



U.S. Immigration and Customs Enforcement

STATEMENT

OF

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REGARDING

“Opioids in the Homeland: DHS Coordination with State and Local Partners to Fight the Epidemic”

BEFORE THE

U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY, SUBCOMMITTEE ON OVERSIGHT AND
MANAGEMENT EFFICIENCY

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Chairman Perry, Ranking Member Correa, and distinguished members:

Thank you for the opportunity to appear before you today to discuss the opioid epidemic in the United States, particularly in Pennsylvania, and the efforts of U.S. Immigration and Customs Enforcement (ICE) to target, investigate, disrupt, and dismantle the criminal networks 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 to include the Immigration and Nationality Act under Title 8, U.S. customs laws under Title 19, general federal crimes under Title 18, and the Controlled Substances Act under 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), the U.S. Postal Inspection Service (USPIS) and our state, local, tribal, and international partners in a unified effort, to target the Transnational Criminal Organizations (TCOs) that are supplying illicit substances, to include opioids, to the United States.

Today, I would like to highlight our efforts to reduce the supply of illicit opioids, such as heroin and fentanyl, coming into the United States and the operational challenges we encounter.

Introduction to Illicit Opioid Smuggling

The United States is in the midst of an opioid epidemic that was created by licit prescription opioids and is exacerbated by the smuggling and trafficking of heroin and illicit fentanyl. Based on investigative efforts, U.S. law enforcement has identified China as the primary source, and Mexico as the primary transit country, 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 through mail carriers or express consignment carriers (ECCs), such as DHL, FedEx, or UPS directly to the United States. or alternatively shipped TCOs in Mexico. Once in the Western Hemisphere, fentanyl or its analogues are prepared and mixed with other narcotics and fillers and/or pressed into pill form,

and then sold to consumers in the U.S. market, where the use of prescription opioids and heroin remains at epidemic levels. The opioid epidemic in Pennsylvania is not dissimilar to the epidemic in the rest of United States. Recent statistics show that Pennsylvania has the fourth most opioid-involved overdose deaths in the country; and ranks 12th in opioid-involved deaths per 100,000. CDC's National Center for Health Statistics documents that Pennsylvania is among the states that have overdose death-rates statistically higher than the average U.S. rate per 100,000. Some of these deaths are being caused by the abuse of illicit synthetic opioids sourced in China and transiting Mexico. In some cases, regional distributors smuggle industrial pill presses and components into the United States to operate fentanyl tableting operations domestically.

Due to the convenience of the Internet and the anonymity of the Darknet and cryptocurrencies, Pennsylvania is also seeing a substantial inflow of synthetic opioids and other dangerous drugs direct from China, and transiting Mexico. These substances are of particular concern because they are primarily synthetic and can have potency rates of 90 percent and higher. These extremely high potency rates cause a two-fold problem for law enforcement. Not only does this mean that officers need to understand how to protect themselves from exposure in the field, but drug trafficking organizations can create exponentially larger profits and significantly larger quantities of final product from a very small amount of raw substances. For example, 10 grams of 90 percent pure synthetic Chinese-sourced fentanyl can be used to produce over 10,000 illicit oxycodone pills resulting in dramatically higher death rates than medical grade oxycodone pills. Mexican TCOs have seized upon the profit potential of synthetic opioids, and seem to have invested in growing their share of this illicit market. For example, one kilogram of fentanyl can be purchased in China for \$3,000 - \$5,000 and can generate upwards of \$1.5 million in revenue on the illicit market. We are even seeing some instances in which precursors originating in China and smuggled into the U.S. have traveled through the U.S., destined for southwest border locations. The Mexican TCOs have then smuggled the precursors out of the U.S., synthesized them into fentanyl, and imported the finished product back into the U.S. for distribution and consumption. The final product can be advertised as heroin, and the end user may not be aware of the presence of fentanyl.

Illicit Opioid Shipments via International Mail and Express Consignment Facilities

Seizures of illicit fentanyl and other opioids at international mail facilities and express consignment facilities have significantly increased over the last two years. Though fentanyl seizures made at land border ports of entry are higher in number and larger in volume, the fentanyl seizures from mail and ECC facilities are much higher in purity and are therefore much more deadly. Laboratory results of tested fentanyl has identified that the majority of illicit fentanyl seized in the international mail and ECC environments is shipped in concentrations of over 90 percent, whereas the majority of fentanyl in the land border port of entry environment is seized in concentrations of less than 10 percent. Purchasers can also access open source and Dark Web marketplaces for illicit opioids like fentanyl, where they can be easily purchased.

