



U.S. Immigration and Customs Enforcement

STATEMENT

OF

STEVEN CAGEN
ASSISTANT DIRECTOR
HOMELAND SECURITY INVESTIGATIONS

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

REGARDING A FIELD HEARING ON

“DEADLY DISTRIBUTION: HOW FENTANYL CROSSES BORDERS AND CLAIMS LIVES”

BEFORE THE

SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL

Thursday, October 27, 2022 - 10:00 a.m.

United States Court, Southern District of Iowa

Introduction

Thank you for the opportunity to appear before you to discuss Homeland Security Investigations' (HSI) efforts to disrupt the flow of fentanyl entering the United States through Mexico and combat the transnational criminal organizations (TCOs) responsible for fueling the deadly overdose epidemic. With more than 6,800 special agents located in hundreds of offices throughout the United States and the world, HSI investigates, disrupts, and dismantles terrorist, transnational, and other criminal organizations that threaten our nation's security. My statement will focus on HSI's work with foreign and domestic partners to stop the synthesis of deadly drugs abroad, so they never reach the United States; its mission at the borders to turn individual seizures into cartel-toppling investigations; its focus within the United States, specifically the Midwest, to take deadly drugs off the streets and shut down dark web vendors; and its efforts to deny cartels the firearms and illicit proceeds that fuel their operations.

As the principal investigative component of the Department of Homeland Security (DHS), HSI is responsible for investigating and dismantling the TCOs flooding the United States with fentanyl and other illegal drugs fueling the overdose epidemic, as well as other contraband. To do this, HSI conducts federal criminal investigations at every location in the illicit drug supply chain: internationally, where TCOs operate and manufacture illegal drugs; at our Nation's physical border, where smugglers attempt to exploit America's legitimate trade, travel, and transportation systems; in our communities, where criminal organizations earn substantial profits from selling poison; and on the dark web. In addition to combating narcotics smuggling, HSI attacks the criminal networks operating in the United States and elsewhere that source and smuggle U.S.-origin firearms and ammunition to Mexico, fueling violence and enabling cartels to flourish.

Mexican TCOs serve as the principal source of the illicit fentanyl and methamphetamines fueling the drug overdose epidemic in the United States. TCOs manufacture these drugs using precursor chemicals sourced from China and other foreign nations. HSI targets Mexican TCOs by collecting, analyzing, and exploiting information gathered from interdictions to further ongoing investigations; developing and pursuing additional investigative leads; and executing enforcement actions to disrupt criminal activity. HSI works closely with DEA in these investigations, as DEA serves as the single point of contact for foreign drug investigations. HSI's expertise in investigating international supply chains, unique border search authority, and broad statutory authorities position the agency to target illicit shipments of fentanyl and methamphetamine precursor chemicals destined for Mexico. Depriving Mexican TCOs of these precursors is equivalent to depriving them of the oxygen they need to function; no chemicals, no drugs. As described in more detail below, HSI's efforts in this area have yielded significant results, including the seizures of hundreds of thousands of kilograms of precursor chemicals destined for Mexican TCOs.

These criminal organizations, however, have expanded beyond narcotics smuggling and have morphed into poly-criminal TCOs involved in the associated crimes of weapons trafficking, human trafficking, human smuggling, money laundering, and other crimes - all of which HSI investigates. Rather than narrowly focusing on drug trafficking, HSI combats TCOs by using its

unique and broad investigative authorities to enforce over 400 federal laws by investigating a myriad of crimes. Transnational organized crime is big business and TCOs no longer limit themselves to a single crime; likewise investigative efforts must be broad in scope to fully dismantle enterprises that often transcend borders.

HSI International Counternarcotics Efforts

HSI's efforts to combat synthetic drugs such as fentanyl begin abroad. HSI has the largest international investigative presence within DHS, comprising hundreds of HSI special agents strategically assigned to 93 offices in 56 countries. This includes offices located in Mexico, where the vast majority of fentanyl is produced, and throughout the Asia-Pacific region, where synthetic drug precursor chemicals often originate. HSI special agents stationed abroad maintain relationships with host government law enforcement partners to exchange information; coordinate and support investigations; and facilitate enforcement actions and prosecutions to disrupt and dismantle TCOs.

