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DOJ OIG Releases Report on the DEA's Income-Generating, Undercover Operations

Department of Justice (DOJ) Inspector General Michael E. Horowitz announced today the release of a report examining the Drug Enforcement Administration's (DEA) management and oversight of its income-generating, undercover operations, which are also referred to as Attorney General Exempt Operations (AGEOs). Through AGEOs, the DEA is authorized to participate in undercover financial transactions to target, infiltrate, and dismantle drug trafficking and money laundering organizations. Although the DOJ and DEA have indicated that the DEA's AGEOs result in some of the most successful criminal cases and seizures, the risks associated with the DEA's undercover money laundering activities, including the collateral consequence of assisting the basic operations of drug trafficking and money laundering organizations, are significant.

The DOJ Office of the Inspector General (OIG) found that the DEA's internal control framework over AGEOs was inadequate to mitigate risks, ensure compliance with statutory requirements, and safeguard funds from fraud, waste, and abuse. Specifically, the OIG found:

- **The DEA Did Not Fully Comply with Statutory and Department Requirements.** The DEA did not inform the Attorney General and Congress of all AGEO-associated authorized, undercover illegal activities it was required to report by statute. In addition, despite highly publicized problems in undercover operations conducted in prior years by other DOJ law enforcement components, DOJ did not ensure that all DOJ components were subject to and complying with the DOJ's requirements for undercover activities. As a result, the DEA's policies and practices were not consistent with certain Department requirements.
- **The DEA Did Not Clearly Define Operational Objectives and Assess AGEO Performance.** For some AGEOs, the DEA set broad initial objectives that impaired the ability of DEA management and DOJ to oversee the true scope of activities, did not always limit its undercover money laundering activities to those necessary to disrupt the initial targets of the operation, and did not effectively leverage AGEO information and strategically evaluate the laundering connections among AGEOs. We determined that DOJ's and DEA's evaluation and monitoring of AGEOs were not appropriately rigorous to identify scope expansions and operational inconsistencies in DEA investigations. Moreover, the DEA did not track operational achievements in a way that allowed DEA management, the Department, or Congress to understand whether AGEO operations successfully

completed the initial and authorized objectives and goals, built cases that led to prosecutions, and deprived criminals of ill-gotten gains.

- **The DEA Needs Additional Oversight for AGEOs Activities.** The DEA did not consistently document the appropriate approval to conduct authorized undercover laundering activities across jurisdictional boundaries, which could jeopardize operations and lead to legal repercussions for undercover case agents. In addition, the DEA did not establish strict internal controls, risk mitigation techniques, and appropriate record keeping practices for AGEOs involving virtual currency.
- **The DEA Must Improve Controls over AGEO Financial Activities.** One of the unique aspects of AGEOs is that the DEA is able to use income derived from its authorized undercover illegal activity to support necessary and reasonable expenses associated with the investigation. We found that although the DEA generally maintained adequate financial records for its authorized undercover transactions and its use of project generated income (PGI), the DEA spent PGI on cases and operations that did not generate the income, in violation of law.

Today's report makes 19 recommendations to assist the DEA and the Department of Justice in improving the DEA's AGEO program. The DEA and Department of Justice agreed with all 19 recommendations and have started corrective measures. Throughout the audit, the DEA made improvements to the AGEO program, such as issuing a comprehensive policy and improving certain oversight practices. Many of these updates occurred following the OIG's identification of the findings associated with AGEOs, and we acknowledge that the DEA has taken the initiative to enhance its processes, improve reporting, and utilize data more efficiently for its AGEOs.

Report: Today's report is available on the OIG's website under "Recent Reports" and at the following link: <https://oig.justice.gov/reports/2020/a20071.pdf>.

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