Just as TCOs attempt to hide illicit smuggling at the land border ports of entry by blending into the voluminous daily legitimate cross-border traffic, TCOs are exploiting the great volumes of mail and parcels entering and crossing the United States as a means to conceal their criminal activity. The challenge for law enforcement is to find the resources to target, identify, interdict, and investigate every prospective 10-gram parcel of fentanyl, which is approximately the size of two and a half packets of sugar. In an effort to combat opioid trafficking through the mail and express consignment shipments, HSI is drawing on advance data, 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, the DEA, and the USPIS.

In Philadelphia, for example, HSI is leading a Cyber Crimes Investigations Task Force with full participation from the key law enforcement agencies mentioned above. This task force, which I will address in more detail in a few moments, targets overseas and domestic Darknet vendors perpetuating the nation's opioid crisis through the sale of fentanyl analogs and other dangerous synthetic narcotics. A few of the task force's recent law enforcement actions speak to impact furthering this effort can have on addressing our local epidemic.

For example, in May 2017, HSI's Cyber Crimes Investigations Task Force in Philadelphia arrested a narcotics trafficker near Philadelphia who acted as a large-scale domestic reshipper for a Chinese drug trafficking organization. This individual operated a clandestine distribution operation out of a storage facility where he received hundreds of international mail shipments containing small quantities of synthetic opioids direct from China. HSI's investigation revealed the trafficker then redistributed those drugs to users throughout the United States using U.S. domestic mail parcels. To date, HSI Special Agents have attributed at least 39 overdose deaths to this drug trafficking organization.

On an unrelated case later in 2017, HSI's Task Force dismantled a dark net drug trafficking organization that operated what are believed to be two of the largest-ever clandestine fentanyl tableting laboratories in Pennsylvania. This Darknet operation sourced fentanyl and other dangerous drugs directly from China using the international mail; purchased pharmaceutical grade manufacturing equipment including automated pill presses capable of producing 40,000 pills an hour; and rented commercial warehouses in parts of Eastern Pennsylvania to operate their clandestine laboratories. Although HSI has not attributed any overdose deaths to this operation to date, it is believed that HSI interdicted this operation before its products were fully distributed. In fact, HSI seized enough product and drugs from these two clandestine fentanyl tableting laboratories to ultimately produce millions of fentanyl-laced pills that could have inevitably resulted in mass overdose deaths. While this investigation remains ongoing, the intelligence developed from the enforcement actions has provided law enforcement with insights into the means and methods of establishing such dark net vendor accounts.

While HSI's efforts in Philadelphia have led to increased seizures and prosecutions of illicit opioid traffickers, more needs to be done. HSI is fully engaged with the DEA Special Operations Division (SOD) and the CBP National Targeting Center (NTC) to identify shipment routes and leverage advance data to target parcels that may contain illicit opioids and manufacturing materials and to conduct full financial and investigative analyses. While this is a good start, we recognize much more needs to be done.

Recognizing the need for greater action, HSI, CBP, and the USPIS are collaborating in the development of a more robust, nationwide effort to identify illicit opioids in mail facilities and interdict them. HSI is expanding the number of its trained investigators assigned to international mail facilities. These additional investigators will be seeking to conduct long term, complex criminal investigations into opioid trafficking activities, with the goal of achieving additional significant seizures and arrests. These seizures and arrests will help disrupt the movement of illicit opioids and opioid precursors transiting through the mail and express consignment shipments, and will aid in the dismantling of distribution networks. The ultimate goal of course, is to reduce overdose deaths in the United States.

Smuggling of bulk fentanyl and heroin into Pennsylvania

A significant quantity of bulk Mexico-sourced heroin, and Chinese-sourced fentanyl transiting through Mexico, entering or transiting Pennsylvania is smuggled across the shared border with Mexico via the land border ports of entry. Like other narcotics supplied by Mexico, heroin and fentanyl loads are often smuggled utilizing deep concealment within passenger vehicles, as the TCOs exploit the high volume of cross border traffic at our ports of entry as part of their smuggling efforts. Heroin and fentanyl loads are also smuggled by pedestrians entering the United States at ports of entry, often concealed on their person, or in their bags or backpacks.

