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July 3, 2023

The Honorable James E. Risch
Ranking Member
Committee on Foreign Relations
United States Senate

The Honorable Michael T. McCaul
Chairman
Committee on Foreign Affairs
House of Representatives

Subject: Venezuela: Illicit Financial Flows and U.S. Efforts to Disrupt Them

Much of Venezuela is ungoverned, undergoverned, or ill governed, according to the Department of State. In 2019, the U.S. ceased to recognize Nicolás Maduro as Venezuela's president and suspended embassy operations in Venezuela, according to State. U.S. agencies have indicated that the illegitimate Maduro regime allows and tolerates the use of its territory by transnational criminal organizations (TCO), including U.S.-designated foreign terrorist organizations, for drug trafficking and other criminal enterprises. According to the *2022 Caribbean Border Counternarcotics Strategy*, the ongoing political instability in Venezuela provides a permissive smuggling environment for TCOs, and Venezuela's corrupt political and security infrastructure enables officials to participate in, and profit from, these illicit activities. TCOs have used Venezuela's permissive environment to generate income. Corrupt Venezuelans have used their positions for illegitimate income. Furthermore, between 2017 and 2022, State has consistently determined that Venezuela is a major money laundering country. State and the Department of the Treasury have reported that Venezuela is susceptible to illicit financial activity, including money laundering and public corruption.

You asked us to review transnational organized crime related to Venezuela. In February 2023, we briefed congressional committees on Venezuela's regional influence.¹ We described how corruption at various levels within Venezuela had enabled transnational crime, such as the trafficking of drugs, gold, arms, and persons. We also described how crime in Venezuela had undermined regional security and contributed to the humanitarian crisis. In May 2023, we reported on (1) how Colombian cocaine is trafficked through Venezuela destined for the U.S., Europe, and Africa; (2) how the permissive environment in Venezuela allows corrupt individuals to collaborate with drug traffickers; and (3) how the situation in Venezuela undermines U.S. counternarcotics goals in Colombia.² In May 2023, we reported on (1) the main TCOs in

¹GAO, *Venezuela: Corruption and Dysfunction Have Enabled Transnational Crime, Which Has Exacerbated a Regional Crisis*, oral briefing (Washington, DC: Feb. 6, 2023).

²GAO, *VENEZUELA: The Maduro Regime's Permissive Drug Trafficking Environment Hinders U.S.-Colombia Counternarcotics Efforts*, GAO-23-105878SU (Washington, DC: May 3, 2023). The Department of State determined that this report contained SENSITIVE BUT UNCLASSIFIED information and therefore cannot be released to the public.

Venezuela and their activities; (2) links between those TCOs, the Maduro regime, and Venezuelan security forces; and (3) U.S. actions to counter transnational organized crime in Venezuela.³

For this report, we analyzed illicit financial flows connected to Venezuela. Specifically, we examined (1) what U.S. agencies know about illicit financial flows connected to Venezuela and (2) U.S. efforts to disrupt those flows.

To address our objectives, we analyzed intelligence reports, diplomatic cables, criminal analyses, and U.S. government-funded research. We interviewed officials of the Departments of Defense (DOD), Homeland Security (DHS), Justice (DOJ), State, and the Treasury in Washington, D.C. We also met with U.S. officials at U.S. Southern Command and Joint Interagency Task Force–South in Florida in July 2022.

We conducted this performance audit from February 2022 to June 2023 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.

Some information that was considered in developing the findings was excluded from this product for national security reasons. We provided a detailed, classified briefing on our findings to congressional committees in May 2023. U.S. agencies, including DOD and Treasury, determined that the briefing contained information that cannot be released to the public. This correspondence is a summary of our work. DOD, DHS, DOJ, State, and Treasury determined the information in this product was publicly releasable.

Summary

Illicit financial flows related to Venezuela include proceeds from the sale of commodities such as oil and gold, among others, as well as drug trafficking.

