

**STATEMENT OF ROBERT S. MUELLER, III  
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BEFORE THE UNITED STATES SENATE  
COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE AND RELATED  
AGENCIES**

**May 16, 2013**

Good morning Chairwoman Mikulski, Ranking Member Shelby, and members of the Subcommittee. I look forward to discussing the FBI's efforts as a threat-driven, intelligence-led organization that is guided by clear operational strategies and priorities.

The FBI has established strong practices for sharing intelligence, leveraged key technologies to help us be more efficient and productive, and hired some of the best to serve as Special Agents, Intelligence Analysts, and professional staff. We have built a workforce and leadership cadre that view change and transformation as a positive tool for keeping the FBI focused on the key threats facing our Nation.

Just as our national security and criminal adversaries and threats constantly adapt and evolve, so must the FBI be able to quickly respond with new or revised strategies and operations to counter these threats. Looking forward, a key challenge facing the FBI will be maintaining its current capabilities and capacities to respond to these threats at a time when the budgetary environment remains constrained.

We live now, and will for the foreseeable future, in a time of acute and persistent threats to our national security, economy, and community safety from terrorists, foreign adversaries, criminals and violent gangs, and cyber attackers. The attacks in Boston are vivid examples of the threat. This Subcommittee understands these threats – and the consequences of failing to address them. I look forward to working with the Subcommittee to ensure that the FBI maintains the intelligence, investigative, and infrastructure capabilities and capacities needed to deal with these threats and crime problems within the current fiscal climate. One lesson we have learned is that those who would do harm to the Nation and its citizens will exploit any weakness they perceive in the ability and capacity of the U.S. Government to counter their activities. We must identify and fix those gaps while not allowing new weaknesses or opportunities for terrorists, cyber criminals, foreign agents, and criminals to exploit.

The FBI's fiscal year (FY) 2014 budget request totals \$8.4 billion in direct budget authority, including 34,787 permanent positions (13,082 Special Agents, 3,026 Intelligence Analysts, and 18,679 Professional Staff). This funding level provides critical funding to address threats posed by terrorists, cyber attackers, and criminals.

The threats facing the homeland, briefly outlined below, underscore the complexity and breadth of the FBI's mission to protect the nation in a post-9/11 world. Let me briefly summarize the key national security threats and crime problems that this funding supports.

## National Security Threats

*Terrorism:* We have pursued those who committed, or sought to commit, acts of terrorism against the United States. Along with our partners in the military and intelligence communities, we have taken the fight against terrorism to our adversaries' own sanctuaries in the far corners of the world – including Iraq, Afghanistan, Pakistan, Yemen, Southwest Asia, and the Horn of Africa. We have worked to uncover terrorist cells and supporters within the United States and disrupted terrorist financial, communications, and operational lifelines at home and abroad. We have built strong partnerships with law enforcement in countries around the world.

The threat from terrorism remains complex and ever-changing. We are seeing more groups and individuals engaged in terrorism, a wider array of terrorist targets, greater cooperation among terrorist groups, and continued evolution and adaptation in tactics and communication.

Threats from homegrown terrorists are also of great concern. These individuals are difficult to detect, able to connect with other extremists, and – in some instances – highly capable operationally. There is no typical profile of a homegrown terrorist; their experiences and motivating factors are distinct. Many questions remain as to the precise motivation, planning, and possible support to the attacks in Boston. However, it is increasingly likely that the Boston attacks may prove to be the latest example of homegrown extremism.

Radicalization to violence remains an issue of great concern. Many factors appear to contribute to radicalization here at home, and those factors may explain why radicalization is more prevalent now than in the past. First, American extremists appear to be attracted to wars in foreign countries. We have already seen a number of Americans travel overseas to train and fight with extremist groups. The increase and availability of extremist propaganda in English perpetuate the problem.

The Internet has had a profound impact on radicalization. It has become a key platform for spreading extremist propaganda and has been used as a tool for terrorist recruiting, training, and planning. It also serves as a means of communication for like-minded extremists.