Transnational Criminal Investigative Unit Program

The effectiveness of our international counter-narcotics efforts is greatly enhanced by HSI's Transnational Criminal Investigative Unit (TCIU) Program. TCIUs comprise vetted foreign law enforcement officials and prosecutors who support some of HSI's most significant extraterritorial investigations and prosecutions targeting TCOs. HSI has established 14 TCIUs around the world, including in Mexico, where the team is comprised of more than 40 officers and prosecutors from their Attorney General's office. In Fiscal Year (FY) 2022, efforts by the HSI Mexico TCIU resulted in approximately 123 criminal arrests and the seizure of approximately \$1.1 million, 11,100 pounds of cocaine and 18,200 pounds of precursor chemicals.

Targeting the fentanyl and methamphetamine precursor chemical supply chain is an integral element of HSI's approach to stopping the production of illicit drugs. These precursors serve as the fuel the cartels need to manufacture their deadly drugs destined for American cities and streets. Blending interagency and foreign collaboration, industry partnerships, financial data, and information technology tools, HSI identifies, targets, and interdicts precursor chemical shipments destined for Mexican cartels. Disruptions to the procurement phase of the narcotics production supply chain have an exponential impact on the drugs encountered at our border and on our streets. The seizure of a kilogram of a key fentanyl precursor chemical can prevent the production of almost 20 kilograms of the processed fentanyl encountered at the Southwest Border and in our communities. Mexican cartels operate on an industrial scale when procuring precursor chemicals, and the interdiction of these shipments has a profound effect on the number of drugs reaching our country. For instance, a March 2021 HSI seizure of 750 kilograms of a fentanyl precursor chemical was estimated to yield approximately 14,821 kilograms of fentanyl at average purity encountered on the Southwest Border. This seizure not only prevented the production of a massive quantity of a deadly drug but also denied the TCO an estimated \$444.6 million in illicit proceeds. Many of these enforcement efforts are led by HSI's TCIU in Mexico, where, in addition to seizing precursor chemical shipments, they also lead investigations targeting the labs where the chemicals are synthesized into illegal drugs.

HSI's TCIUs are critical to preventing drugs from reaching our borders and yet face barriers to success. For instance, unlike other federal law enforcement agencies, HSI lacks the authority to pay salary stipends to TCIU members who serve on the frontline of combating TCOs. HSI's inability to provide these stipends results in recruitment and retention challenges. The ability to pay salary stipends to TCIU members would enhance HSI's overall strategy and efforts to disrupt Mexican cartels' illicit precursor chemical supply chains.

HSI Southwest Border Counternarcotics Efforts

The vast majority of the methamphetamines and fentanyl flooding American streets is smuggled across our border with Mexico. HSI is the primary federal law enforcement agency responsible for investigating drug seizures and other criminal activity occurring at ports of entry (POEs). Our special agents work every day with U.S. Customs and Border Protection (CBP) officers to identify and investigate drug smuggling organizations attempting to introduce illicit contraband into the United States, and to seize such contraband. HSI's ability to conduct complex large-scale investigations represents one of DHS's best weapons for dismantling TCOs in a manner not possible solely through border interdiction efforts. Conducting criminal investigations resulting from arrests associated with border seizures is necessary for ensuring the rule of law; however, HSI's mandate is to turn these individual seizures into multi-jurisdictional, multi-defendant, complex investigations to disrupt, dismantle, and prosecute high-level members of TCOs.

CBP's expansion of non-intrusive inspection (NII) scanning at Southwest Border POEs is poised to increase the number of CBP-origin seizures HSI special agents investigate. To keep pace, HSI will require additional staffing to support the investigation and prosecution of individuals associated with POE seizures. Recent HSI congressional appropriations tied to NII expansion represent an important, albeit limited, initial step. HSI is moving quickly to deploy these new resources to Southwest Border POEs receiving NII augmentation. Given the required NII expansion to all land border POEs, additional staffing will be essential to ensure HSI retains adequate personnel to conduct the complex investigations which degrade and remove TCO threats to the Homeland.

