



U.S. Immigration and Customs Enforcement

STATEMENT

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REGARDING A HEARING ON

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BEFORE THE

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PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

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Chairman Portman, Ranking Member Carper, and distinguished members:

Thank you for the opportunity to appear before you today to discuss the crisis of heroin and illicit fentanyl in the United States and the efforts of U.S. Immigration and Customs Enforcement (ICE) to target, investigate, disrupt, dismantle and bring to justice the criminal elements responsible for the manufacturing, smuggling, and distribution of dangerous opioids.

As the largest investigative agency within the U.S. Department of Homeland Security (DHS), ICE Homeland Security Investigations (HSI) investigates and enforces more than 400 federal criminal statutes including those contained in the Immigration and Nationality Act (Title 8), U.S. customs laws (Title 19), general federal criminal code (Title 18), and the Controlled Substances Act (Title 21). HSI special agents use this authority to investigate all types of cross-border criminal activity and work in close coordination with U.S. Customs and Border Protection (CBP), the Drug Enforcement Administration (DEA), U.S. Postal Inspection Service (USPIS), as well as other federal, state, and local law enforcement agencies in a unified effort, to target Transnational Criminal Organizations (TCOs) that are supplying heroin and illicit fentanyl to the United States.

Today, I would like to highlight our efforts to combat international shipments of opioids, especially fentanyl, coming into the United States through international mail facilities.

Introduction to Fentanyl

The United States is in the midst of an illicit fentanyl epidemic that is multi-faceted and deadly. Fentanyl is a Schedule II synthetic opioid, used medically for severe pain relief in patients that are already opioid tolerant, and it is 50-100 times more potent than morphine. For reference, as little as two milligrams of pure fentanyl can be fatal. Based on investigative efforts, United States law enforcement has identified China as a primary source of the U.S. illicit fentanyl threat.

Illicit fentanyl, fentanyl analogues, and their immediate precursors are most often produced in China. From China, these substances are shipped primarily through mail carriers directly to the United States or alternatively shipped directly to TCOs in Mexico, Canada, and the Caribbean. Once in the Western Hemisphere, fentanyl or its analogues are prepared and mixed into the U.S. heroin supply domestically, or pressed into pill form, and then moved to the illicit U.S. market where demand for prescription opioids and heroin remain at epidemic proportions. In some cases, traffickers have industrial pill presses shipped into the United States directly from China to operate fentanyl pill press mills domestically. Mexican TCOs also receive shipments of fentanyl and its precursors directly from China where it is usually adulterated with heroin or other powdered forms of narcotics such as dipyrone. There is strong evidence that large quantities of fentanyl are shipped from China to Mexico and are not opened until they are within the United States. Mexican cartels have seized upon this business opportunity because of the profit potential of synthetic opioids, and have invested in growing their share of this market. Because of its low dosage range and potency, one kilogram of fentanyl purchased in China for \$3,000 - \$5,000 can generate upwards of \$1.5 million in revenue on the illicit market.

Fentanyl shipments through mail facilities

Seizures of illicit fentanyl and other opioids at international mail facilities have increased over the last few years. Though fentanyl seizures made at land crossings are higher in number and larger in volume, the fentanyl seizures from mail and express consignment carrier (ECC) facilities are more potent. The majority of illicit fentanyl in the international mail and ECC environments is shipped in concentrations of over 90 percent, whereas the majority of fentanyl in the land border environment is seized in concentrations of less than 10 percent. Purchasers can also access open source and dark web marketplaces for synthetic drugs, like fentanyl, where they can be easily purchased online and then shipped into the United States, sometimes directly to the end user. TCOs have long realized the vulnerability of the mail system and express consignment and exploit the great volumes of mail entering the United States as a means to further their criminal activity. In an effort to combat opioid trafficking, ICE is targeting supply chain networks, coordinating with domestic and international partners, and providing field training to

highlight officer safety, trends, and collaboration benefits with partners such as CBP and the USPIS. In support of the detection and analysis effort, ICE is fully engaged with the DEA Special Operations Division (SOD) and the CBP National Targeting Center (NTC), to identify shipment routes, target parcels that may contain heroin, illicit fentanyl, fentanyl-related substances and manufacturing materials, and fully exploit financial and investigative analyses. While this is a good start, we recognize much more needs to be done.

ICE's Lines of Effort

Border Enforcement Security Taskforces (BEST)

Border Enforcement Security Taskforces (BEST) are ICE's primary platform to investigate opioid smuggling domestically. ICE currently operates BESTs in 57 locations throughout the United States, an increase of 30 percent in Fiscal Year (FY) 2017 in response to the President's Executive Order on TCOs. BESTs leverage the participation of more than 1,000 federal, state, local, and foreign law enforcement agents and officers representing over 100 law enforcement agencies to target opioid smuggling.

