

**COMBATTING THE OPIOID CRISIS: EXPLOITING  
VULNERABILITIES IN INTERNATIONAL MAIL**

---

**HEARING**

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

JANUARY 25, 2018

Available via the World Wide Web: <http://www.fdsys.gov/>

Printed for the use of the  
Committee on Homeland Security and Governmental Affairs



## **COMBATING THE OPIOID CRISIS: EXPLOITING VULNERABILITIES IN INTERNATIONAL MAIL**

# COMBATTING THE OPIOID CRISIS: EXPLOITING VULNERABILITIES IN INTERNATIONAL MAIL

---

## HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

JANUARY 25, 2018

Available via the World Wide Web: <http://www.fdsys.gov>

Printed for the use of the  
Committee on Homeland Security and Governmental Affairs



U.S. GOVERNMENT PUBLISHING OFFICE

30–696 PDF

WASHINGTON : 2018

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

RON JOHNSON, Wisconsin, *Chairman*

JOHN MCCAIN, Arizona	CLAIRE McCASKILL, Missouri
ROB PORTMAN, Ohio	THOMAS R. CARPER, Delaware
RAND PAUL, Kentucky	HEIDI HEITKAMP, North Dakota
JAMES LANKFORD, Oklahoma	GARY C. PETERS, Michigan
MICHAEL B. ENZI, Wyoming	MAGGIE HASSAN, New Hampshire
JOHN HOEVEN, North Dakota	KAMALA D. HARRIS, California
STEVE DAINES, Montana	DOUG JONES, Alabama

CHRISTOPHER R. HIXON, *Staff Director*  
MARGARET E. DAUM, *Minority Staff Director*  
LAURA W. KILBRIDE, *Chief Clerk*  
BONNI DINERSTEIN, *Hearing Clerk*

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

ROB PORTMAN, Ohio *Chairman*

JOHN MCCAIN, Arizona	THOMAS R. CARPER, Delaware
RAND PAUL, Kentucky	HEIDI HEITKAMP, North Dakota
JAMES LANKFORD, Oklahoma	GARY C. PETERS, Michigan
STEVE DAINES, Montana	MAGGIE HASSAN, New Hampshire

ANDREW DOCKHAM, *Staff Director and Chief Counsel*  
JOHN KILVINGTON, *Minority Staff Director*  
KATE KIELCESKI, *Chief Clerk*

## CONTENTS

Opening statements:	Page
Senator Portman .....	1
Senator Carper .....	5
Senator Johnson .....	9
Senator Lankford .....	22
Senator Heitkamp .....	32
Senator Klobuchar .....	34
Senator Daines .....	37
Prepared statements:	
Senator Portman .....	55
Senator Carper .....	60

### WITNESSES

THURSDAY, JANUARY 25, 2018

Joseph P. Murphy, Chief, International Postal Affairs, Office of Specialized and Technical Agencies, Bureau of International Organizations, U.S. Department of State .....	11
Robert Cintron, Vice President, Network Operations Management, United States Postal Service; accompanied by Guy Cottrell, Chief Postal Inspector, United States Postal Service .....	13
Todd C. Owen, Executive Assistant Commissioner, Office of Field Operations, U.S. Customs and Border Protection, U.S. Department of Homeland Security .....	14
William Siemer, Acting Deputy Inspector General, Office of Inspector General, United States Postal Service .....	16
Daniel D. Baldwin, Section Chief, Office of Global Enforcement, Drug Enforcement Administration, U.S. Department of Justice .....	18
Gregory Nevano, Deputy Assistant Director, Illicit Trade, Travel, and Finance Division, Homeland Security Investigations, U.S. Immigration and Customs Enforcement, U.S. Department of Homeland Security .....	20

### ALPHABETICAL LIST OF WITNESSES

Baldwin, Daniel D.:	
Testimony .....	18
Prepared statement .....	90
Cintron, Robert:	
Testimony .....	13
Prepared statement .....	69
Murphy, Joseph P.:	
Testimony .....	11
Prepared statement .....	65
Nevano, Gregory:	
Testimony .....	20
Prepared statement .....	96
Owen, Todd C.:	
Testimony .....	14
Prepared statement .....	75
Siemer, William:	
Testimony .....	16
Prepared statement .....	84

IV

APPENDIX

Page

Staff Report .....	105
Exhibit A .....	205
Statement from the National Treasury Employees Union .....	215
Responses to post-hearing questions for the Record from:	
Mr. Murphy .....	219
Mr. Cintron .....	223
Mr. Owen .....	230
Mr. Siemer .....	267
Mr. Baldwin .....	269

## **COMBATTING THE OPIOID CRISIS: EXPLOITING VULNERABILITIES IN INTERNATIONAL MAIL**

**THURSDAY, JANUARY 25, 2018**

U.S. SENATE,  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
OF THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 10:03 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Rob Portman, Chairman of the Subcommittee, presiding.

Present: Senators Portman, Lankford, Daines, Johnson, Carper, Heitkamp, and Hassan.

Also present: Senator Klobuchar.

### **OPENING STATEMENT OF SENATOR PORTMAN<sup>1</sup>**

Senator PORTMAN. This hearing will come to order.

Thank you all for being here. Today's hearing continues the Permanent Subcommittee on Investigations' work to combat the opioid epidemic that is gripping our communities around the country.

Last Congress, the Subcommittee issued a bipartisan report on opioid-related fraud and abuse in the Medicare Part D program. This Congress, the Subcommittee held a hearing on the growing problem of individuals buying illicit opioids over the Internet and shipping them to the United States through the mail.

The opioid crisis, sadly, continues to get worse, not better. Last month, the Centers for Disease Control (CDC) reported that more than 63,600 Americans died in 2016 from drug overdoses. Indications are that number increased in 2017.

These overdose deaths are shocking. The number of deaths continue to grow. My own home State of Ohio, we were told recently, is now second in the country in terms of overdose deaths.

It is heartbreaking, and increasingly, these overdoses are due to a synthetic heroin, illegal versions of fentanyl, a drug that is 50 to 100 times stronger than heroin. In fact, in Ohio, fentanyl and its variations were involved in 60 percent of the overdose deaths last year. It has become the number one killer in Ohio.

The vast majority of illegal fentanyl is purchased online from labs in China and then shipped to the United States through the mail. We will hear from the Drug Enforcement Agency (DEA) today

---

<sup>1</sup> The prepared statement of Senator Portman appears in the Appendix on page 55.

about that, but I think it is shocking to people when they find out that this is coming through our U.S. mail system.

Last night, the Subcommittee released its bipartisan report. I hope you all have seen it, how criminals exploit vulnerabilities in international mail and use the U.S. Postal Service (USPS) to ship illicit opioids into our country.

Without objection, I would move that the Subcommittee's report be entered into the record.<sup>1</sup>

After our initial 2017 hearing, we set out to find out how easy it is to purchase fentanyl online and how it was shipped to the United States. What we discovered, of course, was it was shockingly easy to do so. All you had to do was search "fentanyl for sale." That simple search returned hundreds of websites, many affiliated with Chinese labs, all openly advertising illegal drugs.

The field was narrowed to just six websites, and we sent emails asking basic questions about how to purchase and ship fentanyl to the United States.

These online sellers were quick to respond, unafraid of getting caught apparently, and ready to make a deal. You will see that in the report. They offered discounts for bulk purchases, even tried to up-sell us to carfentanil, a more powerful synthetic heroin that is so strong, it is used as an elephant tranquilizer.

Ordering these drugs was as easy as buying any other product online. I must note our Subcommittee never completed a purchase of drugs online. It was just too dangerous to risk exposing someone to deadly fentanyl during delivery. But we did use the online seller's payment information to determine if others were buying, and of course, we found out they were. Just from these six websites alone, we identified more than 500 payments to online sellers by more than 300 Americans, totaling \$230,000, most of which occurred over the last two years. This is just a small sample, only six websites, and then, frankly, we used just one payment system to be able to identify some of these buyers.

The 300 people, by the way, were located in 43 different States, with individuals from my home State of Ohio, Pennsylvania, and Florida sending the most money to online sellers.

The map that we have back here behind us shows the concentration of where most of the purchases were made. That is also in the report.

We also asked how the online sellers would ship the drugs to us. Every single one of them preferred to use the U.S. Postal Service. They did not want to use the private carriers like Dalsey, Hillblom and Lynn (DHL), Federal Express (FedEx), United Parcel Service (UPS). They wanted to use the Postal Service. They told us they used the Postal Service because the chances of the drugs getting seized were so insignificant that delivery was essentially guaranteed.

We were also able to track hundreds of packages related to these online purchases. We identified seven people out of the 300 who died from fentanyl-related overdoses after sending money to and receiving packages from these online sellers.

---

<sup>1</sup> The Subcommittee report appears in the Appendix on page 105.



One of these individuals who died was a 49-year-old Ohioan from the Cleveland area who sent about \$2,500 to an online seller, received 15 packages through the Postal Service over a 10-month period. His autopsy confirmed that he died from acute fentanyl intoxication just weeks after he received a package from this online seller.

By analyzing more than 2 million lines of shipment data obtained in our investigation, we located three individuals in the United States who were likely distributing these drugs. We identified more than 120 instances of different people sending a payment to an online seller in China and then a day or two later receiving a package from one single Pennsylvania address.

The person at this Pennsylvania address, by the way, was working with the online seller to domestically transship drug purchases.

Shipping data reviewed during the course of the investigation also indicated other individuals who purchased items to make pills, including pill presses, chemical bonding agents, and empty pill casings. It is not surprising that people are ordering fentanyl online to sell. The profit margins are just staggering.

Based on DEA estimates, the street value of the online transactions from just the six websites the Subcommittee investigated translates to about \$760 million in fentanyl pills to sell on the streets of our communities.

We are already working with law enforcement authorities to make sure these drug dealers can be brought to justice and will continue to do so after this hearing.

But our findings today show the crucial role Advanced Electronic Data (AED) can play in protecting our country and fighting the opioid epidemic.

We also need some legislative changes. Last year, the Postal Service only received advanced electronic data on about 36 percent of the more than 498 million international packages coming into our country, so about 500 million packages a year and only about 36 percent of them have the advanced electronic data that allows law enforcement to identify these suspicious packages. This means that about 318 million international packages came here with no data; therefore, no ability for Customs and Border Protection (CBP) or other law enforcement we will hear from today to target these packages for screening.

We did not know with regard to 318 million packages who sent it, where it was going, or what was in it, and this is a massive loophole that is undermining the safety and security of our country.

In addition, the data we do get from foreign posts that we reviewed during our investigation appears to be of questionable quality, so it is only 36 percent, but even much of that data is not helpful. At times, the data was nothing more than illogical lines of letters and characters entered by someone who did not understand how to construct a standard American address.

Even when CBP has the data and targets a package, the Postal Service fails to locate it about 20 percent of the time. Again, advanced electronic data, 36 percent, much of that data is not very helpful, and even when law enforcement says, "Aha. We have a package here that looks like it is suspicious. We would like to look

at it,” 20 percent of the time, they cannot find the package. It gets through.

What we are left with is a Federal Government whose policies and procedures are wholly inadequate to prevent the use of international mail to ship illegal synthetic opioids into the United States.

In contrast, our Postal Service provides data on about 90 percent of the packages that it ships to foreign posts. So about 90 percent of what we send out, we do provide that electronic data to foreign governments.

After September 11, 2001 and the terrorist attacks on that day, collecting advanced electronic data was identified as a national priority for all the right reasons.

In 2002, in fact, Congress required private carriers to collect this data, so UPS, FedEx, DHL, and others were required to collect it. It was left up to the discretion of the Postmaster General and the Treasury Department with regard to the Postal Service. They were encouraged to do it, encouraged to study it, but it was left up to their discretion.

For more than a dozen years, nothing happened, essentially, leaving Customs and Border Protection to manually inspect targeted packages, which is the equivalent, of course, to finding a needle in a haystack, again, now 500 million packages. Then it was not that many, but hundreds of millions.

To their credit, the Postal Service and CBP started a pilot program in late 2015 to target suspicious packages from China using advanced electronic data, but our investigation found a lack of planning, the different missions of the agencies, and personality conflicts hampered the success even of the pilot program that was started in 2015.

That pilot program, by the way, started at John F. Kennedy (JFK) International Airport, and our investigators were able to see that in action.

Despite these problems, the Postal Service’s head of Global Trade Compliance wrote that the pilot program allowed them to “put a positive spin” on stopping opioids.

While both CBP and the Postal Service agreed the pilot should be rolled out to all international mail facilities, they only started that after this Subcommittee held its May 2017 hearing. We are glad they did it. We are glad the hearing encouraged them to do it.

We learned that this process was conveniently completed just days in advance of this hearing, earlier this week. Again, I think this hearing probably motivated some action, which is good, but this should have been a priority without having to hold this hearing. It should not take a congressional investigation into the Postal Service and what is happening with international mail to get our government to do its job.

One part of the solution is more data, and that is why we have introduced the Synthetic Trafficking and Overdose Prevention Act (STOP Act), which would require advanced electronic data on international packages shipped through the Postal Service.

We currently have 29 cosponsors on both sides of the aisle, and I know this report and hearing will put pressure on us here in the Senate to finally take some action.

I really want to thank Senator Carper and his staff for working so closely with us on this investigation. There is a lot more to be done to turn the tide of the opioid epidemic, clearly, but stopping these deadly drugs from ever reaching our streets is certainly a good start.

As the coauthor of the Comprehensive Addiction Recovery Act (CARA), I have focused most of my career, actually over the last 20-some years, on prevention, treatment, and longer-term recovery. That is all important, but keeping this poison from coming into our communities is something we can and should do.

Just in the past week near Toledo Ohio, five individuals overdosed and three died, fentanyl-related overdoses. It is so bad that officials issued an opioid advisory warning to the public begging them to stay away from what was clearly a “bad batch of opioids” in northwest Ohio.

How many more people have to die before this poison stops coming into our communities, before we take the steps, the simple steps, to at least understand where the suspicious packages are and how to get them offline and not delivered to a post office box here in America? How many people have to die before this happens?

Yes, the Postal Service is in desperate need of comprehensive reform, and nobody has been more involved with that than Senator Carper, but it is shocking that we are still so unprepared to police the mail arriving into our country.

Again, I want to thank Senator Carper and his staff for working so closely with us.

The Chairman of the full Committee has now joined us, Senator Johnson. I am going to ask him if he has any brief opening remarks.

And I will turn it over to the Ranking Member, Senator Carper.

#### **OPENING STATEMENT OF SENATOR CARPER<sup>1</sup>**

Senator CARPER. Thank you. I thank you, Mr. Chairman. I want to thank you for your ongoing leadership on a really tough issue and an important challenge facing our Nation, delighted to be joined by our full Committee Chairman today too.

I want to thank our staffs, Democratic and Republican staffs. There has been a fair amount of discussion of late about how we do not work together on this issue. We work together. We are one, and there is no space between us on this issue, and frankly, on a lot of others.

I want to thank our witnesses for joining us today, for the work that you do, and for the work that is done by the people who are your colleagues.

This is an oversight hearing, but this is also a result of an investigation. A big part of our job on the full Committee is to do oversight, and broadly over the Federal Government, this is oversight and investigation on something that we all care deeply about.

<sup>1</sup> The prepared statement of Senator Carper appears in the Appendix on page 60.

No State has been immune to the damage that these drugs have caused, including my home State of Delaware. I went to Ohio State, Navy ROTC midshipman, I used to think Delaware was a little town just north of Columbus, but it turned out to be a whole State. I have been fortunate to be able to represent them for a while.

But whether it is Delaware, Ohio or the State of Delaware, this is an enormous challenge that we face, and it is an all-hands-on-deck moment, and it requires an all-the-above strategy. It is not enough just to deal with the symptoms of the problems, and we will be talking a lot about that today—but also the root cause of these problems. We have to do both.

According to the Division of Forensic Science in my State, more and more Delawareans are dying from opioids every year. In 2014, we lost 222 people. In 2015, we lost 228 people. In 2016, we lost 308 people. They are not just numbers. They are mothers and fathers. They are brothers and sisters. They are sons and daughters, aunts and uncles, grandparents, all the above.

Just last month, it was reported that emergency responders in our largest county—we only have three, but our largest county where my wife and I live, raised our family, in New Castle County, were dispatched to a reported drug overdose every 80 minutes. By early November of last year, paramedics there had administered Naloxone, a drug that can block or reverse the effects of an opioid overdose. They had administered to nearly 600 patients.

All told, opioids are now the leading cause of drug overdose deaths, killing more than 42,000 people nationwide in 2016.

Last year, our Subcommittee set out to learn what the Federal Government is doing to stop these drugs from entering our country.

In May, we heard testimony from officials from the Postal Service, from Customs and Border Protection, from the State Department in addition to several experts and first responders on the ground in Ohio, Delaware, and elsewhere who grapple every day with the impact opioids are having on our communities. They told us how opioids are getting into our communities through the mail and how they are working together to stop that.

Unfortunately, I left that hearing very concerned that the Federal response was proving to be insufficient. Our investigation shows that progress has been made, but also that we have much more to do. In fact, our findings are, in a word, alarming.

We found that fentanyl and other even stronger synthetic opioids are openly available for sale, as the Chairman has said, on the Internet, accessible to anyone who knows how to shop online. And once purchased, these drugs arrive primarily from China through the international mail system. While sellers often prefer the Postal Service, they offer shipment via private carriers like DHL, like FedEx, and UPS.

Through our work, we obtained key payments and shipping data that enabled staff to link online sellers to fentanyl-related deaths and drug-related arrests all over the country. We even found what appears to be a major opioid distributor in Pennsylvania, where Delawareans reportedly get most of their drugs.

It is CBP's mission in partnership with the Postal Service and private shippers to keep these drugs from entering our country.

That mission has, unfortunately, become increasingly more difficult as the number of inbound international packages has skyrocketed.

I would like to say—I think the Chairman mentioned “needle in a haystack.” When you are looking for a needle in a haystack, there is a couple of things we can do about it, and one is make the needles bigger or make the haystacks smaller. And we need to do both of those.

But for the Postal Service alone, volume has nearly doubled, growing from about 150 million pieces in fiscal 2013 to nearly 500 million pieces in calendar year 2017.

Until recently, CBP was forced to sift through this massive number of packages from the Postal Service manually. Today, automation and the use of advanced electronic data has improved the targeting of packages that may contain illicit items, but the process is far from efficient and effective.

Our investigation revealed that a 2015 joint Postal Service-CBP pilot project at JFK Airport suffered due to the agencies’ differing missions, a lack of coordination, and several interagency conflicts. As a result, the pilot’s full expansion to our four other international mail processing centers was delayed until just this week.

In addition, despite the massive amounts of drugs coming into our country through the mail, the Postal Service and CBP only target a small number of packages each day. Meanwhile, as our report points out, our efforts to get CBP the data that it needs to better target suspicious mail items and intercept opioids and other contraband has also not kept pace with the volume of drugs that cross our borders.

Unlike private carriers who control which packages enter their networks and have more freedom to turn away problem customers, the Postal Service is required to deliver all the mail it receives from foreign posts. This is due to our country’s membership in the Universal Postal Union (UPU), an international body that sets global mailing standards and ensures that Americans can send mail to friends, to family, and to business partners overseas.

The State Department represents the United States at the UPU proceedings, and while the Postal Service has made some progress in obtaining better information on packages through bilateral agreements with foreign posts, the State Department has watched for more than a decade now as some of our foreign partners have successfully fought efforts requiring more information on international packages.

Given the stakes, it is urgent that the Postal Service and CBP work together to continue ramping up their targeting and inspection efforts, and that the Postal Service and the State Department speed up international efforts to get CBP the data that it needs.

At the same time, those of us in Congress need to ensure that the Postal Service has the resources that it needs to be a stronger partner in these efforts.

As my colleagues are aware, protecting and improving the mail system in this country has been one of my biggest priorities on this Committee. The Postal Service is vital to our economy, and as our work illustrates, it plays an important role in our fight against the opioid epidemic as well, yet it faces insolvency if the Congress does not pass comprehensive postal reform this year. The enactment of

this legislation will free up billions of dollars that the Postal Service can use to not only invest for the future, provide better service, but also to shore up mail security.

All of that said, if we only focus on chasing drug shipments after they have entered our mail system, we will only address the symptoms of this problem. We also need to focus on what I described earlier as the root causes. To truly do that, we must address our country's considerable demand for drugs.

As we know, health care plays a vital role in combatting the addiction that drives drug demand, and Medicaid is the country's single largest payer for substance abuse disorder services. Many States with the highest opioid overdose death rates have used Medicaid to expand treatment access. Mine is one; Ohio is another.

We need to focus even more on making sure that our health care system has the resources that it needs to provide quality treatment to those suffering from this epidemic.

And as we consider root causes, it is also clear that we need to engage with China, the biggest source of illicit opioids entering our country, in order to successfully disrupt the supply of fentanyl and similar drugs.

We did something like this during the Obama Administration through a high-level dialogue on cybersecurity and hacking, and given the success that bilateral partnership had, this administration should commit at higher levels to a similar effort to tackle this urgent public health crisis.

With that in mind, I am reaching out to Terry Branstad as our Ambassador to China, former Governor from Iowa—we served together as Governors—to gauge the level of engagement of our embassy and our team in China toward working with the Chinese to say, “Hey, this is a problem. It is not just a problem for us, but someday, it is going to be a problem for you. And you need to get your act together in order to help us but ultimately to help you guys.”

This reminds me, Mr. Chairman, of the importance of leadership in addressing complex challenges, like the ones we are discussing today.

There is no silver bullet that can solve this problem, and none of the agencies represented before us can do it alone. We need leadership from the top.

Last March, the President established the commission charged with studying the opioid epidemic and determining how to fight it, and then in October, he officially declared the crisis a public health emergency.

Despite these high-profile moves, news reports suggest that only a few of the commission's 56 recommendations have reportedly been implemented. We can do better than that.

Further, the Office of National Drug Control Policy (ONDCP), the entity charged with coordinating the Federal Government's counter-drug response still does not have a permanent director. I will stay that again: still does not have a permanent director.

Recent media reports indicate that the President's upcoming budget will again propose a 95 percent cut in the budget of the Office of National Drug Control Policy.

On a day when we are going to be critical of some front-line agencies for what appears to be a lack of focus and a sense of urgency about a real crisis, I think it is only fair to call on the President for what appears to be a failure to make that crisis the priority that it should be.

Let me just close with something we have in Delaware we call the three C's: communicate, compromise, collaborate. And we have added a fourth C, civility. That is something in short supply around here but not on this Committee.

We need to embrace something like the three C's as we fight this epidemic, and one of those is to communicate, and we are doing that here today. Another is to collaborate with a little bit of civility, and if we do that, we will make some progress, and we certainly need to make that progress.

Again, I will close by saying this is an all-hands-on-deck moment. This is an all-of-the-above strategy that is needed, and as well as we do our jobs, we always know we can do better. Our goal is perfection. We can do better here, and we need to in the spirit of cooperation.

Thank you, Mr. Chairman. Thank you for your leadership.

Senator PORTMAN. Thank you, Senator, Carper.

You mentioned the Christie commission, the Presidential commission on opioids, and the recommendations, one of the recommendations was enactment of the STOP Act that we talked about earlier to require this electronic data in advance.

I have told my colleagues if you have a brief opening statement, I am happy to have you be heard now. Thank you for being here.

Mr. Chairman, do you have a statement?

#### **OPENING STATEMENT OF CHAIRMAN JOHNSON**

Chairman JOHNSON. Thank you for your leadership on this.

I think you are aware that my own nephew died of an overdose in January 2016. It has probably gotten to the point where there are very few Americans that have not been touched in a very personal way, pretty close connection with someone who has died of some kind of overdose.

It is a very complex problem. I want to thank you and your staff, who have done an excellent job preparing this hearing and the briefing.

I want to thank the witnesses for your service to this country.

It is complex. I think one of the things we do need to do, in addition to what you are proposing here, is greater information. I have a bill stopping overdoses of fentanyl analogs. That is one of the real problems of scheduling these minute differences in terms of analog drugs and immediately scheduling those.

There are so many things we need to address here, but it starts with identifying a problem, properly defining it, and highlighting it in hearings like this.

So, again, I just want to thank everybody involved in this. It is not easy, but these are tragedies, and we all have talked to far too many parents, grandparents, brothers and sisters who have lost their beautiful sons and daughters, grandsons, granddaughters, brothers, and sisters. We have to do everything we can.

Thank you for your leadership.

Senator PORTMAN. Thank you for your passion and leadership.

To the panel, thank you very much for being here. We will now turn to you. We have some real expertise here and some great public servants to talk through this issue and figure out how we begin to stop some of this poison coming into our communities.

The first witness is Joseph Murphy. He is the U.S. Government lead for International Postal policy issues, heads the U.S. delegations to the meetings of the Universal Postal Unions, Postal Operations Council (POC) that we have spoken about previously. Mr. Murphy previously served for three years as the U.S. Permanent Representative in the United Nations office in Nairobi.

Second, Robert Cintron is with us. He was named Vice President, Network Operations, in April 2016. In this position, he oversees the Postal Service's distribution network, including overall network design, policies, and programs for processing sites, logistics that are required to move the mail, and maintenance policies and programs to support that network. Mr. Cintron began his postal career 33 years ago as a clerk in Rochester, New York.

Third, we have Todd Owen, who is the Assistant Commissioner, Office of Field Operations (OFO), Customs and Border Protection. He was named to that position in 2015. He oversees more than 29,000 employees, including more than 24,000 CBP officers and CBP agriculture specialists. He manages operations of CBP's ports of entry (POE) and numerous programs that support national security. Mr. Owen began his career with the U.S. Customs Service in 1990 as an import specialist in Cleveland, Ohio, a great start.

William Siemer is with us. He currently serves as the Acting Deputy Inspector General (IG) for the Postal Service's Office of Inspector General (OIG). He joined the Inspector General's office in 2003. He previously served in both the United States Secret Service and in the Air Force Office of Special Investigations as a special agent.

Daniel Baldwin currently serves as a section chief within the Drug Enforcement Administration's Office of Global Enforcement. In this role, he supports DEA's global drug enforcement efforts in Africa and Asia. Prior to this assignment, Mr. Baldwin served as DEA's country attache in Beijing, China, so he has good experience in China. In 1991, he received his bachelor of science degree in criminal justice from the University of Denver.

Finally, Gregory Nevano is with us. Gregory serves as the Deputy Assistant Director for the Illicit Trade, Travel, and Finance Division within Homeland Security Investigations (HSI). Mr. Nevano has oversight of all financial, narcotics, documents, and benefit fraud, criminal gang exploitation, as well as several targeting infusion centers. Prior to this assignment, Mr. Nevano served as Chief of Staff to the Deputy Director of U.S. Immigration and Customs Enforcement (ICE), and has served in various key management positions within the agency.

Gentlemen, under the rules of this Committee, we swear in all of our witnesses. At this time, I would ask you to please stand and raise your right hand.

Do you swear the testimony you give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?



Mr. MURPHY. I do.

Mr. CINTRON. I do.

Mr. OWEN. I do.

Mr. SIEMER. I do.

Mr. BALDWIN. I do.

Mr. NEVANO. I do.

Senator PORTMAN. Let the record reflect that all witnesses answered in the affirmative.

All of your written testimonies, gentlemen, will be placed in the record in its entirety, so I would ask you to limit your prepared remarks here this morning, your oral testimony, to 5 minutes.

And, Mr. Murphy, we will start with you.

**TESTIMONY OF JOSEPH P. MURPHY,<sup>1</sup> CHIEF, INTERNATIONAL POSTAL AFFAIRS, OFFICE OF SPECIALIZED AND TECHNICAL AGENCIES, BUREAU OF INTERNATIONAL ORGANIZATIONS, U.S. DEPARTMENT OF STATE**

Mr. MURPHY. Thank you, Sir. Chairman Portman, Ranking Member Carper, Members of the Subcommittee, thank you for the invitation to appear before you today to discuss our efforts to increase the availability of advanced electronic data for international mail items.

The Universal Postal Union, is the principal international venue where the Department of State discharges its responsibilities related to international postal policy. My remarks will center on efforts under way within that body to expand the exchange of advanced electronic data.

These efforts have a long history, a key moment of which was the decision of the UPU's 2012 Congress to amend the UPU convention to require countries and their designated postal operators to adopt and implement security strategies that include the principle of complying with requirements for providing electronic advance data.

Developing the implementation measures for this amendment has been a top priority for U.S. delegations at UPU meetings ever since. Our efforts, which include many hours of work by colleagues at USPS and the Department of Homeland Security, are now bearing fruit, and there has been recent rapid progress on this front.

In February 2016, the UPU's Postal Operations Council adopted regulations for the 2012 convention amendment and also a roadmap for the implementation of those regulations. The United States co-chairs with India the Postal Operations Council committee that oversees much of the work required to reach the roadmap's milestones. These milestones include final adoption of the technical messaging standard for item-level data, and the POC met this goal when it approved an item attribute message standard at its most recent meeting last October. In combination, these two developments—the regulation and the standard—enabled UPU member countries to impose requirements for AED. UPU members must do so, however, in a manner that is consistent with the real-world capability of the global postal network.

Accordingly, the focus is now on building capacity. At the global level, this entails building out other elements of the UPU's mes-

<sup>1</sup> The prepared statement of Mr. Murphy appears in the Appendix on page 65.

saging and data flows. This work is progressing well but will only have utility if postal operators develop the capability to collect the data and to use the tools available to them.

The needed investment in skills and technology is happening, and it is being greatly accelerated by a sea change in attitudes among the UPU membership, which has come to understand that AED and other related data management and communications tools are essential to the future of the postal sector.

Consequently, members have endorsed several initiatives aimed at positioning postal operators in developing countries to exchange AED.

For example, over half of the UPU's development and cooperation budget for the 2017–2020 period is devoted to a project that aims to make postal services in developing countries operationally ready for e-commerce.

This project has as one of its key performance indicators the goal of supporting 80 postal operators to be exchanging AED for some portion of their flow by the end of 2020.

In addition, the UPU is also implementing a second project focused narrowly on security, with an emphasis on capturing and transmitting AED. Participants in this project, all developing countries, are self-funding with money that was held in trust for them by the UPU.

The Integrated Product Plan (IPP), which the most recent UPU Congress adopted in October 2016, with strong U.S. support, will also help accelerate AED exchange. The IPP's goal is to modernize the UPU's product offerings to better—

Senator CARPER. Can I ask a favor?

Mr. MURPHY. Yes.

Senator CARPER. I am not very good on acronyms. UPS, I am pretty good on that. The Federal Bureau of Investigation (FBI), I am pretty good on that. Do not use so many acronyms. Actually say the words.

Mr. MURPHY. Yes, sir. All right.

Senator CARPER. That would be an admonition for everybody else as well, OK?

Mr. MURPHY. The Integrated Product Plan—

Senator PORTMAN. Within your 5 minutes.

Mr. MURPHY. What?

Senator PORTMAN. Within your 5 minutes. [Laughter.]

Universal Postal Union.

Mr. MURPHY. The Integrated Product—can I use UPU?

Senator PORTMAN. All right.

Mr. MURPHY. OK.

The Integrated Product Plan's goal is to modernize the UPU's product offerings to better meet the changing needs of customers and supply chain partners, including customs authorities. Phase 1, which commenced on January 1 of this year, facilitates the exchange of AED since one of its provisions is a requirement for mail items containing goods to have a UPU standard bar code label.

Important work is being done, but there is more to do, as Senator Carper mentioned in his opening statement. Although the UPU has the stated goal of having all postal services with the ability to exchange item-level data by the end of 2020, there is a difference be-

tween the technical ability to exchange data and the realized ability to collect and enter it.

There are many challenges, but we are optimistic and encouraged to see that there is real rapid progress at the country and the global levels. Although the work of enabling all countries to comprehensively exchange the full range of AED is a long-term undertaking, we are confident that by 2020, the United States will be receiving AED for most of the mail entering the country.

Thank you, Mr. Chairman. I look forward to answering your questions and those of other Members of the Subcommittee.

Senator PORTMAN. Thank you, Mr. Murphy. Mr. Cintron.

**TESTIMONY OF ROBERT CINTRON,<sup>1</sup> VICE PRESIDENT, NETWORK OPERATIONS, UNITED STATES POSTAL SERVICE; ACCOMPANIED BY GUY COTTRELL, CHIEF POSTAL INSPECTOR, UNITED STATES POSTAL SERVICE**

Mr. CINTRON. OK. Good morning, Chairman Portman, Ranking Member Carper, and Members of the Subcommittee. Thank you, Chairman Portman, for calling this hearing.

My name is Robert Cintron. I am the Vice President, Network Operations, for the United States Postal Service. I oversee the Postal Service's national distribution network, including its operations at the International Service Centers (ISCs).

Last May, I testified before this Subcommittee on our effort to combat opioids in the mail, highlighting the collection and receipt of advanced electronic data. Together with our Federal agency partners, we are committed to aggressively an increasing AED for packages coming into the United States in order to improve the targeting of illicit drugs and other contraband.

In the past 3 years, the Postal Service has gone from receiving almost no AED on inbound shipments to receiving more than 40 percent, as of December 2017. We are now testing data that will allow us to target more package volume from China. This data will result in a significant increase in the amount of AED the Postal Service receives by the end of 2018.

Since January 2017, the number of countries sending AED to the Postal Service has grown from 8 to 23, and includes China and other countries of interest. We have prioritized obtaining AED from the largest volume foreign postal operators (FPOs), which collectively account for over 90 percent of all inbound volume.

We now require AED on packages where rates are established under bilaterally negotiated arrangements. We currently have bilateral agreements in place with postal operators in Australia, Canada, China, Hong Kong, and Korea.

Additionally, other foreign posts have entered into voluntary data sharing agreements (DSAs) to facilitate the exchange of AED, bringing the total to 56 countries. While the Postal Service and CBP have distinct responsibilities at ISCs, these responsibilities complement our shared goal of fighting the importation of synthetic opioids.

In September, the Postal Service and CBP completed a memorandum of understanding (MOU) to solidify our interagency part-

<sup>1</sup>The prepared statement of Mr. Cintron appears in the Appendix on page 69.

nership. Additionally, the program initiated at the New York ISC to use inbound AED to facilitate more advance targeting by CBP has been expanded to all ISCs.

Over the last 6 months, the Postal Service has provided hundreds of thousands of records per day to CBP and expanded the number of countries and types of packages available for targeting.

We have also implemented an automated process to identify targeted pieces requested by CBP. Additionally, we provided further training to ISC employees to reinforce proper processes, for handling and presenting mail in accordance with CBP requirements. As the Postal Service continues to advance mail-sorting technology, these successes will grow.

To further improve the Federal Government's coordination of oversight over inbound international items, the Postal Service, CBP, and the FDA formalized an interagency work group. The group is working on efforts to build capacity to provide AED, develop detection technology, continue information sharing, provide technical assistance for legislation, and improve physical and information technology (IT) infrastructure.

We also continue to work in close collaboration with our law enforcement branch, the Inspection Service, which has seen significant improvements in its ability to seize fentanyl and synthetic opioids.

From fiscal year (FY) 2016 through fiscal year 2017, the Inspection Service achieved a 375 percent increase in international parcel seizures and an 880 percent increase in domestic parcel seizures related to opioids.

In conclusion, we share your concerns about illegal drugs and contraband entering the country through the mail and commercial carriers. The Postal Service is committed to taking all practical measures to ensure our Nation's mail security and provide the American public the best, most efficient service possible.

Again, thank you for this opportunity to testify, and I look forward to your questions.

Senator PORTMAN. Thank you, Mr. Cintron. Mr. Owen.

**TESTIMONY OF TODD C. OWEN,<sup>1</sup> EXECUTIVE ASSISTANT COMMISSIONER, OFFICE OF FIELD OPERATIONS, U.S. CUSTOMS AND BORDER PROTECTION, U.S. DEPARTMENT OF HOMELAND SECURITY**

Mr. OWEN. Chairman Portman, Ranking Member Carper, distinguished Members of the Subcommittee, thank you for the opportunity to appear today to discuss the role of U.S. Customs and Border Protection in combatting the flow of dangerous illicit drugs into our country.

As the unified border security agency of the United States, CBP plays a critical role in our Nation's efforts to keep dangerous drugs from entering our communities. CBP interdicts drugs and other dangerous items at our ports of entry, including multiple mail and express courier facilities, by leveraging advanced electronic data, automated targeting systems and intelligent-driven strategies, and by using various types of detection technology, all as part of our

<sup>1</sup> The prepared statement of Mr. Owen appears in the Appendix on page 75.

multilayered risk-based approach to enhance the security of our borders.

Since I last appeared before this full Committee in April 2016, CBP, working collaboratively with the Postal Service and our law enforcement partners, has made strong progress in enhancing our enforcement capabilities and our effectiveness in the international mail and express courier environments, but more must be done.

Recent bilateral agreements regarding advanced electronic data between the U.S. Postal Service and foreign postal operators have increased CBP's ability to target high-risk shipments.

In April 2006, CBP was receiving advanced electronic data on a limited basis from only eight countries. Today, we are receiving advanced electronic data from 23 countries, with another six countries in testing. Currently, CBP receives AED on over 40 percent of all international mail shipments with goods, and work continues internationally to increase the volume and the accuracy of the AED provided to the Postal Service.

As the Chairman acknowledged, the CBP has initiated pilot programs in the five mail gateways. Through these pilots, CBP has enhanced our automated targeting capabilities and has worked with the postal service to develop protocols to ensure that every shipment selected by CBP for examination is, in fact, presented for inspection.

Last summer, CBP and the Postal Service signed a memorandum of understanding aimed at increasing the level of advanced electronic data while aligning inspection processes.

In the past year, CBP has increased our staffing at the six main international mail facilities by 20 percent, and all CBP narcotic detection canines assigned to the mail facilities, express courier operations, and international airports have now been trained to detect fentanyl, adding another detection capability at our ports of entry.