Border Enforcement Security Task Forces

The Jaime Zapata Border Enforcement Security Task Force (BEST) Act was signed into law in December 2012. The Act was named in honor of Jaime Zapata, an HSI special agent who, while working to combat violent drug cartels, was killed in the line of duty in Mexico. This law amended the Homeland Security Act of 2002 to formally establish the BEST program, with the primary mission of combating emerging and existing transnational organized crime by employing a threat-based/risk mitigation investigative task force model that recognizes the unique resources and capabilities of all participating law enforcement partners.

BEST units eliminate the barriers between federal and local investigations, close the gap with international partners in multinational criminal investigations, and create an environment that minimizes the vulnerabilities in our operations that TCOs have traditionally capitalized on to

exploit our nation's borders. There are currently 84 BESTs located across the United States, Puerto Rico, and the U.S. Virgin Islands, comprising law enforcement officers and personnel representing more than 200 federal, state, local, tribal, and international law enforcement agencies. These personnel include HSI special agents, task force officers, intelligence analysts, and investigative support personnel. Since inception through September 2022, BESTs have collectively initiated more than 49,500 investigations, resulting in approximately 60,950 criminal arrests, and seizures of more than 3 million pounds of narcotics.

HSI Domestic Counternarcotics Efforts

While much attention is given to the smuggling of narcotics across our southern border, TCOs use other methods to introduce deadly drugs into our communities. Illicit drugs continue to flow into the United States via international airports located throughout the United States. In addition to the use of drug couriers, TCOs continue to smuggle illicit narcotics destined for American communities concealed within express consignment and other parcels. In response, HSI established BEST units at international mail facilities (IMFs), express consignment hubs, and international airports acting as IMFs, as part of HSI's targeted response to the opioid crisis. The IMF and express consignment environments are a particularly significant avenue for the smuggling and transshipment of fentanyl, opioids, and other illicit narcotics. The placement of BEST units at IMFs enables the immediate application of investigative techniques on seized parcels, which aid in establishing the probable cause needed to effect enforcement actions in the United States and elsewhere on individuals associated with fentanyl and opioid-laden parcels.

HSI's Efforts in Iowa

In addition to HSI's robust presence on the border, HSI's efforts to combat TCOs continue in the interior of the United States. U.S. Interstate highways continue to represent major corridors for transshipment of narcotics, bulk cash, and weapons. Several of these corridors traverse Iowa, with Interstate 35 serving as the major north/south route through central Iowa that originates on the U.S. Southwest Border at Laredo, Texas. Additionally, Interstate 80 is a major cross-country thoroughfare traversing the northern half of the United States. Both are used extensively to transport illicit contraband. HSI's office in Omaha staffs a BEST unit comprising partner law enforcement agencies that works along the I-80 corridor in Iowa and Nebraska to combat the illicit transportation of not only narcotics, but also bulk cash and weapons that are being smuggled from the United States to TCOs in Mexico and beyond.

HSI Iowa offices in Des Moines, Cedar Rapids and Sioux City take pride in their network of partnerships, which include those with the Federal Bureau of Investigation; Drug Enforcement Administration (DEA); Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); CBP; U.S. Postal Inspection Service; Iowa State Patrol; Iowa Division of Criminal Investigations; Iowa Division of Narcotics Enforcement; Mid-Iowa Narcotics Enforcement Task Force; Des Moines Police Department; Woodbury County Sheriff's Office; South Sioux City Police Department; Sioux City Police Department; Buena Vista County Sheriff's Office; Storm Lake Police Department; Johnson County Drug Task Force; the Tri-County Drug Task Force in eastern Iowa; and the Midwest High-Intensity Drug Trafficking Area (HIDTA) Program. In FY

2022, Midwest HIDTA efforts in Iowa resulted in 13 fentanyl-related criminal arrests and the seizure of approximately 4 kilograms of fentanyl and \$1.6 million in illicit proceeds.