While we have had success both in disrupting plots and obtaining convictions against numerous terrorists, we have seen more groups engage in terrorism, an evolution in terrorist tactics and means of communication, and a wider array of terrorist targets here at home. All of this makes our mission that much more difficult. Therefore, the FY 2014 Budget request includes 28 positions (4 Special Agents and 24 Professional Staff) and \$6 million for surveillance resources to help combat International Terrorism.

*Foreign Intelligence.* While foreign intelligence services continue traditional efforts to target political and military intelligence, counterintelligence threats now include efforts to obtain technologies and trade secrets from corporations and universities. The loss of critical research and development data, intellectual property, and insider information poses a significant threat to national security.

Each year, foreign intelligence services and their collectors become more creative and more sophisticated in their methods to steal innovative technology, which is often the key to

America's leading edge in business. Last year alone, the FBI estimates that economic espionage cases cost the American economy more than \$13 billion. In the last four years, the number of FBI arrests associated with economic espionage has doubled; indictments have increased five-fold; and convictions have risen eight-fold.

As the FBI's economic espionage caseload is growing, the percentage of cases attributed to an insider threat has increased, meaning that individuals trusted as employees and contractors are a growing part of the problem. The insider threat is not new, but it is becoming more prevalent for a range of reasons, including that theft of company information is a low-cost route to avoid investment in research; the ease of stealing information that is stored electronically, especially when one has legitimate access to it; and the increasing exposure of businesses to foreign intelligence services as joint ventures grow and businesses becomes more global.

To address the evolving insider threat, the FBI has become more proactive to prevent losses of information and technology. The FBI continues expanding outreach and liaison alliances to government agencies, the defense industry, academic institutions, and, recently, to the general public, because of an increased targeting of unclassified trade secrets across all American industries and sectors.

Through these relationships, the FBI and its counterintelligence partners must continue our efforts to identify and prevent the loss of sensitive American technology.

*Intelligence:* Since September 11, 2001, we have improved our intelligence collection and analytical capabilities. Today, we are collecting and analyzing intelligence to better understand all threats – those we know about and those that have not yet materialized. We recognize that we must always look for ways to refine our intelligence capabilities to stay ahead of these changing threats. The FBI recently restructured its Directorate of Intelligence to maximize organizational collaboration, identify and address emerging threats, and more effectively integrate intelligence and operations within the FBI. With this new structure, each office can better identify, assess, and attack emerging threats.

*Cyber:* As this Committee knows, the cyber arena has significantly changed over the last decade. Cyber attacks and crimes are becoming more commonplace, more sophisticated, and more dangerous. The scope and targets of these attacks and crimes encompass the full range and scope of the FBI's criminal investigative and national security missions. Traditional crime, from mortgage and health care fraud to child exploitation, has migrated online. Terrorists use the Internet to recruit, to communicate, to raise funds, to train and propagandize, and as a virtual town square, all in one. On a daily basis, we confront hacktivists, organized criminal syndicates, hostile foreign nations that seek our state secrets and our trade secrets, and for profit actors willing to hack for the right price.

Since 2002, the FBI has seen an 84 percent increase in the number of computer intrusions investigations. Hackers – whether state sponsored, criminal enterprises, or individuals – constantly test and probe networks, computer software, and computers to identify and exploit vulnerabilities. We are working with our partners, both foreign and domestic, to develop innovative ways to identify and confront the threat as well as mitigate the damage. There is

always more work to be done, but we have had some success, including the 2011 takedown of Rove Digital, a company founded by a ring of Estonian and Russian hackers to commit a massive Internet fraud scheme.

The Rove Digital scheme infected more than four million computers located in more than 100 countries with malware. The malware secretly altered the settings on infected computers, enabling the hackers to digitally hijack Internet searches using rogue servers for Domain Name System (DNS) routers and re-routing computers to certain websites and ads. The company received fees each time these web sites or ads were clicked on or viewed by users and generated \$14 million in illegitimate income for the operators of Rove Digital.

