



U.S. Immigration and Customs Enforcement

STATEMENT

OF

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U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT
DEPARTMENT OF HOMELAND SECURITY

REGARDING A HEARING ON

“ORGANIZED RETAIL CRIME”

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON COUNTERTERRORISM, LAW ENFORCEMENT, AND
INTELLIGENCE

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Chairman Pfluger, Ranking Member Magaziner, and distinguished members of the Subcommittee on Counterterrorism, Law Enforcement, and Intelligence:

Introduction

Thank you for the opportunity to appear before you today to discuss the efforts by Homeland Security Investigations (HSI) to combat Organized Retail Crime (ORC). My statement focuses on the crucial role HSI plays domestically and internationally in identifying, disrupting, and dismantling transnational criminal organizations (TCOs) that are involved with ORC and related crimes.

HSI is the principal component of the Department of Homeland Security (DHS) responsible for investigating transnational crime. In close collaboration with public and private sector partners in the United States and abroad, HSI special agents diligently work to identify and methodically build criminal cases against TCOs, terrorist networks, and their facilitators, as well as many other criminal elements that threaten the safety and security of our homeland. HSI works in conjunction with state and federal prosecutors to indict and arrest violators, execute criminal search warrants, seize currency and assets derived from criminal activity, and take other strategic actions designed to disrupt and dismantle criminal organizations operating throughout the world.

The HSI Financial Crimes Unit has led HSI's efforts to combat ORC and is focused on building partnerships with the retail industry and supporting HSI investigations to combat TCOs targeting retail businesses and laundering illicit profits. In 2022, HSI initiated Operation Boiling Point to underscore and address the severity of organized theft groups (OTG) involved in ORC, cargo theft, and other systematic thefts. When the Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers Act or the INFORM Consumers Act came into effect on June 27, 2023, HSI transitioned to Operation Boiling Point 2.0, to better communicate and engage with the major e-commerce platforms, and it is designed to attack ORC from an anti-money laundering approach in partnership with the e-commerce platforms and the retail sector.

ORC Threats and Related Crimes

In 2022, retail theft from both internal and external parties was responsible for approximately \$72 billion in losses according to the National Retail Federation's 2023 most recent Retail Security Survey. HSI is targeting OTG's who engage in three types of activities: ORC, cargo theft, and other related crimes. HSI defines these terms as:

- **ORC** refers to "the association of two or more persons engaged in illegally obtaining items of value from retail establishments, through theft and/or fraud, as part of a criminal enterprise."
- **Cargo theft** is the theft or fraudulent acquisition of goods that are part of an interstate or international shipment and can take place at any point along the supply chain.

- **Other OTG activity** pertains to the theft of valuable items outside the regular supply chain, such as catalytic converters.

OTGs engage in large-scale theft which relies on criminal networks of boosters who steal goods from retailers, cleaners who disguise the origins of the stolen merchandise, fencers who resell the products through brick-and-mortar fronts and e-commerce websites, and professional money launderers who funnel the illicit profits to the criminals orchestrating the schemes. In order to realize higher profits, many of the stolen items are shipped to foreign markets or sold via dark web or other gray market websites that have lower or no standards of retail product authenticity verification. Those illicit profits need to be laundered to be realized and used by TCOs. The laundering of these illicit proceeds involves the exploitation of the financial system, bulk cash smuggling, and trade-based money laundering schemes - a system now dominated by Chinese-based Money Laundering Organizations (CMLOs). The CMLOs that are laundering the proceeds from ORC are the same organizations that are laundering the illicit proceeds from the sale of narcotics, to include fentanyl by Mexican-based drug cartels.

HSI's Role in Combating Organized Retail Crime

HSI conducts investigations targeting organized theft groups based on the interstate and international transportation of stolen goods and the corresponding movement of illicit proceeds from the sale of these stolen goods. While HSI's investigative portfolio is extensive and diverse, financial investigations are at the core of every investigative program area. TCOs, terrorist organizations, and the myriad of criminal networks have grown increasingly more sophisticated in their approach to concealing their criminal acts, while also morphing operations to the perceived anonymity of the Darknet. Traditional money laundering methods remain; yet, cryptocurrency can now be used with relative ease to facilitate any type of illicit activity. HSI's financial investigative authorities and unique capabilities specifically enable us to identify, dismantle, and disrupt the criminal enterprises that threaten our nation's economy and security. One of the most effective methods utilized to identify, dismantle, and disrupt organizations engaged in retail crime is to target the illicit movement of proceeds gained through their efforts. We also target transnational criminal gangs and other TCOs committing ORC and other crimes related to illicit trade, travel, and finance.

