DOJ Announces New Trade Fraud Enforcement Initiatives

July 23, 2026

On July 14, 2026, Colin McDonald, Assistant Attorney General for the National Fraud Enforcement Division (the "NFED") of the Department of Justice ("DOJ" or the "Department"), announced several initiatives intended to strengthen the Department's efforts to combat customs and trade fraud.[1] DOJ also reported that, in less than a year since its inception, the Trade Fraud Task Force (the "TFTF") had surpassed $1 billion in civil and criminal recoveries, penalties, forfeiture and publicly charged losses—a milestone that McDonald stated is only the beginning of a broader enforcement campaign.

These developments reinforce that DOJ is pursuing trade fraud with increasing aggressiveness, deploying civil and criminal statutes—including the False Claims Act (the "FCA")—against companies and individuals for conduct that DOJ regards as compromising national and economic security, depriving the federal government of revenue, disadvantaging American businesses and introducing unsafe products into the country or supporting exploitative labor practices abroad.

Expanded Trade Fraud Enforcement Resources. The NFED's mandate and resources have grown steadily. The TFTF, established in August 2025 to coordinate trade enforcement with Customs and Border Protection ("CBP") and the Department of Homeland Security ("DHS"), has now been permanently integrated under NFED's umbrella. The NFED also announced the creation of a new Global Trade and Commerce Enforcement Section with the mandate to criminally prosecute trade-related fraud, including forced labor and unlawful global supply chains.[2]

McDonald emphasized that DOJ has embraced a "whole of government" approach to trade fraud enforcement, which now spans the Civil Division, Criminal Division,

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1 Press Release, U.S. Dep't of Just., Trade Fraud Task Force Surpasses $1 Billion in Recoveries and Charged Losses in Less Than One Year, No. 26-772 (July 14, 2026), https://www.justice.gov/opa/pr/trade-fraud-task-force-surpasses-1-billion-recoveries-and-charged-losses-less-one-year.

2 *Id.*

Environment and Natural Resources Division (the "ENRD") and NFED, as well as more than 30 U.S. Attorneys' Offices.

Trade Fraud Resource Guide. DOJ also released a Resource Guide to Trade Fraud Enforcement (the "Resource Guide") in partnership with DHS.[3] The Resource Guide provides a comprehensive account of the government's legal and enforcement framework and is directed to businesses, individuals, trade professionals and their counsel.

The Resource Guide emphasizes corporate oversight beyond the formal importer of record. Although importers of record bear direct customs responsibilities, the Resource Guide notes that companies elsewhere in the supply chain may face exposure if they knowingly participate in, profit from or remain deliberately indifferent to unlawful importation. DOJ therefore recommends that companies assess their supply chains, investigate warning signs and consider voluntary self-disclosure, cooperation and remediation when misconduct is identified.

Enforcement Priorities. McDonald stated that DOJ's $1 billion milestone represents the beginning of an expanded enforcement effort rather than its culmination. Notably, approximately $550 million of that figure derived from a single settlement—the May 2026 resolution with Perfectus Aluminum, which arose from a scheme dating back to 2011—indicating that DOJ is pursuing legacy misconduct through the TFTF's coordinating framework.[4] McDonald separately noted that data analytics systems developed during the TFTF's first year are now operational, enabling DOJ to proactively mine import data to generate new enforcement leads.

McDonald emphasized several focus areas:

- **Supply chain liability**. DOJ intends to pursue not only importers but also brokers, distributors, commercial end users and other downstream actors that knowingly benefit from unlawfully imported goods. For example, in April 2026, the Boise Cascade Company pled guilty to violating the Lacey Act and was ordered to pay a $6.38 million criminal fine—twice its gross profits—after purchasing hardwood from a supplier, allegedly with knowledge that the supplier had illegally imported

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3 Trade Fraud Task Force, *A Resource Guide to Trade Fraud Enforcement* (July 2026).

