



Homeland Security Investigations

STATEMENT

OF

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FOR A HEARING ON

COMBATTING TRANSNATIONAL CRIMINAL ORGANIZATIONS AND THE
TRAFFICKING OF HUMANS, NARCOTICS AND FIREARMS

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Chairman Murphy, Ranking Member Britt, and distinguished Members: Thank you for the opportunity to appear before you today to discuss Homeland Security Investigations' (HSI) efforts to disrupt and dismantle transnational criminal organizations (TCOs). 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 today will focus on the broad spectrum of illicit activities perpetrated by TCOs; HSI's collaborative efforts to combat TCOs; and the resources needed to ensure continued success in the disruption and dismantlement of TCOs domestically and internationally.

As the principal investigative component of the Department of Homeland Security (DHS), HSI is responsible for investigating transnational crime. In collaboration with its partners in the United States and abroad, HSI special agents develop evidence to identify and advance criminal cases against TCOs; terrorist networks and facilitators; and other criminal elements that threaten the homeland. HSI works with prosecutors to arrest and indict violators; execute criminal search warrants; seize criminally derived money and assets; and take other actions with the goal of disrupting and dismantling TCOs operating throughout the world. These efforts help protect the national security and public safety of the United States.

TCOs flood the United States with deadly drugs, including illicit fentanyl and other opioids. HSI conducts federal criminal investigations at every phase of the illicit drug supply chain: internationally, where TCOs operate and manufacture illicit drugs; at our Nation's borders and ports of entry (POEs), where smuggling cells attempt to exploit America's legitimate trade, travel, and transportation systems; and in communities throughout the United States. HSI combats TCOs through multiple avenues of criminal enforcement. Not only does HSI target the narcotics smuggling activities of the TCOs, but HSI also targets the financial networks they utilize to fund and profit from their illegal activity and the firearms trafficking the TCOs undertake to support their violent activities. HSI also targets the various other illegal activities the TCOs employ to fuel their criminal organizations, including human smuggling and trafficking, cybercrime, intellectual property rights violations, and fraud.

Evolution of Transnational Criminal Organizations

Criminal organizations in the 21st century do not limit themselves to a single criminal enterprise. These criminal organizations 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 a single element of the TCOs, HSI combats TCOs by using its unique and broad investigative authorities to enforce over 400 federal laws. Investigative efforts must be broad in scope to fully dismantle enterprises that transcend borders.

TCOs have also evolved beyond insular entities and have sought out partnerships with competing TCOs in furtherance of their criminal activities. For example, the illicit collaboration between Chinese TCOs and Mexican cartels have created a complex criminal ecosystem that is fueling money laundering and narcotics trafficking, specifically illicit fentanyl, operations into and within the United States. Chinese money laundering organizations (MLOs) have developed sophisticated networks in the United States, Mexico, China, and throughout Asia to facilitate

money laundering schemes. These organizations utilize their vast global infrastructure to clean illicit proceeds for various criminal organizations, including Mexican cartels. Moreover, as Mexican cartels have taken over fentanyl production and operate on an industrial scale, they are procuring precursor chemicals from China and synthesizing these chemicals in Mexico to produce fentanyl. Mexican cartels then smuggle the fentanyl into the United States in either powder or pill form for distribution. HSI is attacking this illicit narcotics supply chain through an intelligence based counternarcotics operation that blends traditional investigative and analytical techniques with interagency collaboration, industry partnerships, and -computer-based tools.

Chinese criminal organizations also facilitate the trafficking and distribution of illicit fentanyl pills. The most common is fake oxycodone pills, which are made to look identical to prescription oxycodone but are laced with deadly fentanyl. These fake pills are responsible for thousands of overdose fatalities, as the user believes they are taking a real oxycodone pill and unknowingly receives a lethal dose of fentanyl. In order to manufacture these pills, Mexican cartels require industrial pill press equipment to turn powdered fentanyl into pill form. The Mexican cartels are purchasing these pill presses directly from Chinese manufacturers who are producing the equipment specifically for illicit activity. HSI is actively disrupting the pill press supply chain, and to date has seized over 1,200 pill presses and parts used to make deadly fentanyl-laced pills.

Moreover, TCOs, particularly those along the Southern Border, have employed a multi-pronged illicit business model encompassing the importation of narcotics into the United States and exportation of illicit firearms and ammunition to Mexico. HSI has developed a multi-discipline approach to combating the flow of illicit drugs into the United States which includes countering 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, the Bureau of Alcohol, Tobacco, Firearms and Explosives (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.

HSI International Efforts

HSI's efforts to combat TCOs 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 illicit fentanyl is produced, and throughout the Asia-Pacific region, where synthetic drug precursor chemicals often originate.

HSI special agents abroad develop and foster 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. HSI and its counterparts in other countries identify and disrupt sources of illicit drugs, transportation and smuggling networks, and money laundering operations. These efforts enable HSI and its partners to prevent dangerous narcotics and other illicit goods from reaching our borders and stop illicit outbound flows of illegally derived currency and weapons.