We were able to work with our law enforcement counterparts in Estonia and our private industry partners to take down this criminal organization. Following the arrest of several co-conspirators in Estonia, teams of FBI agents, linguists, and forensic examiners assisted Estonian authorities in retrieving and analyzing data that linked the co-conspirators to the Internet fraud scheme. At the same time, we obtained a court order in the United States to replace the rogue DNS servers with court-ordered clean servers.

In this case, we not only took down the criminal organization, but we also worked with our partners in the Department of Homeland Security (DHS) and other agencies to mitigate the damage. Seven individuals have been indicted in the Southern District of New York in this case: six in Estonia and one in Russia. The United States has sought extradition of all six Estonian subjects. To date, two of them have been remanded to U.S. custody, and both have pleaded guilty.

We have also worked against infrastructure we believe has been used in Distributed Denial of Service (DDOS) attacks, preventing it from being used for future attacks. Since October, the FBI and the Department of Homeland Security (DHS) have released nearly 168,000 Internet Protocol (IP) addresses determined to be infected with DDOS malware. We have released this information through Joint Indicator Bulletins (JIBs) to 129 countries. Both the DHS' Computer Emergency Readiness Team (CERT) and FBI's Legal Attaches released JIBs to our foreign partners. These actions have enabled our foreign partners to take action and reduced the effectiveness of the botnets and the DDOS attacks.

Just as the FBI has transformed its counterterrorism and intelligence programs to deal with an evolving and adapting threat, the Bureau is strengthening its cyber program and capabilities. Computer intrusions and network attacks are the greatest cyber threat to our national security. To better prioritize our cyber resources on the greatest cyber threats, last year we focused our Cyber Division on computer intrusions and moved all other cyber-facilitated crimes that are perpetrated over the internet to our Criminal Investigative Division.

The FBI has also focused on hiring specialized personnel to address this growing threat. The FBI now has more than 1,000 specially trained agents, analysts, and digital forensic examiners that run complex undercover operations and examine digital evidence. The FBI is also the executive agent of the National Cyber Investigative Joint Task Force, which includes representatives from 19 law enforcement and intelligence agency partners. The task force

operates through Threat Focus Cells – smaller groups of agents, officers, and analysts focused on particular threats.

Both the Cyber Division and the NCIJTF are increasingly engaging the private sector in our effort to combat cyber threats. We distribute cyber threat information to victim companies, sometimes permitting them to stop cyber attacks before they happen. Appropriate two-way dialogue with the private sector is essential for the FBI to engage in time-sensitive investigative and disruption activities, including determining whether the cyber threat poses a threat to national security.

U.S. law enforcement and intelligence communities, along with our international and private sector partners, are making progress. Technological advancements and the Internet's expansion continue to provide malicious cyber actors the opportunity to harm U.S. national security and the economy. Given the consequences of such attacks, the FBI must be able to keep pace with this rapidly developing and diverse threat. Because of this, the FY 2014 Budget request includes an additional 152 positions (60 Special Agents, 1 Intelligence Analyst, and 91 Professional Staff) and \$86.6 million to help address this threat.

TEDAC: The FBI established the Terrorist Explosive Devices Analytical Center, or TEDAC, in 2003. Over the past ten years, it has proved to be a valuable tool supporting the military, homeland security, international partners, intelligence, and law enforcement communities. Prior to TEDAC, no single part of our government was responsible for analyzing and exploiting intelligence related to terrorist Improvised Explosive Devices (IEDs). Today, TEDAC supports the efforts of our entire government, from law enforcement to intelligence to the military, in developing and sharing intelligence about terrorist explosive devices.

Nearly all IEDs of interest to the United States Government pass through TEDAC, allowing our technicians, examiners, scientists, and intelligence analysts to see the full spectrum of devices and to recognize trends in their construction and components. TEDAC was (and remains) responsible for analyzing the devices used in the recent Boston attacks. This, in turn, helps us to disarm or disrupt these devices; to link IEDs to their makers; to develop new countermeasures and most importantly, to prevent future attacks.