HSI is utilizing its National Lead Development Center (NLDC) to coordinate ORC investigations with HSI field offices; other federal partners to include the United States Secret Service, the United States Postal Service, as well as others; state and local law enforcement; private sector loss prevention/asset protection components; and insurers. In Fiscal Year 2023, the NLDC received 222 requests for investigation from state/local law enforcement and the private sector on thefts resulting in a combined \$51 million in ORC losses.

HSI's ORC investigations focus on the higher tiers of OTGs. These investigations target the often-violent individuals profiting from the thefts. HSI investigations have uncovered several TCOs involved in ORC. One such example is the South American Theft Groups (SATGs), which include organizations based in Colombia, Chile, and other countries. These groups recruit members and facilitate travel into the United States for individuals who then commit strategic

thefts of high-value electronic devices. Items are stolen, consolidated, shipped to another location in the United States, and ultimately illicitly exported to foreign countries. An additional example of OTGs are Romanian organized theft groups (ROTG) that recruit individuals from Eastern Europe to travel to the United States to commit various types of crimes, including retail theft and access device fraud. A recent HSI investigation in Missouri revealed an ROTG, comprised of previously deported individuals, that wired illicit proceeds to Romania and other international destinations.

As part of the DOJ's Organized Crime Drug Enforcement Task Forces (OCDETF) Program, the International Organized Crime, Intelligence and Operations Center (IOC-2) leverages its unique capabilities and resources from the Special Operations Unit and the OCDETF Fusion Center to provide comprehensive intelligence products, case support and deconfliction to HSI offices in support of OTG investigations. In Fiscal Year 2023, HSI and IOC-2 held a case coordination meeting between HSI field offices and local law enforcement to deconflict investigations and share typologies of SATGs operating in multiple jurisdictions across the United States.

HSI's National Targeting Center – Investigations (NTC-I) Unit was established in December 2013, in collaboration with U.S. Customs and Border Protection (CBP), to enhance our shared border security mission. HSI's collaborative presence at the National Targeting Center (NTC) supports the entire border security continuum, from CBP interdictions and HSI investigations, to the joint exploitation of intelligence. NTC-I facilitates the identification and disruption of SATGs.

In Fiscal Year 2023, HSI created a working group with U.S. Secret Service (USSS), U.S. Immigration and Customs Enforcement's Enforcement and Removal Operations, U.S. Citizenship and Immigration Services, and CBP's NTC to prevent suspected SATG and ROTG members from entering the United States and to target those that had previously entered. In addition, HSI, USSS, and the NTC are targeting imported shipments of parts used to assemble "card skimmers," which are commonly used by ROTGs to commit access device fraud and steal millions of dollars from states' Supplemental Nutrition Assistance Programs.

The National Intellectual Property Rights Coordination Center (IPR Center) was created by HSI in 2010 and codified into law in the Trade Facilitation and Trade Enforcement Act of 2015. The IPR Center brings together a multitude of domestic and international partners, including the retail industry, in a task force setting at the forefront of the U.S. Government's response to combating global intellectual property theft and enforcing international trade laws. The IPR Center attacks vulnerabilities in the global supply chain to further secure the border, facilitate legitimate trade, and dismantle criminal organizations engaged in trade crimes. The IPR Center has over a decade of experience investigating how TCO's exploit online marketplaces to peddle counterfeit items and other illicit goods and served as a model for HSI's Operation Boiling Point.

HSI's Strategy to Combat ORC

Through Operation Boiling Point 2.0, HSI is targeting OTGs utilizing theft, and in some cases fraud, as a means to profit from criminal activity.

HSI continues to establish, foster, and maintain public and private sector partnerships to combat OTGs. HSI recognizes the invaluable role of industry partnerships, to include retail, freight transportation, banking and other business sectors, which may be targeted by OTGs or utilized by OTGs to facilitate their criminal activities. HSI has also developed relationships with several regional Organized Retail Crime Associations throughout the United States. To highlight the importance of public and private sector partnerships, HSI collaborated with the Association of Certified Anti-Money Laundering Specialists to publish a [guide](#) for law enforcement investigators and anti-financial crime professionals to help combat ORC and OTGs.

Over the past two decades, HSI has established a strong record of working collaboratively with banks. For example, HSI's Operation Cornerstone is a comprehensive and proactive outreach initiative that ensures financial institutions are informed of the latest money laundering techniques.

In terms of e-commerce and online marketplaces, under Operation Boiling Point 2.0, HSI will adapt our Cornerstone outreach program to meet the needs of e-commerce and online marketplaces. This will include educating online marketplaces on the latest criminal trends and providing direct access to HSI investigative support and personnel when fraud is suspected. HSI anticipates some high-volume third-party sellers of stolen goods will gravitate toward new or existing marketplaces that do not comply with the recently passed INFORM Consumers Act. However, through the concerted efforts of law enforcement agencies within the United States and around the world, there are fewer and fewer dark corners of the internet where cyber criminals can operate when denied access to legitimate platforms.

