



U.S. Immigration and Customs Enforcement

STATEMENT

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REGARDING A HEARING ON

“Fentanyl: The Next Wave of the Opioid Crisis”

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

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2123 Rayburn House Office Building

Chairman Murphy, Ranking Member DeGette, and distinguished members:

Thank you for the opportunity to appear before you today to discuss the heroin and fentanyl crisis 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 to include the Immigration and Nationality Act (Title 8), U.S. customs laws (Title 19), general federal crimes (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) and the Drug Enforcement Administration (DEA) in a unified effort with both domestic and international law enforcement partners, to target Transnational Criminal Organizations (TCOs) that are supplying heroin and fentanyl to the United States.

Today, I would like to highlight our efforts to reduce the supply of heroin and fentanyl to the United States and the operational challenges we encounter.

Introduction to Fentanyl

Before we can discuss illicit fentanyl targeting and supply reduction, we need to understand what fentanyl is and how it is produced.

The United States is in the midst of an illicit fentanyl crisis 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 investigations, United States law enforcement has identified two primary sources of the U.S. illicit fentanyl threat: China and Mexico.

China is a global supplier of illicit fentanyl and the precursor chemicals used to manufacture the drug. Additionally, Chinese laboratories openly sell fentanyl, to include fentanyl analogues, and other fentanyl-related substances. In China, criminal chemists work around their government's control efforts by modifying chemical structures ever so slightly to create substances not recognized as illicit in China but having the same deadly effects. Although there is ongoing collaboration with China, the lack of current Chinese laws that prohibit analogue manufacturing or export is one of the challenges we face in stemming the flow of illicit fentanyl from China.

China-sourced illicit fentanyl is primarily used by counterfeit tableting organizations in Mexico and the United States that focus on supplying people who misuse prescription pain pills. Counterfeit tablet suppliers often purchase powdered fentanyl through the anonymity of the internet and can access open source and dark web marketplaces for the tools needed for

manufacturing. Fentanyl, pill presses and binding agents are then shipped into the United States primarily via international mail services and express consignment couriers. Illicit fentanyl products attributed to China are generally unadulterated.

Mexican drug cartels also obtain illicit fentanyl and precursor materials required to manufacture fentanyl-related substances from China and primarily use fentanyl as an adulterant in heroin that is produced in Mexico. The cartels have discovered that manufacturing fentanyl is much more cost effective, efficient, and draws less law enforcement attention than cultivating opium poppies to produce heroin. Because of the potency of fentanyl, only microgram quantities are needed to produce an effect. Fentanyl can be diluted and adulterated with other agents to produce dozens of kilograms of heroin-like substitute and can be added to heroin to create a synergistic effect. The adulterated heroin can sell at the traditional heroin street price or much higher if it is advertised as having a stronger effect. When smuggled adulterated heroin is discovered and seized by law enforcement, it has a much lower cost of replacement to the organization. Fentanyl seized at our Southwest Border Region is typically 5-10 percent in purity with the balance being diluents, such as dipyrone, mannitol or lactose.

Once illicit fentanyl is distributed in local American drug markets, many people who use drugs (whether heroin or prescription pain pills) are unaware of the presence of the more potent fentanyl in their narcotic. As fentanyl used in suspected heroin or counterfeit pills is more potent than the drugs they resemble, it readily leads to overdosing. Alternatively, the improper mixing of fentanyl can easily lead to batches of pills with a higher concentration of fentanyl, what is known as “hot spots”, leading to overdose and death. These batches may then be distributed within a specific geographic area and result in an increased number of overdose occurrences and deaths in that area. This is often how law enforcement learns that fentanyl or an analogue has been introduced into a local drug market.

The addictive nature and demand for opioids paired with the low cost/high potency of fentanyl used in counterfeit opioid production has led TCOs to compete for a portion of the U.S. illicit drug market.

ICE’s Efforts to Reduce the Supply of Fentanyl

In accordance with the President’s February 9, 2017, Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking, HSI will be working to reduce the supply of Fentanyl.