TEDAC has received more than 95,000 submissions since its creation. By forensically and technically exploiting IEDs and their components, scientists and engineers are able to make matches and connections between seemingly unrelated IEDs. These connections have supplied valuable information to our war fighters on the front lines, as well as law enforcement and intelligence personnel protecting the homeland. TEDAC's work has resulted in actionable intelligence and progress in the fight against increasingly sophisticated and deadly explosive devices.

Thanks to the resources provided by this committee the FBI has begun construction of a new TEDAC facility at Redstone Arsenal in Huntsville, Alabama which is expected to be complete by February 2014. This new facility will allow TEDAC operations to be collocated at a single site, allowing for more efficient and integrated forensic and intelligence activities.

## **Criminal Threats**

The Nation faces many criminal threats, from complex white-collar fraud in the financial, health care, and housing sectors to transnational and regional organized criminal enterprises to violent gangs and crime to public corruption. These threats have also changed significantly since 2002. Criminal organizations – domestic and international – and individual criminal activity represent a significant threat to our security and safety in communities across the Nation. I would like to briefly highlight a number of these criminal threats and FBI capabilities for addressing with these threats.

*Gangs and Violent Crime:* Violent crimes and gang activities exact a high toll on individuals and communities. There are approximately 33,000 violent street gangs, motorcycle gangs, and prison gangs with about 1.4 million members active in the U.S. today. A number of these gangs are sophisticated and well organized; many use violence to control neighborhoods and boost their illegal money-making activities, which include robbery, drug and gun trafficking, fraud, extortion, and prostitution rings. Gangs do not limit their illegal activities to single jurisdictions or communities. FBI is able to work across such lines, which is valuable to the fight against violent crime in big cities and small towns across the Nation. Every day, FBI Special Agents work in partnership with state and local officers and deputies on joint task forces and individual investigations.

FBI joint task forces – Violent Crime Safe Streets, Violent Gang Safe Streets, and Safe Trails Task Forces – focus on identifying and targeting major groups operating as criminal enterprises. Much of the Bureau’s criminal intelligence is derived from our state, local, and tribal law enforcement partners, who know their communities inside and out. Joint task forces benefit from FBI surveillance assets and its sources track these gangs to identify emerging trends. Through these multi-subject and multi-jurisdictional investigations, the FBI concentrates its efforts on high-level groups engaged in patterns of racketeering. This investigative model enables us to target senior gang leadership and to develop enterprise-based prosecutions.

*Violence Along the Southwest Border:* Violence and corruption associated with drug trafficking in Mexico continues to be a significant issue – not only along the Southwest Border, but in many communities throughout the U.S. where Mexican drug traffickers have established a presence. In addressing this crime problem, the FBI relies on a multi-faceted approach for collecting and sharing intelligence – an approach made possible and enhanced through the Southwest Intelligence Group, the El Paso Intelligence Center, OCDETF Fusion Center, and the Intelligence Community. Guided by intelligence, the FBI and its federal law enforcement partners are working diligently, in coordination with the government of Mexico, to counter violent crime and corruption that facilitates the flow of illicit drugs into the United States.

*Organized Crime:* Ten years ago, the image of organized crime was of hierarchical organizations, or families, that exerted influence over criminal activities in neighborhoods, cities, or states. But organized crime has changed dramatically. Today, international criminal enterprises run multi-national, multi-billion-dollar schemes from start to finish. These criminal enterprises are flat, fluid networks and have global reach. While still engaged in many of the “traditional” organized crime activities of loan-sharking, extortion, and murder, new criminal enterprises are targeting stock market fraud and manipulation, cyber-facilitated bank fraud and

embezzlement, identify theft, trafficking of women and children, and other illegal activities. This transformation demands a concentrated effort by the FBI and federal, state, local, and international partners to prevent and combat transnational organized crime.

The FBI is expanding its focus to include West African and Southeast Asian organized crime groups. The Bureau continues to share intelligence about criminal groups with our partners, and to combine resources and expertise to gain a full understanding of each group. To further these efforts, the FBI participates in the International Organized Crime Intelligence Operations Center (IOC-2). This center serves as the primary coordinating mechanism for the efforts of nine federal law enforcement agencies in combating non-drug transnational organized crime networks.