Once detected, these substances must be positively identified. In the past 18 months, CBP has deployed identification testing equipment so that officers can quickly determine what the unknown substances are. The average fentanyl seizure in the international mail enforcement is only 700 grams and arrives as an unknown powder. CBP officers must have the technology enabling them to quickly and safely identify these unknown substances.

CBP has increased the availability of such testing equipment and is appreciative to Congress for the recently passed INTERDICT Act, which will allow us to add testing equipment and further strengthen our enforcement efforts.

In the mail and express courier environments, the fentanyl detected primarily arrives from China and is over 90 percent pure. CBP has deployed the necessary personal protective equipment to safely inspect and process these narcotics.

We have also deployed Naloxone or Narcan to our ports of entry so if our officers or our canines are accidentally exposed to these deadly substances, we can quickly administer these treatments to save their lives.

And last, substantive and timely information sharing is critical to the targeting and interdicting shipments containing illicit drugs. CBP's National Targeting Center (NTC) collaborates with critical partners on a daily basis, including HSI, the DEA, FBI, members

of the intelligence community (IC), and the U.S. Postal Inspection Service (USPIS). These investigative relationships are critical in delivering consequences to those trying to smuggle narcotics across our border.

In closing, we are seeing an increase in interdiction as a result of the efforts that I have outlined. In fiscal year 2015, CBP seized 50 pounds of fentanyl in the international mail and express courier environments. In 2016, 81 pounds of fentanyl were seized, and in fiscal year 2017, 335 pounds were seized. Already this fiscal year at our largest international mail facility at JFK Airport, CBP officers have made more fentanyl seizures in the first 3½ months than they have in all of last year.

Despite the success, much more still must be done. We must continue to increase the level and accuracy of the advanced electronic data being provided. We must further refine our targeting capabilities while working with the Postal Service to ensure that every parcel selected for examination is presented to CBP.

We must find a technological solution which can quickly examine parcels for the presence of contraband without having to open the packages, and we must work with our law enforcement partners to identify and dismantle those criminal networks bringing these illicit narcotics into our communities and ensure criminal prosecution.

Chairman Portman, Ranking Member Carper, distinguished Members of the Subcommittee, thank you for the opportunity to testify today. I look forward to your questions.

Senator PORTMAN. Thank you, Mr. Owen. Mr. Siemer.

**TESTIMONY OF WILLIAM SIEMER,<sup>1</sup> ACTING DEPUTY INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, UNITED STATES POSTAL SERVICE**

Mr. SIEMER. Good morning, Chairman Portman, Ranking Member Carper, Chairman Johnson, and Members of the Subcommittee. Thank you for inviting me to discuss our work on international mail security and keeping illicit drugs out of the mail.

As background, our organization has conducted substantial audit work on inbound international mail operations and security. We have issued eight reports since September 2015 and made 21 recommendations to the Postal Service covering areas such as enhancing systems and processes, providing better employee training and oversight, and improving coordination with CBP, other agencies, and foreign posts.

The Postal Service agreed with 18 of the recommendations and has already addressed 12 of them.

We also have two ongoing projects focused on advanced electronic data and opioid safety preparedness at the Postal Service.

In addition to this audit work, we are building our data analytics capacity to find and prevent drug trafficking through the mail. For years, law enforcement has used data to find criminals and expose their networks. Early efforts focused on financial crime due to its complexity and large datasets available. And just as criminals misused financial institutions to commit fraud, today's drug traffickers

<sup>1</sup> The prepared statement of Mr. Siemer appears in the Appendix on page 84.

are misusing the U.S. mail to anonymously exchange money and deliver illegal drugs.

The Postal Service faces a number of challenges that private companies do not when dealing with illicit narcotics in the mail. For instance, the Postal Service is obligated to deliver international parcels, even though it did not originally receive them from the customers. The Postal Service receives limited electronic data about many of these parcels, and the information it does receive is often incomplete or inaccurate.

In addition, the sheer volume of inbound parcels the Postal Service handles far exceeds what other shippers manage.

And finally, unlike private shippers, the law requires the Postal Service to obtain a warrant to inspect the contents of suspect parcels. The sanctity and privacy of the mail and its contents is a strong principle valued by the American public, but this principle is being exploited by the criminals.

As e-commerce continues to expand dramatically, rapid growth of both domestic and international mail parcels is also occurring. The Postal Service must rely heavily on automation and electronic data to deliver more than 5 billion parcels a year to 157 million delivery points. That is more than 14 million parcels a day, and it is easy for illegal drug parcels to hide in all of that traffic.

However, the data that the Postal Service uses to manage its network can also be used to sniff out suspicious parcels, and that is exactly what we have begun doing.

This past September, our Acting Inspector General testified before the House about some of our work in this area. She described a case involving an international parcel containing fentanyl seized by CBP in New York. The investigation ultimately uncovered a postal employee who was facilitating the delivery of illicit narcotics in Florida. Our analytics work on the seized fentanyl parcel identified nearly 2,800 additional suspicious parcels that were also sent through the mail.

Since that time, we have assisted other Federal investigations involving reshipping schemes and illicit international narcotics parcels. We identified a number of additional reshippers who were previously unknown to law enforcement and who were responsible for thousands of suspicious shipments.

While supporting individual cases is useful, we are also dedicating resources to build tools to address narcotics issues more broadly. We recently completed the development of a tool to identify postal employees who may be stealing drug parcels from the mail or facilitating the delivery of drug parcels to criminal groups.

Unlike legitimate customers who will tell us when their parcels do not arrive, we have yet to receive our first complaint from a drug dealer that their parcel was missing.

Historically, we have had to rely on tips or cooperating defendants to provide us with information about postal employees who were assisting drug traffickers. Now we are analyzing Postal Service data and looking for various indicators to help us focus on carriers or routes where suspicious parcels are disappearing. Our initial use of this analytics tool has been very encouraging, and it may revolutionize the way we tackle these kinds of crimes.

We are also currently building a tool to identify inbound international parcels that are suspicious but have not yet arrived in the United States. Our hope is that we can share the insights gained from this tool with CBP to better assist efforts to identify shipments for inspection and reduce the number of narcotics parcels that enter the mail stream. We have shared some initial parcel information to test the accuracy of our model, and the results appear very promising.

Combatting the shipment of illegal drugs is not a problem any one agency can solve by itself. Cross-agency collaboration and data sharing is critical. Ultimately, we need to identify and intercept these parcels before they are delivered, rather than continuing to focus on investigating after the fact.

One part of the solution is using data effectively to uncover problems, but that is only half the battle. Resources to address the problems are also needed. For example, our tool to identify collusive employees identified hundreds of suspicious postal routes. Our agency is not staffed to address all of these investigations immediately, and the challenge is only going to get worse as our budget gets smaller.

This challenge is not unique to our organization, but it highlights the need to strategically invest in the tools and people to combat this problem, since data alone is not enough. Yet, if we are successful, data analytics holds great promise to help government and law enforcement focus on the areas of greatest impact.

Thank you for the opportunity to discuss our work, and I am happy to answer any questions.

Senator PORTMAN. Mr. Baldwin.

**TESTIMONY OF DANIEL D. BALDWIN,<sup>1</sup> SECTION CHIEF, OFFICE OF GLOBAL ENFORCEMENT, DRUG ENFORCEMENT ADMINISTRATION, U.S. DEPARTMENT OF JUSTICE**

Mr. BALDWIN. Good morning, Chairman Johnson, Chairman Portman, Ranking Member Carper, and other Members of the Subcommittee. My name is Dan Baldwin. I am a special agent with the Drug Enforcement Administration, currently assigned to DEA headquarters where I provide operational support to offices in Asia and Africa. Prior to this, I was the country attache for the DEA office in Beijing, China.

It is an honor to be here today to speak with you about international cooperation and DEA's enforcement efforts to combat the opioid crisis.

In addition to my written remarks, there are two things I would like to touch on this morning, the enormity of the problem and what we are doing to address the threat; first, the problem. Over the last several years, DEA has encountered a dangerous new trend—the convergence of the opioid epidemic and the synthetic drug threat from China.

In 2016 alone, 42,000 Americans lost their lives due to an opioid overdose. We all likely know someone who has been affected. This is a national threat and public health emergency fueled by fentanyl, which is cheap to make, hard to detect, and dangerously

<sup>1</sup> The prepared statement of Mr. Baldwin appears in the Appendix on page 90.



potent. A kilogram of fentanyl can be purchased for less than \$5,000, and the potential profits from the sale of that kilo can exceed \$1.5 million.

It is often smuggled across the U.S.-Mexican border or sent directly to the United States via postal or express mail from China. It is found in heroin, counterfeit prescription drugs, and other illicit substances.

Two milligrams of this substance is potentially deadly. Oftentimes users do not even know they are taking this lethal drug.

This leads me to my second point—countering the threat. DEA's mission is to disrupt and dismantle the highest-priority drug-trafficking threats to the United States. For decades, we have maintained a worldwide presence to take the fight to the source, and in this case, China is the primary source of both fentanyl and the precursors used to make it.

Over the past decade, our relationship with China has progressed. As recently as three years ago, many of the synthetic drugs we were encountering in the United States were not controlled in China, and they had no legal authority to assist us in our investigations. However, through continued engagement by DEA and the Department of Justice (DOJ), highlighting this deficiency, additional legislation was passed in 2015, which improved their ability to more effectively control newly identified harmful substances.

China has now controlled 10 fentanyl class substances and 116 other new psychoactive substances. The U.S. seizure data shows us that Chinese control has an immediate effect on the availability of these drugs in the United States.

We are also encouraged by recent discussions with Chinese drug control officials and the prospect of scheduling fentanyl as a class. This would eliminate the need to control fentanyl-related substances one by one.

U.S.-China collaboration on investigations has also seen some improvement. Of note, in 2017, the Department of Justice indicted two Chinese nationals responsible for manufacturing and distributing illicit fentanyl in the United States. These individuals have been designated as consolidated priority organization targets, which are deemed the most significant drug traffickers by the Department of Justice.

In the United States, the DEA and the U.S. interagency utilized coordination and deconfliction center, such as DEA Special Operations Division (SOD) and CBP's National Targeting Center, to enhance investigations and the sharing of information. One outcome of this enhanced collaboration was the recent takedown of AlphaBay in 2017, one of the largest known dark-net markets facilitating the purchase of illicit fentanyl.

Going forward, the DEA anticipates the opening of the office in Guangzhou, China later this year. This office will facilitate greater collaboration with law enforcement counterparts along China's Southern Border, where fentanyl and other illicit drugs leave China en route to the United States.

DEA has seen some progress working with our Chinese counterparts, and we are hopeful that this relationship will continue to improve and develop.

Here in the United States, the DEA and the law enforcement partners represented here at the table will continue our collaboration. We are passionate about our cause and driven by those families and individuals that have been directly impacted by this crisis.

Thank you for the opportunity to testify before your Committee on this important issue, and I look forward to your questions.

Senator PORTMAN. Thank you, Mr. Baldwin. Mr. Nevano.

**TESTIMONY OF GREGORY NEVANO,<sup>1</sup> DEPUTY ASSISTANT DIRECTOR, ILLICIT TRADE, TRAVEL, AND FINANCE DIVISION, HOMELAND SECURITY INVESTIGATIONS, U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT, U.S. DEPARTMENT OF HOMELAND SECURITY**

Mr. NEVANO. Good morning, Chairman Portman, Chairman Johnson, Ranking Member Carper, and distinguished Members. Thank you for the opportunity to appear before you today to discuss the opioid crisis in the United States and the efforts of U.S. Immigration and Customs Enforcement Homeland Security investigations to disrupt, dismantle, and bring to justice the criminal elements responsible for manufacturing, smuggling, and the distribution of dangerous opioids.

As the largest investigative agency within the U.S. Department of Homeland Security, ICE Homeland Security Investigations investigates and enforces more than 400 Federal criminal statutes. ICE special agents use their authority to investigate all types of cross-border activity and work in close collaboration with U.S. Customs and Border Protection, the Drug Enforcement Administration, and the United States Postal Inspection Service in a unified effort with both domestic and international law enforcement partners to target transnational criminal organizations (TCOs) that are supplying dangerous opioids to the United States.

Today, I would like to highlight our efforts to combat international shipments of opioids, specifically fentanyl, coming into the United States through international mail facilities.

Based on investigative efforts, United States law enforcement has identified China as a primary source of the U.S. illicit opioid threat, illicit fentanyl. Fentanyl analogs and their immediate precursors are most often produced in China. From China, these substances are shipped primarily through mail carriers directly to the United States or alternatively shipped directly to TCOs in Mexico.

Once in the Western Hemisphere, fentanyl or its analogs are prepared and mixed into the U.S. heroin supply domestically or pressed into pill form and then moved to the illicit U.S. market where demand for prescription opioids and heroin remains at epidemic proportions.

Mexican transnational criminal organizations also receive shipments of fentanyl and its precursors directly from China to supply the illicit U.S. market. These sophisticated transnational criminal organizations utilize existing smuggling routes and the U.S.-based infrastructure to get fentanyl to the end users. Though fentanyl seizures made at land border ports of entry are higher in number and more voluminous, fentanyl seizures from mail facilities are

<sup>1</sup> The prepared statement of Mr. Nevano appears in the Appendix on page 96.

higher in purity levels and are often unadulterated. The majority of fentanyl in the international mail environment is shipped in purity concentrations of over 90 percent, whereas the majority of fentanyl in the land border environment is seized in purity concentrations of less than 10 percent.

Purchasers can access open source and dark-net marketplaces to easily purchase illicit opioids like fentanyl online and have it shipped directly to their homes in the United States, no differently than any other e-commerce commodity.

Trans-national criminal organizations recognize the vulnerability of the mail system and exploit the great volumes of mail transiting into the United States as a means to further their criminal activity. Recognizing the need to proactively target online fentanyl trafficking, the ICE Cyber Crime Center is identifying ongoing investigations facilitating the coordination of online undercover investigations.

ICE is fully engaged with the DEA Special Operations Division, the CBP National Targeting Center, to identify shipment routes, to target parcels that may contain illicit opioids, precursors, and manufacturing materials, and to fully exploit financial and investigative intelligence.

Our Border Enforcement Security Taskforces (BEST), are ICE's primary platform to investigate opioid smuggling. ICE currently operates BEST in 57 locations throughout the United States.

In response to the opioid crisis, ICE, with significant participation from our colleagues at Customs and Border Protection, established a BEST in Memphis, Tennessee, which is embedded at an international mail and express consignment facility. The Memphis BEST targets opioid shipments on a daily basis and engages in control deliveries of seized illicit parcels as an effective means to identify end users and ultimately disrupt and dismantle regional smugglers. ICE will continue to expand the BEST platform to enhance our nationwide effort to interdict illicit opioids transiting through the mail system.

ICE has made significant strides in fiscal year 2017 in combatting the fentanyl epidemic in the United States, as evidenced by a 400 percent increase in fentanyl-related seizures. However, even with these advances, there is no single solution or government entity that can stop the flow of dangerous and illicit opioids like fentanyl into the United States or keep them from harming the American public.

Tackling this complex threat involves a united, comprehensive, and aggressive approach across law enforcement interagency lines in collaboration with experts in the medical, science, and public health communities. ICE will continue to work with our Federal, State, and local partners to improve the efficiency of information sharing and operational coordination to address the challenges and threats posed by illicit narcotics smuggling in the international mail environment.

In closing, I would like to thank you for the opportunity to appear before you today, and I look forward to answering your questions. Thank you.

Senator PORTMAN. Thank you, Mr. Nevano, and thank you to all the witnesses.

We are going to have lots of questions for you. We have a number of Senators who are here who are not going to be able to stay for the entire time. I will be here for the entire time, so I am going to be very brief and then turn it over to them and have an opportunity to ask more of my questions later.

But let me just say, to summarize what you are saying, Mr. Nevano talked about the need for this to be an aggressive approach, and I must say I have not seen the urgency over the past many years. We have talked about the State Department for 10 years now, we have been talking about this with our international partners, and we have evidence that we were able to uncover in our investigation that it is still not going at the rate we would like. We can talk about that later. I will read you some of the emails talking about how we slowed to a crawl in our efforts, as an example.

We know that there are over 300 million packages coming here without any data, and Mr. Owen has just told us he needs that data to be able to identify those packages. That was his number one thing he is looking to do to be able to stop it.

My questions will be along those lines, just to give you the opportunity to think about it, and with that, I will turn it over to the Ranking Member, and we will give everybody an opportunity to ask questions. We will have as many rounds as we need to be able to get all the information out today.

Thank you.

Senator CARPER. Thanks. Thanks, Mr. Chairman.

Let me ask. Anybody here that has some urgency to be in two places at once, you would like to go ahead? No?

Senator LANKFORD. I will at 11:15.

Senator CARPER. Go ahead.

Senator LANKFORD. It is all right with the Chair? Thank you.

Senator PORTMAN. Senator Lankford, who was here first.

#### **OPENING STATEMENT OF SENATOR LANKFORD**

Senator LANKFORD. Gentlemen, I appreciate it very much, being here and for your testimony. Let me run through a couple different questions to be able to get some clarity on this.

Mr. Murphy, you had mentioned by the end of 2020, the advanced electronic data, we should be capable of gathering that, but then you hesitated and said just because we are capable does not mean we are actually doing it, so help me understand the next level of that. When are we—not just capable by the end of 2020, when are we actually gathering that data?

Mr. MURPHY. Thank you, Senator. That is correct. What is happening in the UPU context is the tools are being put into place, and capacity is being built so that countries have the ability, if they have the data, to send and receive it.

But the bottleneck is at the country level, is in collecting the data and entering it, and—

Senator LANKFORD. What is the timeframe for that?

Mr. MURPHY. Well, that is yet to be determined.

Senator LANKFORD. Is that 2025? Is that 2030? Help me understand that.

Mr. MURPHY. Well, countries are going to begin deploying requirements for AED, as they are now entitled to do. Those requirements need to be calibrated to the capabilities of the sending countries, but it is going to be a driver of further deployment. So there is not at this point a firm deadline by which every country must be able to send AED for all——

Senator LANKFORD. The deadline is the capability by 2020 but no deadline for when they actually have to do it?

Mr. MURPHY. There is no deadline established at this time, Senator.

Senator LANKFORD. How do we get that?

Mr. MURPHY. I think we need to be guided by our own information needs as we assess what it is we want to ask for and then tailor our requests around the capabilities of partners to ensure that we get Customs and Border Protection the information they are looking for in a timely way.

Senator LANKFORD. Thank you.

Mr. Baldwin and Mr. Nevano, this is a question for either of you. I am trying to work through the process of not just picking up not only the seller, which is exceptionally important to this, but also the buyer that this is headed toward. How do you start to be able to break out and say this is a very small amount of fentanyl, looks like a user, versus this is a larger amount and we need to track not only who the seller is but also who the buyer is because this could also be a street distributor as well? How do you balance that out, and how do you mean to work through the process of not only the interdiction but then the enforcement aspect?

Mr. BALDWIN. Senator, thank you for your question.

In regards to identifying the different players in this process, we have our offices overseas that are working directly within the supply chain as far as the supply from China. We work here in the United States, and we have our agents identifying leads, either from CBP or Postal or from our own investigations. We then are providing those back to China. So we are identifying the entire chain.

Of course, the goal is to identify the largest-level suppliers, the suppliers from China, so that if we have an individual who is sending multiple thousands of packages, that makes the work down at the end of the table much easier by eliminating the one shipment.

Senator LANKFORD. It would seem like you would have—if they have ordering it online, you have got an Internet Protocol (IP) address. You probably have a city location or a region that this package is actually coming from when it was dropped off. There seems like there would be multiple markers—the financial transaction that occurs when the exchange happens. It seems like you would be able to narrow the focus somewhat of where it is coming from, but certainly you have the address of the person that is purchasing it here because that is where it is being delivered to.

Mr. NEVANO. Senator, you hit on how I was going to respond.

Relationships with financial institutions is key in being able to track the financial transactions, both on the receiving and the sending end. We have established relationships with financial institutions that allow us to track the flow of the funds going from the

purchaser to the person on the other end who is actually selling the illicit opioids, so that is key in our investigations.

Senator LANKFORD. Do we have any incentives for other nations to be able to cooperate with us when we are trying to interdict this? I mean, it is millions and millions of dollars, obviously, that are in the transaction at times, and certainly for the larger dealers. Is there any incentive for those other nations to cooperate with us to be able to share that information?

Mr. NEVANO. I would defer partly to that to DEA, but from the HSI perspective, Senator, we have tried to establish relationships in foreign countries with intelligence sharing and working with our law enforcement partners to establish mutual relationships to show the benefit of how establishing these relationships can interdict a package before it comes into the United States, and that is ultimately what our goal is. If we can push the borders further out to not have the package come into the United States, that would be our goal.

Mr. BALDWIN. And just to follow up, Senator, to add some more to that answer, at least China has an interest in working with us to try to address some of the stuff coming out of China. There is a potential that these drugs certainly could be used by their own people.

Senator LANKFORD. Right.

Mr. BALDWIN. They are not necessarily seeing that right now, but they certainly are recognizing the potential of that.

We have certain mechanisms within DEA and with the Department of Justice where we are engaging them on a regular basis to assist us in getting them to help us with this problem. Those are things we work on, on a daily basis and annually. We have meetings to try to push our asks to the Chinese in order to get them to come to the table to do more in regards to addressing this, these substances coming out of China.

Senator LANKFORD. Can I switch countries for your real quick? Mexico, you have mentioned a couple of times as well that the precursors are actually coming to Mexico, but we also have Mexican production facilities now to where they are shortcutting China, instead of having it delivered from China, getting it straight to Mexico. What is the cooperation like with Mexico right now for that as well?

Mr. BALDWIN. Senator, in regards to DEA's cooperation with Mexico, it is good.

Within Mexico, we have seen this substance move into Mexico where it is being produced, but as it was said in the opening statements, the percentage and the purity of the substance coming over the border, on the Southern Border, is a lot less than it is coming through the mail service.

We are also looking to try to bring both Mexico and China together to collaborate on this issue, to be able to deal with those substances, as you said, the precursors that are going to Mexico that are then coming into the United States. That is one of the things we are working on, but we do have a decent relationship with our folks in Mexico as well to be able to deal with this problem.

Obviously, we want to make sure that they are working with China to make sure that they address the threat that they have in their country as well.

Senator LANKFORD. Thank you.

Can I make one quick comment as well, Mr. Chairman, to be able to say this, not only thank you for allowing me to be able to go quickly on this to be able to get to the next meeting, but I also want to be able to highlight the Inspector General for the Postal Service, not only for the work that they have done and the reports that they have done. But many people may not know, Senator Heitkamp and I have worked on this for quite a while.

The Postal Service Inspector General has worked with all Inspectors General to be able to pull together a website called Oversight.gov that is getting all the IG reports out for every single group, and though they are not named on that, their team was a major player on getting those reports out. And that is exceptionally helpful to all of us.

So, just publicly, we come at you with questions a lot, but let me also say thank you for that. Now, that is not related to this hearing, but it is valuable to all of us, so thank you.

Senator PORTMAN. Thank you.

Senator CARPER. Senator Lankford, you remind me of a point. I made it earlier. Senator Heitkamp and I had a side-bar conversation just a moment ago about this.

The Postal Service is not running out of money. They are out of money. They are heading for essentially what we call bankruptcy, and we have an obligation in this Committee and this Congress to enable them to be successful and not only provide legitimate service that is needed, but to better ensure that the delivery of fentanyl and these kind of narcotic drugs is diminished and hopefully eliminated. So it is just a timely reminder on another front.

What I would like to do, I want to ask each of you, one by one. I will start with you, Mr. Murphy. One thing that we can do to help you and your folks do a better job, one thing we can do?

Mr. MURPHY. Senator, at the—

Senator CARPER. It might be something we are doing, maybe something we need to do better. My dad used to say to my sister and I when we had chores to do, growing up in West Virginia, he would say, "A job worth doing is worth doing well," and out of that, I took the idea that everything I do, I can do better. What can we do to enable you and your folks to do a better job?

Mr. MURPHY. Senator, the attention that the issue has gotten domestically is something that is noticed internationally, and the higher profile of this issue is useful bureaucratically, certainly. And so I personally in my work appreciate the attention that the issue has received, so thank you.

Senator CARPER. Mr. Cintron.

Mr. CINTRON. Senator Carper, what we would be looking for is comprehensive postal reform. If we could get help there, that would be tremendous.

Senator CARPER. All right. Thank you.

Mr. OWEN. And, sir, again, with the exponential growth in e-commerce through the mail facilities, express courier facilities, additional staffing in these regards would help us, as well as the con-

tinued support of the analytical work that we are doing at the national targeting center, as well as our laboratory and scientific services folks.

Senator CARPER. All right. Thank you. Mr. Siemer.

Mr. SIEMER. Postal Governors. I think we have talked about how this is a strategic problem and it is something that requires a sense of urgency. I think having Governors on board for the Postal Service would bring both of those in addition to all of the leadership they are already receiving in the Postal Service.

Senator CARPER. A timely point that you raise, there are no current Governors on the Postal Board of Governors, other than the Postmaster General and the Deputy Postmaster General.

It is the second largest corporation. Imagine the second largest corporation in this country operating without a board of directors. That is essentially where we are, and it is just unconscionable.

We have three nominees from the administration. We need another one. I am going to be meeting today with someone originally nominated by President Obama, who I think would be a very good candidate. If he is nominated, that will give us two Democrats and two Republicans, and at least he would have a quorum to go forward with. That is a wonderful point and a timely point. Thank you.

All right. Mr. Baldwin.

Mr. BALDWIN. Yes, Senator. DEA is always appreciative of any additional tools and authorities that are granted to us to address the opioid epidemic.

Senator CARPER. Can you be more specific?

Mr. BALDWIN. Specifically, well, our priorities are outlined in our 2018 budget proposal, the administration's budget proposal. So, as those are prioritized by people that are much smarter than me at DEA headquarters, that is what I would ask. We would prioritize those particular budget proposals.

But in regards to the specific threat, we have a number of things in regards to scheduling, scheduling actions, schedule controls, those types of things that we would look at to be able to better address this threat as we see it.

Senator CARPER. All right. Thanks.

Mr. BALDWIN. Thank you.

Senator CARPER. Mr. Nevano?

Mr. NEVANO. Senator, I want to thank you for the resources that Congress gives us both in budget as well as personnel, but with more, we can do more. So my answer would be resources. The more resources, the more special agents we have, the more staffing we have would allow us to do our job more effectively.

Senator CARPER. Thank you.

Several of you mentioned China. I think almost every one of you have mentioned China. About two or three years ago, the president of China was coming to the United States. He was going to meet with President Obama. I think they met in Washington State, and one of the things that was raised by President Obama, an issue we had raised with China a number of times before, and that was our unhappiness—actually anger with their allowing folks within China to launch these hacks and to come after our intellectual



property rights (IPR) and money and a number of other things of value.

Every time we raised this with China, they would say nobody was responsible for it or was actually doing this, it is not the military, it is not the Chinese military. it is not part of our government, it is just happening, and different people are doing this stuff.

We did not believe them, and when President Obama met with President Xi about two or three years ago in Washington State, he raised this issue with President Xi. President Xi said, "No, it is not us. It is rogue elements within our country that are doing this." President Obama said, "This is who is doing it. This is where they are located it. These are their people, and if you do not do something about it, you are going to find it much more difficult to sell your goods and products and services in this country." President Xi acknowledged that they could help, and they have. They have not stopped all the hacks from China, but it has slowed them down a whole lot.

We had a similar experience with Iran. Iran for years and years was trying to shut down our banks. Get on their websites; shut them down. And literally, a week after we entered into the comprehensive agreement with Iran on not developing a nuclear weapon, guess what stopped? The attacks on our banks.

When we think about root causes, it is not just working on the insatiable appetite we have for illegal drugs, like these opioids, but others as well.

Let us focus on China. I said earlier I am going to reach out to Terry Branstad, now Ambassador to China, next week. I am hoping some of my colleagues can join us—to ask what they are doing at our embassy, what are you doing and what do we need to do to help address the root cause from your end, from where you are located.

Mr. Baldwin, why is it important that we engage with China? Please give us an update on cooperative efforts with your counterparts in China to help identify the sources of fentanyl and other synthetic opioids.

Mr. BALDWIN. Senator, thank you for the question.

Put quite simply, the reason we have to engage with China is because as anybody who has changed oil in their car, we know the big side of the funnel and the small side of the funnel. China is the small side of the funnel, meaning that is the place where things are originating. We need to get the packages before they get to the United States and branch out to a thousand different locations within the United States.

We can try to track every package. We can try to address every threat, every trafficker within the United States, but if we can get to the small end of the funnel, attack some of those distributors within China that are sending tens of thousands of packages to the United States, we would have a greater impact. The importance of working with China is just that. We have the ability to do that with them, along with them, and that is fed by information from CBP, Postal, our partners at HSI. We identify packages here. We identify the shipping origin and take the head off the snakes.

Senator CARPER. All right. Thanks for that response, and when we have a second round, I am going to come back and revisit this with others of you on the panel. Thanks so much.

Thanks, Mr. Chairman.

Senator PORTMAN. Chairman Johnson.

Chairman JOHNSON. Thank you, Mr. Chairman.

This is really for Mr. Baldwin or Mr. Nevano. I read an article. I do not think it has been covered in the hearing. It said that about \$800 worth of precursor ingredients for fentanyl produces about \$800,000 worth of street-value drug. Is that even close to true?

Mr. NEVANO. Senator, I would say that that is an accurate assessment. We know that the profit margin in fentanyl is much higher than, let us say, heroin, so your statement is accurate.

Chairman JOHNSON. So, obviously, where there is a demand, it is going to be supplied with that kind of profit potential.

I want to talk a little bit about the difference between—and I am not going to hold you to these figures at all, but can you give us some sort of sense? What percent of the fentanyl is coming in through Mexico, having been transshipped, and how much is coming in through directly through our postal system?

I will talk about the purity differences later, but just give us a sense.

Mr. NEVANO. I am not sure if my colleague at CBP might be able to answer that better, Senator.

Chairman JOHNSON. Again, whoever can best answer these questions, hop right in.

Mr. OWEN. Just based on our interdictions, just based on the seizures, we are seeing more larger seizures, of course, through the Southwest Border. Again, the purity, 90 percent pure, very small. The average shipment through the mail is only 700 grams.

When we just look at our data for 2017, 854 pounds of fentanyl was seized in the land border; 335 pounds were seized in the express and mail environment. So much higher quantities but much lower purity.

Chairman JOHNSON. Why the difference in the purity? Are they cutting it in Mexico to actually be used immediately, or is it just the practicality of you want to ship smaller quantities?

Mr. OWEN. The seizures that we see, the fentanyl is mixed in with other narcotics, other hard narcotics, whereas in the mail environment, express environment, it is all just a single shipment of the fentanyl, that pure by itself.

Chairman JOHNSON. So the stuff coming directly through the postal system, is that getting sent to other labs to be processed, cut further, so that you take that 100 percent purity fentanyl?

Generally, when somebody is abusing fentanyl, what percent purity is in that tablet?

Mr. BALDWIN. Senator, I think you have hit on something that is crucially important. I think we have two really threat areas. We have the Southern Border threat, where precursors for making fentanyl are found in Mexico, and they are producing fentanyl there. It then is adulterated into other illegal drugs that are being pushed across the border.

We then have the mail stream, as you said, that has a higher purity. Those then are being used at times within the United

States in what we call “pill mill operations,” where that fentanyl is pushed into a pill. It is a counterfeit pill. I mentioned counterfeit pills in my opening remarks. They look much like those same similar pills that drove the opioid crisis to begin with. The dosage amount in those pills is 1 milligram. So 1 milligram of fentanyl, if it is about 98 percent pure—1 milligram is one-thousandths of a gram. There is a thousand grams in a kilo. That means there is a million milligrams in a kilo. So that is how many pills could be made. That is in the pill mill operation process.

Chairman JOHNSON. In the brief material, it almost sounded like there are just users directly buying that. Is that also the case, or is it almost 100 percent of the case where these things are really being shipped to some kind of pill mill?

Mr. NEVANO. Senator, it is like any other e-commerce commodity right now. End users can actually sit in their living room and order these illicit opioids online for their—

Chairman JOHNSON. With 90 percent purity?

Mr. NEVANO. Yes.

Chairman JOHNSON. Will they be getting 90 percent purity?

Mr. NEVANO. That is accurate, Senator.

Chairman JOHNSON. Is that why they are dying so quick?

Mr. NEVANO. That would be accurate, Senator.

Chairman JOHNSON. Picking up on what Senator Carper was talking about, specifically what would you like to see China do? I mean specifically. Are they not investigating this? Are they turning a blind eye? I mean, specifically what would you like them to do?

Mr. BALDWIN. Well, thank you for the question. Working in China, of course, has its challenges. There are things that China has done. Back in 2015, as I mentioned, they changed their law to where they were able to adapt to a threat in a third country.

In the United States, if we have an abuse of a certain substance that is not controlled in China, their law is now adapted to where we can take that abuse data and provide it to China where they then can change their law.

DEA has a mechanism that is set up within our chemical evaluation section within DEA headquarters where we are evaluating different substances, the harm and the effect that it is having on the American people, and we are providing that information directly back to China for their action.

So when you ask what I want China to do, I would like them to continue down that road. They have taken it seriously—they have controlled a number of different fentanyls. We have prioritized fentanyl information, provided it to the Chinese, and they have actually controlled our top four asks. We want that dialogue to continue. We are hopeful it does. We want it to get better and better. We want our experts to meet on a regular basis and exchange this important information.

Again, this is something that we can do to directly address those threats that are here in the United States with China.

Chairman JOHNSON. So it was not a glaring omission. It is just a matter they are doing good things; they just need to do more of it. Is that—

Mr. BALDWIN. Absolutely. I think that is one aspect of what they can do. It is one piece of the puzzle. Again, there is multiple problems here. There is multiple facets to this problem.

Chairman JOHNSON. One of the problems really is that the analogs and our inability in our law, probably China's law as well, is keeping up with the minute change in the chemistry of these things.

That is why we introduced the Stopping Overdoses of Fentanyl Analogues (SOFA) Act. I know DEA has also tried to do that through its regulatory powers, but they are a little concerned they may be butting up against their own legal requirements. Can you talk about the need to actually codify that?

Mr. BALDWIN. Senator, thank you for that question.

I am not familiar with all the details within the SOFA Act. I am aware of it.

If we have another tool that is provided to DEA for us to deal with this problem and that is the act that gives us that too, we are happy—

Chairman JOHNSON. You are constrained right now in terms of rapidly scheduling one of these analogs, correct?

Mr. BALDWIN. We have existing authorities to move forward and schedule substances. That is not something I am intimately familiar with. I am within the operations division. We have people like I said, the planning and evaluation folks, the people that are in the chemical section, that do this on a daily basis.

However, if we have tools that are offered to us in whatever bill, we are happy to work with you to try to assist you in moving that bill forward.

Chairman JOHNSON. Just real quick, because I was very pleased to hear that you have actually trained dogs in fentanyl, I thought if you did that, they would die. So that is very good news.

How many more canine units do you need? I would ask you just in general. I think we are all very supportive of it on this Committee, but for this particular task, how many canine units could you use?

Mr. OWEN. We can always increase the resources at these facilities. I think it is important when Congress has supported us before with canines that it also needs to come with the handler.

Chairman JOHNSON. Right.

Mr. OWEN. A lot of times, the canine comes by itself.

Chairman JOHNSON. I was going to say a unit.

Mr. OWEN. A unit. Any support we can get on that would be helpful.

We currently have just under 500 dogs working at our ports of entry. So any enhancement to that would increase our detection capabilities.

Chairman JOHNSON. But again, they are detecting all kinds of things. Are they primarily drugs, and is it a specific dog for a specific drug?

Mr. OWEN. Our dogs are generally two caliber, two types of dogs. We have the narcotics detector dogs that will interdict six types of narcotics, and then we have dogs that detect currency and firearms for our outbound threat. The dogs are split between those two.

Chairman JOHNSON. So you have been able to add fentanyl to that six?

Mr. OWEN. We have added—yes.

Chairman JOHNSON. OK.

Mr. OWEN. Fentanyl is——

Chairman JOHNSON. That is impressive. Again, thanks for your service.

Mr. OWEN. Thank you.

Senator PORTMAN. Thank you.

Let me just quickly follow-up on China, DEA and Justice recently indicted two Chinese nationals, as was widely publicized, and they indicted them because they were using the mail to ship large amounts of fentanyl to the United States. The question is, What can China do?

It is fine to schedule these precursors, the things that go into making fentanyl. It is fine to schedule the analogs. This is a good idea, but it is about actually taking action and prosecutions.

So let me ask you, Mr. Baldwin, about those two individuals who were indicted. The Justice Department and DEA were involved. Have they been prosecuted?

Mr. BALDWIN. Thank you for the question.

The current status, I am not absolutely certain where they are within the system within China.

I do know this. I do know that the traffickers and the shippers of these substances from China are very creative. So if they have the ability—and you probably learned this with your own inside investigation—that if something is controlled in China, they usually divert to another substance that is not controlled and——

Senator PORTMAN. Let me just back up for a second. I understand the challenges——

Mr. BALDWIN. Yes.

Senator PORTMAN [continuing]. And we have talked a lot about that. There is also a transshipment challenge and so on, but I asked you a specific question: Have those individuals been arrested? Have they been prosecuted?

Mr. BALDWIN. I am——

Senator PORTMAN. The answer is no, unless you are going to correct me.

Mr. BALDWIN. No, they are currently not in custody.

Senator PORTMAN. OK. Well, that is the answer. The answer is no.

Mr. BALDWIN. Yes.

Senator PORTMAN. So to the Chairman's good question about what could the Chinese do, how about prosecuting these two individuals who you all have indicted? I mean, two individuals out of the thousands of labs in China that are sending this poison into our communities, that would be a good step.