Heroin Availability Reduction Plan

In response to the dramatic increase in the availability of opioids, the Office of National Drug Control Policy (ONDCP), in close coordination with Federal departments and agencies, developed the Heroin Availability Reduction Plan (HARP) to reduce the supply of heroin and illicit fentanyl in the United States market through supply chain disruption and in detection and intelligence collection as outlined in the plan’s strategy. ICE has been involved in supporting the HARP since its inception.

Pursuant to the HARP, ICE is targeting supply chain networks, coordinating with domestic and international partners, and providing field training to highlight officer safety, trends, and collaboration benefits.

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, to identify shipment routes; targeting parcels that may contain heroin, illicit fentanyl, fentanyl- related substances and manufacturing materials; and fully exploiting financial and investigative analyses.

ICE Lines of Effort

Network Identification

The DEA's Special Operations Division (SOD) Heroin and Fentanyl Task Force (HFTF) is supported by ICE, CBP, DEA, 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 source of supply.

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 ONDCP's High Intensity Drug Trafficking Area (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.

HSI special agents actively pursue the financial networks used to sustain the heroin and illicit fentanyl trade. As with sources of supply, the financial methods used by smugglers and traffickers have also adapted with current trends. The wholesalers and end users utilize Money Service Businesses (MSBs), Bank to Bank wire transfers, PayPal, and virtual currencies (such as Bitcoin), to name a few, to successfully finance the supply chain and remit illicit proceeds. ICE continues to engage financial industry partners, specifically MSBs, to better identify the movement of illicit proceeds tied to fentanyl.

ICE recognizes that the private sector represents America's first line of defense against money laundering. Through our Illicit Finance and Proceeds of Crime Unit (IFPCU), ICE

partners with the U.S. financial industry, along with state and federal agencies, to combat financial and trade crimes associated with heroin and fentanyl smuggling and distribution.

In targeting virtual currency transactions of heroin and illicit fentanyl, ICE uses blockchain analysis to track transactions between criminal parties. Blockchain is a digital ledger in which transactions made in bitcoin or another cryptocurrency are recorded chronologically and publically. ICE has seen a substantial increase in cases in which private parties are acting as money service businesses to exchange digital currencies into fiat currency to enjoy the illicit proceeds of narcotics smuggling. The IFPCU also utilizes resources provided by the Treasury Executive Office for Asset Forfeiture's Third-Party Money Laundering Initiative to support complex financial investigations. ICE's Bulk Cash Smuggling Center also supports investigations through counter money laundering efforts that target TCOs that supply heroin and fentanyl.

The sources, brokers, and U.S. distributors of heroin and illicit fentanyl often communicate via dark web marketplaces, internet chat rooms, Peer to Peer applications, emails, skype, or other means of electronic communication. ICE's Cyber Division further exploits these methods of communication in furtherance of field initiated criminal investigations. Moving forward, ICE's Cyber Division will focus on exploiting the digital footprints left by the criminal parties. These exploitations will provide additional investigative avenues and exponentially increase targetable data points.

ICE has seen heroin and illicit fentanyl supply chains that are not only engaged in the importation of raw powder from foreign sources and counterfeit pills but also in the importation of the precursor chemicals used to produce finished product in the United States. The flow continues to transit through postal systems, express consignment couriers, and land borders. The finished product appearance can vary based on demand and the target market. In addition to the chemicals and/or binding agents, regional distributors often procure pill making implements (pill presses, fillers, cleaners and dyes) to effectively produce finished product clandestinely. ICE currently works with DEA, CBP, and United States Postal Inspection Service (USPIS) to target and investigate these precursor and manufacturing imports.

Support to CBP Targeting and Interdiction

Every day, CBP's National Targeting Center (NTC) works quickly and quietly to identify people and products that pose potential threats to our nation's security, and to stop them from entering the United States. The NTC employs highly skilled targeting specialists using state-of-the-art technologies to identify high-risk people and cargo in the air, land, and sea environments that enter and leave the United States. The NTC carefully targets and coordinates examination of shipments and travelers who may be associated to transnational criminal organizations and/or the smuggling of heroin and fentanyl.

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.