HSI Des Moines Case Study

These robust partnerships enable HSI to combat TCOs engaged in illicit narcotics trafficking as well as other cross-border crimes, which greatly increase the safety of people in Iowa. For example, HSI Des Moines recently finalized an investigation resulting in the seizure of heroin and convictions for narcotics smuggling and related charges stemming from an IMF seizure at the FedEx facility in Memphis, Tennessee. On February 3, 2021, CBP officers seized a parcel from Mexico after discovering more than a kilogram of heroin – with a street value of approximately \$100,000 – concealed within 20 pairs of sandals. The package was destined for an address in Alexander, Iowa. HSI special agents subsequently conducted a controlled delivery of the package to the residence in Alexander, Iowa, which resulted in one arrest. The recipient of the parcel, a convicted felon, was armed with a handgun at the time of his arrest. On July 1, 2022, he was convicted in the Northern District of Iowa and sentenced to 180 months in federal prison for violations of 21 U.S.C. §§ 841 and 846, and subjected to the enhanced sentencing penalties under 21 U.S.C. § 851.

The investigation by HSI special agents revealed that the Mexican source of the heroin was a fugitive who had been indicted in the Northern District of Iowa in 2013 for conspiring to distribute more than 500 grams of methamphetamine in violation of 21 U.S.C. §§ 841 and 846. After fleeing to Mexico, this individual was allegedly responsible for shipping multiple packages containing narcotics from Mexico to addresses in the Northern District of Iowa. On July 11, 2021, he was arrested in California and subsequently transferred to the Northern District of Iowa. On April 29, 2022, he was convicted of numerous narcotics violations and sentenced to 188 months in federal prison.

Cyber-Related Efforts

TCOs and their illicit drug clients are increasingly tech-savvy. Many have adopted emerging technologies to replace hand-to-hand drug sales with anonymous virtual asset purchases facilitated through dark web marketplaces. These transactions may involve foreign vendors but result in the shipment of drugs to or within our country. To keep pace with rapidly evolving criminal techniques, HSI's Cyber Crimes Center (C3) performs an essential role in detecting, investigating, and preventing the sale and distribution of opioids and other illicit drugs on the dark web. With increased capabilities, cyber analytics, and trained cyber investigators and analysts, C3 supports HSI online undercover investigations targeting market site operators, vendors, and prolific buyers of opioids and other illicit drugs on the dark web. C3 also provides critical support on tracing and identifying illicit proceeds derived from criminal activity on the dark web and investigating the subsequent money laundering activities. Additionally, C3's Computer Forensics Unit and 's Computer Forensic Program are critical tools in combating the flow of drugs into the United States. From the efforts of our Computer Forensic Agents and Analysts in the field to seize, process, and analyze digital evidence, through advanced technical solutions, such as decryption and accessing secure data, digital forensics play an ever-increasing role in investigating complex multinational narcotics organizations. The Computer Forensic Unit

also provides forensic training and support to our state, local tribal, federal, and international law enforcement partners.

A top priority for HSI is to improve collective law enforcement capabilities by providing training to partner law enforcement agencies. In response to initiatives to reduce opioid demand in the United States, C3 developed a cyber-training curriculum with a focus on dark web investigations and illicit payment networks associated with opioid smuggling and distribution. This training has been successful in improving law enforcement capabilities against online marketplaces and tools for illicit trafficking. Since 2017, HSI has delivered this training course in over 70 locations worldwide to more than 15,000 state, local, federal, and international law enforcement personnel.

Southwest Border Weapons Smuggling

Part of HSI's multi-discipline approach to combating the flow of illicit drugs into the United States includes combating the flow of illicit firearms and ammunition into Mexico. TCOs use corresponding southbound pathways to repatriate cash proceeds from illegal activities and secure sufficient armaments to remain a persistent threat to Mexican security forces.

Firearms smuggled from the United States into Mexico allow the TCOs to continue their deadly operations against our Mexican law enforcement partners and the local populace. In 2021, the Government of Mexico estimated at least 342,000 U.S.-sourced firearms are illegally smuggled into Mexico every year. Mexico's National Public Security System reported 34,515 intentional homicides with 70 percent involving firearms in 2020. During this period, ATF performed traces on 19,762 firearms recovered in Mexico. ATF checks determined at least 67.7 percent were sourced from the United States with over half traced to a retail purchase.