Senator CARPER. If I could just have a moment. To follow up, the Chinese have to feel like they have a dog in this fight, and there are some in China who frankly would like to see us further weakened as a Nation. And our continued use, abuse, overuse of these harmful narcotics weakens us. There is enormous amounts of money to be made, and we are talking about money that is going to flow from this country to their country.

Somehow they have to be made to believe or understand that they have a dog in this fight. Partially, it is to say the customers for these drugs may be your people, not just ours.

But also, when the President of the United States meets with the leader of China, it is important that this be at or near the top of the issues that are raised.

Senator PORTMAN. Senator Heitkamp.

#### **OPENING STATEMENT OF SENATOR HEITKAMP**

Senator HEITKAMP. Thank you, Mr. Chairman.

I think this is the third or fourth time we have been in this room talking about this, and I have to tell you this investigation reminds us that we are not doing everything and with a sense of urgency that we need to do. I recognize you are all working really hard on this, that you all want to see success, but we have to be more urgent about this.

We can build a \$20-billion wall, but if we do not solve this problem, we will not have solved the problem of interdicting drugs. If we simply focus on China, we will not solve the problem of interdicting these drugs. If we simply focus on Mexico—fentanyl in my State that killed kids, that led to a huge investigation. One of the first came from China to Canada to Portland, Oregon, to North Dakota.

Last time we were here, we talked about treaties. We talked about the need to work government to government with authorities like Mr. Owen's to try and see are the treaties stopping us from doing what we need to do. Are we on the right path?

I want to expand this discussion because it is not just about drug interdiction, and, Mr. Owen, you have made such a great point about e-commerce. As e-commerce grows, this problem will get worse and worse, and it will not just be about illegal drugs. It is going to be about counterfeit goods. It is going to be about avoiding goods that may, in fact, injure from a consumer protection standpoint, whether it is lead paint and toys. Whatever it is, we need to have our laws enforced that protect the public safety.

We are failing, and we are failing because we have understaffed and under-resourced the post office. I think it is pretty clear. We are failing because we have not worked in a government-to-government way to really close the loopholes, and this is not just about drugs. It is about all of e-commerce.

As the States—and I think that the court probably will give the States the ability to collect sales tax. The States are going to have some skin in the game because it may drive some offshoring of e-commerce to avoid sales tax responsibilities in States, and so those of us who live on the border understand the complexities of working to make sure that we are not shutting down commerce, but that we are in fact protecting public health and safety.

Now, Mr. Baldwin, one of the questions that I have, you have described the funnel, right? We want to get to that point, a lot of talk about China. How easy is it if we got 100 percent complete cooperation from China, we got extradition or we got prosecutions, whatever it might be, for that to be offshore and move someplace else? Given the high profit margin that Mr. Nevano described and Chairman Johnson described, how difficult is it? My point in asking that

is if we simply say we are going to focus all of our attention on that one point of development before it expands up to the points of entry into this country, how difficult is it to move that around the world? Mr. Baldwin.

Mr. BALDWIN. Senator, thank you for your question, and the answer to that is it is very easy to do. There are multiple countries, I think, that stand and they are ready to try to take up where China would leave off.

Senator HEITKAMP. Why not? I mean, if we are looking at that kind of profit margin.

I think it is really important that we not spend all of our time here simply focused on China. We have to understand that because of what Chairman Johnson and at the time Chairman Carper continue to talk about the insatiable appetite for these kinds of drugs, we have to understand that while we are trying to deal with demand, we cannot let supply come in in the amount that it is because it has driven the street price down, and it has created an opportunity for transition from prescription drugs to illegal street drugs.

I am glad you brought it up. We have seized these fake oxys that are fentanyl, and the people who are doing it do not have PhDs in chemistry, and they are putting amounts in there that is lethal, never mind the destruction that it does to the social safety net of this country. It is killing people.

My request would be what are the strategies not just dealing with China, but what are the strategies to deal with these precursor problems, to deal with all of this, and how, Mr. Owen, do we need to do a better job to give you the tools to interdict at the points of entry?

I just want to make one point about how pervasive this can be. When I was Attorney General, I ran the drug task forces. We knew we had a huge meth problem, a lot of attention paid to labs—90 to 95 percent of all the meth that was consumed in North Dakota came in through Mexico. It was not homegrown.

We got a tip that there was a package with meth. We lined it up, brought in the dogs. We had probably 10 packages. They hit on three. That is what we know. We know that we are just getting inundated, and so what can we do, working within our international cooperation, renegotiate the postal agreements that we have to avoid—that limit you from doing what you need to do, Mr. Owen, in terms of interdiction?

Mr. OWEN. Well, again, having the advanced data so we can target not only from China, but as you mentioned, as the threats shift, as they try to transship.

And you are absolutely right. In the e-commerce, CBP is looking at this space as an all-threats environment. We do have the narcotics interdictions, but we have trade compliance issue. We have public health and safety.

The e-commerce growth, 1.4 million parcels a day cross our borders right now, and it is only going to continue to increase.

Senator HEITKAMP. The reason why I ask this is because the last time we were here, we heard over and over again from the Postal Service that their treaties or their relationships, international contracts—I think they are probably treaties. The treaties that they

have with Canada, with other international groups, limit their ability to do interdiction. Is that still true?

[No response.]

Because we have been at this a long time, we were told we cannot use dogs by DEA last time because the fentanyl kills them. Now we are hearing you are using dogs.

We were told last time that the postal agreements internationally limit our ability to do work. Now no one can answer that question. We have to get an urgency to this, and we have to deal with it not just about illegal drugs, but everything else that we expect to protect our borders.

And so I want to thank you all. This is not the end of this. I want to thank the Chairman for the excellent work that was done here. I think that we did not reveal anything in this report that we did not know, and I want to point out that the two Chinese individuals who were indicted were indicted in North Dakota.

Senator PORTMAN. We will hear later, more from Mr. Murphy, about the issue of the international treaties, as you rightly called them, and what the Universal Postal Union challenges are.

But you are right. I do not think we have had the urgency, and we have spent 10 years going back and forth on this, and what we have to show for it is a bar code. That is fine. It is a sticker, but there is no information on the bar code for most countries, for most packages. We do have to accelerate this.

As was said, this is an urgent problem, and we need to be more aggressive.

Senator HEITKAMP. Mr. Chairman, the point that I want to make about e-commerce is that this is not just limited, and if we just simply focus on drug interdiction and on China, which is our immediate problem, we will miss the opportunity to fix the broader problem or at least provide a broader sweep in terms of what we need on all of e-commerce, whether it is counterfeit goods, whether it is things that violate public health and safety, whether it is, in fact, things that are happening to do tax evasion.

Senator PORTMAN. Senator Klobuchar.

#### **OPENING STATEMENT OF SENATOR KLOBUCHAR**

Senator KLOBUCHAR. Thank you very much, and thank you, Mr. Chairman and Senator Carper, for inviting me to join today. I think this report is incredibly important and shed some light on just what is going on here.

I personally think, well, maybe some of this information has been out here. It is pretty stunning.

And I also want to thank the Chairman. He and I are leading the bill to do something about this, the STOP Act, which would require shipments from foreign countries through our postal system to provide advanced electronic data before these shipments enter the United States.

I got interested in this because, like so many other Senators, I saw what was happening in Minnesota—637 deaths from opioids and other drug overdoses in 2016. That is more than the number of car crashes and homicides combined in my State. Almost 100 of these deaths, 96 of them involve synthetics, a nearly 80 percent increase from the previous year, and 85 involved fentanyl.



And one of them was Prince. But it is not just celebrities that die from fentanyl. It is a lot of little kids in our State as well—high school kids, college kids, and we have to do something about this.

So I guess I will start with you, Mr. Owen. As you know, this bill would show us where the package is coming from, who it is going to, where it is going, and what is in it. How would this sort of information help Customs and Border Protection detect and interdict shipments of illicit drugs like fentanyl?

Mr. OWEN. Yes, absolutely. When we look at the way the process works, it is that it is critical that we receive the advanced data on all cargo shipments, including what we are seeing in the mail, prior to the arrival of those shipments, so that we can use our analytical tools, our past seizure records, the connections that we make through our national targeting center, to make those connections, and then advise the Postal Service so that they can present the parcel before.

I could give a real-life example from just last week at JFK as to the way this works. We had a shipment coming in from China. It was an ePacket, one of their express packets. The advanced information was provided through the Postal Service to us prior to arrival. We were able to target that shipment prior to arrival and placed it on hold. The Postal Service presented it. When we inspected it, we had 28 grams of an unknown white powder. Using the technology equipment that we now have deployed at the ports of entry, we were able to identify it as fentanyl. From there, we were able to work with our criminal investigative partners at ICE and DEA as well as the New York Police Department (NYPD), made a controlled delivery on that, and what we did was we were able to take down three additional individuals, make an arrest at that facility. The pill presses, all of the equipment to further manufacture and distribute was there, as well as two M4's, so two high-powered weapons that were part of that.

That is just one example, again, only 28 grams of fentanyl, but it all started with the advanced information provided prior to arrival of the cargo, allowed us to target based on some rules that we have in our systems, some connections to previous seizures, and allow us to deliver consequences with the criminal investigators to take people into custody. I think that is a great example just from last week initiated at JFK as to how this process should work.

Senator KLOBUCHAR. Exactly. So tell me the challenges, though, and why it is not working everywhere.

Mr. OWEN. Well, the challenges, again, is the advanced information is what we need, and we need to have that advanced information prior to arrival. It needs to be accurate, and it needs to be timely. That is an area as you have heard this morning we are working on very closely. We have made strong progress, but there is still a lot of work to go in this regard.

Senator KLOBUCHAR. Can you tell us about the trends that you have seen, the trends in terms of the amount of synthetic opioids, including fentanyl, that bad actors from overseas are shipping in?

Mr. OWEN. Absolutely. This problem, as you know, came really to light a few years back. We continue to see increased interdictions both in the mail and the express environment.

Last year, of the 335 pounds that we did seize, 92 pounds were in the mail enforcement and 240 pounds were in the express environment. So it is a threat through both pathways, also through the Mexican border, again, less purity on the Mexican border, mixed in with other seizures of other hard narcotics.

But the trends continue to go up. As all of the changes that we are putting in place are making us more effective, we will seize more in 2018 than we did in 2017, but really with that volume that we are seeing at the borders, interdiction can only be one small part of the solution because the volume is just too overwhelming to think we will stop this problem simply at the border.

Senator KLOBUCHAR. And you and Mr. Cintron talked about the fact that 23 countries are now sharing this advanced electronic data with the United States. You said that we are now working to increase the number. How do you do that? What are your hopes of doing that?

Mr. CINTRON. Yes. One of the ways we do it is through collaboration. That has kind of been our focus.

Right now, when you think of where we have been with AED, as we spoke before, from zero to 40 percent, we moved from 8 to 23 countries. We have signed 56 data sharing agreements. So our focus has really been in focus on the top countries. You have heard us talk about that, as it represents 90 percent of the volume coming in.

We have a big push this year in terms of AED. China is an example. Untracked volumes will yield a significant amount this year of that AED volume. Our target by the end of the year is to hit about 70 percent AED just by focusing on that data partner right now.

So we are already seeing data coming over, but the focus really is the collaboration, collaboration also by the law enforcement agencies that help out and for us to focus on those countries.

Senator KLOBUCHAR. I just think when we see these numbers coming in—and I am from the State that is known for doing a lot of treatment, and we think it is really important. That is part of the reason Senator Portman and I and two other Senators led the CARA Act, which helped to set a blueprint for our country. It is why I believe we need to get more funding in the budget upcoming for opioids, and it is also one of the reasons that I think we need to do a better job of policing what the drug companies have been doing in terms of getting people hooked on this.

But this issue is something that is just getting worse and worse with fentanyl. It is up to 100 times more potent, as you know, than morphine. We are seeing an increase in carfentanil, 100 times more powerful. A dose the size of two grains of salt can be fatal. So I would just ask you to—especially the Postal Service as we go forward, we are trying to gather support for our bill because if we can stop some of this—I know it is not the only solution. You have to look at many prongs, as Senator Heitkamp pointed out, but this has to be part of this.

And the one other thing I would add is something that Senator Graham and I are leading. It is in my bill, the SALT Act, to make it easier to prosecute the sale and distribution of synthetics because, as you know, these analogs, all our law enforcement people

know what goes on. They basically take a chemical makeup, change it a bit, and then it is not on our list.

And so Senator Graham and I have a bill, which we have a number of supporters on, going through Judiciary to make it easier to go after those analogs and be as sophisticated as the people that are trying to get people hooked on drugs that ultimately kill them.

So I just want to thank the Chairman for his great leadership on this, for this report, and I hope it moves all of us to more action.

Thank you.

Senator PORTMAN. Thank you, Senator Klobuchar, and thanks for your leadership on the STOP Act and more broadly on what we talked about earlier, which is the need for more prevention, certainly more treatment, and then longer-term recovery. That is all part of it, but if we can keep this poison from coming into our country in the first place, we need to do it. And we know we can, and what this report showed clearly is that we are not doing what we even can do within our current budget constraints.

I appreciate the fact that in response to Senator Carper's question, the answer almost universally was more funding. We will talk a little about this in a moment when I ask a question of you all.

I want to let Senator Daines go, but I do not disagree with that. More funding is important, and we did just pass legislation to provide more funding to CBP to be able to have monitoring equipment to detect fentanyl.

But we have other problems here, gentlemen. We are not coordinating well. We are not doing what we should be doing.

Last year, we were able to get advanced electronic data on 36 percent of mail. That was the number from last year. It was the same as the previous year, and even during the year, you have a chart in your report you can see. It was flat.

We are not doing what Commissioner Owen has just told us he needs, which is finding these packages, to be able to pull them off-line, test them, get rid of this poison so it does not come into our communities, and then go after the individuals who are sending them. Senator Daines.

#### **OPENING STATEMENT OF SENATOR DAINES**

Senator DAINES. Mr. Chairman, thank you, and thank you for your leadership, for you and what your staff has done to produce this report.

We are seeing this in Montana. Looking at the map up here, if you look at Montana, there is not a lot of color on it, but I will tell you, it is costing our State dearly.

In fact, in 2015, 35 Montanans died. This opioid epidemic nationally continues to drain fiscal resources that could otherwise be spent on other services.

In fact, I was struck by the Council of Economic Advisors issued a report last November, estimated economic losses are over half a trillion dollars in 2015 alone.

So to what the chairman just mentioned, we need to better our efforts on intercepting these shipments so that the United States Postal Service and the CBP can prevent the distribution of opioids in the first place.

Mr. Baldwin, in my days with Procter & Gamble (P&G), I spent over 5½ years actually working in China. I was one of the early pioneers who was sent over by P&G to develop and grow our business, to make great American brands and produce and ship those to the Chinese consumer.

I understand a substantial amount of USPS shipments containing opioids originates from China. So it is not surprising you are here as a leading expert on China at the DEA.

Could you share with the Committee China's relationship with the DEA?

Mr. BALDWIN. Certainly, Senator. Thank you for your question.

DEA has had a presence in China beginning in Hong Kong back in the 1970s. We sent liaison officers up to Beijing on a regular basis to engage with the Chinese. That relationship, as you know, having spent time in China—a long-term relationship in China is much better than a short-term relationship in the sense that you build rapport and understanding. You have the ability to ask more. You have the ability to get more done.

DEA's presence in China is important, obviously, in regards to this threat. We have a direct liaison with the Narcotics Control Bureau, which is under the Ministry of Public Security, which is in China. They are a single-mission entity, much like DEA. So when we come into a room, there are a lot of political issues out there potentially that could cause some problems for us.

We see eye to eye in the sense that, hey, we both have a common mission. At least we can start there, right?

Now we have a country attache stationed, of course, full-time in Beijing. We have a number of different employees, and we are expanding our presence. If you spent time when you were in China down in Guangzhou, we are opening another office down in Guangzhou in order to expand into the province where we then would be able to have direct engagement with the provincial law enforcement authorities, who then are the ones who are actually doing the work. Our goal is to build on that rapport. We know our partners from HSI have presence there as well.

We are looking to expand our connectivity with China. We are hopeful that that office in Guangzhou will be valuable for us getting additional information regarding the——

Senator DAINES. We actually lived in Guangzhou.

Mr. BALDWIN. Oh, you did?

Senator DAINES. Had two children born in Hong Kong, in fact. You talked about playing for the long view, it is interesting to go back in the history, the mid-1800s, the opium wars.

Mr. BALDWIN. Yes.

Senator DAINES. This is a problem that goes back a long ways and something that is not new.

I have to commend the Chairman. I led a CODEL to China about a year ago, and Chairman Portman came with us to China. He was such a strong advocate in directly questioning the premier, the chairman there, about how do we reduce the source of fentanyl, carfentanil, occurring right there in China, being shipped directly in the United States. I am grateful for your leadership there, Senator Portman.

If you look at that map, just the devastation this is creating in Ohio and other places around this country, so I appreciate your work around the world as we are trying to get to the root cause in stopping the scourge on our Nation.

Mr. Cintron, just last week in my home State, Montana, the Flathead Beacon reported that there was a couple employed there by the USPS in Polson, Montana, that was caught distributing methamphetamine through postal shipments, again, employees of the USPS.

Now, a city like Polson, Montana, it is beautiful. It sits right in the south tip of Flathead Lake. It is in close proximity to Glacier National Park. Their population is less than 5,000 people. It is concerning that a half a pound of meth could be shipped directly into this small community.

I will tell you I am grateful for our law enforcement officials. Their vigilance uncovered this operation, and we need to do more to stop the spread of this meth epidemic that is occurring in Montana.

The question is, What detection and preventive measures is the USPS taking to combat the domestic shipment of meth in rural America?

Mr. CINTRON. I am going to ask the Inspector to step up and answer that question.

Mr. COTTRELL. Yes, Senator. Thank you. Guy Cottrell. I was sworn in at the beginning of the hearing. I am our Chief Postal Inspector.

As we have heard before, the challenges for domestic are just as challenging as it is for international, except the mail volume is even higher in the domestic arena. So we use our intelligence. We use our past seizure data. We use our intelligence from working with our law enforcement partners, both Federal, State, and local, as well as Postal Service business data and package history.

And, of course, for employee cases, we work with our Office of Inspector General to partner closely, and Mr. Siemer spoke about some of their efforts as well.

Senator DAINES. So while we still have you there—

Mr. COTTRELL. Sure.

Senator DAINES [continuing]. I still do not understand how a couple that is employed by the USPS in Polson could be caught in part because it is a real small community. It is more difficult to hide. It is a close-knit community, and clearly we need to step up enforcement.

What can we do in Congress? This might be a two-part question too as well. What can we do here that helps you in those efforts?

Mr. COTTRELL. From my vantage point, the Postal Service has given the Inspection Service additional resources to combat narcotics in the mail. We have assembled a team of experts to both work on the international angle as well as the domestic angle, so I will speak from the Inspection Service side. Certainly, Mr. Siemer can cover the IG side.

But from our vantage point, again, as we have said before, comprehensive postal reform to allow us to continue doing what we do with the Postal Service and postal operations.

But you are absolutely right. In the small communities, sometimes it is just criminal intelligence. Sometimes we get a tip from someone that will tell us about something, something like that, but comprehensive reform from my end.

Mr. SIEMER. I will just speak for the Inspector General's office. We receive our funding through the Postal Service, but we are treated through the appropriations process. So the Postal Service just cannot give us additional resources. It is up to Congress and the appropriations committees to give us additional funding and resources for these kinds of initiatives.

Because we are appropriated, we are facing the same kind of reduction in government that all the administrations are facing. We are already facing a smaller budget environment, anyway, as this crisis is emerging. So additional resources for us would be very appreciated.

Senator DAINES. All right.

Mr. Chairman, I am out of time. Thank you.

Senator PORTMAN. Thank you, Senator Daines. Thanks for your leadership on this issue, and Senator Daines did mention our travels to China last year and the opportunity to speak with Chinese leadership about this issue. And he is correct. We raised it. We raised it in strong terms.

One of the points that I made, as Senator Daines will recall, to Senator Carper's point earlier, is the fact that in China—and, Mr. Baldwin, I think you would confirm this—they have a growing problem of opioid addiction. That is not surprising, given the fact that they are producing more and more of these opioids to send to this lucrative market here in the United States. There is leakage, and they do have an interest in this, I would hope, for a lot of reasons, including the number of overdose deaths here in this country and lives being taken off track but also because of their own internal issues.

With regard to the testimony earlier, Mr. Owen, you said that it is really important to have this advanced electronic data, and as I said earlier, the fact that most of you have responded to the question and we just need more money, I would just make an obvious point. I do not disagree. More resources are important. That is why we just passed legislation to give you more resources on the monitoring equipment. But it is a lot more cost effective for you and your people to have advanced electronic data, isn't it?

Mr. OWEN. Yes, it is. The manual process that is the alternative will just not meet the challenges that we face, having to take bags of mail and run it through the x-rays, run it through the dogs, or use the intuition of the officer. The volume is just too overwhelming. We have to employ a risk management approach that relies heavily on the data, the analytics that we do, the targeting work that we do. The data is the key.

Senator PORTMAN. Let me just take this to the next level because there was a lot of information in this report that was not previously known. Some of this new information was that you had to say we need to target certain countries because of this manual inspection, and my understanding from our report and our investigation is that you actually were not able to include China among those target countries. Why? Because there were too many pack-

ages from China. That is not responding to the threat, which we know is from China, but it is responding to the reality that we do not have this advanced electronic data to be able to target packages.

You could not even look at any packages from China. Now you have some advanced electronic data from China. The 36 percent figure we talked about earlier, which leads to over 300 million packages unmonitored includes packages from China. We think about 50 percent of the packages from China are now including this advanced electronic data because of the ePacket agreement you have with China, and that is good. But we are still letting so much of this through.

The other point that you make in your testimony is that even if you have advanced electronic data and you know this package is suspicious, 20 percent of the time, the post office cannot find the package to present to you to be able to check it. Is that accurate?

Mr. OWEN. Yes. When we started the program, the presentation rate was much less. The Postal Service has now put some new mechanisms in place, some software technologies and things of that nature. The increase and the presentation rate has gone up significantly, but 80 percent is not where we ultimately need to be.

Senator PORTMAN. So 20 percent of these packages that are identified as suspicious are still getting through. I know you need more resources, that is fine, but this is a management challenge. To let these packages go requires better coordination with all of you, particularly with CBP and the Postal Service, and it requires, as you said earlier, accurate, timely information and then the presentation of those packages.

Let me go back to the origins of our problem, which is the lack of information coming from these countries.

Mr. Murphy, you talked earlier about where you are in terms of working with the other countries around the world. You talked about the rapid progress that has been made recently. As I have said, we have some email traffic indicating otherwise, but let me, if I could, go to another piece of information we were able to uncover in our investigation.

If you look at Exhibit A in front of you,<sup>1</sup> Exhibit A is an email from May 2017. This is a memo to Deputy Assistant Secretary of State Nerissa Cook from Gregory Thome, and if you turn to page 821 of this memo, you will see an unredacted section on the issue before us, the UPU issue, Universal Postal Union issue.

In that section, it states that advanced electronic data is a topic “of high interest on Capitol Hill”—“ostensibly because of the presumed contribution AED would make to preventing synthetic opioids from arriving in the United States through international mail.”

The memo then goes on to state, “Despite its uncertain benefits for this purpose”—its uncertain benefits for this purpose, that is opioids—“accelerating the exchange of AED is one of our highest priorities at the UPU this congressional cycle because of its clear benefits for aviation security, Intellectual Property Rights (IPR) enforcement, and expeditious mail handling.”

<sup>1</sup> The Exhibit A document appears in the Appendix on page 205.

I guess the first question is, Were you part of this memo? Did you help to draft or contribute to this internal memo to Deputy Assistant Secretary Cook?

Mr. MURPHY. Yes, Senator. I drafted the language in question.

Senator PORTMAN. OK. So is this what we believe? Again, resources are important, but if we have a government that thinks that this advanced electronic data could target counterfeit goods, a fake purse is more important than stopping a poison coming into our communities, I think we have a problem of priorities.

I guess I would ask you. Is using advanced electronic data to target counterfeit goods and intellectual property rights violations a function of the State Department?

Mr. MURPHY. Senator, the State Department does not use this data for any purpose.

Senator PORTMAN. OK. So, no, that is not your job.

What agency is responsible for using AED to target IPR violations?

Mr. MURPHY. It would be CBP.

Senator PORTMAN. So how did you determine that there was a clear benefit for using AED to target intellectual property but not opioids?

Mr. MURPHY. Senator, first of all, let me clarify. As you pointed out, this is an internal memo from one office in a bureau of the State Department to the leadership of that bureau, so it does not reflect the views of the Department, per se. It is part of an internal discussion.

But the use of advanced electronic data for aviation security, which I think you would agree is a concern on par with our other high-priority concerns, as well as for IPR enforcement and for expeditious mail handling, these are the uses for this data that are very well established that are familiar to people in the UPU environment that have been talked about for many years.

The use of this data for specifically targeting synthetic opioids is no older than the crisis itself, and so it was less familiar and—

Senator PORTMAN. Let me just interrupt—

Mr. MURPHY [continuing]. It reflects perhaps the novelty of it as much as anything else.

Senator PORTMAN. Let me just interrupt you for a second. This memo was written last year, May 2017. Are you saying the State Department did not know that we had an issue with opioids in May 2017?

Look, I am not trying to put you on the spot personally, but I think it reflects an attitude, and I think it reflects a lack of, as was said earlier by Mr. Nevano, the need for us to be aggressive. Instead, it is an attitude of trying to work with these countries for 10 years. We have been doing it, with very little success. We do have the bar code now, which is great. We just need the information on the bar code, right?

I hope it does not reflect a State Department attitude. I hope that after you heard from these individuals today and perhaps from some of the stories here that you have a different view of this now, that you understand that advanced electronic data is really important.



Again, it is not the silver bullet. There is no one silver bullet. We have to stop the demand in this country. We have to deal with the fact that our addiction rate is so high that we need more treatment and recovery.

We have a lot of other things to do, but if we have an attitude in the government that this does not matter, we are going to continue to have this poison coming in through our mail system. And Commissioner Owen cannot do his job. He cannot find the stuff.

I hope that one of the outcomes of this report that Senator Carper and I worked on and of the hearing today is to prioritize this issue, and instead of saying it is not as important as intellectual property, fake purses from China, to say it is more important—it is about people dying—and prioritize it.

I thank you again for your service, and I just hope that you will go back to the UPU and to your partners around the world and talk about this as an urgent matter.

Let me ask a couple of other questions, if I could. One of the issues that I think has not been properly explained today is the fact that there are a lot more overseas packages coming into America, and it might be helpful, Mr. Cintron, if you would just give us those numbers. We have them in the report. They may not be accurate, so I want to hear from you. When I talked about the fact that there are about 500 million packages coming into the United States today, that has doubled just in the last few years.

Now that makes your job harder, but again, all the more important that we have this data to know what is coming in. Can you talk a little about that?

Mr. CINTRON. Yes. Certainly, I can.

We can probably provide you the specifics on the numbers, and certainly you are pretty close to that range. We have seen over a significant amount certainly increase over the last few years.

A couple things that we are doing: In the last year, we have deployed a significant amount of processing equipment around the country, just based on these inbound cities. In the ISC cities—like up in the Pacific area of California, New York, Chicago—we have deployed equipment to be able to handle the influx of volume itself coming in, and so that is one piece.

The other part is in working to get more AED, as I have said, we have increased those numbers. We are going to see a significant amount of AED we believe this year with our efforts around the untracked volume coming out of China, which we believe will put us at about 70 percent AED capture by the end of the year, a significant improvement for this year.

What we have done subsequently on the equipment, not only do we have the five ISCs running, but what we have done is we have expanded that to 13 facilities attached to those ISCs, where we now have the ability to trap and capture.

To the question of the 20 percent that is missing, our efforts right now are that expansion of equipment, capture before we get it downstream, and then further to that in the next several months, we are going to have the capability to deliver unit level to trap that piece. We certainly always have the Inspection Service, which at any time while they are embedded with these other agen-

cies, themselves can intercept the package anywhere in the domestic mail stream.

There is a lot of effort to get more AED this year, and the second part, really go after making sure that the 100 pieces we are asking for is the 100 pieces they are going to get, and we are laser focused to make sure that every piece that we can capture, before it gets out of the network itself, that we capture.

Senator PORTMAN. Well, if I look at what happened in 2017, it was flat. You talk about 40 percent, I talk about 36 percent, because in December, it was 40 percent. But in November, it was less than 36 percent. We went up, down, and back up a little bit at the end. That is not a good trend, and 70 percent would be ambitious, and we are all for that. We want 100 percent, but we are going to have to change some of our methods and some of our management and some of our priorities in order to get there.

We talked about the JFK program earlier. This is a program where, particularly with regard to China, you had an agreement on these ePackets. I think it is 4.4 pounds or less, packages. Here is a quote from one of the Customs and Border Protection officers on the ground working at JFK in an email, "There has been no meaningful improvement as the China ePacket pilot approaches its second year." Now, that is one individual.

Commissioner Owen, you may agree or disagree with that. I would like to hear from you on it, but I just do not think the evidence supports what you are saying in terms of this priority and of the significant ramping up, certainly not in the last year and certainly not with this kind of data. Do you have any thoughts on that, Commissioner Owen? Do you agree with that CBP officer?

Mr. OWEN. Well, I would just say that I think we learned an awful lot from the JFK pilot as it was begun. It started with a very small amount of advanced electronic data coming both from China and from France.

We had to train our officers on how to effectively target. We had to work with the Postal Service to make sure that the packages that we asked to be presented to were in fact presented. I think we learned a lot from that pilot.

I think it was a slow road, which led to a delay in the expansion to the other international mail facilities, but I think we are on the right track now. I think there is a sense of the urgency behind this, and we will continue to move forward.

Senator PORTMAN. Mr. Cintron, are you planning to expand the targeting beyond the Chinese ePackets?

Mr. OWEN. Yes. Actually, that will be us, and we do plan to go beyond the packets.

At JFK right now, we are targeting off eight different countries. When you look at the volume in the particular mail facilities as to what is coming from what part of the world, we basically perform a risk assessment and ask to see the packages, target specifically for one country that may be of greater concern than another at that specific international mail facility.

Senator PORTMAN. Let me just ask a general question and then turn it over to Senator Carper.

There has been a lot of discussion today about the need to focus on China, and of course, I agree with that. All the evidence is, from

DEA and elsewhere, that that is the source of most of this synthetic opioid coming into our country, and most of it comes through the mail.

But we also know that, as Mr. Baldwin said earlier, this is a very lucrative trade, and there will be transshipments through other countries and other means to try to avoid whatever we come up with.

Mr. Nevano, is it true that if we just focus on one country—and this kind of goes again to the State Department's approach to dealing with these countries around the world—that we are likely to see transshipments to other countries? Therefore, having a universal application of this, in other words, telling all countries, "You want to do business with us, you have to provide this data," is going to be required?

Mr. NEVANO. Senator, thank you for your question, and I would agree with that.

As we as law enforcement improve on our techniques and our abilities to seize and interdict packages, the nefarious actors who are involved in this process are only going to change their modus operandi. They are going to change the way they do business, as evidenced by packages being transshipped from China, let us say, to Hong Kong or other intermediary countries to try to avoid and evade law enforcement efforts.

Senator PORTMAN. Thank you.

I will turn to Senator Carper, and then I have a couple more questions. Senator Carper.

Senator CARPER. Thank you.

I do not know if anybody has ever heard of the name Willie Sutton before. Every now and then, we talk about Willie Sutton. He is a famous bank robber, long since died. But many decades ago, he was finally arrested and put in jail. They asked him at his trial. They said, "Mr. Sutton, why do you rob banks?" and he responded famously, "That is where the money is."

Why do we focus on China? Well, that is because that is where a lot of this stuff is coming from. Why do we focus on the Postal Service? That is how a lot of it is getting into this country.

I am reminded of a game that is played at the boardwalk in Rehoboth Beach, Delaware. We have a great place called Funland for our kids. It is a little amusement park and famous for years, and one of the favorite games is Whack-a-Mole. This is not a game. That is. This is not a game. But it is also a different version of Whack-a-Mole because as soon as we convince the Chinese to help us shut it down there, it will go someplace else. There is a lot of money to be made.

One of the points that I have made—and I think we keep making—is this is a multilayered problem. We need a multilayered approach. I think we are doing that. This is an all-hands-on-deck moment, and I think we are starting to sense that urgency.

There is plenty for us to do, and one of the things we talked about here is the U.S. Postal Service could use some Governors. They have none. The Postal Service could use some certain predictability and the ability to generate the revenues they need, and we need to do a better job on that. So there is work for all of us to do here.

I want to ask a couple of questions, maybe of Mr. Owen and Mr. Cintron, if I could. First, for Mr. Owen, the staffing level, let me just ask at the international service centers. Would you talk to us about the staffing levels? How have they changed over the last five years at each of the international service centers?

Mr. OWEN. Well, in the last year, we have increased the CBP officers by 20 percent in direct response to this threat. Prior to that, I would say the staffing levels were pretty much stagnant for the past four or five years, but again, in the last year, we have added 20 percent additional staff.

Senator CARPER. There was much made of our need to tighten our borders for a variety of reasons—human trafficking, drugs, and other illicit activities.

We focused a lot on border patrol agents. I think we have 20,000 or more positions that are allocated. I am not sure that we are actually able to hire that many people. We have a number of vacancies, as I recall. Hundreds of positions are still vacant. Correct me if I am wrong.

But I have heard for a number of years that Customs and Border Protection could use some additional people at the border crossing. We focus on the borders between border crossings, but we also need to focus on the proper staffing at the border crossings themselves, where all of this traffic, all of this commercial activity is coming through, and a lot of it is illegal, illicit.

Would you just comment on that, Mr. Owen, please?

Mr. OWEN. Yes. Absolutely, sir.

We have within CBP and the Office of Field Operations what is known as a workload staffing model, and what that model does is it measures the amount of work and the time it takes an officer to perform every task that we are required to do, so how long does it take to do a seven-point vehicle inspection, how long does it take to board a vessel and do immigration clearances, how long does it take to process a passenger at the airports. Then we look at how often we do those activities across the country throughout the year.

The workload staffing model that has been submitted to Congress shows that we are understaffed in the officer ranks by 2,518, so that is 2,518—

Senator CARPER. Say that one more time.

Mr. OWEN. Yes. 2,518 additional officers is what our workload staffing model that is provided to Congress shows is what we need to perform the duties at the ports of entry. Also, 631 additional agriculture specialists are needed to address the needs at the ports of entry.

Senator CARPER. All right. Mr. Chairman, we need to take that to heart, right from the horse's mouth.

Mr. Cintron, I spoke in my opening statement about postal reform and the need to get the Postal Service the resources they need to make the kind of investments they need to be successful as a business and provide the service that we need.

Can you tell us what you think the Postal Service needs both over the coming weeks and months and in the coming years to be able to properly handle international package volume and to facilitate CBP's screening efforts?

Mr. CINTRON. Yes. I think the obvious, comprehensive postal reform goes a long way helping us financially, right? We are not necessarily waiting as it relates to the international volumes, as I talked about a minute ago. We are expanding the network itself to be able to handle any type of volume coming into the country.

So from our perspective, we are doing those things. We are not waiting. Certainly, the comprehensive postal reform goes a long way in keeping us on that financial footing and allowing us to invest in it.

As you said, very important to think about the data, the technology, what everybody on this panel is talking about, and where really investment should be made to make sure that we can zero in on what we are looking for.

Senator CARPER. All right. Thanks.

Mr. CINTRON. But reform will help us get there.

Senator CARPER. Thanks.

Ms. Siemer, any comments you have on this front, please?

Mr. SIEMER. I think the only comment I would make is that as they collect this advanced electronic data, we need to keep in mind the quality of the data.

The data itself is only useful for analytics if it is structured for analytics, and when we started looking at it last summer, it really looks to us like someone is manually inputting this overseas. Someone is actually typing in the addresses.

And to give you an example, just with our building's address, 1735 North Lynn Street, there are probably 20 different ways a human can type that. They can abbreviate "Street." They can abbreviate "North." They can put periods in there. They can add extra spaces. When you have humans entering the data and then that gets fed into the Postal Service and then that gets fed into targeting, it is almost impossible to start matching addresses and packages going to those addresses. It really takes a tremendous amount of cleanup effort to make it suitable for those kind of efforts.

I think if there is any way that we could require the countries to structure that data a little bit better or collect it automatically in some respect would help tremendously, but in the meantime, some effort needs to be made to clean that up by somebody.

We are doing it for our analytics, but I think there are probably other approaches to doing that so that we can all share the same dataset to do our analytics.

Senator CARPER. All right. Thank you.

I have another one for Mr. Cintron and Mr. Owen. The international mail facility at JFK receives, as we have heard, the bulk of our country's inbound mail from other places. The Postal Service and CBP had this pilot program, JFK using advanced electronic data to target suspicious packages at JFK. It is designed to help us to manage the high package volumes while still hopefully preventing illegal items from entering our country.

I have a question for Mr. Cintron, if I could. I trust the Postal Service appreciates its role in helping CBP to combat the flow of dangerous drugs in our communities. I believe you do. How does the Postal Service plan to address our findings and recommendations specific to your agency? I will say that again: How does the

Postal Service plan to address our findings and recommendations, which were released, specific to your agency?

Mr. CINTRON. Well, we are certainly going to take all of the findings that are in the report and go back and address them.

Certainly, key for us, as I brought up earlier, two things. One, working collaboratively to keep getting the percentages. While we had a bump for a couple of months, there were some technical issues. When we looked at the growth of AED, it is significant growth. We expect with our collaboration, it is going to be significantly higher this year.

The other part is the holds, one key thing that we found in terms of finding that 20 percent, which is significantly important to us as well.

So all the findings that we will get there, going to get priority to make sure that we are addressing every one of those issues and abate them as quickly as we can.

Senator CARPER. All right. Thanks.

Mr. Owen, I am convinced that you recognize the vital role that your agency plays in addressing this, but really the same question that I just asked for Mr. Cintron. Please discuss how CBP plans to address our findings and recommendations as they pertain to your agency.