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 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 couriers has proven valuable in identifying additional data sets for targeting and exploitation.

The recent partnership and consistent collaboration between ICE, CBP, USPIS, and DEA has greatly contributed to the success in combatting illicit shipments of heroin and fentanyl-related substances. Sources in China frequently utilize the international mail services to ship fentanyl in small parcels to avoid detection by CBP. The NTC-I leverages the working relationship with USPIS target these shipments for interdiction at U.S. airport hubs and local post offices. The NTC-I has been instrumental in coordinating interdiction and extended border searches on illicit fentanyl-related shipments leading to multiple seizures in the United States and abroad.

International Partners and Cooperation

ICE works closely with our domestic and international law enforcement partners to disrupt and dismantle transnational criminal organizations.

ICE, in support of DEA and the Department of State, has met with law enforcement counterparts from China, Mexico, and South American countries for the purposes of sharing targeting information regarding known sources of heroin, illicit fentanyl, and precursor supply, for interdiction and effective organization dismantlement.

We have traveled with DEA and CBP to China in pursuit of the successful identification and nomination of fentanyl Consolidated Priority Organization Targets (CPOTs) on several occasions, have hosted China counterparts in the United States at the Special Operations Division, and will return to China for continued coordination in April.

CPOT is the command and control element of a major transnational criminal organization and/or money laundering enterprise that significantly impacts the United States illicit drug supply and is designated by the Attorney General and Organized Crime Drug Enforcement Task Force (OCDETF) member agencies. CPOTs represent the “most wanted” transnational criminal and money laundering organizations.

The successful identification and nominations of heroin and illicit fentanyl CPOT targets provide a first step into the designation of fentanyl “kingpins” under the Foreign Narcotics

Kingpin Designation Act, and the ultimate imposition of economic sanctions against CPOTs and their business networks through the Department of Treasury's Office of Foreign Assets Control (OFAC).

ICE has also met with Canadian officials to share trends and targeting strategy in fentanyl-related investigations. Like the United States, our Canadian counterparts have expressed that a fentanyl crisis is also occurring within Canada. ICE has traveled with DEA to Canada on at least three (3) occasions to compare heroin and fentanyl trends, case models, and known targetable data sources. Further, command and control structures, communications, distribution routes, and the logistical movement of fentanyl-related shipments have been shared.

Officer Safety

Illicit fentanyl is not only dangerous for people who use drugs, but for law enforcement, public health workers and first responders who could unknowingly come into contact with it in its different forms. Working dogs are also at risk of exposure.

Law enforcement is presented with several challenges when dealing with fentanyl. Accidentally inhaling the substance during law enforcement activity or during field testing of the substance is one of the biggest dangers with fentanyl. A secondary safety threat, the absorption through the skin, may also produce a response; however, severity of skin absorption for most forms of illicit fentanyl is debated in the scientific and medical communities. In either exposure case adverse health effects can include disorientation, coughing, sedation, respiratory distress or cardiac arrest

Field testing proves to be difficult, because fentanyl is not one of the classic drugs that are familiar to law enforcement. Undercover activities and controlled purchases are also risky, as many regional distributors themselves are unaware of the presence of fentanyl in their heroin product. This leads narcotics officers to believe they are conducting a controlled purchase of heroin or cocaine, when in fact, they may be purchasing illicit fentanyl. Additionally, delays in laboratory testing due to drug seizure volumes are also problematic in quickly identifying fentanyl.

Naloxone is an antidote for opioid overdoses, including those caused by fentanyl. When quickly and properly administered, it can restore normal breathing and consciousness to individuals experiencing an opioid overdose/accidental exposure.

ICE is currently in the process of obtaining and distributing naloxone kits and other Personal Protective Equipment (PPE) to trained special agents in order to prevent fentanyl overdose exposure to law enforcement and is working to develop interim guidance and policy on the handling and transporting of fentanyl evidence.

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. heroin and illicit fentanyl crisis through the various efforts I have discussed today. I would like to reiterate that this problem set is an epidemic that demands urgent and immediate action across law enforcement interagency lines 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.