In response to the opioid crisis, ICE, with significant participation with CBP, established a BEST in Memphis, TN, embedded at an express consignment carrier facility, which specifically targets opioid shipments on a daily basis. With the support of the Organized Crime Drug Enforcement Task Force of the Department of Justice, identification of fentanyl analogues, interdictions, and investigative leads are being maximized. Because we still are working to identify the full extent of the smuggling operations that ship fentanyl through the mail, one of the primary tools used by the Memphis BEST is controlled deliveries of intercepted packages that contain fentanyl or other illicit substances. Controlled deliveries are highly effective means of identifying end-users, establishing probable cause, and ultimately disrupting and dismantling domestic and regional smugglers and distributors.

In FY17, HSI Memphis BEST initiated approximately 282 controlled deliveries to HSI offices throughout the world. One example of these cases occurred in August 2017, when the Memphis BEST seized 4.7 grams of highly potent carfentanil destined for Brockton, MA. HSI Memphis BEST collaborated with HSI Boston who accepted the package and substituted sham product for controlled delivery purposes. Subsequent to the sham delivery, special agents

executed a search warrant resulting in the seizure of multiple firearms, cocaine and heroin. One of the seized firearms was matched to an unsolved shooting in the Brockton, MA, area.

Because we recognize the need for greater action, ICE, CBP, and the USPIS are collaborating in the development of a more robust, nationwide effort to interdict fentanyl transiting through mail facilities. The expansion of BEST at these mail facilities is expected to help disrupt the movement of illicit fentanyl transiting through the mail by placing trained investigators at the facilities seeking to conduct long term, complex, criminal investigations into such activities, with a high probability for significant seizures and arrests. Additionally, the anticipated arrests and dismantling of distribution networks could impact overdose deaths in the United States.

National Targeting Center – Investigations (NTC-I)

ICE participates at CBP's NTC through the National Targeting Center – Investigations (NTC-I) program, which leverages intelligence gathered during ICE investigations and exploits it using CBP holdings to target the flow of drugs into the United States. The NTC-I works to share information between CBP and ICE entities world-wide.

ICE-HSI has assigned special agents to work within the NTC Cargo (NTC-C) Narcotics Division. These Special Agents are charged with serving as liaisons between the NTC and ICE personnel in both domestic and international posts. HSI investigative case data is fused with CBP targeting information to bolster investigations targeting illicit opioid smuggling and trafficking organizations.

NTC-I conducts post-seizure analysis based on ICE seizures in the field and CBP seizures at the ports of entry. The analysis is critical to identifying networks that transport heroin and illicit fentanyl-related substances into and throughout the United States. A key component of the post-seizure analysis is the financial investigation. The NTC-I focuses on the financial element of the smuggling organization by exploiting information gathered from multiple financial databases.

The NTC-I works closely with CBP to target illicit shipments imported into the United States from abroad for interdiction at international mail and ECC facilities. CBP works to target parcels based on numerous characteristics and provides investigative information on past seizures and active smuggling networks to aid in the targeting effort. Partnering with express consignment carriers has proven valuable in identifying additional data sets for targeting and exploitation.

The USPIS is a valued partner within the cargo/narcotics targeting division at the NTC. The USPIS resources provide significant value to targeting efforts in pre-existing investigations. The USPIS is able to leverage its agency specific databases to provide information previously unavailable to ICE and CBP at the NTC. Fusing information from the USPIS databases with currently available CBP and ICE targeting, trade, and investigative data has been instrumental in identifying illicit opioid importation and distribution conspiracies throughout the nation. Additionally, this partnership has allowed joint CBP, ICE, and USPIS enforcement “blitzes” to function much more smoothly, with the NTC serving as the central hub for all targeting data across the three agencies.

Cyber Crimes Division

The ICE Cyber Crimes Division provides support and assistance to field cyber investigations targeting dark net illicit marketplaces, where fentanyl and chemical precursors proliferate. As criminal activity, and especially the trade of illicit opioids, continues to migrate to the online world, ICE faces growing demand for cyber investigative assistance. For example, in 2014, HSI conducted only 37 cybercrime investigations (not including child exploitation violations). By 2015, that number approached 100 such investigations. Today, HSI has over 600 open cybercrime investigations, including over 100 specifically targeting dark net illicit markets – most of which involve narcotics smuggling. In the last year alone, the Cyber Division has observed a 500 percent increase in requests for field support. Recognizing the need to proactively target online fentanyl trafficking, the ICE Cyber Division is identifying ongoing investigations and facilitating the coordination of online undercover operations conducted in furtherance of dark net illicit marketplaces. Additionally, the Cyber Division is providing assistance with the development and management of online undercover personas in furtherance

of online undercover operations and collaborates with joint agency strategies in taking down online sources of opioids.