Loaded vehicles often contain multiple types of illicit drugs, which we refer to as “poly loads” or “mixed loads,” diversifying their illicit product inventory to include increased amounts of heroin and fentanyl while also continuing to source methamphetamine, cocaine and other drugs. HSI, as the investigative agency responsible for investigating smuggling at the ports of entry, works closely with CBP , to ensure that smuggling incidents with a nexus to Pennsylvania are vigorously investigated, and expanded to the networks behind the smuggling attempt. Additionally, intelligence developed through HSI's investigative efforts is shared with CBP to enhance and refine their targeting and interdiction efforts at the ports of entry.

All of the drug supply entering the United States via the Southwest Border can be attributed to transnational criminal organizations. HSI continues to investigate and identify the

leadership of these organizations to attack the critical organizational nodes of smuggling facilitators and financial networks that sustain their operations.

ICE's Collaborative Lines of Effort in Pennsylvania

There is no single entity or solution that can stop the flow of dangerous illicit drugs such as fentanyl into the United States or keep them from harming the American public. Tackling this complex threat involves a united, comprehensive strategy and aggressive approach by multiple entities across all levels of government. Therefore, ICE, through its investigative arm, HSI, has long had inter-agency collaboration as one of its operational pillars. Law Enforcement partnerships in Pennsylvania are uniquely strong, and all agencies are committed to doing everything they can to defeat the heroin and fentanyl crisis that is gripping our nation. Through partnerships across Pennsylvania, across the nation, and across the globe, HSI's commitment to collaboration is having a significant and positive impact.

Cyber Crimes Task Forces

To that end, and as I briefly mentioned earlier, my office in Philadelphia recently established the Cyber Crimes Investigations Task Force to take on the unique challenges posed by Chinese-sourced and synthetic opioids sold through the dark net in Pennsylvania. HSI leads this task force in partnership with the Pennsylvania State Police, USPIS, the DEA, and the Pennsylvania National Guard's Counter Drug Program. The goal of the Task Force is to use every advanced technological law enforcement tool at our disposal and leverage HSI's strong state and federal partnerships to address this growing problem. Specifically, the strategy of this group is to target both the source of supply as well as the financial chokepoints of this criminal activity. This HSI-led Task Force is uniquely positioned to target Darknet vendors using HSI's robust undercover platforms; leveraging its extensive foreign law enforcement partnerships through its Attaché Offices in China, Canada, and Europe; exercising its unique Customs authorities and expansive cyber expertise and capabilities; and using the most advanced technical analytical capabilities to target crypto-currency money launderers that enable the Darknet transnational drug trafficking activities. This group has invested in the necessary resources, the

latest technologies, and leveraged all possible partnerships to address the issues. However, more funding and resources are needed as we attempt to stay one step ahead of narcotics traffickers who continue to exploit and adapt new technologies to mask their illicit operations.

Border Enforcement Security Taskforces (BESTs)

Border Enforcement Security Taskforces (BESTs) are DHS's primary platform to investigate opioid smuggling domestically. ICE currently operates BESTs in 62 locations throughout the United States. During Fiscal Year (FY) 2017, the number of BESTs increased 30 percent in response to the President's Executive Order 13773, *Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking*. BESTs leverage the participation of more than 1,000 federal, state, local, tribal, and foreign law enforcement agents and officers representing over 100 law enforcement agencies to target opioid smuggling. In Pennsylvania, HSI oversees two BESTs, one that covers Philadelphia's sprawling seaport facilities and another at the Philadelphia International Airport. BESTs leverage the abilities and authorities of the participating agencies by unifying all under a single law enforcement effort.

These unifying efforts are critical for combatting the TCOs that smuggle fentanyl and other drugs from land borders for distribution in our heartland. This real-time sharing provides HSI optimal opportunity to efficiently initiate investigations of the distribution networks in Pennsylvania. To cite a real-world example, in May 2017, Special Agents of HSI Cincinnati, in cooperation with state and local law enforcement in Ohio, conducted a narcotics interdiction operation. The Ohio State Highway Patrol employed a narcotics detection K-9, which alerted to the odor of narcotics. A search of the vehicle uncovered six tape wrapped bundles containing approximately 7 kilograms of fentanyl and heroin. The driver informed investigators that he was provided the drug-laden vehicle in California to make drug deliveries to a number of locations, including Philadelphia, Pennsylvania. HSI offices in Ohio and Pennsylvania rapidly coordinated to continue the enforcement operation to Philadelphia, where my BEST program initiated an investigation that resulted in the identification of a drug trafficking organization in Philadelphia. Upon arrival in Philadelphia the driver of the subject vehicle was directed to a specific location by members of the organization, resulting in the arrests of two suspected drug traffickers. This

case, though certainly not an infrequent occurrence within HSI, speaks to the level of seamless coordination that occurs between HSI BEST programs to ensure opioid investigations are conducted as comprehensively as possible.