4 Press Release, U.S. Dep't of Just., Perfectus Aluminum Inc. and Related Companies Agree to Pay $549.5M to Settle False Claims Act Allegations Relating to Evaded Customs Duties, No. 26-482 (May 12, 2026), https://www.justice.gov/opa/pr/perfectus-aluminum-inc-and-related-companies-agree-pay-5495m-settle-false-claims-act.

the wood from China through a Malaysian transshipment scheme.[5] The case illustrates that Delivered Duty Paid ("DDP") arrangements, in which a supplier serves as importer of record, do not insulate U.S. purchasers from criminal liability if the surrounding facts suggest they were aware of unlawful importation. The ENRD's participation in the Boise Cascade prosecution signals that natural resource supply chains may face sustained, coordinated scrutiny.

- **Individual criminal accountability**. McDonald emphasized that corporate structures do not shield executives from personal liability. For instance, on July 14, 2026, DOJ announced charges against the owners and operators of two Chicago-area gold jewelry importers: (i) Surya International, whose owners allegedly declared false countries of origin on approximately 563 shipments valued at roughly $693 million, avoiding over $38 million in customs duties; and (ii) Barkha Wholesale, whose owner allegedly made false origin declarations on 242 shipments valued at over $240 million, avoiding more than $13.6 million in duties.[6] Taken together, these two indictments illustrate DOJ's focus on senior decision-makers and the scale of exposure that multiyear misclassification schemes can generate.

- **Consumer health and environmental safety**. DOJ views trade fraud enforcement as a tool to ensure that products do not bypass regulatory scrutiny. For example, in April 2026, Royal Sovereign International Inc. was sentenced to an $8 million criminal fine after pleading guilty to failing to report defective air conditioner units—manufactured in China—to the Consumer Product Safety Commission (the "CPSC").[7] According to DOJ, the defective units caused more than 40 fires and one death. The TFTF has made clear that it will share evidence of regulatory noncompliance uncovered during tariff-evasion investigations with appropriate agencies, making product-safety exposure a collateral risk of any trade fraud inquiry.[8]

- **Forced labor.** DOJ has stated that goods made with forced labor present humanitarian concerns and disadvantage American businesses. The Global Trade and

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5 David A. O'Neil, Jane Shvets, Douglas S. Zolkind & Andrew Noh, *Recent Tariff Evasion Corporate Resolutions Demonstrate DOJ's Continued Enforcement Focus*, Debevoise & Plimpton LLP (May 28, 2026), https://www.debevoise.com/insights/publications/2026/05/recent-tariff-evasion-corporate-resolutions-demo.

6 Trade Fraud Task Force Surpasses $1 Billion, supra note 1.

7 Press Release, U.S. Dep't of Just., New Jersey Company Sentenced for Failing to Report Dangerously Defective Air Conditioners to the Consumer Product Safety Commission, No. 26-412 (Apr. 28, 2026), https://www.justice.gov/opa/pr/new-jersey-company-sentenced-failing-report-dangerously-defective-air-conditioners-consumer.

8 David A. O'Neil, Jane Shvets, Douglas S. Zolkind & Andrew Noh, *Head of Trade Fraud Task Force Emphasizes Heightened Enforcement of Tariff Evasion*, Debevoise & Plimpton LLP (Feb. 26, 2026), https://www.debevoise.com/insights/publications/2026/02/head-of-trade-fraud-task-force-emphasizes-height.

Commerce Enforcement Section's mandate expressly includes investigating forced labor and unlawful global supply chains.[9]

Whistleblower Incentives and Self-Disclosure Pathways. The Department's heightened focus on trade fraud coincides with two complementary enforcement trends: DOJ's expanded efforts to encourage whistleblowing and its enhanced incentives for companies to voluntarily self-disclose potential misconduct.

First, DOJ has actively encouraged whistleblowers and qui tam relators to report trade fraud. The Criminal Division expanded its Corporate Whistleblower Awards Pilot Program in May 2025 to cover trade, tariff and customs violations, creating financial incentives for insiders and competitors to report suspected evasion beyond the FCA's qui tam provisions.[10] Companies should therefore assume that DOJ's enforcement pipeline is being seeded in part by individuals with knowledge of their supply chains.