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 are comprised of 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. These consist of more than 500 vetted and trained law enforcement officers across North, Central, and South America, the Caribbean, the Middle East, and Asia. In FY 2022, TCIU efforts worldwide resulted in 3,800 criminal arrests and the seizure of almost \$18.6 million and over 350,000 pounds of narcotics and precursor chemicals.

Targeting the fentanyl 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. Mexican cartels operate on an industrial scale when procuring precursor chemicals, and many interdiction efforts are led by investigators and prosecutors in Mexico's Attorney General's office who comprise the HSI TCIU. In FY 2022, efforts by the TCIU resulted in more than 120 criminal arrests and the seizure of approximately \$1.1 million, 11,100 pounds of cocaine, and 18,200 pounds of precursor chemicals. The TCIU also leads investigations targeting the labs where the chemicals are synthesized into illicit drugs.

National Targeting Center – Investigations

HSI's National Targeting Center - Investigations (NTC-I) was established in 2013 in collaboration with U.S. Customs and Border Protection's (CBP) National Targeting Center to further our shared border security mission. HSI's increased manpower and concerted efforts at NTC-I support the entire border security continuum, from CBP interdictions and HSI investigations, to the joint exploitation of intelligence. Working in a collaborative environment at NTC-I, HSI provides support to all of DHS's domestic and international offices by targeting illicit precursor chemical movements within the air and maritime commercial transportation modalities.

The combination of NTC-I targeting and foreign action through HSI's TCIUs is critical to stopping the flow of illicit drugs and dismantling TCOs. Using these resources, HSI targets the supply chains responsible for foreign origin shipments of precursor chemicals used in the illicit production of fentanyl and methamphetamine destined for Mexico. By blending interagency collaboration, industry partnerships, financial intelligence, and computer-based tools, HSI

processes large volumes of data to identify precursor chemical suppliers and TCO procurers. HSI uses this information to target and seize precursor chemicals that are being transshipped through the United States or seized by its TCIUs abroad before the chemicals are converted into the synthetic drugs fueling overdose deaths. Thus far, this methodology has resulted in the seizure of approximately 3.3 million pounds of dual-use precursor chemicals used to manufacture illicit fentanyl and methamphetamine.

HSI Domestic Efforts

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. HSI special agents work every day with CBP officers to identify and investigate drug smuggling organizations attempting to introduce illicit contraband into the United States.

CBP's expansion of non-intrusive inspection (NII) scanning at Southwest Border POEs is poised to increase the number of CBP-origin seizures which HSI special agents are required to 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 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 respond to these seizures and 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. In June 2022, the Bipartisan Safer Communities Act provided HSI with statutory authority to reimburse the salaries for state and local law enforcement task force officers who participate in BESTs.

BESTs 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 88 BESTs located across the United States, including Puerto Rico and the U.S. Virgin Islands, comprising approximately 1,000 law enforcement officers and personnel representing federal, state, local, tribal, and international law enforcement agencies, and National Guard units. In FY 2022, BESTs initiated more than 5,300

investigations resulting in more than 6,000 criminal arrests and seizures of more than 317,000 pounds of narcotics, more than 480,000 pounds of precursor chemicals, and more than \$206 million of illicit proceeds and assets.

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 of 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 a whole-of-government effort 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 284,175 rounds of ammunition, all destined for TCOs in Mexico.

Human Trafficking

Human trafficking and forced labor crimes are a threat to U.S. national security and public safety; they are also a highly lucrative business for TCOs. On October 20, 2020, DHS established the HSI-led Center for Countering Human Trafficking (CCHT), as a whole-of-DHS approach to countering human trafficking and the importation of goods produced with forced labor. The CCHT brings together law enforcement and intelligence personnel who are human trafficking subject matter experts and victim support specialists from across DHS to coordinate with federal, state, and local partners, non-governmental organizations, and private stakeholders to proactively identify, disrupt, and dismantle domestic and cross-border human trafficking organizations and minimize the risk they pose to national security and public safety. Secondly, the CCHT provides support and protection to victims by promoting a victim centered and trauma informed approach, whereby equal value is placed on the identification and stabilization of victims and on the deterrence, investigation, and prosecution of traffickers. Finally, the CCHT leverages its resources and authorities to prevent the importation into the United States of goods produced by forced labor and facilitate the prosecution of those criminally benefitting from such forced labor.

As part of DHS's unified response, 16 DHS Components are currently providing personnel to support CCHT's efforts, which facilitates coordination and aligns resources and authorities to combat these threats. In FY 2023, the DHS Blue Campaign was transferred to the HSI-led CCHT pursuant to Public Law 117-322 as part of the whole-of-DHS approach to countering human trafficking and the importation of goods produced by forced labor. The Blue Campaign is a national public awareness campaign designed to educate the public, law enforcement, and other industry partners to recognize the indicators of human trafficking, and how to appropriately respond to possible cases. The Blue Campaign works closely with DHS Components to develop general awareness trainings, as well as specific educational resources to help reduce victimization within vulnerable populations; and leverages partnerships with the

private sector, non-governmental organizations, law enforcement, and state/local authorities to maximize national public engagement on anti-human trafficking efforts.