*Crimes Against Children:* The FBI remains vigilant in its efforts to remove predators from our communities and to keep our children safe. Ready response teams are stationed across the country to quickly respond to abductions. Investigators bring to this issue the full array of forensic tools such as DNA, trace evidence, impression evidence, and digital forensics. Through improved communications, law enforcement also has the ability to quickly share information with partners throughout the world and our outreach programs play an integral role in prevention.

The FBI also has several programs in place to educate both parents and children about the dangers posed by violent predators and to recover missing and endangered children should they be taken. Through our Child Abduction Rapid Deployment teams, Innocence Lost National Initiative, Innocent Images National Initiative, Office of Victim Assistance, and numerous community outreach programs, the FBI and its partners are working to make our world a safer place for our children.

*Financial and Mortgage Fraud:* From foreclosure frauds to sub-prime scams, mortgage fraud is a serious problem. The FBI continues to develop new approaches and techniques for detecting, investigating, and combating mortgage-related fraud. Through the use of joint agency task forces and working groups, the FBI and its partners work to pinpoint the most egregious offenders and identify emerging trends before they flourish. In FY 2012, these efforts translated into roughly 2,265 pending mortgage fraud investigations – compared to approximately 700 investigations in FY 2005. Over 70 percent of FBI's pending investigations involve losses of more than \$1 million. In addition, in FY 2012, the FBI received over 70,000 Suspicious Activity Reports. The number of FBI Special Agents investigating mortgage fraud cases has also increased from 120 in FY 2007 to 260 Special Agents in FY 2012. The multi-agency task force and working group model serves as a force-multiplier, providing an array of interagency resources and expertise to identify the source of the fraud, as well as finding the most effective way to prosecute each case, particularly in active markets where fraud is widespread.

The FBI and its law enforcement partners also continue to uncover major frauds, insider trading activity, and Ponzi schemes. At the end of FY 2012, the FBI had almost 2,500 active corporate and securities fraud investigations, representing a 35 percent increase since FY 2008. Over the past three years, as a result of the FBI's efforts, the Department of Justice has obtained over \$20 billion in recoveries, fines, and restitutions in such programs, and during FY 2012, the FBI obtained over 600 convictions, just shy of the historic high obtained in FY 2011. The FBI is

pursuing those who commit fraud at every level and is working to ensure that those who played a role in the recent financial crisis are brought to justice.

In FY 2014, the FBI is requesting a program increase totaling \$15 million and 44 positions (40 Special Agents and 4 Forensic Accountants) to further address financial and mortgage fraud at all levels of organizations – both senior executives and lower level employees. These resources will increase the FBI's ability to combat corporate fraud, securities and commodities fraud, and mortgage fraud, and they will enable the FBI to adapt as new fraud schemes emerge.

*National Instant Criminal Background Check System (NICS)*: For over a decade, the FBI has been responsible for determining a person's eligibility to possess a firearm at the point of purchase from a Federal Firearms Licensee. The number of checks has grown over 200 percent since NICS was implemented in 1998. Since the tragic shooting at Sandy Hook Elementary school on December 14, 2012, and subsequent discussions of potential changes in gun laws, the FBI's workload has skyrocketed. Before the shooting, the busiest week in NICS history was the week of December 3 – 9, 2012, when 527,095 firearms checks were initiated. The week following the shooting, December 17 – 23, 2012, NICS volumes approached 1 million transactions, and continue to exceed historical peak volume. In fact, the first six full weeks in 2013 are among the top ten busiest weeks in NICS history. Because of this increased workload, the FBI has required NICS personnel to cancel all leave, work mandatory overtime shifts, forego other critical tasks, such as appeals and audits, and has shifted personnel from other program areas to provide assistance. Without a permanent addition to personnel, facility space, and technology improvements, national security and public safety are at risk, as the current FBI staff will be unable to provide timely and accurate determination of a person's eligibility to possess firearms and/or explosives in accordance with federal law. Therefore, the FY 2014 Budget requests 524 positions and \$100 million to increase the ability to process mandated background checks for firearm purchases.