Special Operations Division (SOD)

The DEA's Special Operations Division (SOD) Heroin and Fentanyl Task Force (HFTF) is supported by ICE, CBP, DEA, USPIS and several other federal agencies. The SOD-led, interagency task force exploits electronic communications to proactively identify, disrupt, and dismantle the production, transportation, and financial networks behind the heroin and illicit fentanyl distribution organizations that impact the United States.

The HFTF focuses on the collaborative authorities and efforts of each invested agency's resources, in order to better share and deconflict information. The HFTF works together to target international and domestic organizations by proactively working with field office. The taskforce also assists in coordinating and linking investigations from the street level dealer to the international supply source.

ICE supports field investigations related to heroin and illicit fentanyl and the overdoses that occur as a result of use. ICE and the HFTF are currently coordinating with the Department of Justice's Organized Crime Drug Enforcement Task Force (OCDETF) Program, its Fusion Center and the White House Office of National Drug Control Policy's High Intensity Drug Trafficking Areas (HIDTA) taskforces to exploit communication data and social media information that are associated with reports of overdoses within a geographical area. This is in direct support of the OCDETF National Heroin Strategy. Coordination with OCDETF and HIDTA has proven helpful in multi-jurisdictional investigations and in their successful prosecutions.

Financial Division

Identifying, analyzing and investigating the payment systems that facilitate the purchase and smuggling of fentanyl is critical to the disruption and dismantlement of networks that smuggle fentanyl and other illicit opioids into the United States. ICE conducts proactive

investigations that focus on the two key payment systems which support illicit procurement of opioids: money service businesses (MSBs) and cryptocurrencies. Generally, illicit opioids that are purchased on the “indexed” internet are paid for through licensed mainstream MSBs. On dark net marketplaces and other “unindexed” websites, purchases are often paid for with cryptocurrencies such as Bitcoin or Monero, among many others. In support of its diverse financial investigative efforts ICE uses undercover techniques to infiltrate and exploit peer-to-peer cryptocurrency exchangers who typically launder proceeds for criminal networks engaged in or supporting dark net marketplaces. Furthermore, ICE leverages complex Blockchain technology exploitation tools to analyze the digital currency transactions and identify transactors.

To continue long term strategies to dismantle TCOs, ICE trains investigators from national and international agencies in cryptocurrency investigations in an effort to deter organizations from laundering proceeds or using cryptocurrencies to fund the purchase of fentanyl/opioids or other narcotics. Also, ICE created the Money Service Business Initiative to enable the application of advanced data analytics across large amounts of MSB data in order to isolate criminal networks, highlight suspicious transactions indicative of illicit activity, and provide predictive intelligence. The power of this type of advanced analytics truly shines when MSB data is integrated with additional government data holdings, open source and social media information, and communication records such as phone toll records, Internet Protocol (IP) address activity records, email search warrants, and Title III wire intercepts.

Successful Collaboration

There is no single entity or solution that can stop the flow of dangerous illicit drugs like fentanyl into the United States or keep them from harming the American public. Tackling this complex threat involves a united, comprehensive strategy and an aggressive approach by multiple entities across all levels of government. ICE will continue to work with our federal, state and local partners to improve the efficiency of information sharing and operational coordination to address the challenges and threats posed by illicit narcotic smuggling in the international mail environment. To that end, I wanted to share a recent successful investigation

that highlights the collaboration just mentioned. In early March 2017, HSI Houston, NTC-I and USPIS developed an initial target list of parcels containing suspected illicit substances enroute to U.S.-based recipients. The initial target list was shared with other cooperating agencies for potential interception and the execution of controlled deliveries, which resulted in the seizure of 72 parcels, all of which contained some form of illicit substances including fentanyl. Based on the contents of the 72 parcels seized in the U. S., HSI Houston further collaborated with the NTC-I, SOD, USPIS, CBP and HSI Attaché Office Hong Kong and identified a specific link in the flow of these illicit drugs to the United States. The HSI Attaché Office Hong Kong requested assistance from the Hong Kong Customs & Excise Department (HKCE). HKCE began a four-day operation during March 2017 targeting and intercepting parcels from a Chinese freight forwarding company. During their operation, an additional 130 parcels were seized within Hong Kong mail facilities. All of these 130 parcels were identified as containing some form of illicit substances including fentanyl and subsequently destroyed before reaching their intended recipients.

CONCLUSION

Thank you again for the opportunity to appear before you today and for your continued support of ICE and its law enforcement mission. ICE is committed to battling the U.S. opioid and illicit fentanyl crisis through the various efforts I have discussed today. I would like to reiterate that this problem is an epidemic that demands urgent and immediate action across various law enforcement agencies and in conjunction with experts in the scientific, medical, and public health communities. I appreciate your interest in this important issue and look forward to your questions.