Mr. OWEN. Yes. Similar to the Postal Service, the key is the advanced information, so we will continue to work with them on not only ensuring that the level is going up, but to Mr. Siemer's point, the accuracy and the timeliness of that data, so we can be more effective with the targeting, and then as well, designing the protocols to make sure that every package we ask for inspection is presented to us for inspection.

Senator CARPER. All right. A question for both you—and this is my last question—for both of you, Mr. Cintron and Mr. Owen. Have your agencies agreed to performance measurement system at least for trafficking the number of packages the Postal Service presents to CBP for inspection? And if yes, explain what you have agreed to, and if not, maybe you could explain why not.

Do you want to go first, Mr. Owen?

Mr. OWEN. Yes. We are still in those discussions. Really the issue is the actionable holds versus the holds. When we place a shipment on hold, of course, we expect to see it. The challenge becomes as if the data was not provided prior to arrival or if the date targeting was not done until after the cargo arrived. Then we have a challenge for the Postal Service to retrieve that.

So the ultimate end state and where we are going and where this is working is that, again, the data is presented prior to arrival. We target prior to arrival, and then the Postal Service will capture that. There is no disagreement in that. It is that gray space that what happens when the data came in late or the targeting was late, how do we account for that, so that is just the one area.

But again, the ultimate objective here is to have that data pre-arrival, the targeting done pre-arrival, and then there is no disagreement that in those cases, those shipments would be presented to CBP.

Senator CARPER. All right. Thanks.

Briefly, Mr. Cintron.

Mr. CINTRON. Really, the only piece to add onto that are the other developments that we are doing to go beyond the ISC. If the timing is off and we have the ability to capture before we get it all the way to delivery, that is really where the focus is going to be. We are definitely in agreement and getting to those metrics that we can agree on.

Senator CARPER. Good.

I am going to close and just say, Mr. Chairman, thank you for your continued leadership on this front. It is vitally important, for the hats that you have worn in this fight.

I want to thank your staffs on the kind of collaboration that they have demonstrated, I hope with our leadership, to help address this challenge and to bring a sense of urgency to it.

The Chairman said earlier—he said there is no silver bullet, and that is obviously true. I like to say—and it is not just on this front, but with a lot of challenges, no silver bullet. A lot of silver BBs, and some of them are bigger than others. Today, we have identified some of those, and some of them are bigger than others.

In Delaware, we are big on the letter “C.” I do not know why, but we are big on the letter “C.” But we call it the Delaware way, to communicate, compromise, collaborate, and the letter “C” actually can be really helpful here for all of us, you as well as us. And that is to communicate better, and I hope this hearing is helpful in that, to better coordinate and find other ways to collaborate. If we do those three things, we will be better off.

This hearing started 2½ hours ago. I am told that five people die every hour. Five people die every hour from this opioid epidemic, which means 12 or 13, people have died since we just started this hearing. They are somebody’s mom or dad, somebody’s brother or sister, somebody’s son or daughter, niece or nephew. They are real people, and just keep them in mind. Keep their faces in mind and their stories in mind as we put the pedal to the metal and move forward.

Thank you very much.

Thanks, Mr. Chairman.

Senator PORTMAN. Thank you, Senator Carper, thank you for not just cooperation on the report but your input on the report. You and your staff made this report not just bipartisan but non-partisan, and we were able to dig much deeper, so thank you.

Among the exhibits we talked about today was Exhibit 1. This was a State Department memo, so I would like to enter this into the record, without objection.<sup>1</sup>

We were talking a moment ago about the 20 percent, and that is a concern in terms of Customs and Border Protection having to finally find the data to be able to find the package and then having the package already delivered or otherwise unavailable.

What is your experience with the FedExes, UPSs, and DHLs of the world, the so-called express consignment operators? Our report indicates that you do not have that slippage or that leakage in that case. Is that accurate?

<sup>1</sup> The memo appears in the Appendix on page 205.

Mr. OWEN. Yes, that is correct. The presentation rate from the express couriers is about 100 percent. I mean, they are very effective.

What I think is important to note and to remember is that they have been at this since 2002 with the passage of the trade act of 2002 that required the express courier operators to provide that advance data.

I can tell you from my personal experience in those early years as they were ramping up to meet this new requirement, they struggled with a lot of the same issues, with having everybody providing the data, the data being accurate, being timely, and finding the parcels that customs was looking for to hold.

When I look at the success the express couriers have had over the last 10, 12, or 15 years, I see that as a model that we can employ and we are employing in dealing with the Postal Service.

They have come a long way. They are very effective at identifying or helping us to track down those shipments. I feel we will be just as confident in the near future with the Postal Service as well.

Senator PORTMAN. I appreciate your confidence, and I hope that this hearing helps to focus on that issue because ultimately we want to make sure that data is usable, as Mr. Siemer has said. He has had to clean up a lot of data—to use his data analytics to be able to make this work, and I am sure you all have done the same thing. CBP has also had to clean up some data, as I understand it, so getting better data and then ensuring that once you have the data, it is actually used. That model that you have with these private couriers obviously is something we ought to be looking at, if it is working from a management point of view, more effectively to present those packages.

The final thing I want to say is about a trip to Hong Kong that our staff made because Hong Kong is one of those transshipment points, and they were meeting with the Hong Kong customs officials. They talked about a few things I thought were interesting.

One is that there had been a bust working with DEA and with, as I understand it, Department of Homeland Security as well, and that was a very successful bust in the sense that they were able to break up some kind of network going between China and Hong Kong, transshipping to the United States.

But there has only been one, and also their attitude, I would tell you—and, Mr. Murphy, you will appreciate this. Their attitude was that, “Do not worry. It is under control.” That was the quote of the customs official, the most senior customs official that our staff was able to interview. Clearly not under control, but again, this goes to the attitude of some of our foreign partners.

Finally, the fact that this advanced electronic data, as important as it is to Commissioner Owen, to finding this poison, getting it off track, it is also really important to your prosecutions.

Mr. Nevano, maybe you can speak to that for a second. The Homeland Security Inspections, your special agents at facilities like the international service centers we have talked about here could be a lot more effective in their investigations and in dismantling some of these transnational criminal networks if they had the ad-



vanced electronic data. Maybe you could just speak to that for a second.

After Customs and Border Protection makes an opioid seizure at one of these international centers, how does the advanced data assist you and assist HSI in subsequent criminal investigations?

Mr. NEVANO. Thank you for your question, Senator.

The quicker we get the information, the higher probability that we have in conducting a successful prosecution. It also allows us, as Mr. Owen, I believe, stated earlier—to do like a link analysis or post-seizure analysis where you might be able to tie the links of a previous seizure, historical information that may tie a criminal network or transnational criminal organization.

For example, we may have an organization or a previous seizure that was in California and this seizure in JFK and New York, but based on the historical data, we may be able to tie the organization together to develop a larger organization and take down a larger organization.

It also helps us from an officer safety standpoint, Senator. Before our agents go into a home, it is helpful to know the person that may be inside that residence or business, what type of criminal history do they have, do they have weapons, how can we best prepare our special agents for their security and safety before they actually enact a law enforcement operation. That would be a significant concern that we would have, and I think that advanced data helps us in that aspect, Senator.

Senator PORTMAN. I think that is also important for us to note today that this is not simply about identifying a package and taking it offline. It is about the follow-through and the prosecution. It is critical information to have.

Thank you all for being here. We have many more questions, and I am sure we are going to be following up with some. Senator Carper.

Senator CARPER. Could I have just another—

Senator PORTMAN. Maybe right now.

Senator CARPER. Not a question. Just a comment.

A thought has come to mind, Mr. Chairman, and for our witnesses: My last year as Governor of Delaware, I was chairman and vice chairman of the National Governors Association (NGA), today one of our dear friends, George Voinovich—but there had been a lawsuit between all 50 States and the tobacco industry. The lawsuit was an effort by the States collectively to get money from the tobacco industry to help cover health care costs States were incurring because of people's addiction to tobacco, nicotine.

The lawsuit was successful, and not only have the States received for, I think, 20 years now, a flow of revenues for mostly health-related issues, but also a foundation was created called the American Legacy Foundation. The American Legacy Foundation was created. I was to be the founding vice chairman, and what we did is we went to work with young people all over the country to figure out if there is a way we could mount a multimedia campaign, not just Internet, not just films, not just television, not just print media, but a multimedia campaign to reduce the incidence of tobacco use by young people. If they are using it, get them to stop.

If they had not started, to make sure that they did not start. It was hugely successful.

And the key was hard hitting, direct messaging, right to the target audience, and we saw a dramatic drop in youth smoking, tobacco use, and it has actually persisted. It has actually persisted over the years.

I always like to say find out what works, do more of that. If we are looking at a multilayered strategy, maybe part of that is just to do a better job messaging to the target audience, what is at risk here for them, for their lives and for their families, and we have something that actually works in doing just that.

Thank you.

Senator PORTMAN. So true. Thank you all again for being here, and again, we have some follow up questions we will be providing. We appreciate your responsiveness, not just today, but in the course of our investigation.

We shared our report with all of you in advance, and we appreciate the fact that you made some edits that you thought were appropriate, including to be sure we were not providing information that was inappropriate, that in any way, even if it was not classified, sensitive information.

But I just want you to know this has been a collaborative effort not just with Senator Carper and myself but with our partners in the Federal Government who have the job every day to try to protect us from this opioid epidemic. We need to continue to work together and work together in smarter ways.

We are better than this. We can do a better job, and when you think about what is happening around our country today with 40,000 Americans dying of overdoses—and that is the tip of the iceberg, frankly, as tragic as that is, that so many other lives are ruined, taken off track, and tremendous cost to our community and our families being broken apart. We have to do everything we can.

Senator Carper talked earlier about all hands on deck. This is that time. This is that moment. We have to change the way we are operating to provide this information to be able to stop these packages. We have to be able to prosecute those who are perpetrating these acts on our citizens. We have to do much more in terms of the prevention side, as Senator Carper said, and getting people the treatment they need to stop this addiction. All of that is important, but here is one thing we know we can do, and that is to tighten up our own Postal Service to be able to stop some of this poison from coming in, as was said earlier, and have an immediate impact on the price on the street, because one of the reasons fentanyl is pushing out heroin in Ohio, I will tell you, is the cost. It is not just that it is more powerful, but it is less costly.

I am proud of the staff who worked on this report. I want to particularly thank HSI Special Agent Mancuso for his work on this.

I will tell you, Mr. Nevano, we are going to miss him when he goes back to HSI. His contributions were invaluable.

I just want to thank all the staff who were involved, and, Senator Carper, I would like you to comment on your team who are involved, and I am going to comment on ours briefly.

Senator CARPER. Thanks. Thanks so much.

Our team led by John Kilvington, our staff director for our Subcommittee on the Democratic side—Portia, sitting right behind me, and, of course, we are grateful to you. Felicia Hawkins, Roberto Berrios, and thank you all, not just for the work that you have done but the collaboration and a sense of spirit and a team that we have seen demonstrated with our colleagues on the majority side. Thank you.

Senator PORTMAN. And our team, I want to thank Andy Polesovsky for his work, Will Dargusch, Lenny Mancuso—I talked about earlier—and Patrick Warren.

Andy, you did not put your name down there.

I thank them for all their hard work on this report.

The hearing record will remain open for 15 days for any additional comments or questions of any of the Subcommittee Members, and again, thank you for your testimony today and for your service on behalf of our country.

This hearing is adjourned.

[Whereupon, at 12:35 p.m., the Subcommittee was adjourned.]



## A P P E N D I X

---

STATEMENT OF CHAIRMAN ROB PORTMAN  
U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
*Combating the Opioid Crisis:  
Exploiting Vulnerabilities in International Mail*  
JANUARY 25, 2018

This hearing will come to order. [gavel]

Today's hearing continues the Permanent Subcommittee on Investigations' work to combat the opioid epidemic gripping our communities.

Last Congress, the Subcommittee issued a bipartisan report on opioid-related fraud and abuse in Medicare Part D.

This Congress, the Subcommittee held a hearing on the growing problem of individuals buying illicit opioids over the Internet and shipping them to the United States through the mail.

**The opioid crisis continues to get worse, not better.**

Just last month, the Centers for Disease Control reported that more than 63,600 Americans died in 2016 from drug overdoses.

Those overdose deaths are shocking— and heartbreaking.

Increasingly, these overdoses are due to illegal versions of fentanyl — a drug 50 times stronger than heroin.

In fact, in my home state of Ohio, fentanyl and its variations were involved in almost 60 percent of all overdose deaths in 2016.

The vast majority of illegal fentanyl is purchased online from labs in China and then shipped to the United States through the mail.

**Last night, the Subcommittee released its bipartisan report on how criminals exploit vulnerabilities in international mail and use the U.S. Postal Service to ship illicit opioids into our country.**

*[Without objection, I move the Subcommittee's report into the record]*

After our initial May 2017 hearing, we set out to find out just how easy it is to purchase fentanyl online and how it was shipped to the United States.

We discovered it is *shockingly* easy – all we had to do to was search “fentanyl for sale”.

That simple search returned hundreds of websites, many affiliated with Chinese labs, all openly advertising illegal drugs.

The field was narrowed to just six websites and we sent emails asking basic questions about how to purchase and ship fentanyl here.

These online sellers were quick to respond, unafraid of getting caught, and ready to make a deal.

They offered discounts for bulk purchases and even tried to up-sell us to carfentanil – a powerful synthetic opioid that is so strong it’s used as an elephant tranquilizer.

Ordering these drugs was as easy as buying any other product online.

**I must note our Subcommittee *never* completed a purchase of drugs online – it was just too dangerous to risk exposing someone to deadly fentanyl during delivery.**

But we did use the online sellers’ payment information to determine if others were buying.

Just from these six websites, we identified more than 500 payments to online sellers by more than 300 Americans totaling \$230,000, most of which occurred over the last two years.

These 300 people were located in 43 states, with individuals in my home state of Ohio, Pennsylvania, and Florida sending the most money to the online sellers.

The map behind me shows the concentrations of where most of the purchases were made.

**We also asked how the online sellers would ship the drugs to us; they all preferred to use the Postal Service over private express carriers, like DHL, FedEx, and UPS.**

They told us they used the Postal Service because the chances of the drugs getting seized were so insignificant that delivery was essentially guaranteed.

We were also able to track hundreds of packages related to the online purchases.

We identified *seven people* who died from fentanyl-related overdoses after sending money to and receiving packages from the online sellers.

One of these individuals was a 49-year old Ohioan from the Cleveland area who sent about \$2,500 to an online seller and received 15 packages through the Postal Service over a 10 month period.

His autopsy confirmed he died from “acute fentanyl intoxication” just weeks after he received a package from an online seller.

**By analyzing more than two million lines of shipment data obtained in our investigation, we located three individuals in the United States who were likely distributing these drugs.**

We identified more than 120 instances of different people sending a payment to an online seller in China and then a day or two later receiving a package from one Pennsylvania address.

The person at this Pennsylvania address was working with the online seller to domestically transship drug purchases.

Shipping data reviewed during the course of the investigation also indicated two other individuals purchased items to make pills, including pill presses, chemical bonding agents, and empty pill casings.

It is not surprising that people are ordering fentanyl online to sell; the profit margins are staggering.

Based on DEA estimates, the street value of the online transactions from just the six websites the Subcommittee investigated translates to ***around \$766 million*** in fentanyl pills to sell on the streets of our communities.

We are already working with law enforcement authorities to make sure these drug dealers can be brought to justice and will continue to do so after this hearing.

**Our findings today show the crucial role advanced electronic data plays in protecting our country and fighting the opioid epidemic.**

And also the need for legislative change.

Last year, the Postal Service only received advance electronic data on about 36 percent of the more than 498 million international packages coming in to our country.

That means last year the United States received **more than 318 million international packages** with no data, therefore no ability for CBP to target packages for screening.

For **318 million packages** we had no advanced data on who sent it, where it was going, or what was in it.

This is a massive loophole that is undermining the safety and security of our country.

In addition, the data we do get from foreign posts that we reviewed during our investigation appears to be of questionable quality.

At times, this data was nothing more than illogical lines of letters and characters entered by someone who did not understand how to construct a standard American address.

Even when CBP has the data and targets a package, the Postal Service fails to locate it about 20 percent of the time.

What we are left with is a federal government whose policies and procedures are wholly inadequate to prevent the use of the international mail system to ship illegal synthetic opioids into the United States.

In contrast, the Postal Service provides data on over 90 percent of the packages that it ships to foreign posts.

It is time for our foreign postal partners to start returning the favor and providing data for their packages.

After the September 11, 2001 terrorist attacks, collecting advanced electronic data was identified as a national priority.

In 2002, Congress required private carriers to collect this data but for the Postal Service, it was left up the discretion of the Postmaster General and the Treasury Department.

For more than a dozen years, nothing happened, leaving CBP to manually inspect targeted packages, which is the equivalent to finding a needle in a haystack.

**To their credit, the Postal Service and CBP started a pilot program in late 2015 to target suspicious packages from China using advance electronic data.**

But our investigation found a lack of planning, the different missions of the agencies, and personality conflicts hampered the success of the pilot.



Despite these problems, the Postal Service's head of Global Trade Compliance wrote that the pilot program allowed them to "put a positive spin" on stopping opioids.

While both CBP and the Postal Service agreed the pilot should be rolled out to all international mail facilities, they only started that after this Subcommittee held its May 2017 hearing.

We learned that this process was conveniently completed just days in advance of this hearing.

While this is a step in the right direction, it should not take a congressional investigation to get the Postal Service and CBP to do their jobs.

One part of the solution is more data.

That is why I introduced the Synthetic Trafficking & Overdose Prevention Act or STOP Act, which would require advanced electronic data on international packages shipped through the Postal Service.

The STOP Act currently has 29 co-sponsors from both sides of the aisle and I know this report and hearing will force the Senate to take action.

**I want to thank Sen. Carper and his staff for working with us on this.**

There's a lot more that can be done to turn the tide of the opioid addiction—but stopping these deadly drugs from ever reaching our streets is a good start.

Back home in Ohio, this is a matter of life and death.

Just in the past week, near Toledo, Ohio five individuals overdosed and three died.

It's so bad that officials issued an "opiate advisory warning" to the public begging them to stay away from what was clearly a "bad batch of opioids."

How many more people have to die before we keep this poison out of communities?

Yes, the Postal Service is in desperate need of comprehensive reform, but it is shocking that we are still so unprepared to police the mail arriving in our country.

I now turn to Sen. Carper for his opening remarks.

**Statement of Ranking Member Tom Carper**  
**“Combating the Opioid Crisis: Exploiting Vulnerabilities in**  
**International Mail”**  
**January 25, 2018**

- Mr. Chairman, thank you for holding this important hearing today. I appreciate your continued leadership in responding to our country’s opioid crisis.
- No state has been immune from the damage these drugs have caused, including my home state of Delaware. According to our Division of Forensic Science, more and more Delawareans are dying from opioids every year. In 2014, we lost 222 people. In 2015, we lost 228. And in 2016, we lost 308.
- Just last month, it was reported that emergency responders in our largest county, New Castle County, are dispatched to a reported drug overdose every 80 minutes. And by early November of last year, paramedics there had administered Naloxone, a drug that can block or reverse the effects of an opioid overdose, to nearly 600 patients.
- All told, opioids are now the leading cause of drug overdose deaths, killing more than 42,000 people nationwide in 2016.
- Last year, our Subcommittee set out to learn what the federal government is doing to stop these drugs from entering our country. In May, we heard testimony from officials with the Postal Service, Customs and Border Protection (CBP), and the State Department, in addition to some experts and first responders on the ground in Ohio, Delaware, and elsewhere who grapple every day with the impact opioids are having on our communities. They told us how opioids are getting into our communities through the mail, and how they’re working together to stop it.
- Unfortunately, I left that hearing very concerned that the federal response was proving to be insufficient. Our investigation shows that progress has been made, but also that we have much, much more to do. In fact, our findings are simply alarming.

- We found that fentanyl and other even stronger synthetic opioids are openly available for sale on the Internet, accessible to anyone who knows how to shop online. Once purchased, the drugs arrive primarily from China through the international mail system. While sellers often prefer the Postal Service, they also offer shipment via private carriers like DHL, FedEx, and UPS.
- Through our work, we obtained key payment and shipping data that enabled staff to link online sellers to fentanyl-related deaths and drug-related arrests all over the country. We even found what appears to be a major opioid distributor in Pennsylvania, where Delawareans reportedly get most of their drugs.
- It's CBP's mission, in partnership with the Postal Service and private shippers, to keep these drugs from entering our country. That mission has, unfortunately, become increasingly more difficult as the number of inbound international packages has skyrocketed.
- At the Postal Service alone, volume has nearly doubled, growing from about 150 million pieces in fiscal year 2013 to nearly 500 million in calendar year 2017.
- Until recently, CBP was forced to sift through this massive number of packages from the Postal Service manually. Today, automation and the use of advanced electronic data has improved the targeting of packages that may contain illicit items, but the process is far from efficient and effective.
- Our investigation revealed that a 2015 joint Postal Service-CBP pilot project at JFK airport suffered due to the agencies' differing missions, a lack of coordination, and several inter-agency conflicts. As a result, the pilot's full expansion to our four other international mail processing centers was delayed until just this week.
- In addition, despite the massive amount of drugs coming into our country through the mail, the Postal Service and CBP only target a small number of packages each day. Meanwhile, as our report points out, efforts to get CBP the data it needs to better target suspicious mail items and intercept opioids and other contraband has also not kept pace with the volume of drugs that cross our borders.

- Unlike private carriers who control which packages enter their networks and have more freedom to turn away problem customers, the Postal Service is required to deliver all of the mail it receives from foreign posts. This is due to our country's membership in the Universal Postal Union, or UPU, an international body that sets global mailing standards and ensures Americans can send mail to friends, family, and business partners overseas.
- The State Department represents the United States at UPU proceedings. While the Postal Service has made some progress in obtaining better information on packages through bilateral agreements with foreign posts, the State Department has watched for more than a decade now as some of our foreign partners have successfully fought efforts requiring more information on international packages.
- Given the stakes, it is urgent that the Postal Service and CBP work together to continue ramping up their targeting and inspection efforts, and that the Postal Service and the State Department speed up international efforts to get CBP the data it needs.
- At the same time, those of us in Congress need to ensure that the Postal Service has the resources *it* needs to be a stronger partner in these efforts.
- As my colleagues are aware, protecting and improving the mail system in this country has been one of my biggest priorities on this committee. The Postal Service is vital to our economy. And as our work illustrates, it plays an important role in our fight against the opioid epidemic, as well. Yet it faces insolvency if Congress does not pass comprehensive postal reform. The enactment of this legislation will free up billions of dollars that the Postal Service can use to not only invest for the future, but also to shore up mail security.
- All of that said, if we only focus on chasing drug shipments *after* they've entered our mail system, we'll only address the symptoms of this problem. We also need to focus on the root causes. To truly do that, we must address our country's considerable demand for drugs.
- As we know, health care plays a pivotal role in combatting the addiction that drives drug demand, and Medicaid is the country's single largest payer for substance abuse disorder services. Many states with the highest opioid overdose death rates have used Medicaid to expand treatment access.

- We need to focus even more on making sure that our health care system has the resources it needs to provide quality treatment to those suffering from this epidemic.
- As we consider root causes, it's also clear that we need to engage with China – the biggest source of illicit opioids entering our country – in order to successfully disrupt the supply of fentanyl and similar drugs.
- We did something like this during the Obama Administration through a high-level dialogue on cyber-crime and hacking. Given the success that bilateral partnership had, this Administration should commit, at the highest levels, to a similar effort to tackle this urgent public health crisis.
- This reminds me, Mr. Chairman, of the importance of leadership in addressing complex challenges like the ones we're discussing today. There's no silver bullet that can solve this problem, and none of the agencies represented before us today can do it alone. We need leadership from the top.
- Last March, the President established a commission charged with studying the opioid epidemic and determining how to fight it. And then in October, he officially declared the crisis a public health emergency.
- Despite these high-profile moves, news reports suggest that only a couple of the commission's 56 recommendations have reportedly been implemented.
- Further, the Office of National Drug Control Policy (ONDCP), the entity charged with coordinating the federal government's counter-drug response, still does not have a permanent director.
- And recent media reports indicate that the President's upcoming budget will again propose a 95 percent cut in ONDCP's budget.
- On a day when we're going to be critical of some front-line agencies for what appears to be a lack of focus and sense of urgency about a real crisis, I think it's only fair to call out the President too for what appears to be a failure to make that crisis the priority it should be.

- Going forward, Mr. Chairman, I look forward to working with you and our colleagues and learning what we can do now, both to stop drugs from being shipped here to our country and to address the underlying causes of the issues we uncovered in our investigation.
- My thanks again to you and your staff. I look forward to hearing from our witnesses.

**Testimony of Joseph Murphy**  
**Department of State, Bureau of International Organizations**  
**International Postal Policy Unit Chief**  
**Senate Committee on Homeland Security and Governmental Affairs**  
**Permanent Subcommittee on Investigations**  
**January 25, 2018**

Chairman Portman, Ranking Member Carper, members of the Subcommittee, thank you for the invitation to appear before you today to discuss the growing problem with fentanyl and other synthetic opioids and the abuse of the international mail as one of the ways these drugs enter the country. The Department of State takes all of the international aspects of the opioid crisis very seriously but, because of the specific focus of today's hearing, I will limit my statement to providing an account of our efforts to increase the availability of advance electronic data (AED) for international mail items.

The Universal Postal Union (UPU) is the principal international venue where the Department discharges its responsibilities related to international postal policy. For this reason, my remarks center on efforts underway within that body to expand the exchange of AED.

The UPU is an intergovernmental organization with a membership that comprises nearly all of the world's countries. It is the first multilateral body the United States joined, and the conference that led to its establishment was an initiative of the Lincoln Administration. The UPU's mission entails guaranteeing the free circulation of postal items over "a single postal territory composed of interconnected networks." The UPU is a compact between the world's nations that their postal services will deliver one another's mail according to common rules and on the basis of reciprocity.

Advance electronic data is essentially a digital version of the postal customs declaration that is transmitted prior to the arrival of a physical postal item. U.S. Customs and Border Protection (CBP) can, as the Subcommittee is aware, use this data to increase the efficiency of its screening of international mail but AED has multiple uses, including for aviation security. Consequently, efforts to promote its exchange through the UPU have a long history. A key moment in this history was the decision of UPU member countries at their Doha Congress in 2012 to amend the UPU Convention to require countries and their designated postal operators to adopt and implement security strategies that "...include the principle of complying with requirements for providing electronic advance data on postal items adopted by the Council of Administration and Postal Operations Council, in accordance with UPU technical messaging standards." Developing the implementation measures for this amendment has been a top priority for U.S. delegations at UPU meetings ever since. Our efforts, which include many hours of work by colleagues at the United States Postal Service (USPS) and the U.S. Department of Homeland Security, are now bearing fruit, and there has been recent rapid progress on this front.

In February of 2016, after several years of discussions, the UPU's Postal Operations Council (POC) adopted regulations to implement the advance electronic data provision of the 2012 Convention amendment and a Roadmap for their implementation. The United States co-chairs, with India, the Postal Operations Council (POC) committee that oversees much of the

work required to reach the Roadmap's milestones. These milestones include final adoption of the technical messaging standard for item-level data—a goal that the POC achieved at its meeting last October. In combination, these two developments enable UPU member countries, in principle, to impose requirements for AED. UPU members must do so, however, in a manner that is consistent with the real-world capacity of the global postal network and the available infrastructure. They must also take into account whether all concerned parties in the international postal transport chain can meet the requirements for providing advance electronic data. In other words, before imposing AED requirements, UPU members must take account of the limitations and complexities of the network, including the significant challenge this presents to most postal operators to capture and provide it.

Our focus, therefore, is now on overcoming those limitations and building the capacity of foreign postal services. At the global level, this entails building out other elements of the UPU's messaging and data flows, testing the suitability of messaging tools designed for other purposes and integrating them into a unified global postal model. This work is progressing but will only have utility if postal operators develop the capacity to collect the data and use the tools available to them. The needed investment in skills and technology is happening and is being greatly accelerated by a sea change in attitudes among UPU members, who now understand that AED and other, related data management and communications technology are essential to the future of the postal sector. Postal services increasingly appreciate that these investments enable expanded business and provide a means of overcoming the delays caused by customs processing, which is an impediment to growth in e-commerce-linked shipments. Exchange of AED is a means of addressing these delays, while the investments it requires enable solutions to other problems ranging from the return of merchandise subject to duty to interface with mailers and transportation companies. Consequently, members have endorsed several initiatives aimed at positioning postal operators in developing countries to exchange AED.

Over half of the UPU's development cooperation budget for the 2017-2020 period is devoted to a project that aims to make postal services in developing countries operationally ready for e-commerce, which entails having the ability to meet customs authorities' requirements for AED. This project has as one of its key performance indicators supporting 80 postal operators to be exchanging AED for some portion of their flow by 2020. In addition, the UPU is also implementing a second project focused narrowly on security with an emphasis on capturing and transmitting AED. Participants in this project—all developing countries—elected to fund their own participation with money held in trust for them by the UPU from a surcharge on the payments they receive for delivering international mail (terminal dues). Notably, India is one of the countries taking part. This development is significant not only because of the growing volume of e-commerce linked mail from India but also because of its previous reluctance to endorse the imposition of AED requirements. We are also working through the regional postal organizations in our hemisphere to accelerate AED exchange through support of capacity building efforts and, most recently, through sponsorship of a measure adopted by the Postal Union of the Americas, Spain, and Portugal in November of last year that aims at deploying technology supporting post-customs interface by the end of 2019.

In addition, the Integrated Product Plan (IPP), which the most recent UPU Congress adopted in Istanbul in October 2016, with strong U.S. support, will also accelerate AED



exchange. The IPP's goal is to modernize the UPU's product offerings to better meet the changing needs of customers and supply chain partners, including customs authorities. This modernization initiative has clear benefits for the customs processing of mail. Phase 1, which commenced on January 1 of this year, introduced a new classification of mail products into items containing documents and those containing goods. The IPP facilitates compliance with customs requirements, in particular provision of AED, since Phase 1 also entails a requirement for mail items containing goods to have a UPU standard bar code label, which is a critical enabling condition. Although there is no current regulation mandating a specific use for these bar codes, their application will support AED exchange. In addition, Phase 2 of the IPP is currently under development and could entail additional requirements supportive of AED exchange in 2020. Phase 2 development will be guided by the results of a recently conducted impact study of Phase 1 implementation that POC members will review in March.

Important work has been done but there is more to do. Although the UPU has the stated goal of all postal services having the capability to exchange item-level data by the end of 2020, there is a difference between the technical ability to exchange data and the realized ability to collect and enter it for a significant part of the mail stream. Many post offices in parts of the developing world lack Internet connectivity and reliable sources of electricity, which complicates collection and transmission of data for the postal items they take in. (A 2014 survey undertaken by the UPU found that 23% of the 2,885 post offices in ten target African countries lacked a stable electricity supply, and 67% of them were not connected to the Internet.) Lack of preparedness for AED is not a problem confined to developing countries, however, and most postal services have been slow to make the needed investments in the infrastructure for item-level electronic data exchange--few, if any, countries currently have the ability to provide it for all of their mail requiring customs declarations. One notable exception to the prevailing lack of preparedness is China Post, which now supplies AED for a large portion of the mail that it sends us.

In addition to the country-level challenges, there is also the challenge posed by the complexity of the global postal network and the logistics network that supports it. USPS dispatches and receives mail items from the more than 200 designated operators of the UPU's other 191 members, all of whom are highly dependent on independent air carriers, freight agents and ground handlers for the physical movement of the mail, which introduces formidable technical challenges in building out the global postal model for AED.

Nevertheless, we are optimistic that real rapid progress is being made at both the country and the global level. Postal services around the world understand the need to incorporate advance electronic data into the fabric of global mail exchange, not only because the United States and other countries will begin to require it but also because it is essential to the evolution of international mail. This realization accounts, in part, for USPS's expanding network of pilot projects and its success in increasing the flow of AED for premium products. It also accounts for the emphasis placed on facilitating data exchange within the UPU's activities. Consequently, as work on the UPU Roadmap for AED progresses and IPP implementation proceeds, the number of countries able to provide data and the proportion of their mail stream that it covers will continue to grow. Although the work of making the global postal model a reality so that countries can comprehensively exchange the full range of AED is a long-term undertaking, we

are confident that the United States, by 2020, will be receiving AED for most of the mail entering the country.

Thank you Mr. Chairman. I look forward to answering your questions and those of other members of the Subcommittee.



**Statement of Robert Cintron  
Vice President, Network Operations  
United States Postal Service  
Before the Permanent Subcommittee on Investigations of the  
Homeland Security and Governmental Affairs Committee  
United States Senate  
January 25, 2018**

Good morning, Chairman Portman, Ranking Member Carper, and members of the Subcommittee. Thank you, Chairman Portman, for your continued focus on the public health emergency addressing the opioid crisis.

My name is Robert Cintron, Vice President, Network Operations, for the United States Postal Service. I oversee the Postal Service's national distribution network, including international operations. For international mail, Network Operations is responsible for the mail once it arrives at one of our International Service Centers (ISCs) and after it is cleared by U.S. Customs and Border Protection (CBP), up until it has been sorted and transported and is ready to be sent out for delivery.

On May 25, 2017, I testified before this Subcommittee on our efforts to combat opioids in the mail, highlighting advancements in the collection and receipt of customs advance electronic data (AED). Increasing the amount of AED, which includes fields such as the item identifier, sender's full name and address, recipient's full name and address, stated content description, unit of measure and quantity, weight, declared value, and date of mailing, has been and remains one of the highest priorities for the Postal Service.

Together with our federal agency partners, we have committed to aggressively increasing data on inbound packages coming into the United States in order to improve the targeting of illicit drugs entering the country.

Since the May hearing, the Postal Service, in collaboration with CBP, the U.S. Postal Inspection Service (Inspection Service), Department of State, and other federal agencies, has made significant strides to combat the flow of opioids, as detailed in this testimony.

**The Growth in AED**

Since May 2017, the United States and a number of other industrialized countries have improved technical capabilities to provide AED. In early summer 2017, the Postal Service improved its methodology for calculating AED percentages to reflect more accurately the types of mail being received. We have also improved the methodology for accounting for all received volume at the ISCs. We collect AED for more than 90 percent of outbound international mail and in the past three years, we have gone from receiving almost no

AED on inbound shipments to receiving more than 40 percent as of December 2017<sup>1</sup>.

Since last January, the number of countries sending AED to the Postal Service has grown from 8 to 23 countries. We currently receive data on a substantial amount of the overall inbound shipments, including a majority of those originating in China. We are testing data for untracked packets (lower value packages on which the sender has not paid to receive tracking information) received from China, which represent a substantial amount of inbound mail. Data for untracked packets from China are expected to be provided by the end of 2018. This will result in a significant increase in the amount of AED the Postal Service receives as a whole. Generally, the increase in the percentage of inbound items with AED is expected to continue to grow, especially as more countries develop their capacities.

#### ***Bilateral and Multilateral AED-Sharing Agreements***

As noted in my May 2017 testimony, the Postal Service has prioritized obtaining AED from the largest volume foreign postal operators (FPOs), which collectively account for over 90 percent of all inbound volume. We have leveraged AED on outbound package shipments to incent FPOs to provide AED in bilateral and multilateral relationships.

The Postal Service requires AED to accompany any package flows for which rates are established under bilaterally negotiated arrangements with FPOs. The Postal Service has entered into bilateral agreements with AED requirements for certain letter post, parcel post, and/or EMS (express) package flows with the FPOs of Australia, Canada, China, Hong Kong, and Korea; a few additional FPOs had agreed to furnish AED in connection with EMS shipments. The agreement with Canada Post was implemented since I last testified before this Subcommittee. Additionally, posts from other countries have entered into voluntary data sharing agreements (DSAs) with the Postal Service, which is the first step to providing AED. Since the May hearing, we've signed DSAs with 22 additional countries, bringing the total number to 56 countries.

The Postal Service is also pursuing the exchange of AED through multilateral agreements and strategic alliances. The Kahala Posts Group (KPG) is an organization composed of several large volume postal operators, including China. Through that organization, the Postal Service has shared AED best practices, assisted in the development of a DSA, and encouraged members to commit to the collection of AED and set performance standards for themselves. As a result, KPG continues to prioritize AED efforts. Each of the 11 members submitted AED 2018 targets and timelines to support those goals. The Postal Service continues to engage members to track progress on those project plans as well as monitor their performance.

#### ***Actions Through the Universal Postal Union***

The Postal Service continues to work closely with the Department of State, which has lead responsibility for representing the United States Government in the Universal Postal Union (UPU), the 192-member international organization charged with facilitating the

<sup>1</sup> Volumes measured exclude letter- and flat-shaped letter post items and military mail.

exchange of mail among member countries through treaty agreements. At the UPU, United States initiatives are focused on advancing AED requirements which have resulted in mandatory barcodes on all packages, standardized AED electronic messaging, and contributing to capacity building efforts, to name a few. These initiatives have resulted in UPU members increasing their adoption and implementation of AED messaging and security standards. Since May, we have assisted foreign posts in regional UPU organizations to increase their capacity to collect AED.

#### **Ongoing Postal Service Efforts**

The Postal Service has been working collaboratively with several agencies to improve the targeting of illicit opioids. Ongoing efforts to date include the following:

##### ***Memorandum of Understanding (MOU)***

The Postal Service has the responsibility to process and deliver inbound international mail, while CBP has the primary responsibility and authority to screen items at the first point of entry into the United States for security. These distinct responsibilities, however, complement our shared goal to fight the importation of synthetic opioids. To that end, a MOU between the Postal Service and CBP was completed on September 1, 2017. It defines the participants' roles and responsibilities in relation to their mutual cooperation, and provides guidelines for mail inspection. The MOU solidifies the ongoing interagency partnership between CBP and the Postal Service at exchange offices.