While the Blue Campaign was transferred to the HSI-led CCHT, the transfer did not account for the additional DHS Component contributions previously utilized to sustain the yearly operations of the Blue Campaign. As such, there will be a dedicated budget shortfall incurred by the CCHT. Additional funding is needed to eliminate the shortfall and establish a permanent budget for the Blue Campaign, enabling its continued human trafficking awareness and education efforts without reliance on Component contributions, which can vary year-to-year.

Cyber-Related Efforts

TCOs have become increasingly tech-savvy. For example, many have adopted anonymous cryptocurrency transactions through darknet marketplaces. These transactions may involve foreign vendors, but the result is the shipment of illicit drugs to or within our country.

Cyber Crimes Center

To keep pace with rapidly evolving criminal techniques, HSI created the Cyber Crimes Center (C3) to provide investigative assistance, training, and equipment to support domestic and international investigations of cyber-related crimes for DHS. C3 supports HSI's mission through the programmatic oversight and coordination of investigations of cyber-related criminal activity and provides a range of forensic, intelligence, and investigative support services across all HSI programmatic areas. C3 brings together highly technical assets dedicated to conducting trans-border criminal investigations of cyber-related crimes within the HSI transnational crime portfolio and authorities.

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 specialized 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 contraband on the darknet. 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 the HSI 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 the advanced technical solutions, such as decryption and accessing secure data, digital forensics play an ever-increasing role in investigating complex multinational narcotics organizations. C3's 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 trafficking in the United States, C3 developed a cyber-training curriculum with a focus on darknet 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 12,000 state, local, federal, and international law enforcement personnel.

Illicit Finance – Following the Money

One of the most effective methods for dismantling TCOs engaged in narcotics trafficking is to attack the criminal financial networks that are the lifeblood of their operations. Illicit drug sales in the United States continue to net tens of billions of dollars in illicit proceeds annually. HSI special agents identify and seize the illicit proceeds and instrumentalities of crime and target financial networks that transport, launder, and hide ill-gotten proceeds. As a customs agency with significant access to financial and trade data, HSI is uniquely positioned to identify TCO schemes to hide illicit 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 like cryptocurrency. HSI's financial efforts in FY 2022 resulted in 2,607 arrests, 1,600 criminal indictments, 1,028 convictions; and the seizure of more than \$4.2 billion in illicit currency and other assets (at the time of seizure).

National Bulk Cash Smuggling Center

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, which 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, and maritime vessels, and via pedestrian crossings at our land borders.

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 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 through FY 2022, the BCSC has initiated or substantially contributed to the seizure of bulk cash totaling over \$1.73 billion.

TCOs are increasingly augmenting bulk currency smuggling with use of alternate 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, cryptocurrency, wire transfers, funnel accounts, and trade-based money laundering (TBML). HSI adapts to evolving criminal methodologies by leveraging new law

enforcement technologies to identify money laundering activity through these emerging alternate value platforms and seize criminal assets.

Trade-Based Money Laundering

TBML is the process of disguising criminal proceeds through international trade to hide their illicit origins. As the primary law enforcement agency that investigates TBML, HSI utilizes data resources—maintained by DHS encompassing trade, travel, and financial information—to identify TBML schemes. HSI has established several national initiatives that target specific TBML schemes and provides subject matter expertise, analytical support, and enforcement related support to HSI special agents. Specifically, HSI has the ability to intercept and interdict trade and individuals associated with TBML that have a nexus to the borders of the United States and provide the necessary information to initiate criminal investigations targeting this activity.

Integral to these efforts are HSI-established Trade Transparency Units (TTUs), which combat the growing threat of international money laundering by TCOs via TBML. The TTUs accomplish this mission using partner country data sharing programs and the Data Analysis & Research for Trade Transparency Systems program. Through established partnerships, the TTUs have access to foreign trade, travel, and financial information used to support ongoing criminal investigations and to address TBML on a global scale. These partnerships are based on bilateral agreements with the United States and 19 partner countries for the sharing of trade and financial information. Through the TTUs, HSI field offices can request information pertaining to companies and individuals that would otherwise be unavailable without the bilateral agreements.

Cryptocurrency

Cryptocurrencies are increasingly used to facilitate domestic and cross-border crime. They can be exploited by any criminal organization, and this is especially true as it pertains to online distribution of illicit fentanyl, methamphetamine, and other dangerous drugs. Cryptocurrencies are attractive to TCOs because they offer a relatively fast, inexpensive, and pseudonymous system of transactions. HSI investigations related to cryptocurrency have risen from one criminal investigation in 2011 to over 230 criminal investigations in FY 2021. In FY 2022, HSI seized nearly \$4 billion (at the time of seizure) in cryptocurrency. This substantial increase signifies growing confidence in cryptocurrency use by criminals and criminal networks.

Conclusion

HSI's authorities, international and domestic footprint, and culture make it uniquely capable of disrupting and dismantling TCOs. It is imperative HSI has the resources necessary to continue to remain at the forefront of the fight against TCOs and their illicit activities.

Thank you again for the opportunity to appear before you today and for your continued support of HSI and our enduring efforts to dismantle TCOs throughout the world. I look forward to your questions.