- **Oil** remains a major source of income for Venezuela and has been a mechanism for fraud and corruption, according to Treasury officials. Venezuelan oil continues to be exported to other countries, such as China.
- **Illicitly-mined gold** from Venezuela has been refined and its origins otherwise disguised in the Caribbean, Latin America, the Middle East, and Africa before entering international markets, according to U.S. government-funded research. Venezuelan gold was subsequently exported to countries in Europe, the Middle East, and East Asia.
- **Drugs** are trafficked through Venezuela, destined for U.S. and European markets. State has described Venezuela as a preferred route for trafficking drugs, predominately cocaine. Individuals in the Maduro regime collaborated with the National Liberation Army (Ejército de Liberación Nacional, known by its Spanish abbreviation ELN) and dissidents of the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, known as FARC dissidents) to transport cocaine through Venezuela, according to the

³GAO, *VENEZUELA: Transnational Criminal Organizations Are Widespread and Have Varying Links to the Maduro Regime*, GAO-23-105349SU (Washington, DC: May 17, 2023). The Department of State determined that this report contained SENSITIVE BUT UNCLASSIFIED information and therefore cannot be released to the public.

Commander of the U.S. Southern Command.⁴ ELN and two specific dissident groups of the former FARC are U.S.-designated foreign terrorist organizations.

Venezuelan actors—including criminal organizations, corrupt individuals in the Maduro regime, and others—attempt to export these commodities globally and take steps to cloud their origins. Venezuelan actors use shell companies and familial or business contacts acting as proxies to hide their assets. Venezuelan elites continue to use complex transnational mechanisms to move, store, and trade their wealth abroad, according to State-funded research.

U.S. agencies have undertaken efforts to disrupt these flows. State and Treasury have provided assistance to partner countries in the region to build their capacity to disrupt criminal activity in general and, to some extent, financial crimes in particular. However, Treasury officials noted that the volume of illicit financial flows is overwhelming for many partners in the region. Treasury's Financial Crimes Enforcement Network (FinCEN) issued financial advisories on corruption in Venezuela. Treasury also designated more than 300 individuals and entities related to Venezuela, blocking their assets and generally prohibiting U.S. persons (which include businesses, such as financial institutions) from dealing with them.⁵ DOJ and DHS have based criminal investigations on the information they have collected. DOJ has charged at least 35 individuals with money laundering–related crimes connected to Venezuela and secured convictions for some, according to reporting by DOJ's Fraud Section.⁶ DOD monitors drug movements in the region, including those from Venezuela, and has provided money laundering–related intelligence analysis to U.S. law enforcement agencies. Other than these, DOJ, DHS, and DOD do not have any efforts specifically directed at illicit financial activity related to Venezuela.

Recommendations for Executive Action

We are not making recommendations in this correspondence. However, we made a recommendation in one of our related products that State include a summary of U.S. objectives for Venezuela to counter money laundering connected to international narcotics trafficking in subsequent International Narcotics Control Strategy Reports.⁷

Agency Comments

We provided a draft of this product to DHS, DOD, DOJ, State, and Treasury. DOD, DOJ, State, and Treasury provided technical comments, which we incorporated as appropriate. DHS had no comments.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 7 days from the report date. At that time, we will send copies to the appropriate congressional committees; the Secretaries of Defense, Homeland Security,

⁴For more on Venezuela and drug trafficking, see GAO-23-105878SU.

⁵This information is based on our search of Treasury's Office of Foreign Assets Control's Sanctions List Search tool.

⁶This includes former Venezuelan officials, such as the former National Treasurer of Venezuela and her husband, who were found guilty of money laundering offenses in connection with a billion dollar currency exchange, bribery, and money laundering scheme in December 2022, according to DOJ.

⁷GAO-23-105349SU.

State, and the Treasury; and the U.S. Attorney General. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2964 or kenneyc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Valérie Nowak (Assistant Director), Brandon Hunt (Analyst in Charge), Eugene D. Beye, Juan Pablo Avila-Tournut, Pedro Almoguera, Pamela Davidson, Amanda Dawkins, Francisco M. Enriquez, Ian A. Ferguson, Kumba Gaye, Kevin Gonzalez, John Hussey, Jeremy Latimer, and Alex Welsh made key contributions to this report.

A handwritten signature in black ink that reads "Chelsea Kenney". The signature is written in a cursive, flowing style.

Chelsea Kenney
Director, International Affairs and Trade