##### ***Expansion of ISC Program***

The Postal Service began a pilot program in mid-2015 at the New York ISC to use inbound AED to facilitate more advance targeting by CBP. The Postal Service provides AED to CBP that can be used to review and target specific mail pieces prior to arrival at the ISC. CBP identifies the individual target items, and the Postal Service locates the target items within the inbound receptacles based on AED. Once located, the Postal Service presents the targeted items to CBP for inspection.

We have now enabled targeting based on AED at all ISCs. With the lessons learned from the original pilot, the Postal Service and CBP expanded the program to an additional ISC in June 2017 and another in August 2017. The pilot was expanded to two other ISCs earlier this month.

The Postal Service and the Inspection Service are continuing to coordinate with CBP to enhance operational processes at the ISCs. Over the last six months, the Postal Service has provided hundreds of thousands of records per day to CBP, expanded the countries and types of packages available for targeting, and advanced sorting from manual to automated processes. As the Postal Service continues to advance mail sorting technology, these successes will grow.

### ***Enhanced Network Operations***

Since May, we have continued to work to enhance our operations:

- Enhanced the automation process to identify mail requested by CBP by updating software and equipment. Software updates have been completed and an additional piece of equipment is scheduled to be installed this summer to automate and facilitate the selection of targeted pieces for CBP.
- Ensured recurring training to ISC employees to reinforce proper processes for handling and presenting mail in accordance with CBP requirements. Training is provided on an on-going basis, both for new employees and as a refresher for current employees in the ISCs.
- Deployed additional mobile scanners with augmented capability at the ISCs to capture the physical movement of packages and ensure it is streamlined for reliability.
- Implemented the capability to intercept CBP holds at specific downstream processing facilities to improve the identification of AED target packages.

### ***Formalized Interagency Work Group (IWG)***

The Postal Service, CBP, and the U.S. Food and Drug Administration (FDA) formalized a tripartite working relationship on actions related to combatting opioids in the mail through establishing the IWG. The objective of the work group is to improve the federal government's coordination of oversight over inbound international items containing goods entered through international mail facilities, and to disrupt illegal supply chains that exploit the international mail environment, including illicit opioid/fentanyl shipments.

The IWG is working on short and long-term efforts to build stakeholder capacity to provide AED, identify and develop detection technology, encourage information sharing in the international mail environment, provide technical assistance for legislation, and improve physical and IT infrastructure.

### **The Role of the Inspection Service**

As suggested throughout this testimony, the Postal Service works in close collaboration with its law enforcement branch, the Inspection Service. While the Postal Service has the responsibility to process and deliver inbound international mail, the Inspection Service investigates mail-related crime and works closely with other law enforcement agencies, including CBP, to share intelligence, coordinate cases and conduct joint enforcement operations. Through enhanced investigative methods, deploying resources as needed, and strengthening strategic partnerships, the Inspection Service has seen significant improvements in its ability to seize fentanyl and synthetic opioids from the U.S. Mail. From fiscal year 2016 through 2017, the Inspection Service achieved a 375 percent increase in international parcel seizures and an 880 percent increase in domestic parcel seizures related to opioids.

Without disclosing sensitive law enforcement techniques, some of the current investigative approaches of the Inspection Service include:

- Creating an internal team of cross-functional subject matter experts specifically focused on narcotics trafficking through the mail, both international and domestic.
- Assigning full-time personnel at the Drug Enforcement Administration's (DEA's) International Organized Crime Center (IOC-2), the Organized Crime Drug Enforcement Task Force (OCDETF) Fusion Center, the International Service Centers and the CBP National Targeting Center (NTC). Being embedded in these locations allows the Inspection Service to share intelligence, coordinate cases, and conduct joint enforcement operations domestically and internationally.
- Partnering with High Intensity Drug Trafficking Area (HIDTA) Task Forces, OCDETF, and the Office of National Drug Control Policy (ONDCP) to coordinate investigative information and real-time intelligence. These relationships strengthen cohesive communication and data sharing partnerships that enable the identification of criminal networks, which would not be possible without interagency cooperation.
- Participating in the ONDCP Federal Law Enforcement Secure Conference Group, the Interagency Implementation Group, and the DEA's Heroin/Fentanyl Task Force to stay abreast of the latest trends in criminal activity and transnational threats.
- Evaluating numerous pieces of technology in collaboration with CBP that will assist us with detecting narcotics in the mail.
- Launching a Cyber and Analytics Unit to enhance investigative techniques, including expanded use of AED with historical seizure data and criminal intelligence to better forecast and target international parcels.
- Working with Postal Service management to enhance operational processes and equipment that utilizes advanced technologies, which includes transitioning from manually sorting parcels to automated operations at the ISCs.

### **Conclusion**

The Postal Service understands and continues to share the concerns about illegal drugs and contraband entering the U.S. through the mail and commercial carriers. As CBP Operations Support Acting Executive Assistant Commissioner Robert Perez indicated in his May 2017 testimony before this Subcommittee: "Interdicting illicit drugs, particularly synthetic opioids, is both challenging and complex. The majority of U.S. trafficked illicit fentanyl is produced in other countries such as China, and is principally smuggled through international mail facilities, express consignment carrier facilities (e.g., FedEx and UPS), or through Points of Entry (POEs) along the Southern land border."

The Postal Service is committed to partnering with CBP and other federal agencies, as evidenced by initiatives to date to enhance CBP's ability to target synthetic opioids and other illicit drugs from entering the country. In collaboration with federal agencies and state and local law enforcement, improved investigative techniques have increased our ability to interdict opioids such as fentanyl.

We have worked closely with CBP to complete the MOU, expand the ISC program, increase the countries and products for which AED is provided, and use technology to improve the process of intercepting hold items to present to CBP.

As it has done throughout its history, the Postal Service is committed to taking all practicable measures to ensure our nation's mail security, and provide the American public the best, most efficient service possible. Again, thank you for this opportunity to testify, and I look forward to your questions.

###





TESTIMONY OF

TODD C. OWEN  
Executive Assistant Commissioner  
Office of Field Operations

U.S. Customs and Border Protection  
Department of Homeland Security

For a Hearing

BEFORE THE

United States Senate  
Committee on Homeland Security and Governmental Affairs  
Permanent Subcommittee on Investigations

ON

"Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail"

January 25, 2018  
Washington, D.C.

## Introduction

Chairman Portman, Ranking Member Carper, and distinguished Members of the Subcommittee, thank you for the opportunity to appear today to discuss the role of U.S. Customs and Border Protection (CBP) in combating the flow of dangerous illicit drugs, including synthetic opioids, into the United States, specifically through international mail and express consignment carrier (ECC) shipments.

As America's unified border security agency, CBP plays a critical role in the Nation's efforts to keep dangerous drugs from harming the American public. CBP's Office of Field Operations (OFO) interdicts drugs at our ports of entry (POEs) and multiple mail and ECC facilities, leveraging targeting and intelligence-driven strategies, and working with our partners, including the United States Postal Service (USPS), to combat Drug Trafficking Organizations (DTOs) as part of our multi-layered, risk-based approach to enhance the security of our borders. This layered approach reduces our reliance on any single point or program and extends our zone of security outward, ensuring our physical border is not the first or last line of defense, but one of many.

## Illicit Drug Trends, Interdictions, and Challenges

While most illicit drug smuggling attempts occur at Southwest Land POEs (LPOEs), the smuggling of illicit synthetic drugs in the mail and ECC environment poses a significant threat. Dozens of different types of illicit synthetic drugs, also called "designer drugs," are currently being sold and shipped to end-users in the United States, including synthetic opioids such as fentanyl and its analogues, synthetic cannabinoids,<sup>1</sup> and synthetic cathinones.<sup>2</sup> CBP seizures of illicit fentanyl, the most frequently seized synthetic opioid,<sup>3</sup> remain relatively small compared to other opioids such as heroin,<sup>4</sup> but are highly potent and have significantly increased over the past several years, from approximately two lbs. seized in Fiscal Year (FY) 2013 to approximately 544 lbs. seized in FY 2016,<sup>5</sup> and approximately 1,476 lbs. seized in FY 2017.<sup>6</sup>

Illicit synthetic drugs are often purchased from foreign sellers through online transactions. The drugs are then shipped to the United States and delivered to domestic purchasers – DTOs and individuals – primarily via U.S. mail or ECC. DTOs and individual purchasers move synthetic drugs such as illicit fentanyl in small quantities, making detection and targeting a significant challenge. Follow-on investigations, which are conducted by U.S. Immigration and Customs

<sup>1</sup> Synthetic cannabinoids are drugs that do not contain marijuana but are pharmacologically similar to tetrahydrocannabinol (<https://www.cdc.gov/mmwr/volumes/65/wr/mm6527a2.htm>).

<sup>2</sup> Synthetic cathinones, more commonly known as "bath salts," are synthetic drugs chemically related to cathinone, a stimulant found in the khat plant (<https://www.drugabuse.gov/publications/drugfacts/synthetic-cathinones-bath-salts>).

<sup>3</sup> While illicit fentanyl is the most frequently-seized synthetic opioid, CBP has also encountered various types of fentanyl analogues, including acetylfentanyl, butyrylfentanyl, beta-hydroxythiofentanyl, para-fluorobutyrylfentanyl, pentanoylfentanyl, alpha-methyl acetylfentanyl, para-fluoroisobutyrylfentanyl, para-fluorofentanyl, carfentanil, furanylfentanyl, and most recently benzodioxolefentanyl, acrylfentanyl, and methoxyacetylfentanyl. Also, CBP's Laboratories and Scientific Services Directorate (LSSD) has presumptively identified n-hexanoyl fentanyl and benzoyl fentanyl, and are working diligently to confirm these new substances.

<sup>4</sup> In FY 2017, CBP officers and agents seized or disrupted over 1.9 million lbs of narcotics across the country, including over 60,000 lbs. of methamphetamine, over 330,000 lbs. of cocaine, and over 4,800 lbs. of heroin.

<sup>5</sup> This includes approximately 440 lbs. seized at POEs (including mail and ECC facilities) and 104 lbs. seized at U.S. Border Patrol checkpoints.

<sup>6</sup> <https://www.cbp.gov/newsroom/stats/cbp-enforcement-statistics-fy2017>.

Enforcement – Homeland Security Investigations (ICE-HSI), are also challenging because these shippers are often not the hierarchically structured DTOs we usually encounter.

In FY 2017, CBP made 118 seizures of illicit fentanyl totaling approximately 240 lbs. in the ECC environment and 227 seizures totaling approximately 92 lbs. of fentanyl in the international mail environment.<sup>7</sup> CBP also made 65 seizures of fentanyl at LPOEs totaling approximately 853 lbs..The majority of illicit fentanyl in the international mail and ECC environments is shipped in concentrations of over 90 percent, whereas the majority of fentanyl in the land border environment is seized in concentrations of less than 10 percent. Purchasers can also access open source and dark web marketplaces for the tools needed for the manufacturing of synthetic drugs. In the case of fentanyl, powdered fentanyl, pill presses, and binding agents can be purchased online and then shipped into the United States.<sup>8</sup> In FY 2014, 24 seizures of pill press/tablet machines were made by OFO, and the number increased to 51 in FY 2015, 58 in FY 2016 and 92 in FY 2017.

#### **International Mail and Express Consignment Carrier Operations**

In the ECC environment, shipments are processed at 25 established facilities located throughout the United States. Prior to arrival of the express parcels, CBP reviews the manifest information transmitted by the ECC operators and targets those high-risk packages requiring examination. All parcels presented to CBP for examination are subjected to Non-Intrusive Inspection (NII) to include x-ray and gamma ray imaging. CBP operates in all 25 facilities nationwide.

CBP also operates within nine International Mail Facilities (IMF), inspecting international mail arriving from more than 180 countries. Upon arrival in the United States, all international mail parcels are screened for radiological threats. International mail requested for inspection by CBP is then turned over to CBP by USPS. Subsequently, CBP x-rays all international mail packages presented by USPS and physically examines those deemed to be high-risk.

CBP has seen a nearly 50 percent<sup>9</sup> increase in express consignment shipments over the past five years. In FY 2013, CBP processed over 76 million express bills; in FY 2017, CBP processed approximately 110 million bills. CBP has not only seen an increase in the express consignment environment, but also in international mail shipments, which have increased an astonishing 200 percent over the past five years. In FY 2013, CBP and the USPS processed approximately 150 million international mail shipments. By FY 2017 the number of international mail shipments had swelled to over 400 million shipments.

The detection of illicit synthetic drugs remains challenging in the postal environment. However, recent bi-lateral agreements regarding advance electronic data (AED) between USPS and foreign postal operators have increased CBP's ability to target high-risk shipments. Currently, in the international mail environment, CBP receives AED on over 40 percent of all international mail shipments with goods. The lack of a mandate for advance manifest data on all parcels, as well as the sheer volume of mail and potentially hazardous nature of various types of illicit drugs, present challenges to CBP's interdiction efforts in the international mail environment. Illicit drug

<sup>7</sup> Additional Fentanyl was seized by OFO in the air passenger and sea transportation environments.

<sup>8</sup> U.S. law enforcement suspects that there are also some clandestine fentanyl milling and production labs in Mexico. These labs likely obtain precursor chemicals and fentanyl for milling and tableting from China.

<sup>9</sup> Total increase 45 percent

manufacturers also seek to outpace the law by continually manufacturing new drug analogues, challenging CBP's targeting and detection capabilities.

Although the processing of inbound international mail is primarily manual, requiring CBP officers to sort through large volumes of parcels, CBP officers utilize experience and training to identify items that potentially pose a risk to homeland security and public safety while facilitating the movement of legitimate mail. For example, on August 26, 2017, CBP officers assigned to the Memphis, Tennessee, Federal Express (FedEx) Hub selected a shipment for an enforcement examination based on a pre-arrival manifest review. The shipment originated from Canada and was destined for Massachusetts. Officers seized 4.70 grams of carfentanil from the shipment manifested as documents. The Memphis Border Enforcement Security Task Force, in coordination with ICE-HSI Boston, coordinated a successful controlled delivery resulting in arrests, seizure of additional narcotics to include cocaine, heroin, and carfentanil, as well as three high powered rifles with high capacity magazines.

#### **CBP Resources and Capabilities to Target, Detect, and Interdict Illicit Drugs**

Thanks to the support of Congress, CBP has made significant investments and improvements in our drug detection, identification, and targeting capabilities. These resources, along with enhanced information sharing and partnerships, are critical components of CBP's ability to detect and deter the entry of dangerous illicit drugs in the international mail and ECC environments.

##### *Advance Information and Targeting*

An important element of CBP's layered security strategy is obtaining advance information to help identify shipments that are potentially at a higher risk of containing contraband. Under the *Security and Accountability for Every Port Act* or *SAFE Port Act of 2006*, (Pub. L. No. 109-347), CBP has the legal authority to collect key air and maritime cargo data elements provided by air, sea, and land commercial transport companies (carriers), including ECCs and importers.<sup>10</sup> This information is automatically fed into CBP's Automated Targeting System, a secure intranet-based enforcement and decision support system that compares cargo and conveyance information against intelligence and other enforcement data.

At CBP's National Targeting Center (NTC) advance data and access to law enforcement and intelligence records converge to facilitate the targeting of travelers and items of cargo that pose the highest risk to our security in all modes of inbound transportation. The NTC takes in large amounts of data and uses sophisticated targeting tools and subject matter expertise to analyze,

<sup>10</sup> 49 U.S.C. 44901(a) states: "The Under Secretary of Transportation for Security shall provide for the screening of all passengers and property, including United States mail, cargo, carry-on and checked baggage, and other articles, that will be carried aboard a passenger aircraft." Under 49 C.F.R. 1540.5, "Cargo means property tendered for air transportation accounted for on an air waybill. All accompanied commercial courier consignments whether or not accounted for on an air waybill, are also classified as cargo. Aircraft operator security programs further define the terms 'cargo' and 'non-U.S. Mail'." Under TSA regulations, international mail destined for the United States is considered cargo and, as a result, is subject to all existing security controls. These security controls, which include screening for unauthorized explosive, incendiary, and other destructive substances or items in accordance with TSA regulations and security program requirements, are applied to international mail prior to transporting on aircraft at Last Point of Departure locations to the United States. These requirements are not dependent on advance electronic manifest data, as provided by ECC operators and other participants in the Air Cargo Advance Screening (ACAS) pilot program.

assess, and segment risk at every stage in the cargo/shipment and travel life cycles. As the focal point of that strategy, the NTC leverages classified, law enforcement, commercial, and open-source information in unique, proactive ways to identify high-risk travelers and shipments at the earliest possible point prior to arrival in the United States. There are currently two full-time ICE-HSI Special Agents embedded within the NTC Cargo (NTC-C) Narcotics Division. These Special Agents are assigned to NTC-Investigations (NTC-I) and are charged with serving as liaisons between the NTC and ICE-HSI personnel in both domestic and international posts. ICE-HSI investigative case data is fused with CBP targeting information to bolster investigations targeting illicit narcotics smuggling and trafficking organizations.

Due to the complex tracking systems used by ECCs, when CBP identifies a high-risk shipment in the ECC environment, it has the ability to place an electronic hold and to notify the carrier that a particular parcel needs to be presented to CBP for inspection. The major international air shipping carriers have a tracking number system that allows them to pull these parcels for inspection when they are scanned into the computer system upon arrival at an air hub.

As mentioned above, in the international mail environment, there is no mandate for advance data and CBP is currently receiving less than 50 percent of AED on shipments with goods. USPS receives mail from more than 180 countries, the vast majority of which arrives via commercial air or surface transportation. Few foreign postal operators provide AED to USPS (which is then passed on to CBP). Hence, within the mail environment, CBP officers still rely on intelligence and physical or x-ray examinations to carry out their enforcement mission.

CBP and the USPS have conducted an AED pilot on express mail and e-packets from select countries, which is now operational at five of our main IMFs to target high-risk shipments. The USPS is responsible for locating the shipments and delivering to CBP for examination. CBP and USPS continue to work with foreign postal operators to highlight the benefits of transmitting AED to the United States. For example, CBP and the United States Postal Inspection Service (USPIS) will jointly provide training at a Security Workshop we are conducting, as consultants of the Universal Postal Union (UPU), Postal Security Group (PSG), in Bangkok, Thailand, at the Asia-Pacific Postal College the week of January 22, 2018. CBP will continue to work with USPS to address the issue of AED and, through its participation on U.S. delegations to meetings of the UPU, is working to expand the use of AED globally.

#### *Detection Technology and Canines*

CBP officers utilize NII, spectroscopic and chemical testing equipment, and narcotics detection canines to detect and presumptively identify illicit drugs at international mail and ECC facilities. Canine operations are an invaluable component of CBP's counternarcotic operations. CBP canine teams work at international mail and ECC facilities to examine millions of foreign mail shipments coming into the United States from all parts of the world.

Synthetic opioids present unique challenges to canine teams due to the potency of the drug and the associated danger to the health and safety of the canines and their handlers. After assessing the feasibility of safely and effectively adding fentanyl as a trained odor to OFO's deployed narcotic

detection canine teams,<sup>11</sup> on June 23, 2017, CBP successfully completed its first Fentanyl Detection Canine Pilot Course. This added the odor of fentanyl and its analogues to six OFO canine handler teams in the international mail and ECC environments. As of November 23, 2017, all OFO concealed human and narcotic detector dogs working in the international mail and ECC environments have been trained to detect fentanyl. As of December 20, 2017, 295 of OFO's 474 concealed human and narcotic detector dog teams have been trained to detect fentanyl across OFO's work environments, with the remaining teams scheduled to be trained by March of 2018. On December 15, 2017, seven new OFO concealed human and narcotic detector dog teams graduated from the Canine Center Front Royal as the first OFO canines to be fentanyl certified at initial certification. All future OFO concealed human and narcotic detector dog teams will graduate fentanyl certified. CBP continues to conduct special research to determine the detection and identification of signature odor profiles for fentanyl compounds to aid in our detection capabilities.

As the narcotics seized through the mail and at ECC facilities usually have a very high purity, at IMFs and ECC facilities CBP officers use Fourier Transform Infrared Spectroscopy (FT-IR), Gemini® Raman Spectroscopy,<sup>12</sup> and handheld narcotics analyzers to test suspect substances and obtain a presumptive result. Using CBP's Laboratories and Scientific Services Directorate (LSSD) Field Triage Reachback Program, CBP officers transmit sample data directly to LSSD for scientific interpretation and identification.<sup>13</sup> When any synthetic opioids are detected by the reachback program, LSSD notifies key CBP personnel at the NTC as well as the liaisons with Drug Enforcement Administration's (DEA) Special Operations Division, so they can generate near real-time intelligence. LSSD is working to expand the field testing program, along with the scientific assets and personnel who are able to provide real-time chemical composition determinations.<sup>14</sup>

In the fourth quarter of FY 2016, OFO conducted a pilot with the San Diego Field Office and the LSSD Los Angeles Laboratory to evaluate new testing methods for the identification of fentanyl. The pilot tested four handheld tools along with a new reagent test kit to provide immediate presumptive testing for fentanyl. Of the four tested, the Gemini® Analyzer proved to be the most reliable instrument. The Gemini® system combines Raman with FT-IR technology and encompasses a software library. Based on the results of the pilot, OFO procured 12 Gemini® systems and assigned a Program Manager to provide a Fentanyl Safety Brief for the CBP officers across San Diego, Tucson, El Paso, and Laredo Field Offices. In the fourth quarter of FY 2017, OFO procured over 90 Gemini® handheld analyzers and the associated narcotic field drug test kits, and we are currently training staff and deploying the technology across our mail, ECC, and

<sup>11</sup> CBP offices involved in this assessment included OFO, the Office of Training and Development CBP Canine Training Program, LSSD, and the Office of Chief Council, Labor Employee Relations, and Occupational Safety and Health Divisions.

<sup>12</sup> Raman spectroscopy is a technique used in chemistry to provide a structural fingerprint by which molecules can be identified.

<sup>13</sup> At limited POEs, officers also use Gemini® Raman Spectroscopy and handheld narcotics analyzer equipment that have the ability to make identifications of illicit substances. However, detecting synthetic opioids that are mixed with cutting agents, such as lactose and dipyrone, which are regularly found at Southwest LPOEs, remain a challenge for the current technology.

<sup>14</sup> LSSD has provided triage on 5,299 submissions during FY 2015, and 8,384 submissions for FY 2016. Since the inception of the program, LSSD has triaged 20,158 submissions within a business day and has contributed to many controlled deliveries because of the rapid turnaround.

LPOEs on the Southwest border. Utilization of the handheld analyzers and test kits improves officer safety, and provides a near real-time capability to increase narcotic interdiction and increase the number of ICE-HSI and DEA controlled deliveries resulting in arrests and additional contraband seized. Currently, OFO is working to procure more than 60 additional handheld analyzers, test kits, and the necessary protective equipment to conduct non-contact sampling on-site. The systems will be deployed in international mail and ECC facilities and at POEs on the Southwest border. CBP will prioritize procurement and deployment plans of additional devices based on the availability of funds and analysis of synthetic drug interdiction rates.

Technology and canine detection capabilities are critical components of CBP's security operations at mail and ECC cargo facilities. These capabilities are used in conjunction with advance information and targeting capabilities to effectively and efficiently detect and interdict dangerous illicit drugs.

#### *Workforce Protection*

CBP's frontline operations, including drug interdiction activities, are extremely hands-on. The potential for contact with dangerous substances – especially illicit synthetic opioids – is a very real health and safety risk to law enforcement personnel and canines. For example, in its pure powder form, fentanyl is approximately 50-100 times more potent in its intensity, speed of action, and effect on organs than morphine, and, at first glance, it is often mistaken for other drugs, which appear as white powders such as cocaine or heroin. Due to the risk of unintentional exposure and subsequent hazardous drug absorption and/or inhalation, the confirmatory testing for the presence of synthetic opioids such as fentanyl and its analogues is best executed in a laboratory by trained scientists and technicians.<sup>15</sup>

Explicit instructions, including guidance to canine handlers, have been distributed to the field regarding the safe handling of fentanyl. Additionally, in response to increased seizures at LPOEs and the upsurge in the use of heroin (which is increasingly cut with fentanyl) across the Nation, in October 2015 CBP completed Phase I of a pilot program to train and equip CBP officers with naloxone, a potentially life-saving drug for the treatment of opioid exposure. During Phase I, CBP officers, at seven participating POEs<sup>16</sup> received training on recognizing the signs and symptoms of opioid exposure, administering naloxone, and were certified as CPR instructors. In February 2016, CBP initiated Phase II of the Naloxone Initiative Pilot Program, expanding the pilot to an additional eight POEs and deploying 602 dual-dose Narcan Nasal Spray® kits to the field.<sup>17</sup> To date, OFO has deployed 1,119 two-dose boxes of naloxone to the field. Additional naloxone is being deployed to field offices upon request, as additional personnel are trained in its administration. A procurement of 720 two-dose boxes of Narcan® Nasal Spray from FY 2017 funding is due to be shipped, to replace the lot which expires in April of 2018. The naloxone

<sup>15</sup> Expedited analysis can have a turnaround time of a day or two; the turnaround time for non-expedited samples can be up to two months. Routine samples are treated as non-expedited. Samples that are treated as expedited are samples that are destined for controlled deliveries, have an impending court date, person or persons under arrest or detention, or are otherwise deemed a priority.

<sup>16</sup> Phase I Naloxone Pilot Program POEs include El Paso; Laredo; Fort Lauderdale International Airport; John K. Kennedy International Airport; San Luis: San Ysidro; and Seattle/Blaine.

<sup>17</sup> Phase 2 Naloxone Pilot Program POEs include Miami Int'l/Miami Seaport; Boston; Buffalo; Detroit; Newark; Chicago; Houston Int'l/Houston Seaport; and Dallas.

program has also expanded to LSSD to help protect its scientists in both its main and satellite laboratories. CBP was the first Federal law enforcement agency to implement such a program.

#### **Information Sharing and Operational Coordination**

Substantive and timely information sharing is critical to targeting and interdicting shipments containing illicit drugs. CBP contributes to the whole-of-government effort to identify and disrupt sophisticated routes and networks used by DTOs for the smuggling of illicit drugs by sharing critical information on individuals and cargo with investigative and intelligence partner agencies.

To bolster its targeting mission in the international mail and ECC environments, the NTC collaborates with critical partners on a daily basis, including ICE-HSI, DEA, the Federal Bureau of Investigation, the Food and Drug Administration Office of Criminal Investigations (FDA/OCI), other members of the Intelligence Community, and USPIS. CBP is sharing information with these agencies and conducting joint enforcement initiatives, including intelligence-driven operations designed to identify and disrupt drug smuggling. As of April 2017, the NTC has two permanent USPIS employees working at the NTC assisting and collaborating for narcotic targeting under a recent Memorandum of Understanding. Moreover, NTC works in close coordination with several pertinent task forces including the Organized Crime Drug Enforcement Task Forces, the High Intensity Drug Trafficking Areas, as well as the Department of Homeland Security's Joint Task Force-West and Joint Task Force-Investigations.

The OFO Tactical Operations Division directs special enforcement operations, in concert with ICE-HSI and other law enforcement partners, to identify and disrupt drug smuggling at targeted POEs, IMFs, and ECC facilities. These operations involve NII technology, canine enforcement teams, Antiterrorism-Contraband Enforcement Teams, Special Response Teams, and other law enforcement partner resources. For example, in January 2017, CBP officers at the John F. Kennedy (JFK) International Airport IMF partnered with ICE-HSI, DEA, FDA, U.S. Fish and Wildlife Service, and the U.S. Consumer Product Safety Commission to launch a five-day joint operation to target and interdict illicit fentanyl and other narcotic shipments that posed a health and safety risk to consumers. The operation focused on mail packages originating in China and Hong Kong. This successful operation resulted in the seizure of 5.31 lbs. of fentanyl and 134 other controlled substances. It also resulted in the seizure of 1,297 non-compliant imports and provided law enforcement officers with the opportunity to conduct eight controlled deliveries to unsuspecting drug smugglers.

CBP is also conducting other special enforcement operations, such as "Operation Crush" at the ECC facilities in Cincinnati, Louisville, and Memphis, to seize narcotics such as fentanyl. Operation Crush effected 77 seizures of narcotics and precursor chemicals in Memphis, 24 in Louisville, and 24 in Cincinnati. This operation also resulted in the additional seizure of three assault rifles, one handgun, a 100-round ammunition drum and other high-capacity magazines, and \$7,028 in United States currency, as well as cocaine and heroin. One subject was arrested after carfentanil was seized in Memphis. From this seizure, the Bureau of Alcohol, Tobacco, Firearms and Explosives matched one of the firearms to an unsolved June 2017 shooting in the Brockton, Massachusetts area.

CBP is a key partner in the implementation of the Office of National Drug Control Policy's (ONDCP) Heroin Availability Reduction Plan (HARP). CBP also utilizes the Department of



Justice's Nationwide Deconfliction System operated by the DEA, conducting interagency deconfliction and coordination, and is working with the Heroin and Fentanyl Working Group at the DEA Special Operations Division, alongside ICE-HSI.

**Conclusion**

There is no single entity or single solution that can stop the flow of dangerous illicit drugs into the United States or keep them from harming the American public. Tackling this complex threat involves a united, comprehensive strategy and an aggressive approach by multiple entities across all levels of government. With continued support from Congress, CBP, in coordination with our partners, will continue to refine and further enhance the effectiveness of our detection and interdiction capabilities to combat transnational threats and the entry of dangerous illicit drugs into the United States.

CBP will continue to work with our government and private-sector partners to improve the efficiency of information sharing and operational coordination to address the challenges and threats posed by illicit narcotic smuggling in the international mail environment. CBP will also continue to work with USPS and USPIs to improve interdiction in the mail environment through improved advanced data, and other security best practices at the Nation's IMFs.

Chairman Portman, Ranking Member Carper, and distinguished Members of the Subcommittee, thank you for the opportunity to testify today. I look forward to your questions.

**Hearing before the  
Permanent Subcommittee on Investigations  
Committee on Homeland Security and Governmental Affairs  
United States Senate**



**Written Statement**

**Combatting the Opioid Crisis: Exploiting Vulnerabilities in  
International Mail**

**January 25, 2018**

**William Siemer  
Acting Deputy Inspector General  
United States Postal Service**

---

Good morning, Chairman Portman, Ranking Member Carper, and members of the subcommittee. Thank you for inviting me to discuss our work to improve international mail security and keep illicit drugs out of the mail.

First, let me describe our recent audit work on inbound international mail operations and security. We have issued eight reports in this area since September 2015. Much of our work has focused on the Postal Service's procedures for presenting mail for inspection to U.S. Customs and Border Protection (CBP). We examined operations at the International Service Centers (ISCs), the main entry points for international mail, as well as at smaller exchange offices. We also evaluated the Postal Service's pilot with CBP, which uses the available advance electronic data provided by foreign posts to better target parcels for inspection. In addition, we conducted related work on delayed inbound international mail and the Postal Service's processes for handling nonmailable inbound shipments such as cigarettes.

We found problems in several areas. For example, at ISCs, the Postal Service sometimes failed to present items to CBP for inspection when requested and instead processed the parcels directly into the mailstream. In addition, inaccurate scan data into and out of customs meant that the Postal Service could not always determine whether a parcel was in CBP's custody or its own. These failures occurred for several reasons including human error and electronic system problems. Another factor was that the Postal Service and CBP did not have a formal written agreement regarding the appropriate procedures. They have since established a national Memorandum of Understanding. Our audit work also found instances in the past where the Postal Service had not requested advance electronic data as part of its bilateral agreements with foreign posts.

In all, we have issued 21 recommendations to the Postal Service covering areas such as enhancing systems and processes, providing better employee training and oversight, and improving coordination with CBP, other agencies, and foreign

posts. The Postal Service agreed with 18 of the recommendations and has already addressed 12. The remaining six open recommendations are primarily related to improving data and operational systems and coordinating with federal agencies and foreign posts. The Postal Service expects to complete these recommendations in 2018. We also have two ongoing audit projects focused on advance electronic data and opioid safety preparedness at the Postal Service.

In addition to this audit activity, we are building our data analytics capacity to find and prevent drug trafficking in the mail. For years, law enforcement has used data to find criminals and expose their networks. Early efforts focused on financial crime, due to its complexity and the large datasets available. And just as criminals misused financial institutions to commit fraud, today's drug traffickers are misusing trusted distribution networks like the U.S. mail to anonymously exchange money and deliver illegal drugs.

The Postal Service faces a number of challenges that private companies do not when dealing with illicit narcotics in the mail. For instance, the Postal Service is obligated to deliver international parcels even though it did not originally receive them from the customer. The Postal Service receives limited electronic data about many of these parcels, and the information it does receive is often incomplete or inaccurate. In addition, the sheer volume of inbound parcels the Postal Service handles far exceeds what other shippers manage. Finally, unlike private shippers, the law requires the Postal Service to obtain a warrant to inspect the contents of suspect parcels. The sanctity and privacy of the mail and its contents is a strong principle valued by the American public, but this principle is being exploited by criminals.

As ecommerce continues to expand dramatically, rapid growth of both domestic and international mail parcels is also occurring. The Postal Service must rely heavily on automation and electronic data to deliver more than 5 billion parcels a year to 157 million delivery points. That's more than 14 million parcels a day, and

it's easy for illegal drug parcels to hide in all of that traffic. However, the data that the Postal Service uses to manage its network can also be used to sniff out suspicious parcels, and that is exactly what we have started to do using analytics.

This past September, our Acting Inspector General testified about some of our work in this area before the House Committee on Oversight and Government Reform. She described a case involving an international parcel containing fentanyl seized by CBP personnel in New York. The investigation ultimately uncovered a postal employee who was facilitating the delivery of illicit narcotics in Florida. Our analytics work on the seized fentanyl parcel identified nearly 2,800 additional suspicious parcels that had been sent through the mail. Since that time, we have assisted other federal investigations involving reshipping schemes and illicit international narcotics parcels. We identified a number of additional reshippers who were previously unknown to law enforcement and who were responsible for thousands of suspicious shipments.

While supporting specific cases is useful, we are also dedicating resources to build tools to address narcotics issues more broadly. We recently completed the development of a tool to identify postal employees who may be stealing drug parcels from the mail or facilitating the delivery of illicit narcotics parcels to criminal groups. Unlike legitimate customers who will tell us when their parcels do not arrive, we have yet to receive our first complaint from a drug dealer that their parcel was missing. Historically, we have had to rely on tips or cooperating defendants to provide us with information about postal employees who were assisting drug traffickers. Now, we are analyzing Postal Service data and looking for various indicators to help us focus on employees or routes where suspicious parcels are disappearing. Our initial use of this analytics tool has been very encouraging, and it may revolutionize the way we tackle these kinds of crimes. While this tool searches for criminal activity that happened in the past, we think looking forward in the data can have an even greater impact.

We are also currently building a tool to identify inbound international parcels that are suspicious but have not yet arrived in the United States. Our hope is that we can share the insights gained from this tool with CBP to better assist efforts to identify parcels for inspection and reduce the number of narcotics parcels that enter the mail stream. We have shared some initial parcel information to test the accuracy of our model, and the results appear very promising.

Combatting the shipment of illegal drugs is not a problem any one agency can solve by itself. Cross-agency collaboration and data sharing is critical. Ultimately, we need to identify and intercept these parcels before they are delivered, rather than continuing to focus on investigating after the fact. One part of the solution is using data effectively to uncover problems, but that is only half the battle. Resources to address the problems are also needed. For example, our tool to identify collusive employees identified hundreds of suspicious postal routes. Our agency is not staffed to address all of these investigations immediately, and the situation is only going to get worse as our budget gets smaller. This issue is not unique to our organization, but it highlights the need to strategically invest in the tools and people to combat this problem, since data alone is not enough.

To conclude, we believe data analytics provides an excellent opportunity to better investigate drug trafficking through the mail, but there are also a number of challenges ahead:

- More resources are needed to capitalize on data analytics techniques, including more data experts and tools to generate leads and more assistance from law enforcement to follow them up.
- Improving the data available for inbound international parcels is important. Although the amount of international advance electronic data is growing, it is not yet available for all inbound parcels.
- Legal barriers to opening parcels prevent the Postal Service from proactively ensuring the safety of the mail and may hinder investigations

given the volume of suspect parcels. Additionally, specific enhanced criminal penalties for shipping drugs through the mail may be needed to create a stronger deterrent to drug trafficking.

- Finally, and most importantly, the successful use of analytics requires moving beyond traditional case-by-case, parcel-by-parcel investigative practices and instituting a high-level strategic, collaborative approach to stop drug trafficking through the mail.

If these challenges can be solved, data analytics promises to help government and law enforcement focus on the areas of greatest impact in order to prevent our mail system from being misused to distribute narcotics in the future.

Thank you for the opportunity to discuss our work. I am happy to answer any questions.



# **Department of Justice**

---

**STATEMENT OF**

**DANIEL D. BALDWIN  
SECTION CHIEF, OFFICE OF GLOBAL ENFORCEMENT  
ASIA & AFRICA  
OPERATIONS DIVISION  
DRUG ENFORCEMENT ADMINISTRATION**

**BEFORE THE**

**HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
UNITED STATES SENATE**

**FOR A HEARING ENTITLED**

**“COMBATING THE OPIOID CRISIS: EXPLOITING VULNERABILITIES  
IN INTERNATIONAL MAIL”**

**PRESENTED**

**JANUARY 25, 2018**



**Statement of  
Daniel D. Baldwin  
Section Chief, Office of Global Enforcement, Asia and Africa  
Operations Division  
Drug Enforcement Administration**

**Before the  
Homeland Security and Governmental Affairs  
Permanent Subcommittee on Investigations  
U.S. Senate**

**For a Hearing Entitled  
“Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail”**

**January 25, 2018**

Chairman Portman, Ranking Member Carper, and Members of the Subcommittee: on behalf of the Department of Justice (DOJ), and in particular the approximately 9,000 employees of the Drug Enforcement Administration (DEA), thank you for the opportunity to discuss current law enforcement cooperation between the United States and China with regards to drug enforcement.