Partnership with the Allegheny County Medical Examiner's Office

In the western part of Pennsylvania, HSI has developed a collaborative relationship with the Allegheny County Medical Examiner's Office drug laboratory. As HSI agents encounter suspected fentanyl and fentanyl analogues through parcel interdiction and enforcement actions, these substances are turned over to the laboratory for identification and analysis. Often, the laboratory is able to provide the results of their testing back to agents and prosecutors within 24 hours allowing for controlled deliveries and prosecutorial charging decisions.

In May of 2017, after HSI seized an international parcel, the Allegheny County lab determined the contents to consist of 100 grams of cyclopropyl fentanyl, representing the first known identification of this analogue in the United States. HSI agents conducted a controlled delivery which led to the identification of an individual who was known by local authorities to be a street-level dealer. Further investigation by HSI determined that the individual had received multiple parcels from China and that he was more than likely one of the major importers/distributors in western Pennsylvania. During the execution of a search warrant at a residence, one subject who was at the time in the process of packaging fentanyl and cutting compounds for resale overturned the table in front of him and attempted to flee, causing the substances to become airborne. Several law enforcement officers were exposed to the airborne substance and one officer subsequently exhibited symptoms, including a tingling sensation and shortness of breath; resulting in onsite treatment by EMTs. The officer was transported in an abundance of caution to a local hospital for evaluation of possible exposure. Fortunately, HSI had followed the agency safety protocol and had an emergency medical technician and clandestine laboratory response team on standby near the scene of the search warrant.

This investigation highlights some of the major challenges law enforcement faces in the fight against opioids. The relationship with the Allegheny County Medical Examiner's Office has been beneficial in identifying these substances. The Medical Examiner's Office shared the information about the identification of cyclopropyl fentanyl within the medical examiner

community and learned that this fentanyl analogue was the cause of overdose deaths in one midwestern state and one state in the Pacific Northwest. This case also highlights the risk of exposure to agents, officers and first responders who may encounter these dangerous substances during the course of their duties.

High Intensity Drug Trafficking Areas (HIDTAs)

Created by Congress through the Anti-Drug Abuse Act of 1988, and led by the Office of National Drug Control Policy, the HIDTA program provides assistance to Federal, state, local and tribal law enforcement agencies operating in areas determined to be critical drug trafficking regions of the United States. Like the BESTs, the HIDTA Task Forces ensure that the concerns of all the participating agencies, to include the state, local and tribal agencies, are included in investigative priorities; which certainly includes the impact of heroin and fentanyl on their communities. HSI works very closely with all Pennsylvania HIDTA member agencies. In Philadelphia, HSI leads and houses the Liberty Mid-Atlantic's Money Laundering and Asset Forfeiture Task Force.

ICE's use of collaboration centers outside of Pennsylvania to attack the threat in Pennsylvania

National Targeting Center – Investigations (NTC-I)

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

ICE HSI has assigned Special Agents to work within the NTC Cargo (NTC-C) Narcotics Division. These Special Agents serve as liaisons between the NTC and ICE HSI 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. HSI and CBP in Pennsylvania share heroin and fentanyl seizure data and

intelligence with the NTC to ensure the maximum exploitation of our combined efforts, more complete targeting, and more robust and impactful investigations. HSI in Pennsylvania receives training from the NTC to ensure our investigators and analysts are apprised of the latest narcotics smuggling and trafficking trends and tactics utilized by TCOs.

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 illicit opioids throughout the United States. The resulting products are then shared with the affected HSI offices in the form of investigative leads. Another 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.

Cyber Crimes Division

The ICE HSI Cyber Crimes Division provides support and assistance to field cyber investigations targeting dark net illicit marketplaces, where fentanyl and chemical precursors proliferate. This includes significant support to our efforts in Pennsylvania to stand-up a fully-functioning and adequately-equipped Cyber Crimes Investigations Task Force. Recognizing the need to proactively target online opioid trafficking, the ICE HSI Cyber Crimes Division is identifying ongoing investigations and facilitating the coordination of online and in person undercover operations conducted in furtherance of dark net illicit marketplaces.