Operation Without a Trace

HSI uses its customs authorities to target procurement networks responsible for smuggling U.S.-origin weapons into Mexico. This includes Operation Without a Trace (WaT), a unified DHS effort to fight the illegal trafficking of firearms and ammunition from the United States into Mexico. WaT is a federal partnership among HSI, CBP, ATF, and the Government of Mexico focused on the illicit purchase, transport, and distribution of firearms, firearms components, and ammunition from the United States to Mexico. WaT is one of only three whole-of-government efforts recognized by the National Security Council to combat this threat. WaT's three-pronged approach leverages intelligence, interdiction, and investigative assets to identify, disrupt, and dismantle TCOs trafficking firearms. In FY 2022, WaT partners initiated 272 criminal investigations resulting in 302 arrests, and the seizure of 514 firearms, 1,019 magazines and more than 284,175 rounds of ammunition, all destined to TCOs in Mexico.

Illicit Finance – Following the Money

U.S. illicit drug sales continue to net tens of billions of dollars in illicit proceeds annually. One of the most effective methods for dismantling Mexican cartels and other TCOs engaged in narcotics trafficking is to attack the criminal proceeds that are the lifeblood of their operations.

Every HSI investigation has a financial element. Our special agents identify and seize the illicit proceeds of crime and target financial networks that transport, launder, and hide ill-gotten proceeds. With significant access to financial and trade data, HSI is uniquely positioned to identify TCO schemes that hide illegal drug proceeds within the stream of legitimate commerce, on vehicles, vessels, and persons departing the United States, or when crossing a digital border, such as the movement of funds electronically, including in the form of virtual assets, such as cryptocurrency. HSI's financial efforts in FY 2022 resulted in at least 2,551 criminal arrests, 1,563 criminal indictments, and 1,002 convictions.

Despite the rise of alternative stores of value, such as virtual assets, bulk cash smuggling remains a key mechanism for TCO repatriation of drug proceeds. Criminal actors often avoid traditional financial institutions that must comply with Bank Secrecy Act reporting requirements, instead repatriating their illicit proceeds through conveyances such as commercial and private aircraft passenger and commercial vehicles, maritime vessels, and via pedestrian crossings at our land borders.

HSI investigations have identified that TCOs are increasingly augmenting bulk currency smuggling with use of alternative value platforms in response to financial regulations and law enforcement efforts to identify money laundering networks. A single movement of TCO proceeds may involve bulk cash, stored value cards, money orders, virtual assets, wire transfers, funnel accounts, and trade-based money laundering. HSI adapts to evolving criminal methodologies by leveraging new law enforcement technologies to identify money laundering activity through these emerging alternative value platforms and seize criminal assets. HSI investigations related to virtual assets have risen from one criminal investigation in 2011, to over 530 criminal investigations in FY 2022. In FY 2022, HSI seized over \$4 billion in virtual assets. This marked increase signifies growing confidence in virtual asset use by bad actors and requires that law enforcement become increasingly technically proficient in performing these complex investigations.

National Bulk Cash Smuggling Center

Established in 2009, HSI's National Bulk Cash Smuggling Center (BCSC) is a critical component of the agency's and overall U.S. Government's efforts to combat bulk cash smuggling by Mexican cartels and other TCOs. The BCSC operates strategic programs that leverage advanced data analytics, interagency partnerships, and law enforcement technology systems to identify complex money laundering networks and provide support for HSI financial investigations. The criminal intelligence functions of the BCSC provide operational analysis in support of HSI-led interdiction efforts, including port profiles highlighting cash flow activity at targeted POEs and corridor analyses to assist in planning the timing, location, and strategy for interdiction operations. The BCSC also administers a targeted, investigation-focused license plate reader program to identify larger criminal networks and a warrant-based GPS tracking program that provides valuable intelligence on the behaviors of criminal groups engaged in bulk cash smuggling. Since its inception, the BCSC has initiated or substantially contributed to over 3,470 criminal arrests and seizures of bulk cash totaling over \$1.73 billion.

Conclusion

HSI's unique border authorities and dynamic approaches to combatting drug trafficking allow us to pursue impactful investigations and attack all aspects of the organizations responsible for this ongoing public health crisis. While our collective efforts are executed with diligence and a commitment to public safety, work remains at all levels – internationally, on the border, in Iowa, and throughout the United States. HSI is committed to continuing the fight against the overdose epidemic on all fronts.

Thank you again for the opportunity to appear before you today and for your continued support of HSI and the critical role it plays in attacking the fentanyl and opioid supply chains. I look forward to your questions.