Drug overdoses, suffered by family, friends, neighbors, and colleagues, are now the leading cause of injury-related death in the United States, eclipsing deaths from motor vehicle crashes or firearms.<sup>1</sup> According to the Centers for Disease Control and Prevention (CDC), there were 63,632 overdose deaths in 2016, or approximately 174 per day. Over 42,000 (66 percent) of these deaths were caused by opioids. The sharpest increase in drug overdose deaths from 2015 to 2016 was fueled by a surge in fentanyl and fentanyl analogue (synthetic opioid) overdoses.<sup>2</sup>

Under U.S. federal law, fentanyl is a Schedule II controlled substance lawfully produced in the United States and used widely in medicine. It is an extremely potent analgesic widely used for anesthesia and also pain control in people with serious pain problems and, in such cases, it is indicated only for use in people who have high opioid tolerance. Illicit fentanyl, fentanyl analogues, and their immediate precursors are often produced in China. From China, these substances are shipped primarily through express consignment carriers or international mail directly to the United States or alternatively shipped directly to transnational criminal organization's (TCO) in Mexico, Canada, and the Caribbean. Once in the Western Hemisphere, fentanyl or its analogues are prepared to be mixed into the heroin supply, or pressed into a pill form, and then moved into the illicit U.S. market where demand for prescription opioids and

<sup>1</sup> Rose A. Rudd, Noah Aleshire, Jon E. Zibbell, & R. Matthew Gladden. Increases in Drug and Opioid Overdose Deaths – United States, 2000-2014 Morbidity and Mortality Weekly Report, 2016;64:1378-1382.

<sup>2</sup> CDC WONDER data, retrieved from the National Institute of Health website; <http://www.drugabuse.gov> as reported on NIDA's website.

heroin remain at epidemic proportions. In some instances, drug trafficking organizations have industrial pill presses shipped directly into the United States from China and operate fentanyl pill press mills domestically. Mexican TCOs have seized upon this business opportunity because of the profit potential of synthetic opioids, and have invested in growing their share of this market. Because of its low dosage range and potency, one kilogram of fentanyl purchased in China for \$3,000 - \$5,000 can generate upwards of \$1.5 million in revenue on the illicit market.

## **DOJ INTERACTIONS WITH CHINESE COUNTERPARTS**

### **China: Government Action and Cooperation**

Combating illicit fentanyl is a top priority of this Administration. Recognizing that a significant amount of illicit fentanyl, fentanyl analogues, and their immediate precursors are manufactured in China, Attorney General Sessions and Deputy Attorney General Rosenstein both requested that China take action in meetings with then-State Councilor Guo Shengkun of the Chinese Ministry of Public Security. Deputy Attorney General Rosenstein met with Guo in Beijing, China on September 25, 2017, followed by a meeting with the Attorney General in Washington, D.C. on October 3 and October 4, 2017.

The Attorney General and the Deputy Attorney General's efforts are built on long-standing working-level engagements with the Chinese on a number of levels. For example, DEA has maintained a liaison presence in the People's Republic of China, with an office in Beijing for the last three decades. DEA is currently working to staff a second office to be located in Guangzhou. DEA's office in Beijing has direct engagement with drug control officials from China's Ministry of Public Security, Narcotics Control Bureau (NCB). DEA's well-established relationship with Chinese drug control authorities is the primary significant bi-lateral conduit to address the threat resulting from the shipment of illicit fentanyl, their precursors, and other synthetic drugs to the United States and elsewhere.

The DEA and the NCB share drug-related intelligence and trends through the Bilateral Drug Intelligence Working Group (BDIWG) led by DEA's Intelligence Division. This annual engagement was established through a memorandum of agreement between the DEA and the NCB in 2002.

At a higher policy level, the United States Government has also engaged China through an interagency working forum that operates under the U.S.-China Joint Liaison Group (JLG). The JLG is chaired by the Department of Justice, the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, and the Department of Homeland Security. DEA and the NCB participate in the Counter Narcotics Working Group (CNWG) and the BDIWG within the JLG framework that are chaired, respectively, by the Department of Justice and the DEA on the U.S. side and the Ministry of Public Security on the Chinese side.

Engagement in the efforts mentioned above has resulted in positive actions by the Government of China over the last year. These actions are a step in the right direction, but more can be done.

Since 2014, the DOJ, DEA, and Chinese officials have met regularly to discuss bilateral efforts to counter the threat to the United States from fentanyl class substances. For the past four years, representatives from China's National Narcotics Laboratory have met with DEA experts to exchange information on emerging substances, trafficking trends, and drug sampling standards. This dialogue fosters information exchange about new substances of abuse in the United States to be considered for control in China. A larger and more formal bilateral exchange between legal and (especially) scientific experts took place in Beijing in May 2017. Plans are underway for DEA to welcome its scientific counterparts to Washington in early spring 2018.

A key moment in enhanced cooperation on synthetic drugs came in October 2015, when, following similar discussions, China implemented domestic control on 116 New Psychoactive Substances (NPS), including a number of fentanyl analogues, and streamlined its procedures to control additional substances. In total, China has scheduled 138 different NPS.

On March 1, 2017, China's National Narcotics Control Commission announced scheduling controls against four fentanyl-class substances: carfentanil; furanyl fentanyl; valeryl fentanyl; and, acryl fentanyl. This announcement was the culmination of ongoing collaboration between DOJ and the Government of China, and reaffirms an expanding collaborative commitment to countering illicit fentanyl. On July 1, 2017, China controlled U-47700. While not a fentanyl class substance, U-47700 is a powerful synthetic opioid that has been trafficked and abused in the United States.

After requests by Administration officials, including the Attorney General and Deputy Attorney General, and in accordance with its obligations under the 1988 UN Convention, on December 28, 2017, China's Ministry of Public Security announced scheduling controls on two fentanyl precursor chemicals, NPP and 4ANPP. The scheduling controls will take effect on February 1, 2018. Chinese control of these substances, and the effect that prior control efforts have had on the availability of these substances in the United States, is encouraging and affirms the need for the continued collaborative commitment between the DEA and the NCB.

In 2018, DEA will continue to engage the Chinese on the control of emerging fentanyl analogues and other NPS. We are further encouraged that the Chinese are willing to engage in discussions and technical exchanges with DEA regarding scheduling fentanyl as a class. Officials from the NCB indicated that their scheduling process is long and complicated, that China has always scheduled one drug at a time, pursuant to its law, and that any change in that process would be groundbreaking for China. In spite of the complexity of this process, and the fact that domestic abuse of fentanyl and related substances has not been a problem in China, they have continued to show an understanding of the problem and a willingness to listen and at least discuss class scheduling.

As the opioid threat continues, DOJ and DEA are committed to working with Chinese officials through its well-established bilateral efforts, including: liaison presence; the JLG/CNWG; the BDIWG; and enhancing collaboration with DEA's interagency partners stationed abroad and in the United States.

## **SIGNIFICANT ENFORCEMENT EFFORTS**

### **Heroin/Fentanyl Task Force**

The DEA Special Operations Division (SOD) Heroin/Fentanyl Task Force (HFTF) working group consists of several agencies using a joint “whole of government” approach to counter the fentanyl/opioid epidemic in the United States. The HFTF consists of personnel from DEA, U.S. Immigration and Customs Enforcement, Homeland Security Investigations (HSI) and Customs and Border Protection (CBP); supplemented by the Federal Bureau of Investigation and the U.S. Postal Inspection Service. HFTF utilizes every resource available, including support from the Department of Justice’s Organized Crime Drug Enforcement Task Forces (OCDETF), OCDETF Fusion Center (OFC) and the Criminal Division, the Department of Defense (DOD), the Intelligence Community (IC) and other government entities, and provides field offices (all agencies) with valuable support in their respective investigations.

The HFTF mission aims to:

- Identify, target, and dismantle command and control networks of national and international fentanyl and NPS trafficking organizations.
- Provide case coordination and de-confliction on all domestic and foreign investigations to ensure that multi-jurisdictional, multi-national, and multi-agency investigations and prosecutions have the greatest impact on targeted organizations.
- Provide direct and dynamic operational and investigative support for domestic and foreign field offices for all agencies.
- Identify new foreign and domestic trafficking, manufacturing, importation, production and financial trends utilized by criminal enterprises.
- Analyze raw intelligence and documented evidence from multiple resources to develop actionable leads on viable target(s) involved in possible illicit pill production and/or distribution networks.
- Educate overall awareness, handling, trafficking trends, investigative techniques and safety to domestic and foreign field offices for all law enforcement, DOD, IC and governmental agencies.
- Facilitate, coordinate, and educate judicial districts during prosecutions of fentanyl and other NPS related cases.

Close interagency cooperation via the HFTF have led to several large enforcement actions, including the first-ever indictment, in two separate OCDETF cases, of two Chinese nationals responsible for the manufacturing and distribution of illicit fentanyl in the United States in October 2017. On October 17, the Deputy Attorney General and the DEA Acting Administrator announced the indictments of the Chinese nationals, who were the first manufacturers and distributors of fentanyl and other opiate substances to be designated as Consolidated Priority Organization Targets (CPOTs). CPOT designations are of those who have “command and control” elements of the most prolific international drug trafficking and money laundering organizations operating in the world.

In addition, SOD's HFTF played an integral role in the July 2017 seizure and shutting down of the largest criminal marketplace on the Internet, AlphaBay. As outlined by the Attorney General and the DEA Acting Principal Deputy Administrator in July, AlphaBay operated for over two years on the dark web and was used to sell deadly illegal drugs, stolen and fraudulent identification documents and access devices, counterfeit goods, malware and other computer hacking tools, firearms, and toxic chemicals throughout the world. The international operation to seize AlphaBay's infrastructure was led by the United States and involved cooperation and efforts by law enforcement authorities in Thailand, the Netherlands, Lithuania, Canada, the United Kingdom, and France, as well as the European law enforcement agency Europol. Multiple interagency OCDETF investigations into AlphaBay revealed that numerous vendors, including many in China, sold illicit fentanyl and heroin on the site, and that there have been a substantial number of overdose deaths across the country attributed to such purchases.

#### **CONCLUSION**

DEA will continue to engage the Government of China in our efforts to stem the flow of fentanyl and fentanyl precursors, which are fueling the national opioid epidemic, as well as other NPS. DEA is further committed to working with the interagency and foreign partners in targeting, indicting, and arresting leadership of criminal networks.

We look forward to continuing to work with Congress to find solutions necessary to address the threats posed by controlled prescription drugs, heroin, and fentanyl.



# U.S. Immigration and Customs Enforcement

---

STATEMENT

OF

GREGORY C. NEVANO  
DEPUTY ASSISTANT DIRECTOR  
ILLICIT TRADE, TRAVEL, AND FINANCE DIVISION  
HOMELAND SECURITY INVESTIGATIONS

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

REGARDING A HEARING ON

*"Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail"*

BEFORE THE

UNITED STATES SENATE  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Thursday, January 25, 2018  
342 Dirksen Senate Office Building

Chairman Portman, Ranking Member Carper, and distinguished members:

Thank you for the opportunity to appear before you today to discuss the crisis of heroin and illicit fentanyl 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 including those contained in the Immigration and Nationality Act (Title 8), U.S. customs laws (Title 19), general federal criminal code (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), the Drug Enforcement Administration (DEA), U.S. Postal Inspection Service (USPIS), as well as other federal, state, and local law enforcement agencies in a unified effort, to target Transnational Criminal Organizations (TCOs) that are supplying heroin and illicit fentanyl to the United States.

Today, I would like to highlight our efforts to combat international shipments of opioids, especially fentanyl, coming into the United States through international mail facilities.

#### **Introduction to Fentanyl**

The United States is in the midst of an illicit fentanyl epidemic 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 investigative efforts, United States law enforcement has identified China as a primary source 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 primarily through mail carriers directly to the United States or alternatively shipped directly to TCOs in Mexico, Canada, and the Caribbean. Once in the Western Hemisphere, fentanyl or its analogues are prepared and mixed into the U.S. heroin supply domestically, or pressed into pill form, and then moved to the illicit U.S. market where demand for prescription opioids and heroin remain at epidemic proportions. In some cases, traffickers have industrial pill presses shipped into the United States directly from China to operate fentanyl pill press mills domestically. Mexican TCOs also receive shipments of fentanyl and its precursors directly from China where it is usually adulterated with heroin or other powdered forms of narcotics such as dipyrone. There is strong evidence that large quantities of fentanyl are shipped from China to Mexico and are not opened until they are within the United States. Mexican cartels have seized upon this business opportunity because of the profit potential of synthetic opioids, and have invested in growing their share of this market. Because of its low dosage range and potency, one kilogram of fentanyl purchased in China for \$3,000 - \$5,000 can generate upwards of \$1.5 million in revenue on the illicit market.

#### **Fentanyl shipments through mail facilities**

Seizures of illicit fentanyl and other opioids at international mail facilities have increased over the last few years. Though fentanyl seizures made at land crossings are higher in number and larger in volume, the fentanyl seizures from mail and express consignment carrier (ECC) facilities are more potent. The majority of illicit fentanyl in the international mail and ECC environments is shipped in concentrations of over 90 percent, whereas the majority of fentanyl in the land border environment is seized in concentrations of less than 10 percent. Purchasers can also access open source and dark web marketplaces for synthetic drugs, like fentanyl, where they can be easily purchased online and then shipped into the United States, sometimes directly to the end user. TCOs have long realized the vulnerability of the mail system and express consignment and exploit the great volumes of mail entering the United States as a means to further their criminal activity. In an effort to combat opioid trafficking, ICE is 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 and the USPIS. 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 (NTC), to identify shipment routes, target parcels that may contain heroin, illicit fentanyl, fentanyl-related substances and manufacturing materials, and fully exploit financial and investigative analyses. While this is a good start, we recognize much more needs to be done.

#### **ICE's Lines of Effort**

##### ***Border Enforcement Security Taskforces (BEST)***

Border Enforcement Security Taskforces (BEST) are ICE's primary platform to investigate opioid smuggling domestically. ICE currently operates BESTs in 57 locations throughout the United States, an increase of 30 percent in Fiscal Year (FY) 2017 in response to the President's Executive Order on TCOs. BESTs leverage the participation of more than 1,000 federal, state, local, and foreign law enforcement agents and officers representing over 100 law enforcement agencies to target opioid smuggling.

In response to the opioid crisis, ICE, with significant participation with CBP, established a BEST in Memphis, TN, embedded at an express consignment carrier facility, which specifically targets opioid shipments on a daily basis. With the support of the Organized Crime Drug Enforcement Task Force of the Department of Justice, identification of fentanyl analogues, interdictions, and investigative leads are being maximized. Because we still are working to identify the full extent of the smuggling operations that ship fentanyl through the mail, one of the primary tools used by the Memphis BEST is controlled deliveries of intercepted packages that contain fentanyl or other illicit substances. Controlled deliveries are highly effective means of identifying end-users, establishing probable cause, and ultimately disrupting and dismantling domestic and regional smugglers and distributors.

In FY17, HSI Memphis BEST initiated approximately 282 controlled deliveries to HSI offices throughout the world. One example of these cases occurred in August 2017, when the Memphis BEST seized 4.7 grams of highly potent carfentanil destined for Brockton, MA. HSI Memphis BEST collaborated with HSI Boston who accepted the package and substituted sham product for controlled delivery purposes. Subsequent to the sham delivery, special agents

executed a search warrant resulting in the seizure of multiple firearms, cocaine and heroin. One of the seized firearms was matched to an unsolved shooting in the Brockton, MA, area.

Because we recognize the need for greater action, ICE, CBP, and the USPIS are collaborating in the development of a more robust, nationwide effort to interdict fentanyl transiting through mail facilities. The expansion of BEST at these mail facilities is expected to help disrupt the movement of illicit fentanyl transiting through the mail by placing trained investigators at the facilities seeking to conduct long term, complex, criminal investigations into such activities, with a high probability for significant seizures and arrests. Additionally, the anticipated arrests and dismantling of distribution networks could impact overdose deaths in the United States.

*National Targeting Center – Investigations (NTC-I)*

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.

ICE-HSI has assigned special agents to work within the NTC Cargo (NTC-C) Narcotics Division. These Special Agents are charged with serving as liaisons between the NTC and ICE 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.

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

The USPIS is a valued partner within the cargo/narcotics targeting division at the NTC. The USPIS resources provide significant value to targeting efforts in pre-existing investigations. The USPIS is able to leverage its agency specific databases to provide information previously unavailable to ICE and CBP at the NTC. Fusing information from the USPIS databases with currently available CBP and ICE targeting, trade, and investigative data has been instrumental in identifying illicit opioid importation and distribution conspiracies throughout the nation. Additionally, this partnership has allowed joint CBP, ICE, and USPIS enforcement “blitzes” to function much more smoothly, with the NTC serving as the central hub for all targeting data across the three agencies.

#### *Cyber Crimes Division*

The ICE Cyber Crimes Division provides support and assistance to field cyber investigations targeting dark net illicit marketplaces, where fentanyl and chemical precursors proliferate. As criminal activity, and especially the trade of illicit opioids, continues to migrate to the online world, ICE faces growing demand for cyber investigative assistance. For example, in 2014, HSI conducted only 37 cybercrime investigations (not including child exploitation violations). By 2015, that number approached 100 such investigations. Today, HSI has over 600 open cybercrime investigations, including over 100 specifically targeting dark net illicit markets – most of which involve narcotics smuggling. In the last year alone, the Cyber Division has observed a 500 percent increase in requests for field support. Recognizing the need to proactively target online fentanyl trafficking, the ICE Cyber Division is identifying ongoing investigations and facilitating the coordination of online undercover operations conducted in furtherance of dark net illicit marketplaces. Additionally, the Cyber Division is providing assistance with the development and management of online undercover personas in furtherance

of online undercover operations and collaborates with joint agency strategies in taking down online sources of opioids.

*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 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 supply source.

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 the White House Office of National Drug Control Policy's High Intensity Drug Trafficking Areas (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.

*Financial Division*

Identifying, analyzing and investigating the payment systems that facilitate the purchase and smuggling of fentanyl is critical to the disruption and dismantlement of networks that smuggle fentanyl and other illicit opioids into the United States. ICE 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 or Monero, among many others. In support of its diverse financial investigative efforts ICE 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, ICE leverages complex Blockchain technology exploitation tools to analyze the digital currency transactions and identify transactors.

To continue long term strategies to dismantle TCOs, ICE trains investigators from national and international agencies in cryptocurrency investigations in an effort to deter organizations from laundering proceeds or using cryptocurrencies to fund the purchase of fentanyl/opioids or other narcotics. Also, ICE created the Money Service Business Initiative to enable the application of advanced data analytics across large amounts of MSB data in order to isolate criminal networks, highlight suspicious transactions indicative of illicit activity, and provide predictive intelligence. The power of this type of advanced analytics truly shines when MSB data is integrated with additional government data holdings, open source and social media information, and communication records such as phone toll records, Internet Protocol (IP) address activity records, email search warrants, and Title III wire intercepts.

#### **Successful Collaboration**

There is no single entity or solution that can stop the flow of dangerous illicit drugs like fentanyl into the United States or keep them from harming the American public. Tackling this complex threat involves a united, comprehensive strategy and an aggressive approach by multiple entities across all levels of government. ICE will continue to work with our federal, state and local partners to improve the efficiency of information sharing and operational coordination to address the challenges and threats posed by illicit narcotic smuggling in the international mail environment. To that end, I wanted to share a recent successful investigation

that highlights the collaboration just mentioned. In early March 2017, HSI Houston, NTC-I and USPIS developed an initial target list of parcels containing suspected illicit substances enroute to U.S.-based recipients. The initial target list was shared with other cooperating agencies for potential interception and the execution of controlled deliveries, which resulted in the seizure of 72 parcels, all of which contained some form of illicit substances including fentanyl. Based on the contents of the 72 parcels seized in the U. S., HSI Houston further collaborated with the NTC-I, SOD, USPIS, CBP and HSI Attaché Office Hong Kong and identified a specific link in the flow of these illicit drugs to the United States. The HSI Attaché Office Hong Kong requested assistance from the Hong Kong Customs & Excise Department (HKCE). HKCE began a four-day operation during March 2017 targeting and intercepting parcels from a Chinese freight forwarding company. During their operation, an additional 130 parcels were seized within Hong Kong mail facilities. All of these 130 parcels were identified as containing some form of illicit substances including fentanyl and subsequently destroyed before reaching their intended recipients.

#### **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. opioid and illicit fentanyl crisis through the various efforts I have discussed today. I would like to reiterate that this problem is an epidemic that demands urgent and immediate action across various 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.

*United States Senate*  
**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**  
*Committee on Homeland Security and Governmental Affairs*

---

*Rob Portman, Chairman*  
*Tom Carper, Ranking Member*

**COMBATTING THE OPIOID CRISIS:  
EXPLOITING VULNERABILITIES  
IN INTERNATIONAL MAIL**

**STAFF REPORT**

**PERMANENT SUBCOMMITTEE ON  
INVESTIGATIONS**

**UNITED STATES SENATE**



**COMBATTING THE OPIOID CRISIS:  
EXPLOITING VULNERABILITIES  
IN INTERNATIONAL MAIL**

I. EXECUTIVE SUMMARY .....	1
A. The Subcommittee's Investigation .....	7
B. Findings of Fact and Recommendations .....	8
II. BACKGROUND .....	13
A. The Opioid Epidemic .....	14
1. Fentanyl and Synthetic Opioids .....	15
2. The Impact on State and Local Governments .....	16
B. How Fentanyl and Synthetic Opioids Enter the United States .....	17
1. Sources of Fentanyl .....	17
2. Convenience of Purchasing on the Internet .....	18
3. The Growth of E-Commerce .....	19
4. The International Mail System .....	21
C. Preventing Fentanyl and Synthetic Opioids from Entering the United States .....	23
1. U.S. Customs and Border Protection .....	23
2. Advanced Electronic Data and International Mail Acceptance .....	23
III. ONLINE SELLERS OF SYNTHETIC OPIOIDS OPERATE OPENLY USING COMMON SHIPPING AND PAYMENT METHODS .....	26
A. Methodology for Identifying and Communicating with Online Opioid Sellers .....	27
B. Online Sellers Responded Within Minutes .....	28
C. Online Sellers Monitor Drug "Scheduling" .....	30
1. Online Sellers Offered Discounts and Comparable Opioids .....	32
D. Online Sellers Prefer Bitcoin .....	35
E. Online Sellers Prefer Shipping Drugs with Government-Run Postal Operators .....	37



IV. IDENTIFYING U.S. INDIVIDUALS RECEIVING SUSPECTED DRUG PACKAGES FROM CHINA .....	42
A. Methodology for Locating Likely Purchasers of Illegal Opioids.....	43
B. The Subcommittee Identified a Likely <i>U.S.-Based</i> Distributor for Chinese Produced Fentanyl and Other Deadly Synthetic Opioids.....	44
C. The Subcommittee Identified Seven Individuals Who Wired Money to Online Sellers and Later Died of Drug Overdoses.....	45
D. The Subcommittee Identified 18 Individuals Who Wired Money to Online Sellers Who Were Arrested or Convicted of Serious Drug-Related Offenses .....	48
E. The Subcommittee Identified Two Individuals Likely Engaged in the Distribution of Synthetic Opioids .....	49
V. CBP AND THE POSTAL SERVICE ARE ONLY MAKING LIMITED USE OF ADVANCED ELECTRONIC DATA TO IDENTIFY, TARGET, AND SEIZE ILLICIT INTERNATIONAL PACKAGES OF SYNTHETIC OPIOIDS.....	51
A. Rapid Growth of Inbound International Mail Presents Challenges for Effective Screening and Inspection .....	51
B. The Postal Service and CBP Started a Pilot Program to Target Packages for Inspection Using AED .....	52
C. The Postal Service and CBP Did Not Make Timely Improvements to the Pilot Program.....	54
D. The Postal Service and CBP Still Do Not Agree on How to Measure the Pilot Program's Success .....	56
E. The Postal Service and CBP Officials Did Not Expand the JFK Pilot Program until after the Subcommittee's May 2017 Hearing on International Mail Security and the Importation of Deadly Drugs.....	59
VI. THE UNITED STATES IS A MEMBER OF THE UNIVERSAL POSTAL UNION, WHICH GOVERNS THE FLOW OF INTERNATIONAL MAIL .....	66
A. The Complicated Structure of the UPU Creates Confusion Regarding Priorities and Responsibilities .....	68
B. For a Decade, the UPU has Struggled to Require Member Countries to Collect and Share AED for International Mail .....	69
C. The 2008 UPU Congress Considered the First-Ever Proposal Regarding the Use of AED Offered by the United States .....	70

D. AED was used to Thwart an Al Qaeda Attempt to Ship Explosives in UPS and FedEx Packages .....	71
E. To Protect its own National Security, the European Union Attempted to Require AED for all Packages by May 1, 2016.....	75
F. The UPU's Senior Leadership Lobbied its Members Against the European Union's UCC Implementation Date for Providing AED .....	77
G. The European Union Postponed the Start Date of the UCC to 2020.....	79
H. The 2016 UPU Congress in Istanbul Initiated a Proposal for AED through the Integrated Product Plan .....	79
I. Countries Again Argued Against Any UPU Requirements to Provide AED; the United States Distanced Itself from the Proposal.....	80
J. Multiple AED Proposals at the UPU Led to Confusion Regarding Member Countries Requirements and Efforts have "Slowed Down to a Crawl".....	81
K. The UPU Takes Notice of Posts being used to Ship Illicit Drugs .....	82
VII.EXPRESS CARRIERS USE ADVANCED ELECTRONIC DATA TO LOCATE PACKAGES TARGETED BY CBP .....	83
A. Congress Mandated Express Consignment Operators to Provide CBP with AED on all Packages .....	84
1. The Trade Act Required ECOs to Collect AED to Provide to CBP .....	85
B. Congress Delegated the Decision to Require Postal Service to Provide AED.....	86
C. ECOs use AED to Track Packages Throughout Their Networks.....	87
1. ECOs Control Packages from Drop-Off to Delivery.....	87
D. ECOs Require Customers to Provide Information Mandated by the Trade Act.....	88
E. Automated Systems Assist ECOs in Tracking Packages .....	92
F. ECOs Do Not Share Information Related to Shippers of Illegal Items .....	94
G. ECOs Provide Almost All Targeted Packages to CBP for Inspection .....	95

## COMBATTING THE OPIOID CRISIS: EXPLOITING VULNERABILITIES IN INTERNATIONAL MAIL

### I. EXECUTIVE SUMMARY

The number of Americans dying due to opioid overdose is staggering. According to the Centers for Disease Control and Prevention (“CDC”), more than 63,600 Americans died from drug overdoses in 2016.<sup>1</sup> Sixty-six percent of those deaths were caused by opioids, including fentanyl and its many analogues.<sup>2</sup> The source of most illicit fentanyl is well known. According to the Drug Enforcement Administration (“DEA”), China is the primary source of supply for fentanyl and its underlying chemical substances (or precursors) headed for the United States.<sup>3</sup> It is widely known how illicit fentanyl enters the United States. According to the DEA, “[c]ustomers can purchase fentanyl products from Chinese laboratories online” and “powdered fentanyls and pill presses” are shipped via mail services.<sup>4</sup>

The Subcommittee learned just how easy it is to find fentanyl advertised online, pay for it using digital currency or other means, and have it shipped to the United States through international mail. As such, the Subcommittee conducted an investigation into measures used to prevent illicit fentanyl from entering the United States by the U.S. Customs and Border Protection (“CBP”), the U.S. Postal Service (“Postal Service”), and the U.S. Department of State (“State Department”). The Subcommittee also reviewed efforts taken by the three largest express consignment operators (“ECOs”) operating in the United States, DHL Express U.S. (“DHL”), FedEx Corporation (“FedEx”), and United Parcel Service (“UPS”). Highlights of the Subcommittee’s investigative results, including findings and recommendations, are provided below.

*Online Fentanyl Sellers.* The Subcommittee sought to determine how easy it is to purchase fentanyl from an online seller and arrange to have it delivered to the United States. A simple *Google* search of “fentanyl for sale” returned a number of potential sellers. Over the course of three months, the Subcommittee communicated with representatives from six online sellers, posing as a first-time fentanyl purchaser. All of the online sellers actively sought to induce a purchase of fentanyl or other illicit opioid. Their sales pitches made it sound easy to purchase

---

<sup>1</sup> U.S. Centers for Disease Control and Prevention, National Center for Health and Statistics, *Drug Overdoses in the United States, 1999-2016* (Dec. 2017), <https://www.cdc.gov/nchs/products/databriefs/db294.htm>.

<sup>2</sup> *Id.*

<sup>3</sup> Drug Enforcement Administration, U.S. Dep’t of Justice, DEA-DCT-DIB-021-16, *Counterfeit Prescription Pills Containing Fentanyls: A Global Threat 2* (July 2016).

<sup>4</sup> *Id.*

fentanyl, and each preferred to ship any purchases to the United States through the international arm of the Postal Service. The online sellers preferred to be paid through cryptocurrencies such as bitcoin, which offers a certain level of anonymity. They also accepted other common payment options, such as Western Union, MoneyGram, PayPal, credit cards, and prepaid gift cards. The online sellers actively negotiated with the Subcommittee to complete a deal by offering flash sales on certain illicit opioids and discounted prices for bulk purchases. When the Subcommittee failed to immediately respond to an offer, the online sellers proactively followed up, sometimes offering deeper discounts to entice a sale.

While the Subcommittee posed as a first-time online purchaser of fentanyl, it never finalized an order or provided payment. Rather, the Subcommittee used information the online sellers provided—such as payment information and shipping addresses—to investigate the extent to which other persons in the United States were conducting business with the online sellers.

*Americans Buy Fentanyl Online and Receive it in the Mail.* The Subcommittee's investigation confirmed that many Americans are purchasing fentanyl and other illicit opioids online and having them shipped here through the international mail system. The preferred method of the international online sellers is Express Mail Service ("EMS"), a global delivery service for documents and merchandise contained in letters and packages. The EMS network delivers letters and packages worldwide through each member country's postal operations, including the Postal Service in the United States. Through payment information, the Subcommittee identified more than 500 financial transactions by more than 300 U.S.-based individuals totaling \$230,000 to the six online sellers. These 300 individuals were located in 43 states, with those in Ohio, Pennsylvania, and Florida making the highest number of purchases.

Through shipment data, the Subcommittee tracked many shipments to individuals who sent money to the six online sellers. This review led to several alarming findings. Most troubling, the Subcommittee identified seven individuals who died from fentanyl-related overdoses after sending money and receiving packages from one of the online sellers. One such individual was a 49-year-old Ohioan who sent roughly \$2,500 to an online seller over the course of 10 months—from May 2016 to February 2017. Over that time period, he received 15 packages through the Postal Service on dates that closely corresponded to payments he made to an online seller. He died in early 2017 from "acute fentanyl intoxication." He had received a package from an online seller just 30 days before his death. The Subcommittee further identified 18 individuals who were arrested for drug-related offenses and also made purchases and received packages from the online sellers.

The Subcommittee also identified a likely distributor for one of the online sellers based in Pennsylvania. The Subcommittee identified 120 instances of an individual sending a payment to an online seller and then receiving a package within one-to-two days from the Pennsylvania address. The Ohioan identified above, for example, received seven packages from the Pennsylvania address, including the package he received a month prior to his death.

Analysis of payment and shipping information further identified two additional individuals who were likely distributing illicit opioids. They each made payments to an online seller and received a package from the Pennsylvania address identified by the Subcommittee. These individuals also received other suspect packages with descriptions of items used to mass produce narcotics for distribution, including pill presses, chemical bonding agents, empty plastic pill casings, and chemicals used to dye pills a marketable color. Because these items were shipped through an ECO the sender was required to provide a description of the package contents as further explained below. The Postal Service is not required to collect this information. Under treaty obligations, the Postal Service must rely on foreign posts to collect and transmit data on inbound international mail items, including information on package contents.

*Inbound International Mail Volume.* The Subcommittee also examined the federal agencies' and private shippers' response to the country's opioid crisis. CBP is the federal agency responsible for identifying suspicious packages sent through the international mail stream that contain illegal items, including fentanyl and other illicit drugs. The Postal Service and ECOs are required to support CBP's efforts by locating and physically handing over or presenting targeted packages to CBP for inspection. This process is known as "presentment."

The volume difference for inbound international packages handled by the Postal Service compared to ECOs is staggering. The three major ECOs examined by the Subcommittee together handled approximately 65.7 million international packages in 2016, while the Postal Service alone handled more than 275 million in the same year, over *four times* the amount handled by the ECOs. The Postal Service's inbound international mail volume increased by 232 percent between fiscal year 2013 and calendar year 2017. However, the Postal Service failed to forecast this growth in inbound international mail volume, which could have helped to ensure some operational measures were in place to handle the growth.

*Interdicting Illicit Opioids and Other Contraband in International Mail.* International mail packages shipped through the Postal Service primarily enter the United States through one of five International Service Centers ("ISC") located at the following airports: John F. Kennedy International Airport ("JFK") in New York; O'Hare International Airport in Chicago ("ORD"); Los Angeles International Airport

(“LAX”); San Francisco International Airport (“SFO”), and Miami International Airport (“MIA”). In years past, CBP would locate suspicious packages at the ISCs by providing the Postal Service with a list of “countries of interest.” The Postal Service would then present all the packages from those countries to CBP. CBP would then manually sort through and inspect millions of packages looking for illegal items—the proverbial “needle in a haystack.” Although both agencies agreed that the process was inefficient and sought ways to improve it, they are guided by different missions that hinder those efforts. The Postal Service’s mission is the speedy processing and delivery of the mail, while CBP’s mission is to protect the U.S. border and prevent illicit items from entering the United States.

*CBP and Postal Service Pilot Program.* More than two years ago, in November 2015, CBP and the Postal Service implemented a pilot program to improve the identification, inspection, and interdiction process for international packages arriving in the United States. The pilot program leveraged advanced electronic data (“AED”) that the Postal Service received from certain foreign postal operators. AED is provided by the shipper at the time of package drop-off and includes data such as sender and recipient name and address, as well as a description of the package contents. Prior to the package entering the United States, the Postal Service forwards the AED to CBP. CBP analyzes the AED to identify suspicious packages. Under the pilot program, CBP would use the data to specifically target small packages under 4.4 pounds (called “ePackets”) coming from China through the JFK ISC. The Postal Service would then be responsible for locating and presenting the targeted packages to CBP. The JFK ISC receives about half of the Postal Service’s international volume.

In December 2016, the Postal Service Office of Inspector General (“OIG”) audited the pilot program. The OIG found the Postal Service only presented around 80 percent of the packages targeted by CBP. This was due to a number of problems, including CBP sending hold requests for packages that went to another ISC, the Postal Service not receiving some hold requests until the package had left the JFK ISC, or Postal Service employees missing the package.

The pilot program was a positive development, but its execution suffered from a lack of forethought and cooperation, conflicting missions, and interagency personality conflicts. Before the first package was targeted, the agencies never agreed on specific metrics or goals for the pilot, including how they would measure success. CBP asserted it was entitled to receive every package it targeted for inspection, while the Postal Service explained it was impossible to present packages that were diverted to one of the other ISCs or left the JFK ISC before it was targeted. As of this report, the agencies still have not agreed on common performance measures.

At the same time, the relationship between CBP and the Postal Service was strained. The two agencies were focused on different missions. While CBP sought to protect the border from illicit drugs and other illegal items, the Postal Service needed to move the mail. Moreover, two top officials for the respective agencies at JFK struggled to cooperate. In an effort to increase cooperation at JFK, CBP reassigned a senior official in an attempt to improve the relationship with the JFK Postal Service Plant Manager.

The JFK pilot improved through efforts initiated in 2017 by the Postal Inspection Service, the law enforcement arm of the Postal Service, to automate the process of identifying targeted packages. CBP refused, however, to agree with the Postal Service's suggestion to expand the pilot to the other four ISCs unless the Postal Service was able to present nearly all the targeted packages to CBP. It was not until the Subcommittee held a hearing on May 25, 2017, on the shipment of illicit opioids, that CBP agreed with the Postal Service to expand the pilot to other ISCs. Now, in addition to JFK, the pilot is currently active in Los Angeles and Miami. Three days before the Subcommittee released this report, CBP started targeting packages at the remaining ISCs.

*The Universal Postal Union.* International mail delivery is governed by a treaty signed in 1874 that created the Universal Postal Union ("UPU"). The United States is one of the 192 members of the UPU, which convenes its Congress every four years to adopt the plans for the international postal community for the next four years. UPU member countries agree to a universal service obligation that mandates the acceptance of packages and other mail items from each other through a network of foreign postal operators. This obligation includes the EMS global network described above. The Postal Service is the designated postal operator for the United States, obligating it to receive, process, and deliver international mail from UPU member countries. For example, a person living in China can ship a package to the United States through China Post – the Chinese equivalent of the Postal Service. When that package reaches the United States, it passes through an ISC and is delivered by the Postal Service.

For close to a decade, the United States (through the State Department) advocated that UPU members adopt the requirement of collecting and exchanging AED for all packages, but little progress has been made. Despite the benefits of using AED to identify suspicious packages, the international postal community has failed to meaningfully adopt its use. In addition, the State Department took a "hands-off" approach to this issue due to concerns about some countries resisting the implementation of AED solely because it is a prerogative of the United States.

In 2008, the United States offered a resolution at the UPU Congress that encouraged the collection of AED to "enhance the efficiency and speed of customs

clearance.” This resolution did not require member countries to provide AED, but instead to begin developing a plan for AED implementation. While the resolution was adopted, the original language was altered to remove any requirement for a deadline for implementation, essentially rendering it meaningless.

