soldier charged with soliciting gratuities from Afghan contractors doing business with the U.S. military); and *United States v. Green* (U.S. contractor charged with soliciting bribes from an Afghan firm seeking contracts with the U.S. Agency for International Development (USAID) relating to agricultural development).

DOJ's International Partnerships to Fight Corruption

DOJ cannot fight international corruption alone; it is essential that we have strong and competent foreign counterparts, both to cooperate in our investigations and prosecutions, and to investigate and prosecute their own corruption cases. To achieve this end, DOJ has pursued three strategies:

First, Build an International Consensus and Framework to Fight Corruption: DOJ has taken the lead in working with the State Department to develop multilateral organizations focused on fighting corruption, including the Organization for Economic Co-operation and Development (OECD) Working Group on Bribery; and, with the strong support of the Senate Foreign Relations Committee, DOJ worked with the State Department to create a key multilateral instrument – the UN Convention Against Corruption – which establishes that the fight against corruption is a universal goal, and which furthers that goal by setting out agreed-upon offenses that must be criminalized as well as preventive policies that should be followed.

Second, Build Effective Law Enforcement Cooperation Mechanisms: Again with the support of the Senate Foreign Relations Committee, DOJ and the State Department have negotiated and entered into many bilateral mutual legal assistance and extradition treaties that are essential to international investigations and prosecutions of corruption; DOJ has also vastly expanded the size of its Office of International Affairs and established the Central Authorities Initiative to help other countries improve their ability to cooperate in international investigations.

Third, Build the Capacity of Foreign Counterparts to Investigate and Prosecute Corruption: Corruption, left unchecked, can destabilize societies, leaving them – and, by extension, the United States – vulnerable to transnational organized crime and terrorism. Therefore, to protect both foreign citizens and our own, it is critical that in addition to bringing our prosecutions, we enhance the capability of foreign countries to fight corruption within their societies. One of the most effective ways of accomplishing this goal is through long-term capacity-building partnerships between foreign and DOJ prosecutors and law enforcement experts. DOJ has two offices dedicated to this task: the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) and the International Criminal Investigative Training Assistance Program (ICITAP). OPDAT and ICITAP are funded principally via interagency agreements with the State Department. By sending federal prosecutors and law enforcement experts to reside and work with their foreign counterparts for multi-year periods, OPDAT and ICITAP have achieved remarkable results – including the creation of dedicated foreign anti-corruption task forces – at very small cost to the United States. The work that OPDAT and ICITAP have done in this area has frequently resulted in increased credibility and public legitimacy of the foreign government's criminal justice systems. For example:

- In Honduras, OPDAT Resident Legal Advisors recently worked with the local prosecution services on several significant anti-corruption cases, including the prosecution of a former judge for receiving bribes in exchange for acquitting a notorious drug dealer of murder charges, for which the judge was ultimately sentenced to five and a half years' imprisonment; and the seizure of millions of dollars in assets from a board

member of the Honduran Institute for Social Insurance who stole over \$350 million from the agency and who remains a fugitive;

- In Montenegro, ICITAP advisors have provided training and mentorship to the Organized Crime and Corruption Unit, as well as to the Financial Investigations Unit within the Criminal Police, including helping the Special Prosecutor seize over 20 million Euros in criminal assets that will be returned to the government of Montenegro;
- In Albania, OPDAT Resident Legal Advisors have provided case-based mentoring to the Albanian Serious Crimes Prosecution Office that has resulted in the arrests of two prosecutors and one police officer in unrelated corruption cases centered around the acceptance of bribes in exchange for providing favorable dispositions to criminals in pending court matters;
- In Indonesia, OPDAT Resident Legal Advisors have provided training and case-based mentoring to the Attorney General's Office and the Corruption Eradication Commission that resulted in the conviction of a provincial governor, ten mayors, and a number of other political figures for bribery. In addition, ICITAP advisors provided analytical training to the Financial Transaction Reports Analysis Center which enabled the Center to conduct over 100 corruption, asset forfeiture, and fraud-related financial investigations in recent years.

In 2016, Congress appropriated an increase of \$1.5 million for OPDAT and ICITAP, bringing the current annual direct funding level to \$4.1 million. The 2017 President's Budget includes a request for an additional \$5 million in base resources for headquarters support. As presently structured, most of the funding spent annually on OPDAT and ICITAP headquarters and field operations (in excess of \$100 million) comes from Interagency Agreements with the State Department. Most critically, there remains a requirement for appropriated base funding to stabilize headquarters operations. The Senate CJS Subcommittee restated again this year that it "remains concerned about the instability of budget and staffing challenges faced by [OPDAT] and [ICITAP] under the current funding structure provided via the Department of State." We appreciate Congress's support as the Administration continues to implement and refine whole-of-government security sector assistance programs and we continue to seek more direct headquarters support funding for OPDAT and ICITAP so that they can continue this critical anti-corruption work.

Conclusion

The Department of Justice remains committed to fighting corruption domestically and internationally through law enforcement action and by providing capacity-building assistance to foreign governments. The Department looks forward to working with the Congress to identify additional funding to improve its anti-corruption programs and thanks the Committee for its interest in these critical issues.