## **Technology**

As criminal and terrorist threats become more diverse and dangerous, the role of technology becomes increasingly important to our efforts. We are using technology to improve the way we collect, analyze, and share information. We have seen significant improvement in capabilities and capacities over the past decade; but technology remains a key concern for the future.

For example, in 2011, we deployed new technology for the FBI's Next Generation Identification System. This technology enables us to process fingerprint transactions much faster and with more accuracy. The FY 2014 Budget includes \$7.4 million for the facility built to partner with the Department of Defense's (DoD) Biometrics Fusion Center, which will advance centralized biometric storage, analysis, and sharing with state and local law enforcement, DOD, and others. In addition, throughout the Bureau, we are also integrating isolated stand-alone data sets so that we can search multiple databases more efficiently, and, in turn, pass along relevant information to our partners.

The FBI shares information electronically with partners throughout the Intelligence Community, across the Federal government, as well as with state and local agencies. For



example, the FBI works closely with the nationwide suspicious activity reporting (SAR) initiative to implement technical and business processes that enable the eGuardian system and the Information Sharing Environment's Shared Space system to share SARs more quickly and efficiently. These efforts have worked to ensure that SARs entered into Shared Space are simultaneously shared with eGuardian, and in turn, delivered to the appropriate Law Enforcement and Intelligence Community partners.

Sentinel, the FBI's next-generation information and case management system, was deployed to all employees on July 1, 2012. Sentinel moves the FBI from a paper-based case management system to a digital system of record. It enhances the FBI's ability to link cases with similar information through expanded search capabilities and to share new case information and intelligence more quickly among Special Agents and Intelligence Analysts. It also streamlines administrative processes through "electronic workflow." The FBI will continue refining and deploying additional Sentinel features according to employee feedback and organizational requirements.

The rapid pace of advances in mobile and other communication technologies continues to present a significant challenge to conducting court-ordered electronic surveillance of criminals and terrorists. These court-ordered surveillances are often critical in cyber cases where we are trying to identify those individuals responsible for attacks on networks, denial of services, and attempts to compromise protected information. However, there is a growing and dangerous gap between law enforcement's legal *authority* to conduct electronic surveillance, and its actual *ability* to conduct such surveillance. Because of this gap, law enforcement is increasingly unable to gain timely access to the information it needs to protect public safety and bring these criminals to justice. We are grateful for this Subcommittee's support in funding the National Domestic Communications Assistance Center, which just opened its doors last month. The center will enable law enforcement to share tools, train one another in modern intercept solutions, and reach out to the communications industry with one voice.

It is only by working together – within the law enforcement and intelligence communities, and with our private sector partners – that we will find a long-term solution to this growing problem.

### **Offsets**

The FBI's FY 2014 budget request proposes offsets totaling approximately \$61 million. Proposed offsets include: elimination of the National Gang Intelligence Center; reduction of one training day and equipment provided for specialized response team training; reduction of contractor workforce funding; reductions in funding for permanent change of station transfers; reducing funding for information technology, facilities, and other administrative initiatives; reducing funding by converting contractor positions to government employees; and reducing security clearance funding for state and local task force officers. We will work to minimize the impact of these proposed reductions.

## **Conclusion**

Responding to this complex and ever-changing threat environment is not new to the FBI. The resources this Subcommittee provides each year are critical for the FBI to be able to address existing and emerging national security and criminal threats.

Chairwoman Mikulski, Ranking Member Shelby, and members of the Subcommittee, I would like to close by thanking you for this opportunity to discuss the FBI's priorities. Madam Chairwoman, let me acknowledge the leadership that you and this Subcommittee have provided to the FBI. The transformation the FBI has achieved would not have been possible without your support. Your investments in our workforce, our technology, and our infrastructure make a difference every day at FBI offices in the United States and around the world, and we thank you for that support.

I look forward to any questions you may have.