International events in 2010 highlighted the importance of AED when it was successfully used by law enforcement to thwart a terrorist attack involving explosives packed into printer toner cartridges sent from Yemen to the United States through ECOs. At the next UPU Congress in 2012, the UPU adopted language to develop a strategy for countries to exchange AED on packages. However, the language was qualified to make clear the strategy must be proportionate to the identified risk. This was a way for countries opposed to requiring AED to point out that the United States was a greater target than other countries. Therefore, the United States should not expect other countries to take on as much of the security burden.

The UPU’s strategy involved member countries electronically providing the same information currently required on certain customs declaration forms that must be affixed to every package. This information included sender name and address, recipient name and address, and a description of the contents. The UPU has also adopted the use of barcodes to track packages for business purposes referred to as the Integrated Product Plan (“IPP”). While barcodes are required to be on all packages as of January 1, 2018, no AED or other information is required to be loaded onto them. Instead, the goal of the IPP is to require AED on the barcode by 2020, but that date was recently indefinitely delayed due to push-back from certain UPU members.

The amount of AED currently transmitted to the Postal Service on international packages is low. From January 2017 through the end of 2017, only 36 percent (on average) of packages sent to the United States included AED. During that time, the Postal Service received 498,268,405 packages, which means 318,891,780 packages had no AED about who sent the package, where the package was going, or what was in the package. The number of packages with AED is not likely to increase anytime soon.

*Express Consignment Operators.* In the Trade Act of 2002, Congress required ECOs to collect certain information on all packages shipped through their networks for security purposes following the September 11 terrorist attacks. As a result, all packages shipped by ECOs have AED, including sender name and address, recipient name and address, and a description of the item contained in the package. CBP uses this information to target suspicious packages shipped through the ECOs, just as it uses the AED in the JFK pilot program with the Postal Service. ECOs created proprietary systems that allow customers to track packages, and they also



allow ECOs to identify and present the packages CBP targets. According to CBP statistics, due to AED, ECOs present almost all targeted packages to CBP.

While ECOs are highly efficient at using AED to provide CBP with targeted packages, differences exist between the ECOs and the Postal Service. ECOs control packages in their networks from acceptance to delivery, even for international packages. In contrast, the Postal Service must rely on foreign postal operators to collect AED on internationally shipped packages that are delivered domestically by the Postal Service. ECOs also handle fewer packages than the Postal Service.

#### A. The Subcommittee's Investigation

The Subcommittee began its review of the opioid crisis during the 114th Congress when it examined the efforts undertaken by the federal government and its main program integrity contractor, the Medicare Drug Integrity Contractor (MEDIC), to address opioid-related fraud and abuse in Medicare Part D. That program serves nearly 35 million senior citizens and seven million Social Security disability benefit recipients. In connection with that review, the Subcommittee also examined the anti-opioid abuse efforts of six of the nation's largest health insurance companies—both in their commercial insurance business and in their role as Medicare Part D plan sponsors. That investigation resulted in a bipartisan report titled *Combating the Opioid Epidemic: A Review of Anti-Abuse Efforts in Medicare and Private Health Insurance Systems*.

During the current 115th Congress, the Subcommittee expanded its review of the opioid crisis by examining the role that illicit opioids, specifically fentanyl, play in the current national crisis. As previously mentioned, to better understand how illicit opioids enter the United States, the Subcommittee held an initial oversight hearing on May 25, 2017, titled *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs*. Representatives from the Postal Service, the Postal Service OIG, the State Department, CBP, and UPS testified at that hearing. As part of this investigation, the Subcommittee reviewed over 60,000 pages of documents from the Postal Service, CBP, the State Department, DHL, FedEx, and UPS. The Subcommittee also analyzed over two million lines of AED and money transfer information from the Postal Service, CBP, ECOs, Western Union, MoneyGram, and PayPal. The Subcommittee also conducted interviews of key personnel from CBP, the Postal Service, and the State Department. All entities cooperated with the Subcommittee's requests for information. In addition, the Subcommittee traveled to and met with relevant foreign customs and law enforcement officials in Hong Kong and Singapore.

Based on this investigation, the Subcommittee concludes that the federal government's policies and procedures are inadequate to prevent the use of the international mail system to ship illegal synthetic opioids into the United States.

## **B. Findings of Fact and Recommendations**

### **Findings of Fact**

- (1) **Fentanyl Sellers Operate Openly on the Internet.** From May 2017 to June 2017, simple internet searches for “fentanyl for sale” identified websites openly advertising synthetic opioids for purchase. The Subcommittee corresponded with representatives from six websites who actively sought to induce a purchase of fentanyl and other synthetic opioids.
- (2) **Online Sellers Preferred to Ship Through Express Mail Service/Postal Service.** All international online sellers indicated they preferred to ship purchases through EMS. One online seller's website explained the default shipping method was EMS. Another website only guaranteed delivery if EMS was used, and encouraged its use through free EMS shipping for orders over \$100. Upon the Subcommittee's request, however, the online sellers offered other shipping options, including DHL, FedEx, and UPS.
- (3) **Online Sellers Transshipped Purchases Through Other Countries To Reduce Risk of Interdiction.** To avoid heightened targeting by CBP of packages from China, online sellers stated that they would divert packages through other countries first before the package ultimately arrived in the United States. This practice is known as transshipment. The online sellers asserted transshipping through these countries reduced the risk of a package containing illicit opioids from being identified and seized by customs officials.
- (4) **Cryptocurrency Preferred.** Bitcoin was the preferred payment method for all online sellers. Other methods to make a purchase were also accepted, including Western Union, PayPal, bank transfers, credit cards, and prepaid gift cards.
- (5) **Online Sellers Linked to Fentanyl Related Deaths.** Tragically, through the review of payment information and AED, the Subcommittee was able to link the online sellers to seven confirmed synthetic opioid-related deaths.

- (6) **Arrests for Drug-Related Offenses.** The Subcommittee was also able to link the online sellers to 18 arrests for drug-related offenses.
- (7) **Active Domestic Illicit Opioid Distributors.** Through payment information and shipment data, the Subcommittee located an address in Pennsylvania that is likely transshipping purchases made through an online seller located in China. The Subcommittee also identified two other individuals who may be preparing to distribute illicit opioids. These two individuals sent payments to the online sellers and also received packages containing pill presses and other items commonly used in the mass production of narcotics for distribution, including chemical bonding agents to make pills, empty pill casings, and pill coloring agents.
- (8) **The Postal Service and CBP Failed to Recognize and Prepare for the Increase in International Shipments.** The Postal Service and CBP were not prepared for the recent rapid growth of inbound international mail packages. In just the last three years, international package volume for the Postal Service has almost doubled, going from 150 million packages in fiscal year 2013 to 275 million in fiscal year 2016. The number of international packages reached more than 498 million in calendar year 2017, a staggering increase from previous years.
- (9) **CBP Manually Targeted Packages.** To interdict illegal items entering the United States through the Postal Service, CBP identified “countries of interest.” The Postal Service then sent all packages from those countries of interest to CBP for inspection. This resulted in CBP manually searching through packages to attempt to locate illegal items. At times, CBP did not list China as a country of interest due to the high volume of packages China shipped to the United States, which would have been too difficult to manage.
- (10) **Lack of Coordination.** A pilot program established by the Postal Service and CBP in November 2015 at the JFK ISC, using AED to target and present small packages from China, lacked effective coordination between the agencies. The two agencies failed to establish any performance metrics or even define what would be considered a success for the pilot. While the Postal Service initially only presented around 80 percent of packages requested by CBP, that number has improved. As of the publication of this report, however, the agencies still disagree how to calculate the percentage of packages

targeted by CBP that the Postal Service presented for inspection ("presentment rate").

- (11) **CBP Has Not Studied the Effectiveness of Using AED to Target Packages.** Although CBP promotes the utility of AED for targeting purposes and insists on receiving every targeted package, CBP has yet to analyze the effectiveness of using AED to target and interdict drugs or other prohibited items.
- (12) **Postal Service and CBP Did Not Make Timely Improvements and Expansions to the Pilot Program.** Despite widespread concerns by CBP and the Postal Service about requiring the manual targeting of packages, the Postal Service did not improve its presentment rate through automation until two years after the pilot began. Further, the agencies did not expand the pilot to other ISCs until the Subcommittee held a hearing about the issue on May 25, 2017. In fact, CBP informed the Subcommittee that it would begin targeting packages using AED at the ISCs in Chicago and San Francisco on January 21 and 22, respectively—just days before the release of this report and a scheduled Subcommittee hearing to examine its findings.
- (13) **International Delay.** Since 2008, the State Department advocated for the UPU to require its members to adopt the use of AED. Recently, the UPU took steps to adopt AED for business-related purposes and to modernize the international postal service with the expectation posts would provide AED on all packages by 2020. Those efforts, like others in the past, are delayed due to requests for studies on how AED requirements will affect countries whose UPU representatives have raised concerns about their posts' ability to collect and exchange sender information.
- (14) **The Postal Service Receives AED on about 36 Percent of All International Packages.** Despite the current lack of requirements for the Postal Service to collect AED from foreign postal operators, the Postal Service does receive AED from some foreign postal operators, including Hongkong Post and China Post. China is capable of providing AED on its packages and currently only does so for about half of the packages it ships to the United States. The AED from China Post pertains to ePackets and includes tracking and delivery confirmation information.

- (15) **The Majority of International Packages Have No Associated AED.** The Postal Service received 498,268,405 packages from foreign posts in 2017; 36 percent of those packages had AED associated with them. Therefore, 318,891,780 packages entered the United States with no associated AED on the sender's name and address, the recipient's name and address, or the contents of the package. With no AED, CBP was unable to target any of these packages for further inspection before they entered the United States.
- (16) **Low Quality Data.** The AED the Postal Service receives from foreign postal operators is of low quality. The data reviewed by the Subcommittee did not contain standard fields or address constructions. Sender name and address were rarely provided. At times, the data was a long line of illogical letters and characters.
- (17) **ECOs Presented Nearly All Targeted Packages to CBP.** Congress mandated that ECOs provide AED on all packages in 2002. Using AED, ECOs present almost 100 percent of packages targeted by CBP for inspection. Unlike the Postal Service, ECOs control packages from acceptance to delivery and manage a significantly lower volume of packages.
- (18) **ECOs Do Not Share Information on Problem Shippers.** While FedEx and UPS maintain lists of individuals and entities that are not allowed to ship packages through their networks, they do not share these lists with CBP, the Postal Service, or other ECOs. DHL does not maintain such a list.

#### Recommendations

- (1) **Require AED on All International Packages.** The State Department and Postal Service should work together to take steps to prioritize the enactment and implementation of requirements that UPU member countries collect and exchange AED for all international packages. Congress should pass any legislation necessary to facilitate the agencies' efforts.
- (2) **The Postal Service Should Include Provisions in All Bilateral and Multilateral Agreements to Collect and Exchange Additional and Better Quality AED.** Any agreement between the Postal Service and one or more foreign posts for express package delivery should include provisions requiring the foreign posts to provide the Postal Service with quality AED for all packages.

- (3) **Proactively Improve the Quality of AED.** The Postal Service should initiate processes to improve the quality of the data received from foreign posts. This should include the consideration of standardized fields to avoid confusion by foreign nationals in constructing an American address. The State Department should also work to improve the quality of data collected internationally.
- (4) **Increase Targeting.** CBP should continue to increase the number of packages targeted for inspection through the Pilot Programs at ISCs with an emphasis on locating illicit drugs. This should include a dedicated CBP employee at the National Targeting Center responsible for all mail and package targeting efforts.
- (5) **Automated Identification of Targeted Packages.** The Postal Service should fully automate the process of identifying packages targeted for inspection by CBP at all of the ISCs.
- (6) **Targeting Analysis.** CBP should conduct a thorough analysis of the effectiveness of its targeting and interdiction efforts under the AED pilot program.
- (7) **Agreement on Success Metrics.** CBP and the Postal Service should come to agreement on the methodology used for measuring the Postal Service's presentment rate—the success rate of presenting targeted packages to CBP.
- (8) **CBP and Postal Service Resources.** CBP and the Postal Service should deploy sufficient personnel and resources at all of the ISCs to handle the growing volume of international mail and corresponding increase in shipments of illicit drugs. Both agencies should act swiftly to inform Congress of the staffing and technological resources needed to effectively expand their efforts. Congress should pass any legislation necessary to ensure both agencies are capable of maintaining an effective, automated process for targeting and interdicting illicit packages.
- (9) **Deepen Cooperation with the Chinese Government to End Opioid Smuggling, including through Online Sellers.** Executive agencies should continue leveraging the high-level partnerships with Chinese officials established through the U.S.-China Law Enforcement and Cybersecurity Dialogue to combat the shipment of illicit opioids to the United States. These efforts should include both scheduling

additional illicit opioids as illegal and shutting down smuggling routes and methods, including online sellers located in China.

- (10) **Improve Information Sharing.** The Postal Service, CBP, and ECOs should form an Information Sharing and Analysis Center (“ISAC”) to share information about best practices and known shippers of illegal items. It may also be beneficial to include representatives from entities like Western Union, MoneyGram, PayPal, and other peer-to-peer payment platforms.
- (11) **Improve Presentment Metrics.** ECOs should track their presentment rate for all targeted packages requested by CBP.

## II. BACKGROUND

The United States is in the midst of an opioid epidemic. Synthetic opioids, such as fentanyl and its variations, known as analogues, are causing drug overdoses and deaths at an unparalleled rate in communities across our nation. Drug overdoses are now the leading cause of injury-related death in the United States, outnumbering both automobile crashes and gun-related deaths.<sup>5</sup>

Although synthetic opioids enter the country through various streams of commerce, China is the primary source of fentanyl in the United States.<sup>6</sup> These drugs are available for purchase on the Internet. And the rapid growth of international mail packages arriving in the United States has provided cover for bad actors seeking to ship these drugs through the global mail system.

A host of federal agencies are tasked with working together to stop synthetic opioids and other illicit drugs from entering the country. Chief among them is U.S. Customs and Border Protection (“CBP”), which has authority and responsibility for screening both persons and goods entering the country. CBP works closely with the U.S. Postal Service (“Postal Service”) and express consignment operators (“ECOs”), such as FedEx Corporation (“FedEx”), United Parcel Service (“UPS”), and DHL Express U.S. (“DHL”) to target and interdict shipments of contraband. CBP’s targeting efforts benefit from the advance receipt of specific data about inbound international packages and shipments.

---

<sup>5</sup> Josh Katz, *Drug Deaths in America Are Rising Faster Than Ever*, N.Y. TIMES (Jun. 5, 2017), <https://www.nytimes.com/interactive/2017/06/05/upshot/opioid-epidemic-drug-overdose-deaths-are-rising-faster-than-ever.html>.

<sup>6</sup> U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION, FENTANYL: CHINA’S DEADLY EXPORT TO THE UNITED STATES 3 (2017).

The opioid epidemic prompted the Subcommittee to launch an investigation of the federal government's strategy to stop the shipment of synthetic opioids into the United States. The Subcommittee sought to determine whether synthetic opioids are entering the country due to a lack of resources or legal authorities needed to stop these shipments, insufficient coordination among the relevant stakeholders, or other issues. The Subcommittee reviewed the efforts of CBP, the Postal Service, the U.S. Department of State ("State Department"), FedEx, UPS, and DHL to identify, interdict, and prevent these shipments from entering the United States. As part of this investigation, the Subcommittee also visited ports of entry in Baltimore and Long Beach/Los Angeles, as well as the International Service Centers ("ISCs") located in New York at the John F. Kennedy Airport (JFK) and in California at Los Angeles International Airport (LAX). The Subcommittee also visited and interviewed customs officials and law enforcement counterparts in Hong Kong and Singapore. The Subcommittee reviewed over 60,000 pages of documents, two million lines of payment information and shipping data, and conducted a number of interviews and briefings.

#### A. The Opioid Epidemic

Americans are overdosing and dying from fentanyl and other synthetic opioids at rates that far exceed peak death rates from automobile accidents, gun-related deaths, and AIDS.<sup>7</sup> No age group, race, gender, or region of the country has been immune to this epidemic.<sup>8</sup> The opioid epidemic has devastated communities across the nation and has forced state and local officials to devote an unsustainable level of resources to combat it on a daily basis.<sup>9</sup>

According to the Centers for Disease Control and Prevention ("CDC"), based on a review of 2016 statistics, nearly 63,600 people died from drug overdoses, and 66 percent of those deaths were a result of opioids, including fentanyl and its many analogues.<sup>10</sup> In 2015, 63 percent of drug overdose deaths were a result of opioid

<sup>7</sup> Josh Katz, *The First Count of Fentanyl Deaths in 2016: Up 540% in Three Years*, N.Y. TIMES (Sep. 2, 2017), <https://www.nytimes.com/interactive/2017/09/02/upshot/fentanyl-drug-overdose-deaths.html>.

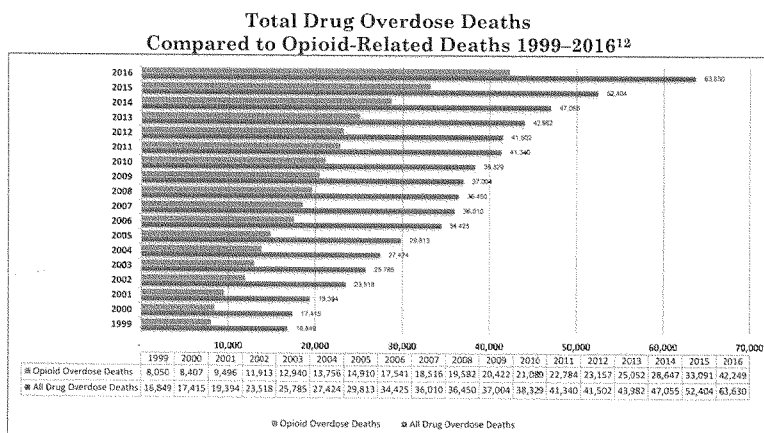
<sup>8</sup> U.S. CENTERS FOR DISEASE CONTROL AND PREVENTION, U.S. DEP'T OF HEALTH AND HUMAN SERVICES, DRUG OVERDOSE DEATHS IN THE UNITED STATES (DEC. 2017), <https://www.cdc.gov/nchs/data/databriefs/db294.pdf> (hereinafter "2016 CDC Opioid Statistics Report").

<sup>9</sup> Press Release, U.S. Drug Enforcement Administration, DEA Warning to Police and Public: Fentanyl Exposure Kills (Jun. 10, 2016).

<sup>10</sup> 2016 CDC Overdose Statistics Report.



overdoses, which have quadrupled since 1999.<sup>11</sup> The chart below depicts the total number of overdose deaths compared to opioid-related deaths from 1999 to 2016.



### 1. Fentanyl and Synthetic Opioids

Fentanyl is a synthetic chemical compound that mimics many of the effects of opiates, such as morphine and heroin.<sup>13</sup> It is a powerful synthetic painkiller that is 50 times more potent than heroin and 100 times stronger than morphine.<sup>14</sup> Physicians currently prescribe fentanyl for pain management in various forms, including transdermal patches, lollipops, and lozenges.<sup>15</sup> Small doses of fentanyl have a high potency and, as a fine-grained powder, it is easy to mix into other illicit

<sup>11</sup> U.S. CENTERS FOR DISEASE CONTROL AND PREVENTION, U.S. DEP'T OF HEALTH AND HUMAN SERVICES, MORBIDITY AND MORTALITY WEEKLY REP. NO. 65 (50–51), INCREASES IN DRUG AND OPIOID-INVOLVED OVERDOSE DEATHS – UNITED STATES, 2010–2015 (2016).

<sup>12</sup> Opioid Overdose Deaths and Opioid Overdose Deaths as a Percent of All Drug Overdose Deaths, Kaiser Family Foundation (2015), <https://www.kff.org/other/state-indicator/opioid-overdose-deaths/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

<sup>13</sup> U.S. CENTERS FOR DISEASE CONTROL AND PREVENTION, U.S. DEP'T OF HEALTH AND HUMAN SERVICES, WHAT IS FENTANYL?, <https://www.cdc.gov/drugoverdose/opioids/fentanyl.html>.

<sup>14</sup> NATIONAL INSTITUTE ON DRUG ABUSE, U.S. DEP'T OF HEALTH AND HUMAN SERVICES, WHAT IS FENTANYL?, <https://www.drugabuse.gov/publications/drugfacts/fentanyl>; Fentanyl, Drug Enforcement Administration, U.S. Dep't of Justice (2016).

[https://www.deadiversion.usdoj.gov/drug\\_chem\\_info/fentanyl.pdf](https://www.deadiversion.usdoj.gov/drug_chem_info/fentanyl.pdf).

<sup>15</sup> U.S. CENTERS FOR DISEASE CONTROL AND PREVENTION, U.S. DEP'T OF HEALTH AND HUMAN SERVICES, WHAT IS FENTANYL?, <https://www.cdc.gov/drugoverdose/opioids/fentanyl.html>.

drugs such as heroin, marijuana, and cocaine, making those drugs even more potent.<sup>16</sup> Counterfeit versions of other narcotics like OxyContin and Percocet also contain fentanyl as a key ingredient.<sup>17</sup> Fentanyl affects the area of the brain that controls breathing, and high doses can cause breathing to stop completely, which can lead to death.<sup>18</sup> Overdose can occur when users unknowingly take fentanyl or are not aware of its potency.<sup>19</sup>

The Drug Enforcement Administration (“DEA”) designated fentanyl and its analogues as Schedule II substances, determining that they have a high potential for abuse and could lead to severe psychological or physical dependence. Several precursors—the chemical substances or compounds used to manufacture fentanyl—are now included on the United Nations Commission on Narcotic Drugs list of illicit substances.<sup>20</sup> According to the United Nations, scheduling substances enables greater control and monitoring of the precursor chemicals, ensuring a concerted international approach.<sup>21</sup>

## 2. The Impact on State and Local Governments

The opioid epidemic has placed an unsustainable strain on state and local governments. Communities across the country are overextending their financial resources and personnel in an effort to save the lives of opioid overdose victims on a daily basis.<sup>22</sup> According to the DEA, fentanyl is not only dangerous for the drug’s users, but also for law enforcement, public health workers, and first responders who may unknowingly come into contact with the drug in its different forms.<sup>23</sup> The DEA has issued safety precautions for first responders and law enforcement officers because fentanyl can be accidentally absorbed through the skin and inhaled through the nasal passages.<sup>24</sup> Because of the drug’s lethality, even in small

<sup>16</sup> *Id.*

<sup>17</sup> Drug Enforcement Administration, U.S. Dep’t of Justice, DEA-DCT-DIB-021-16, *Counterfeit Prescription Pills Containing Fentanyls: A Global Threat* (July 2016).

<sup>18</sup> NATIONAL INSTITUTE ON DRUG ABUSE, U.S. DEP’T OF HEALTH AND HUMAN SERVICES: WHAT IS FENTANYL?, <https://www.drugabuse.gov/publications/drugfacts/fentanyl>.

<sup>19</sup> OFFICE OF DIVERSION CONTROL, NATIONAL FORENSIC LABORATORY INFORMATION SYSTEM, DRUG ENFORCEMENT ADMINISTRATION, U.S. DEP’T OF JUSTICE, SPECIAL REPORT: OPIATES AND RELATED DRUGS REPORTED IN NFLIS, 2009-2014 (2017).

<sup>20</sup> UNITED NATIONS OFFICE ON DRUGS AND CRIME, GLOBAL SMART UPDATE, VOL. 17, FENTANYL AND ITS ANALOGUES – 50 YEARS ON (2017); INTERNATIONAL NARCOTICS CONTROL BOARD, PRECURSORS AND CHEMICALS FREQUENTLY USED IN THE ILLICIT MANUFACTURE OF NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES (2016).

<sup>21</sup> *Id.*

<sup>22</sup> Elizabeth Kneebone and Scott W. Allard, *A Nation in Overdose Peril: Pinpointing the Most Impacted Communities and the Local Gaps in Care*, BROOKINGS (Sept. 25, 2017), <https://www.brookings.edu/research/pinpointing-opioid-in-most-impacted-communities>.

<sup>23</sup> DRUG ENFORCEMENT ADMINISTRATION, U.S. DEP’T OF JUSTICE, FENTANYL: A BRIEFING GUIDE FOR FIRST RESPONDERS (2017).

<sup>24</sup> *Id.*

quantities, law enforcement, first responders, hospitals, and drug treatment facilities now maintain a supply of Naloxone, a medication used to block the effects of opioids, especially in overdose situations, by quickly restoring normal respiration and breathing.<sup>25</sup> Overdose deaths related to opioids such as heroin, oxycodone, hydrocodone, codeine, fentanyl, and morphine can occur within one to three hours of ingestion but are reversible, during that time period, with the use of Naloxone.<sup>26</sup>

## B. How Fentanyl and Synthetic Opioids Enter the United States

Synthetic opioids like fentanyl are openly available for purchase on the Internet and primarily trafficked in packages through the international mail stream.<sup>27</sup> The rise of e-commerce has significantly increased the volume of international mail parcels and packages. The increased volume provides cover for criminals to abuse the international mail system to traffic and distribute illegal substances.

### 1. Sources of Fentanyl

China is the largest exporter of fentanyl to the United States.<sup>28</sup> The majority of illicit fentanyl smuggled into the United States originates in China, sometimes in the form of precursors that are shipped to Mexico or Canada and mixed with other narcotics before being sent across the border into the United States. Until recently, the production of fentanyl was unregulated in China.<sup>29</sup> Over the course of 2017, China banned several fentanyl-derivatives including both carfentanil, a lethal opioid 100 times more potent than fentanyl, and U-47700, a synthetic opioid also known as “pink.”<sup>30</sup>

<sup>25</sup> NATIONAL INSTITUTE ON DRUG ABUSE, U.S. DEP’T OF HEALTH AND HUMAN SERVICES, What is Naloxone?, <https://www.drugabuse.gov/related-topics/opioid-overdose-reversal-naloxone-narcanevzio>.

<sup>26</sup> INSYS DEVELOPMENT COMPANY, INC., JOINT MEETING OF THE ANESTHETIC AND ANALGESIC DRUG PRODUCTS ADVISORY COMMITTEE (AADPAC) AND THE DRUG SAFETY AND RISK MANAGEMENT ADVISORY COMMITTEE (DSARM), U.S. FOOD AND DRUG ADMINISTRATION, U.S. DEP’T OF HEALTH AND HUMAN SERVICES, “NALOXONE FOR TREATMENT OF OPIOID[] OVERDOSE, ADVISORY COMMITTEE OF OCTOBER 5, 2016,” <https://www.fda.gov/downloads/AdvisoryCommittees/CommitteesMeetingMaterials/Drugs/AnestheticAndAnalgesicDrugProductsAdvisoryCommittee/UCM522690.pdf>.

<sup>27</sup> U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION, FENTANYL: CHINA’S DEADLY EXPORT TO THE UNITED STATES 3 (2017); U.N. Off. on Drugs and Crime, World Drug Report, Executive Summary (2017).

<sup>28</sup> *Id.*

<sup>29</sup> Erika Kinetz and Desmond Butler, *Chemical Weapon for Sale: China’s Unregulated Narcotic*, AP NEWS (Oct. 7, 2016), <https://apnews.com/7c85cda5658e46f3a3be95a367f727e6>.

<sup>30</sup> U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION, FENTANYL: CHINA’S DEADLY EXPORT TO THE UNITED STATES 10 (2017).

The DEA and Chinese officials have met regularly to discuss the threat from fentanyl class substances.<sup>31</sup> To improve cooperative efforts between the United States and China, the DEA plans to open a third office in Guangzhou, China, in addition to offices currently in Beijing and Hong Kong.<sup>32</sup> In addition, the U.S. Department of Justice (“Justice Department”) recently handed down several fentanyl-related indictments, including two against Chinese nationals who owned and operated several fentanyl laboratories in China.<sup>33</sup> The labs’ North America-based traffickers and distributors are also under indictment for separate conspiracies to distribute large quantities of fentanyl, fentanyl analogues, and other opiate substances in the United States.<sup>34</sup> The Justice Department similarly indicted another Chinese national for distribution of opioids and other drugs ordered on Chinese websites and shipped from China to the United States.<sup>35</sup>

## 2. Convenience of Purchasing on the Internet

The Internet has significantly increased the availability of deadly synthetic opioids in the United States.<sup>36</sup> Because illicit drug dealers and distributors can remain anonymous online, these virtual marketplaces significantly reduce the risk of detection associated with purchasing fentanyl and other synthetic opioids. The illicit market of all drugs for sale online is growing. A 2015 study estimated that revenues from online illicit drug sales increased from between \$15-17 million in 2012 to \$150-\$180 million in 2015.<sup>37</sup> It is not difficult to find illegal drugs such as synthetic opioids advertised for sale on both the open web, and the dark web—a collection of thousands of websites that are publicly visible but use anonymity tools to hide Internet Protocol (“IP”) addresses. The dark web is one of the largest marketplaces to purchase illegal drugs and is also the hardest marketplace to police.<sup>38</sup> Today, many individuals still use the dark web as a legitimate means to

<sup>31</sup> Press Release, Drug Enforcement Administration, China Announces Scheduling Controls of New Psychoactive Substances/Fentanyl-Class Substances (Jun. 19, 2017).

<sup>32</sup> Erika Kinetz, *DEA Opens Shop in China to Help Fight Synthetic Drug Trade*, AP NEWS, (Jan. 6, 2017), <https://www.apnews.com/3630050eef274653a54cb70e46c4f72a>.

<sup>33</sup> Press Release, U.S. Dep’t of Justice, *Justice Department Announces First Ever Indictments against Designated Chinese Manufacturers of Deadly Fentanyl and Other Opiate Substances* (Oct. 17, 2017).

<sup>34</sup> *Id.*

<sup>35</sup> Press Release, Northern Dist. of Ohio, U.S. Attorney’s Office, U.S. Dep’t of Justice, *Chinese National Living in Massachusetts Arrested and Charged with Distributing Opioids that Were Shipped from China to the U.S. and Ultimately to Ohio* (Jul. 24, 2017).

<sup>36</sup> U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION, FENTANYL: CHINA’S DEADLY EXPORT TO THE UNITED STATES 3 (2017).

<sup>37</sup> Kyle Soska and Nicolas Christin, *Measuring the Longitudinal Evolution of the Online Anonymous Marketplace Ecosystem*, Carnegie Mellon University (Aug. 13, 2015), <http://www.usinex.org/conference/usinexsecurity15/technical-sessions/presentation/soska>.

<sup>38</sup> Eric Jardine, *The Dark Web Dilemma: Tor, Anonymity, and Online Policing*, Paper Series: No 21, Centre for International Governance Innovation, Global Commission on Internet Governance (Sep. 2015), <https://www.cigionline.org/sites/default/files/no.21.pdf>; U.S. NAVAL RESEARCH LABORATORY, U.S. DEP’T OF DEFENSE, NRL RELEASE NUMBER 03-1221.1-2602, TOR: THE SECOND-GENERATION

ensure secure everyday Internet usage; however, a host of dark web merchants are increasingly using the anonymity offered by the dark web to sell illicit drugs, dangerous weapons, counterfeit documents, and even human trafficking victims on various online marketplaces.

Online fentanyl sellers engage in sophisticated sales techniques to offer exclusive products and discounts for bulk orders. Accepted payment methods include cryptocurrencies such as bitcoin, bank transfers, mobile payment services, and money orders. Bitcoin is “completely digital money” and “the first decentralized peer-to-peer payment network.”<sup>39</sup> Bitcoin describes itself as “cash for the Internet.”<sup>40</sup> In addition to anonymity, using bitcoin can be cheaper than processing funds through more traditional means. According to the Financial Crimes Enforcement Network, a user of virtual currency is not a Money Services Business (“MSB”) and is therefore not subject to registration, reporting, and recordkeeping regulations with U.S. financial regulators, making detection by law enforcement more challenging.<sup>41</sup>

### 3. The Growth of E-Commerce

The growth of cross-border e-commerce has dramatically increased the volume of international parcels and packages arriving into the United States. In fact, the chart below shows e-commerce sales worldwide may reach \$4.4 trillion by 2021, primarily due to global internet connectivity and the growing shift towards the convenience of online shopping.<sup>42</sup> North America is the largest regional parcels market by value; however, the Asia-Pacific parcels market has experienced double-digit growth with China accounting for 47 percent of the regional total.<sup>43</sup> Chinese parcels volume has increased rapidly from 1.2 billion in 2007 to 20.6 billion in 2015 and it now sends more parcels than the United States.<sup>44</sup>

---

ONION ROUTER (2004) (The dark web is an outgrowth of software tools developed by the U.S. Naval Research Laboratory in the 1990s. It was initially intended as a means of secure communication and open source intelligence gathering.).

<sup>39</sup> What is Bitcoin?, <https://bitcoin.org/en/faq#what-is-bitcoin>.

<sup>40</sup> *Id.*

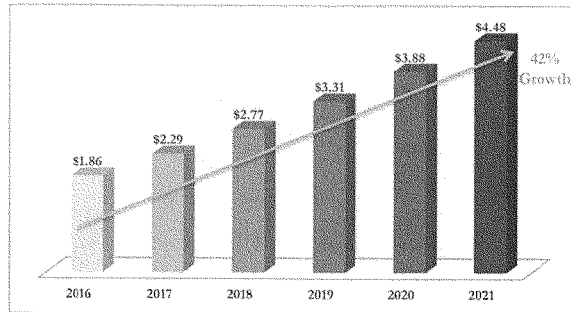
<sup>41</sup> FINANCIAL CRIMES ENFORCEMENT NETWORK, U.S. DEP’T OF THE TREASURY, FIN-2013-G001, APPLICATION OF FINCEN’S REGULATIONS TO PERSONS, ADMINISTERING, EXCHANGING, OR USING VIRTUAL CURRENCIES (2013).

<sup>42</sup> Worldwide Retail and Ecommerce Sales: eMarketer’s Estimates for 2016–2021, eMarketer (Jul. 2017), <https://www.emarketer.com/Report/Worldwide-Retail-Ecommerce-Sales-eMarketers-Estimates-20162021/2002090>.

<sup>43</sup> Global Parcel Market Insight Report 2017, Apex Insight (Jan. 2017), <https://www.apex-insight.com/product/global-parcel-delivery-market-insight-report-2017>.

<sup>44</sup> *Id.*

**Growth of Retail E-Commerce Sales Worldwide  
2016–2021 (In Trillions)<sup>45</sup>**

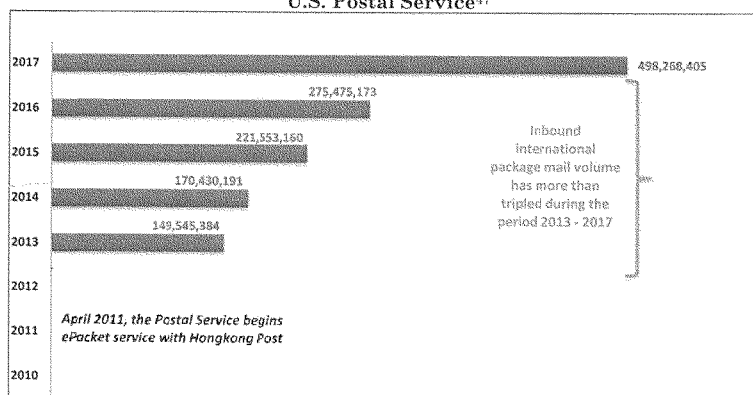


As a result, there has been a tremendous increase in inbound international parcel volume. In 2011, the Postal Service launched a new product and service commonly known as an “ePacket” with Hongkong Post, which includes add tracking and delivery confirmation on certain packages. ePackets are package shipments that weigh less than 4.4 pounds.<sup>46</sup> This facilitated the shipping of lightweight goods and merchandise ordered by consumers in the United States from Hong Kong merchants.

<sup>45</sup> Worldwide Retail and Ecommerce Sales: eMarketer's Estimates for 2016–2021, eMarketer (July 2017), <https://www.emarketer.com/Report/Worldwide-Retail-Ecommerce-Sales-eMarketers-Estimates-20162021/2002090>.

<sup>46</sup> Press Release, U.S. Postal Service, Postal Service Initiates ePacket Service with Hongkong Post (Apr. 20, 2011).

**Growth of Inbound International Mail Volume  
U.S. Postal Service<sup>47</sup>**



#### 4. The International Mail System

The Universal Postal Union (“UPU”) is the primary forum for cooperation between postal operators around the world. It sets the rules for international mail exchanges and makes recommendations intended to stimulate growth in mail and parcel volumes and improve quality of service.<sup>48</sup> Of the 195 countries in the world, the UPU has 192 members. The United States has been a member since the UPU’s founding in 1874.<sup>49</sup>

The UPU’s universal service obligation requires its members to accept and deliver mail from all member foreign postal operators. As a result, the Postal Service, as the designated postal operator on behalf of the United States is required to accept all international mail from other UPU members under the UPU treaty. Mail from foreign postal operators arrives in the United States via commercial airline carriers at an airport with a Postal Service ISC.

The State Department represents U.S. interests at the UPU, in coordination with the Postal Service. The State Department, as the country’s representative at

<sup>47</sup> United States Postal Service production to the Subcommittee (May 9, 2017) (on file with the Subcommittee).

<sup>48</sup> Annual Report, Universal Postal Union (2013), [http://news.upu.int/fileadmin/user\\_upload/PDF/Reports/annual\\_report\\_2013.pdf](http://news.upu.int/fileadmin/user_upload/PDF/Reports/annual_report_2013.pdf).

<sup>49</sup> CONSTITUTION GENERAL REGULATIONS: RULES OF PROCEDURE, LEGAL STATUS OF THE UPU, LIST OF RESOLUTIONS AND DECISIONS, International Bureau of the Universal Postal Union (Bern 2014).

the UPU, is responsible for the formulation, coordination, and oversight of foreign policy related to international postal services and other international delivery services.<sup>50</sup>

The Postal Service's primary mission is to accept, process, and deliver the mail within an agreed timeframe, which is typically defined by the type of mail product. Mail products include letters, express mail service ("EMS"), and parcels, all of which have different delivery requirements. To receive and process the international mail, the Postal Service primarily relies on five ISCs in the United States located at the airports in New York ("JFK"), Miami ("MIA"), Chicago ("ORD"), Los Angeles ("LAX"), and San Francisco ("SFO").<sup>51</sup> Once offloaded from the commercial airline carriers, the mail then moves to the ISC where the Postal Service sorts it.