As criminal activity, and especially the trade of illicit opioids, continues to migrate to the online world, ICE HSI faces growing demand for cyber investigative assistance. Through the Human Exploitation Rescue Operative (HERO) program, the Cyber Crimes Division is training military veterans and transitioning service members to continue their service to the nation in the field of computer forensics. HSI in the Philadelphia area recently employed one HERO intern a full-time computer forensic agent following completion of his internship in Philadelphia, bolstering our ability to fight cyber-enabled crimes.

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 heroin and illicit fentanyl distribution organizations that impact the United States.

The HFTF leverages the collaborative use of each agency's authorities and unique capabilities in order to better share and deconflict information. The HFTF works together to target international and domestic organizations by proactively working with field offices. The task force also assists in coordinating and linking investigations from the street level dealer to the international supply source.

In Pennsylvania, HSI sends Special Agents and analysts to SOD, where they coordinate and deconflict investigative data and share best practices with law enforcement partners. HSI personnel advance the mission of SOD through their unique and in-depth knowledge of cartels and prolific dark net vendor sites. This expertise, honed through their investigative experience in Pennsylvania combined with the resources of SOD and the HFTF, contributes significantly to investigations, not only by HSI, but by other agencies, in Pennsylvania and beyond.

Financial Division

Identifying, analyzing, and investigating the payment systems that facilitate the purchase and smuggling of opioids is critical to the disruption and dismantlement of networks that smuggle fentanyl and other illicit opioids into the United States. HSI 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. In support of its diverse financial investigative efforts, HSI 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, HSI leverages complex Blockchain technology exploitation tools to analyze the

digital currency transactions and identify users. A number of HSI Philadelphia Special Agents are recognized as experts on the subject of cryptocurrencies. They now provide training to our state and local law enforcement partners, thereby enabling a wider array of officers the training on the tools necessary to pierce the anonymity relied upon by dark net users.

HSI created the Money Service Business Initiative to enable the application of advanced data analytics across large amounts of MSB data to isolate criminal networks, highlight suspicious transactions indicative of illicit activity, and provide predictive intelligence.

With support of its headquarters Financial Division and NTC, HSI in Pennsylvania regularly pursues complex investigations of the drug traffickers' exploitation of our legitimate financial systems, and the laundering and movement of their illicit proceeds via trade based money laundering and the exploitation of cryptocurrencies. HSI's targeting of these types of illicit money laundering networks has been successful in Pennsylvania; since May 2017, my office has seized well over \$1 Million worth of cryptocurrencies from dark net opioid traffickers and have arrested several individuals that act to launder their illicit profits.

Collectively, efforts in the HSI Philadelphia area of responsibility have resulted in the seizure of approximately 267 pounds of opioids in connection with HSI cases; and resulted in 154 criminal arrests, from the beginning of fiscal year 2017 to the present.

Nationwide, our efforts have resulted in the seizure of over 15,000 pounds of opioids in connection with HSI cases; and resulted in 7,889 criminal arrests, from the beginning of fiscal year 2017 to the present.

International Collaboration

HSI in Pennsylvania concentrates on investigations that reveal an international nexus. With HSI's international presence of 67 offices in 50 countries, we are constantly looking to push our investigations beyond our borders. In Pennsylvania, this means daily collaboration with our HSI Attaché and Assistant Attaché offices in Mexico and Asia to systemically target overseas sources of opioids and synthetic narcotics. Through strategic and targeted intelligence

sharing, and joint investigative efforts, the impacts of our investigations are magnified. Whether through bi-national operations to arrest TCO leadership, or through sharing a piece of intelligence that may illuminate a previously unknown network, the building and strengthening of these partnerships is key to our efforts to combat the cartels and to stop threats, to include illicit opioids, before they reach our borders.

CONCLUSION

Thank you again for the opportunity to appear before you today and for your continued support of HSI and its law enforcement mission. HSI is committed to battling the U.S. opioid crisis. This includes HSI's collaborative efforts to reduce and ultimately stop the flow of these dangerous drugs across the border here in the Commonwealth of Pennsylvania. HSI will continue to vigorously pursue the cartels that bring not only heroin and fentanyl to the U.S., but other narcotics that have a dangerous, and too often deadly, impact on our communities. The opioid crisis is an epidemic that demands continued urgent and immediate action across 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.