HSI continues to obtain, develop, and provide intelligence and investigative leads to our HSI field offices and state and local law enforcement. Through our strategic partnerships, HSI receives and disseminates actionable leads to HSI criminal analysts and special agents across 253 domestic field offices and 86 international offices to identify criminal networks and develop investigations.

HSI continues to advance criminal investigations to disrupt and dismantle OTGs. HSI recognizes the importance of collaboration with federal, state, and local law enforcement and prosecutors, as well as regional task forces, to combat the ORC threat. OTGs operating domestically and abroad may commit retail theft, cargo theft, and related crimes across several jurisdictions, which requires investigators to share information and pool resources to effectively disrupt and dismantle criminal organizations impacting our communities. The HSI domestic footprint is supplemented by approximately 3,700 task force officers representing key strategic federal, state and local partners in the fight to combat TCOs.

As the final component of this initiative, HSI launched a robust public awareness campaign in coordination with our partners. Since its launch, HSI has participated in over 50 events and meetings discussing Operation Boiling Point 2.0 with over 4,000 attendees and stakeholders from 29 states.

Investigative Results

In Fiscal Year 2023, HSI initiated 199 OTG cases, which represents an increase of over 107 percent from Fiscal Year 2022. As shown in the following table, seizures have increased over 227 percent, arrests have increased 159 percent, and indictments have increased 189 percent related to ORC investigations in Fiscal Year 2023, from Fiscal Year 2022 levels.

	FY 2021	FY 2022	FY 2023
Cases Initiated	59	96	199
Assets Seized	\$9,287,757	\$4,690,823	\$15,372,834
Criminal Arrests	61	149	386
Indictments	55	98	284

Operation King of the Mountain

In August 2022, HSI Charlotte worked with CVS, Walgreens, Walmart, Publix, and Target retailers to identify an ORC ring operating in North Carolina. The retailers provided information about the means and methods of the ORC ring and requested HSI’s assistance to disrupt and dismantle the organization. HSI identified an individual receiving stolen property from “boosters” and two known warehouse style storage facilities storing the stolen merchandise that was later sold on eBay and Amazon.

HSI Charlotte executed four search warrants and have arrested four individuals including the main suspect. The operation resulted in the seizure of 28 firearms to include four AR-15 rifles, six suppressors, more than 20,000 rounds of assorted ammunition, and \$167,389.31 in stolen merchandise recovered.

Operation At the Card Wash

In September of this year a multi-year investigation lead by HSI Los Angeles concluded after members of a TCO plead guilty to conspiracy to commit money laundering and other charges. The investigation identified a network of wholesale electronics distributors engaged in trade-based money laundering by sourcing merchandise derived from various fraud schemes and exploiting the use of gift cards to launder or mask criminally derived funds. As an example, a phone scam victim is coerced, under false pretenses, into purchasing and providing gift cards and access codes to scammers over the phone which are ultimately transmitted to straw-purchasers or “runners,” who utilize the cards for transactions to purchase high value consumer electronics or new gift cards at retail stores.

The investigation led to the federal indictment of four defendants related to a scheme to launder gift cards purchased by scam victims. The indictment alleged that the defendants obtained more than 5,000 gift cards from a group that called itself the “Magic Lamp,” and sold gift card information via an online messenger application. Through the purchases and other transactions at multiple retail stores, the defendants and their co-conspirators sought to conceal the fact that the

gift cards had been originally funded with fraudulent proceeds. Customs records indicated that between August 2019 and November 2020, a business operated by one defendant exported merchandise with a total declared value of over \$13 million, consisting of iPads, cell phones, AirPods, and Apple watches, to recipients in Hong Kong. In September, after a ten-day trial three defendants were found guilty of conspiracy to commit money laundering. A January 2024, sentencing hearing has been set at which time the defendants will face a statutory maximum sentence of 20 years in federal prison for each money laundering conspiracy count. The fourth defendant pled guilty and is currently serving a federal prison sentence. This case was prosecuted by the United States Attorney's Office for the Central District of California.

These investigations demonstrate the scope of OTG activities that victimize our communities and highlight the HSI strategic and vital role in investigating ORC, cargo theft, and related crimes to disrupt and dismantle OTGs. These cases also illustrate the importance of public and private partnerships, and law enforcement coordination across jurisdictions.

Conclusion

The United States remains a desirable target for TCOs that seek to profit from systematic theft and fraud. Through its unique authorities, capabilities, and strategic partnerships, HSI seeks to disrupt and dismantle OTGs that exploit the United States economy and pose a public safety risk to our communities.

Thank you again for the opportunity to appear before you today and for your continued support of HSI and our enduring efforts to secure our borders and protect the American people from the criminal organizations targeting our homeland. I look forward to your questions.