Second, voluntary self-disclosure remains a meaningful pathway to mitigating exposure. In March 2026, DOJ issued its first-ever Department-wide Corporate Enforcement and Voluntary Self-Disclosure Policy ("CEP"), which now applies uniformly across all DOJ components and U.S. Attorneys' Offices. Under the CEP, a company that voluntarily self-discloses, fully cooperates and timely remediates alleged misconduct is entitled to a declination of criminal prosecution (rather than a mere presumption of a declination), absent aggravating circumstances.[11] In December 2025, DOJ declined to prosecute MGI International for falsifying customs declarations after crediting its voluntary self-disclosure and cooperation.[12] Separately, DOJ secured a guilty plea from the company's former chief operating officer on smuggling charges.

Companies that identify potential customs violations should promptly evaluate whether disclosure to DOJ or CBP under the Tariff Act's existing "prior disclosure" mechanism is appropriate.[13] Disclosure to DOJ and CBP can be complementary and is not mutually exclusive, but coordination requires careful sequencing.

Implications for Companies with International Supply Chains. DOJ's latest announcements make clear that trade fraud enforcement is not a passing priority: the Department is committing personnel, data systems and interagency structures to

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9 Trade Fraud Task Force Surpasses $1 Billion, supra note 1.

10 U.S. Dep't of Just., *Department of Justice Corporate Whistleblower Awards Pilot Program* (rev. May 12, 2025), https://www.justice.gov/criminal/media/1400041/dl?inline.

11 U.S. Dep't of Just., *Corporate Enforcement and Voluntary Self-Disclosure Policy* (May 2025), https://www.justice.gov/dag/media/1430731/dl?inline.

12 O'Neil et al., *Head of Trade Fraud Task Force*, supra note 8.

13 U.S. Customs & Border Prot., *Prior Disclosure: An Informed Compliance Publication* (Aug. 2017), https://www.cbp.gov/sites/default/files/assets/documents/2020-Feb/Prior%20Disclosure%20FINAL.pdf.

support additional investigations and enforcement actions for the foreseeable future. Companies with international supply chains should carefully evaluate their potential exposure. The following steps are worth considering:

- **Review the Resource Guide**. The Resource Guide provides a detailed account of the legal theories DOJ is using and the conduct it is targeting. It can serve as a useful diagnostic framework for assessing exposure.

- **Conduct a supply chain risk assessment**. Assess country-of-origin determinations, Harmonized Tariff Schedule ("HTS") classification practices, transshipment risks, supplier diligence and import documentation, including for goods purchased on DDP terms where a foreign supplier serves as importer of record.

- **Strengthen internal controls and reporting**. Establish or refresh internal controls for detecting red flags (including cost anomalies, sudden changes in country of origin and mismatches between purchase orders and customs data) and ensure that internal reporting channels are trusted and effective. Employees and competitors may be whistleblower sources; robust internal processes help surface concerns before they reach government investigators.

- **Review product-safety reporting obligations**. The Royal Sovereign case demonstrates that trade fraud investigations can generate CPSC and other regulatory referrals. Companies importing regulated products should confirm that their product-safety reporting procedures are current.

- **Evaluate voluntary self-disclosure proactively**. When internal reviews uncover potential customs violations, counsel should promptly assess potential disclosure under the CEP and the Tariff Act's prior disclosure framework. Even if a whistleblower reports misconduct to DOJ, a company may still qualify for a presumption of a declination if it self-reports the conduct to DOJ within 120 days.[14]

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Please do not hesitate to contact us with any questions.

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[14] U.S. Dep't of Just., Crim. Div., *Criminal Division Corporate Enforcement* (updated Mar. 10, 2026), https://www.justice.gov/criminal/criminal-division-corporate-enforcement.

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