During the Postal Service's initial sorting process, the Postal Service identifies and presents any packages targeted by CBP for screening and inspection. The U.S. Postal Inspection Service ("Postal Inspection Service") also provides assistance with identifying and retrieving packages targeted by CBP, either at the ISCs or in the domestic mail stream.<sup>52</sup> After receiving clearance from CBP, the Postal Service transports mail to processing and distribution plants around the country.

ECOs such as DHL, FedEx, and UPS also accept and deliver parcels and packages bound for the United States from customers in foreign countries. These companies have agreements and package acceptance operations in hundreds of countries around the world. Unlike the Postal Service, ECOs own and operate airplanes used to transport international cargo. These airplanes similarly arrive at private mail processing facilities across the United States.<sup>53</sup> Private express parcels and packages also undergo x-ray screening to ensure they do not contain dangerous or hazardous materials. Like the Postal Service, ECOs are required to accommodate CBP officials at their facilities to allow for screening and inspection before international mail officially enters the U.S. mail stream.<sup>54</sup>

<sup>50</sup> 39 U.S.C. §§ 407(b)(1), (b)(2)(D) (2016).

<sup>51</sup> U.S. POSTAL SERVICE, 2010 COMPREHENSIVE STATEMENT ON POSTAL OPERATIONS 31 (2010).

<sup>52</sup> 18 U.S.C. § 3061 (2016).

<sup>53</sup> DHL Key Facts: United States, [http://www.dhl-usa.com/en/country\\_profile/key\\_facts.html](http://www.dhl-usa.com/en/country_profile/key_facts.html); About FedEx, <http://about.van.fedex.com/our-story/global-reach/>; UPS Air Operation Facts, <https://www.pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=FactSheets&id=1426321563773-779>.

<sup>54</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (testimony of Norman Schenk, Vice President of Global Customs Policy and Public Affairs, United Parcel Service).



### C. Preventing Fentanyl and Synthetic Opioids from Entering the United States

CBP, in collaboration with the Postal Service and ECOs, is tasked with preventing international mail shipments containing illicit drugs from entering the United States. As previously indicated, CBP officials are located at Postal Service ISCs and ECO facilities. The use of advanced electronic data (“AED”) linked to each package from shipment manifests enhances CBP’s ability to target individual packages potentially containing contraband, including illicit drugs such as fentanyl.

#### 1. U.S. Customs and Border Protection

CBP is among the primary federal agencies responsible for securing America’s borders, “while facilitating lawful international travel and trade.”<sup>55</sup> CBP has authority to screen shipments from foreign postal operators and ECOs for contraband including illegal drugs or counterfeit goods.<sup>56</sup> CBP monitors international shipments arriving in the United States at airports, maritime ports of entry, and through land borders in the north and south.<sup>57</sup> CBP has enforcement authority to open and inspect all inbound international mail and cargo to ensure compliance with U.S. trade and safety laws, rules, and regulations.<sup>58</sup> The Postal Service and ECOs support CBP’s mission to prevent illegal items from entering the United States by providing CBP with targeted packages, parcels, and shipments that will undergo inspection.

#### 2. Advanced Electronic Data and International Mail Acceptance

The growing volume of international mail poses challenges for both the Postal Service and CBP.<sup>59</sup> International mail package volume has more than doubled since 2013, and the Postal Service can receive as many as one million packages each day.<sup>60</sup> More than half of all inbound international packages arrive at New York’s JFK airport, one of the country’s five ISCs.<sup>61</sup> CBP uses intelligence and

<sup>55</sup> About CBP, <https://www.cbp.gov/about>.

<sup>56</sup> 19 C.F.R. § 162.6 (2017); *see also generally* 19 C.F.R. §§ 162.3–162.7 (2017).

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (statement of Robert E. Perez, Executive Assistant Commissioner in Office of Operations Support, U.S. Customs and Border Protection).

<sup>60</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (statement of Tammy Whitcomb, Acting Inspector General, U.S. Postal Service Office of Inspector General).

<sup>61</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (statement of Sen. Rob Portman, Chairman, S.

on-the-ground experience to target specific packages for further inspection.<sup>62</sup> AED from shipment manifests, in part, aids CBP's targeting efforts.<sup>63</sup>

AED typically includes sender and recipient information such as names, addresses, and package content.<sup>64</sup> Foreign postal operators such as Hongkong Post, China Post, and Australia Post collect and provide AED to the Postal Service for international mail shipments.<sup>65</sup> The Postal Service transmits any AED it receives from foreign postal operators to CBP.<sup>66</sup> There is presently no requirement for foreign postal operators to provide AED to the Postal Service,<sup>67</sup> although some bilateral agreements executed by the Postal Service with foreign postal operators do contain such a requirement. However, ECOs require AED as a condition of accepting any shipment in every country where they choose to do business, and they also transmit any AED they receive to CBP.<sup>68</sup> Congress mandated the collection and transmission of AED by ECOs in the Trade Act of 2002. That legislation did not apply to the Postal Service and instead permits the Secretary of the Treasury and the Secretary of Homeland Security, in consultation with the Postmaster General, to determine whether the Postal Service must collect AED. As of the publishing of this report, no such decision has been made.

Although not required to collect AED from foreign postal operators, the Postal Service does receive AED from a number of countries. In total, in 2017 the Postal Service received AED on 36 percent of all inbound international mail volume.<sup>69</sup> The chart on the next page shows the percentage of AED the Postal Service receives from foreign posts on inbound international packages.

---

Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs).

<sup>62</sup> See *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017).

<sup>63</sup> *Id.*

<sup>64</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (statements of Tammy Whitcomb, Acting Inspector General, U.S. Postal Service Office of Inspector General and Robert Cintron, Vice President of Network Operations, U.S. Postal Service).

<sup>65</sup> See *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017).

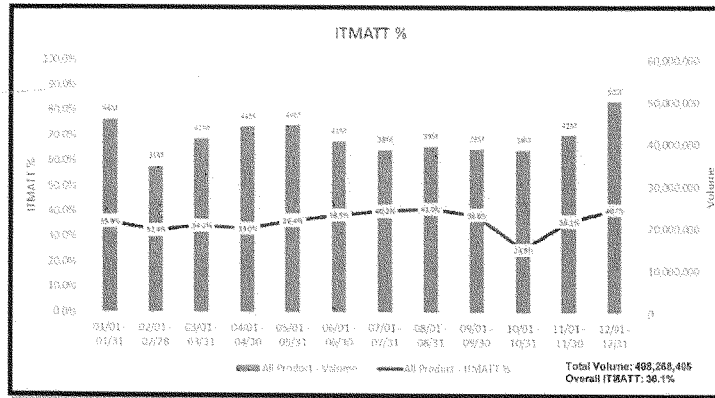
<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> 19 C.F.R. § 122.48a (2017).

<sup>69</sup> United States Postal Service production to the Subcommittee (Jan. 12, 2018) (on file with the Subcommittee).

**The Percent of AED Received for Inbound International Packages<sup>70</sup>**



In the interim, the Postal Service has already entered into bilateral and multilateral agreements with certain foreign postal operators and international alliances, such as the *Kahala Posts Group* and the *International Post Corporation*.<sup>71</sup> Some of these agreements include provisions requiring the foreign postal operator to share AED on packages bound for the United States.

The UPU has also implemented initiatives to increase the amount of AED provided to the Postal Service from foreign postal operators.<sup>72</sup> Most recently, the UPU approved a roadmap for the implementation of AED-sharing between posts, customs agencies, and air carriers to facilitate the safe and efficient delivery of international mail.<sup>73</sup> According to the UPU, this roadmap will be an essential component to ensuring that all posts are able to exchange AED by 2020.<sup>74</sup> In conjunction with the UPU's development of an Integrated Product Plan ("IPP"), the UPU now requires that barcodes be placed on all international packages containing

<sup>70</sup> United States Postal Service production to the Subcommittee (Jan. 12, 2018) (on file with the Subcommittee).

<sup>71</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (statement of Robert Cintron, Vice President of Network Operations, U.S. Postal Service).

<sup>72</sup> Postal Development on the Move, Universal Postal Union, (Aug. 2017), [http://news.upu.int/fileadmin/magazine/2017/en/UPU-3414\\_UPU0217\\_EN\\_Final\\_Web.pdf](http://news.upu.int/fileadmin/magazine/2017/en/UPU-3414_UPU0217_EN_Final_Web.pdf).

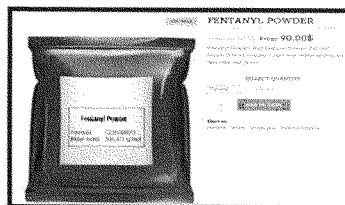
<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

goods. Although there is no requirement for the barcodes to contain data, their placement on all packages is considered a first step in requiring AED.

### III. ONLINE SELLERS OF SYNTHETIC OPIOIDS OPERATE OPENLY USING COMMON SHIPPING AND PAYMENT METHODS

The Internet has significantly contributed to the increased availability of deadly synthetic opioids in the United States.<sup>75</sup> It is not difficult to find illegal drugs such as synthetic opioids advertised for sale on both the open web and the dark web.



And since operators and distributors can remain anonymous online, these online marketplaces significantly reduce the risk of detection associated with purchasing fentanyl and other synthetic opioids.

The Subcommittee set out to determine just how easy it is to find synthetic opioids advertised and available for sale online. It found a

number of online sellers willing to openly discuss how they could ship illegal synthetic opioids to the United States. The Subcommittee initially used common Internet search tools to discover websites offering drugs for sale on the open web and then searched the dark web with more advanced tools. Over the course of just one month, the Subcommittee identified dozens of websites offering synthetic opioids for sale, the overt techniques used by online sellers to communicate with prospective buyers of illegal drugs, and various forms of readily available payment and shipping methods for use. As shown above, online sellers openly advertise dangerous and deadly synthetic opioids for purchase.<sup>76</sup>

The results are alarming and illustrative of how illegal drug sales brazenly take place online. This section summarizes the Subcommittee's findings and details case studies of the Subcommittee's communications with the websites. First, the

<sup>75</sup> Briefing with the U.S. Dep't of Homeland Security, Homeland Security Investigations (July 13, 2017); *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs Before Perm. Subcomm. on Investigations*, 115th Cong. 24 (2017) (testimony of Gregory D. Thome, Director, Office of Specialized and Technical Agencies, Bureau of Int'l Org. Affairs, U.S. Dep't of State) ("In addition to shipments that find their way into the United States from across our land borders and through express delivery services, illicit fentanyl and other illicit drugs also enter the country through international mail, typically in small shipments purchased online by individual customers.").

<sup>76</sup> Screenshot (June 20, 2017) (on file with the Subcommittee); Screenshot of *Website D* (June 13, 2017) (on file with the Subcommittee).

Subcommittee communicated with numerous websites offering synthetic opioids for sale. Representatives for these websites responded quickly—sometimes within minutes—and engaged in sophisticated sales techniques to offer

exclusive products and discounts for bulk orders. Second, the sellers expressed a preference for cryptocurrencies such as bitcoin; but also conveyed a willingness to accept bank transfers, mobile payment services, and money orders. Third, the sellers offered various shipment options, but uniformly preferred the United States Postal Service.



#### A. Methodology for Identifying and Communicating with Online Opioid Sellers

To locate online sellers offering to ship synthetic opioids to the United States, the Subcommittee posed as a first-time drug purchaser, relying on readily available online tools and search engines. The intent was to mimic an average Internet user by searching common fentanyl-related terms and asking the sellers straightforward questions about their products and available payment and shipping methods. From May 8, 2017 to June 12, 2017, the Subcommittee searched *Google* using basic search terms to identify websites advertising synthetic opioids for sale, as shown in the previous screenshot. These search terms included “fentanyl for sale,” “buy fentanyl online,” “fentanyl available online,” and “buy research chemicals.”<sup>77</sup> The Subcommittee identified 24 websites (the “online sellers”) offering synthetic opioids for purchase, including fentanyl and carfentanil.

To contact the online sellers, the Subcommittee created an online persona and email address for all drug-related communication with websites offering the sale of synthetic opioids—on both the open web and dark web. The Subcommittee either sent email messages or filled in contact forms on the websites to initiate communication. Five websites appeared to no longer be functional at the time the Subcommittee attempted initial contact. Additionally, some email addresses bounced back as no longer valid, and others never replied.

<sup>77</sup> Screenshot of google.com search “buy fentanyl online” (Nov. 17, 2017) (on file with the Subcommittee).

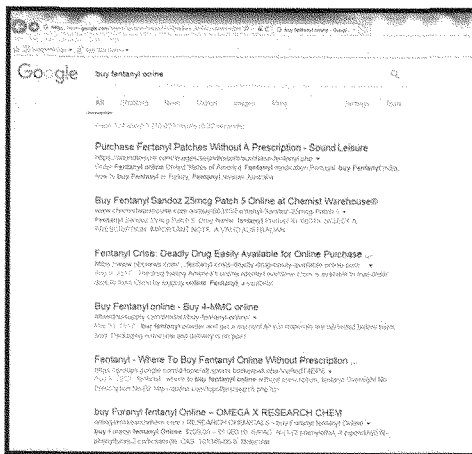
Six websites the Subcommittee contacted were active and responded to the Subcommittee's email requests. These websites offered potential buyers the opportunity to communicate directly with customer service representatives regarding questions or other concerns. For approximately two months, the Subcommittee communicated directly with several of these customer service representatives for websites offering synthetic opioids and other illicit drugs for sale and shipment to the United States. The Subcommittee focused on these six online sellers who responded in a reasonable time frame and advertised synthetic opioids for sale:

- **Website A**
- **Website B**
- **Website C**
- **Website D**
- **Website E**
- **Website F**

While the Subcommittee engaged in prolonged discussions with individuals associated with the above-listed websites, at no time did the Subcommittee agree to make a purchase, send any payment, or receive any shipments of drugs. Communications with the websites related only to quantity and type of drugs available for purchase, payment methods, and shipping details. Additionally, in order to provide actionable leads to appropriate law enforcement authorities, the Subcommittee is not including the names of the websites in this public report.

#### B. Online Sellers Responded Within Minutes

Numerous online sellers were eager to engage in communications with the Subcommittee and answer any questions needed to complete a sale. Communicating with the online sellers was critical to learning more about their identity, shipping concealment methods, transit routes, and other information not



posted publicly on the websites. The representatives generally responded quickly, offering fentanyl and other, more powerful, drugs for sale. In many instances, the public websites lacked the specific information detailed below that was later communicated to the Subcommittee in emails by representatives for the online sellers.

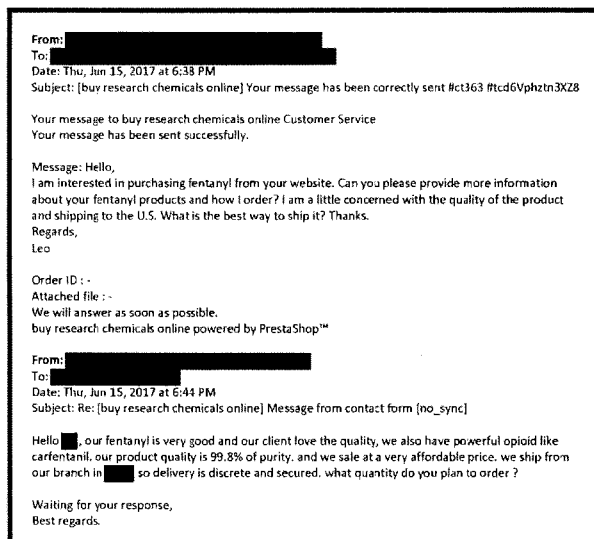
The Subcommittee sent the same initial request message to all of the online sellers advertising fentanyl for sale. The message requested information regarding the purported quality of the product, which drugs were being offered, drug prices, preferred shipping method, country of origin, payment method, and how the online seller would attempt to evade law enforcement or customs seizures. None of the online sellers attempted to disguise the drug products for sale, and all communicated openly via email.

The online sellers responded with substantive answers to the Subcommittee's questions. For example, as shown below, *Website F* responded within six minutes to the Subcommittee's request to purchase fentanyl and even offered to upsell to carfentanil,<sup>78</sup> an even stronger and more dangerous synthetic opioid.<sup>79</sup>

---

<sup>78</sup> Carfentanil is a synthetic opioid with a potency 100 times greater than fentanyl, and 10,000 times greater than morphine. Under the Controlled Substances Act, carfentanil is classified as a Schedule II narcotic which is customarily used as a tranquilizing agent for elephants and other large animals. Press Release, *DEA Issues Carfentanil Warning to Police and Public*, U.S. Dep't of Justice, Drug Enforcement Administration (Sept. 22, 2016), <https://www.dea.gov/divisions/hq/2016/hq092216.shtml>.

<sup>79</sup> Email communication (June 15, 2017) (App. 0285).



80

Of the five other online sellers contacted by the Subcommittee, four responded within an hour of receiving the Subcommittee's offer to buy fentanyl and the fifth seller responded in less than 13 hours.

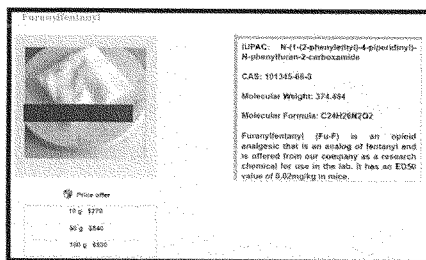
### C. Online Sellers Monitor Drug "Scheduling"

Online sellers showed a high level of sophistication, demonstrating knowledge of recent U.S. and Chinese efforts to combat illicit drug sales. According to the U.S.-China Economic and Security Review Commission, because fentanyl is not widely used as a recreational drug in China, authorities there historically placed little emphasis on controlling its production and sale.<sup>81</sup> However, the Chinese government recently announced several scheduling control orders for

<sup>80</sup> *Id.*

<sup>81</sup> U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION, FENTANYL: CHINA'S DEADLY EXPORT TO THE UNITED STATES 2 (2017) ("According to U.S. law enforcement and drug investigators, China is the main supplier of fentanyl to the United States, Mexico, and Canada. Because illicit fentanyl is not widely used in China, authorities place little emphasis on controlling its production and export.").

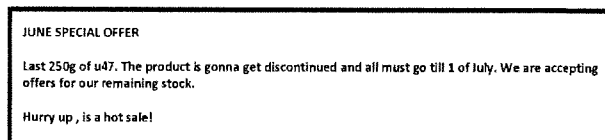




fentanyl and related substances.<sup>82</sup> This resulted in both challenges and opportunities for online sellers based in China.

For example, one commonly abused fentanyl product, often referred to by its chemical pseudonym of U-47700, was scheduled and banned by the DEA in

September 2016.<sup>83</sup> On June 19, 2017, China added the drug to its list of controlled substances, effective July 1, 2017.<sup>84</sup> *Website A* apparently viewed China's scheduling of U-47700 as a unique business opportunity. On June 25, 2017, *Website A* notified the Subcommittee that the company was only selling U-47700 until July 1, 2017.<sup>85</sup> The online seller's website publicly advertised this as a "hot sale," even allowing buyers to make offers on the remaining product.<sup>86</sup>



87

On October 6, 2017, *Website A* informed the Subcommittee that U-47700 was now discontinued. However, U-48800, another fentanyl analog, was available for purchase, as shown in the screenshot below.<sup>88</sup>

<sup>82</sup> Press Release, *China announces scheduling controls of new psychoactive substances/fentanyl-class substances*, Drug Enforcement Administration, U.S. Dep't of Justice, (June 19, 2017), <https://www.dea.gov/divisions/hq/2017/hq061917.shtml>.

<sup>83</sup> List of Controlled Substances, Drug Enforcement Administration, U.S. Dep't of Justice (Nov. 17, 2017), [https://www.deadiversion.usdoj.gov/schedules/orangebook/c\\_cs\\_alpha.pdf](https://www.deadiversion.usdoj.gov/schedules/orangebook/c_cs_alpha.pdf); Executive Order 2016-01K, Office of the Governor of Ohio (May 3, 2016), <http://www.governor.ohio.gov/Portals/0/pdf/executiveOrders/Executive%20Order%202016-01K.pdf>.

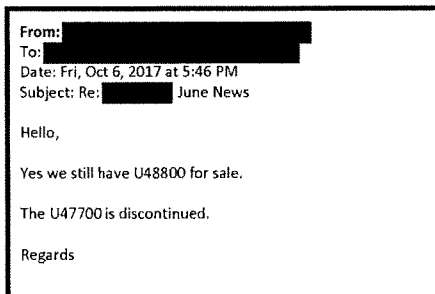
<sup>84</sup> Press Release, *China announces scheduling controls of new psychoactive substances/fentanyl-class substances*, Drug Enforcement Administration, U.S. Dep't of Justice (June 19, 2017), <https://www.dea.gov/divisions/hq/2017/hq061917.shtml>.

<sup>85</sup> Email communication (June 25, 2017) (App. 0260).

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> Email communication (Oct. 6, 2017) (App. 0262).



As of this report, U-48800 is not currently scheduled in either the United States or China. The DEA recently announced it plans to publish a notice of intent to temporarily schedule all fentanyl-related substances on an emergency basis. According to the DEA, the temporary measure will make it easier to prosecute traffickers of all forms of fentanyl-related substances and will be effective for up to two years, with the possibility of a one-year extension.<sup>89</sup>

#### 1. Online Sellers Offered Discounts and Comparable Opioids

The online sellers also routinely offered discounts and other opioid products comparable to fentanyl in an attempt to increase sales and profit. **Website A** offered the most refined bulk order discount. As shown below, discounts were based on quantity ordered, payment method, and if the customer wanted a guaranteed shipment.<sup>90</sup> The online seller explained that a guaranteed shipment was essentially an insurance policy—providing the customer with a replacement shipment if the original was seized.<sup>91</sup>

<sup>89</sup> Press Release, *Department of Justice announces significant tool in prosecuting opioid traffickers in emergency scheduling of all fentanyl's*, Drug Enforcement Administration, U.S. Dep't of Justice, (Nov. 9, 2017), <https://www.dea.gov/divisions/hq/2017/hq110917.shtml>.

<sup>90</sup> Email communication (June 15, 2017) (App. 0261).

<sup>91</sup> *Id.*

From: [REDACTED]  
 To: [REDACTED]  
 Date: Thu, Jun 15, 2017 at 3:27 AM  
 Subject: Re: Research Chemicals For Sale USA Contact: Order Help

Weight	Western Union+ incl. Reship guarantee	Bitcoin + incl. Reship guarantee	Western Union - no Reship	Bitcoin -no Reship
2g	145\$	133\$	78\$	71\$
10g	232\$	213\$	143\$	131\$
25g	394\$	362\$	265\$	243\$
50g	665\$	611\$	467\$	429\$
100g	1206\$	1109\$	873\$	803\$
250g	2829\$	2602\$	2091\$	1923\$
500g	5535\$	5092\$	4120\$	3815\$
1000g	10949\$	10073\$	7573\$	7524\$

92

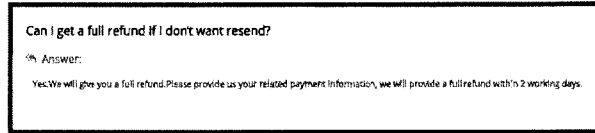
**Website B** offered to send another package to the Subcommittee if the original order of fentanyl was held by customs authorities for more than 14 days.<sup>93</sup> If a package was held for more than three weeks, **Website C** offered to send a replacement package. However, **Website C** only offered reshipment if Express Mail Service (“EMS”), a product offered by many UPU member postal operators, including China Post, was used and would not guarantee other shipping methods. The term “EMS” is generally synonymous with a country’s government-run shipping service. As an example, “China Post” and “EMS,” both refer to China’s official postal delivery service. The same is true for the Postal Service; it, too, could accurately be called “EMS.”<sup>94</sup> In addition to reshipment, **Website C** offered a full refund within two business days to customers who did not want to have a package reshipped, as shown below.<sup>95</sup>

<sup>92</sup> *Id.*

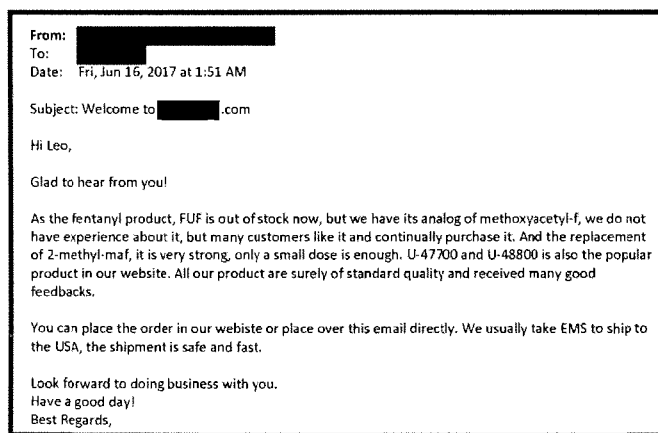
<sup>93</sup> Email communication (June 15, 2017) (App. 0257).

<sup>94</sup> What is EMS?, Universal Postal Union (2017), [http://www.ems.post/what\\_is\\_ems](http://www.ems.post/what_is_ems).

<sup>95</sup> Screenshot of **Website C** (Nov. 17, 2017) (on file with the Subcommittee).



Another online seller, **Website D**, offered the Subcommittee a 20 percent discount on fentanyl orders over one kilogram.<sup>96</sup> Finally, **Website C**, as shown below, offered several alternative drugs when the requested fentanyl product was out of stock.



97

The online sellers also expressed confidence that their products would be delivered as ordered. **Website A**, **Website B**, and **Website C** all offered reshipment guarantees and agreed to resend products if the package was held by Customs.<sup>98</sup> **Website A** required an additional fee for a reshipment guarantee and provided an incentive to order more drugs to save on potential reshipping costs. **Website A's** minimum order for two grams of fentanyl with a reshipment guarantee cost \$145, versus \$78 without a guarantee, for a savings of 7.6 percent if the first shipment

<sup>96</sup> Email communication (June 13, 2017) (App. 0275).

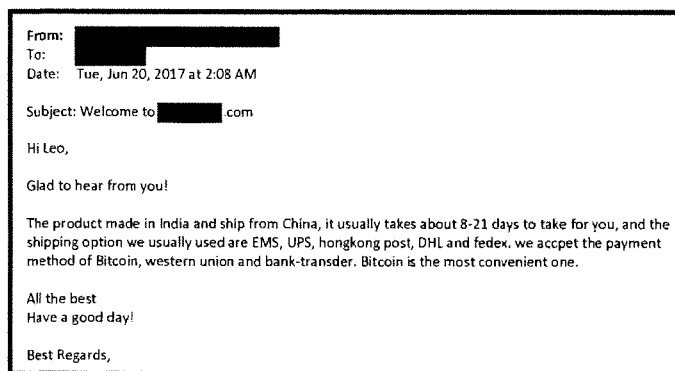
<sup>97</sup> Email communication (June 16, 2017) (App. 0273).

<sup>98</sup> Email communication (June 15, 2017) (App. 00931); Screenshot of **Website C** (June 20, 2017) (on file with the Subcommittee).

was seized.<sup>99</sup> **Website A's** order of one kilogram of fentanyl with a reshipment guarantee cost \$10,949, versus \$7,573 without a guarantee, at a savings of 38.3 percent if the initial shipment is seized.<sup>100</sup> **Website D** did not offer reshipment, but did offer the Subcommittee a full refund if a purchase was not delivered.<sup>101</sup>

#### D. Online Sellers Prefer Bitcoin

All of the online sellers accepted payment in the form of bitcoin, which was their preferred payment method. Bitcoin is “completely digital money” and “the first decentralized peer-to-peer payment network.”<sup>102</sup> Bitcoin is described as “cash for the Internet.”<sup>103</sup> Some of the online sellers contacted by the Subcommittee offered substantial discounts if bitcoin was used for payment.<sup>104</sup> **Website F** initially offered bitcoin as the only available form of payment before the Subcommittee requested other payment methods.<sup>105</sup> **Website C** described bitcoin as the “most convenient” payment method, as shown below.<sup>106</sup>



In addition to anonymity, using bitcoin can be cheaper than processing funds through more traditional means, such as wire transfers and money orders. For

<sup>99</sup> Email communication (June 15, 2017) (App. 0261).

<sup>100</sup> *Id.*

<sup>101</sup> Email communication (June 15, 2017) (App. 0278).

<sup>102</sup> Bitcoin.org, *Frequently Asked Questions*, <https://bitcoin.org/en/faq#what-is-bitcoin>.

<sup>103</sup> *Id.*

<sup>104</sup> Screenshot of **Website E** (Nov. 14, 2017) (on file with the Subcommittee); Email communication (June 25, 2017) (App. 0260).

<sup>105</sup> Email communication (June 15, 2017) (App. 0282).

<sup>106</sup> Email communication (June 20, 2017) (App. 0269).

example, Western Union enforces a \$500 per transaction limit and a \$1,000 monthly sending limit—and there are fees associated with sending money.<sup>107</sup> Bitcoin, by contrast, does not have these transactional limits. According to the Financial Crimes Enforcement Network, a user of virtual currency is not a Money Services Business (MSB) and is therefore not subject to registration, reporting, and recordkeeping regulations with U.S. financial regulators.<sup>108</sup>

While bitcoin was the preferred payment option, the online sellers contacted by the Subcommittee accepted various other payment forms, including Western Union transfers, MoneyGram, PayPal, credit card, gift card, and even direct bank transfer. For example, *Website D* offered the Subcommittee numerous payment options including credit card, Visa/MasterCard gift card, bank transfer, and bitcoin. The website's shipping time even varied depending on the payment method: "Discreet shipping within 30 minutes are [sic] only available for VISA/MASTERCARD Gift Cards payments. For Credit Card and Bitcoin payments, it will take 1-2 hours before order can be ship [sic] since payment is not instant."<sup>109</sup>

The Subcommittee's investigation further revealed that there is risk for purchasers relying on a traditional MSB, or money remitter,<sup>110</sup> as opposed to the more anonymous cryptocurrencies. On July 21, 2017, the Subcommittee requested payment information from Western Union related to various online seller accounts. Shortly thereafter, Western Union notified the Subcommittee that they were closing the accounts at issue in the Subcommittee's request. As a result of having their Western Union accounts closed, at least two of the websites formally changed their payment policies and began only accepting bitcoin. Specifically, on July 26, 2017, *Website A* sent the following email on July 26, 2017, stating it no longer accepted Western Union and would only accept bitcoin:

<sup>107</sup> Western Union, *Frequently Asked Questions*, <https://www.westernunion.com/us/en/customer-care/cc-faqs.html>.

<sup>108</sup> Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001, U.S. DEP'T OF THE TREASURY, FINANCIAL CRIMES ENFORCEMENT NETWORK (Mar. 18, 2013); Money Services Business Definition, U.S. DEP'T OF THE TREASURY, FINANCIAL CRIMES ENFORCEMENT NETWORK (Nov. 1, 2016), <https://www.fincen.gov/money-services-business-definition>.

<sup>109</sup> Email communication (June 15, 2017) (App. 0275).

<sup>110</sup> A money remitter is any individual who engages in the business of transferring funds abroad through remittance transfer providers such as banks, credit unions, and other financial services companies. See 31 C.F.R. § 103.11(uu)(5)(B) (2017); CONSUMER FIN. PROT. BUREAU, *What is a Remittance Transfer?* (2016), <https://www.consumerfinance.gov/ask-cfpb/what-is-a-remittance-transfer-en-1161/>.

From: [REDACTED]  
 To: [REDACTED]  
 Date: Wed, Jul 26, 2017 at 7:35 PM  
 Subject: Re: Research Chemicals For Sale USA Contact: Order Help

hello,

we stop the WU . we use only bitcoins right now as a form of payment.

Warm Regards

111

*Website A* provided the Subcommittee with its bitcoin wallet address, which received bitcoins totaling approximately \$500,000.<sup>112</sup>

Additionally, *Website C* sent the following email after the Subcommittee requested financial records:

From: [REDACTED]  
 To: [REDACTED]  
 Date: Thu, Jul 27, 2017 at 1:08 AM

Hi Leo,  
 Glad to hear from you!

Sorry to tell you about that our western union is not available now, would you mind to pay using bitcoin or bank transfer?

Look forward to doing business with you.  
 Have a good night!

Best Regards,

113

#### **E. Online Sellers Prefer Shipping Drugs with Government-Run Postal Operators**

All of the international online sellers who corresponded with the Subcommittee expressed confidence that the drug products they advertised would get delivered to the United States and not be seized by any customs authorities. The shipping methods used by the online sellers varied. After extensive

<sup>111</sup> Email communication (July 26, 2017) (App. 0263).

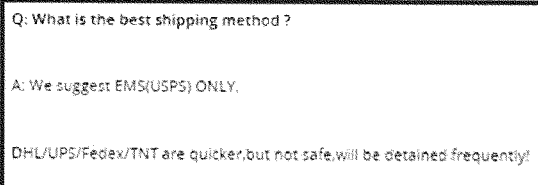
<sup>112</sup> Records on file with the Subcommittee.

<sup>113</sup> Email communication (July 27, 2017) (App. 0272).

communications, it became clear that three main shipping routes were used by the websites: (1) shipment directly from China to a U.S.-based address; (2) transshipment from China through another country to a U.S. address; or, (3) shipment from China to a U.S.-based distributor and then to a U.S. address.

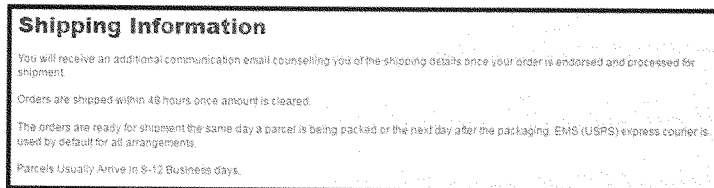
There was one common thread among all three shipping routes: All of the international websites preferred to use the government-operated postal service EMS, a cooperative run by members of the Universal Postal Union, which is discussed in more detail in the background section of this report. Other shipping options were offered when the Subcommittee requested additional information.

**Website C** suggested a purchaser only use EMS and discouraged use of ECOs, such as DHL, FedEx, and UPS:



114

**Website A's** shipping section, as shown below, states that orders are shipped within one to two days of packing and lists EMS as the default shipping option. The same website also guaranteed delivery for all countries it ships to, including the United States, as long as the purchaser used EMS as the shipping option.



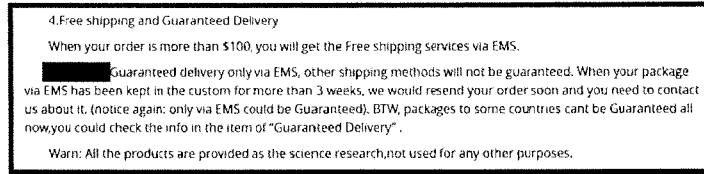
115

Additionally, as shown below, **Website C** guaranteed delivery only if EMS was used and offered free EMS shipping for orders over \$100.

<sup>114</sup> Screenshot of **Website C** (Nov. 17, 2017) (on file with the Subcommittee).

<sup>115</sup> Screenshot of **Website A** (May 9, 2017) (on file with the Subcommittee).

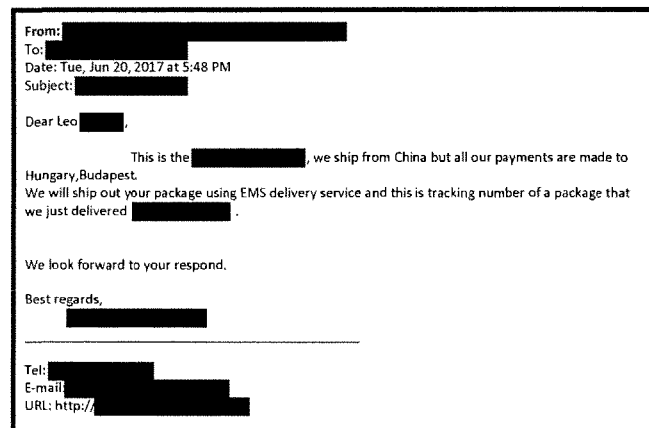




116

While all of the international online sellers contacted by the Subcommittee preferred to use EMS, the actual shipment route differed. Below are three examples of the shipment routes the sellers described.

**Direct from China to the United States.** Three of the six sellers indicated that they would ship the product directly from China to the final destination in the United States. For example, **Website E** offered to sell the Subcommittee a 99 percent pure fentanyl analog shipped directly from China using EMS:



117

<sup>116</sup> Screenshot of **Website C** (June 20, 2017) (on file with the Subcommittee).

**Website E** also provided several tracking numbers to prove they were capable of delivering their product.<sup>118</sup> The tracking numbers all indicated recent packages successfully shipped from China to various locations throughout the United States.

**Transshipment.** As mentioned previously, transshipment is the process of shipping goods through a second country, port, or territory before they arrive at their final destination.<sup>119</sup> Investigators with the Department of Homeland Security's Homeland Security Investigations ("HSI") reported seeing packages "purposefully" diverted through various countries as transshipment points to avoid both Chinese and U.S. customs authorities.<sup>120</sup> Additionally, CBP officials indicated that transshipment is a "huge problem" as packages containing illicit goods are being routed through countries with less scrutiny.<sup>121</sup>

One online seller relied on transshipment as a way to give potential buyers confidence that the illegal drugs would arrive without incident. **Website B** stated, below, they would ship fentanyl to the United States via EMS. Although the fentanyl was manufactured in China, the dealer indicated it would be transshipped through a European country, which was described as a "low risky [sic] country."<sup>122</sup>

---

<sup>117</sup> Email communication (June 20, 2017) (App. 0281). As a reminder, the Subcommittee did not complete any purchases: **Website E** provided a tracking number solely as evidence that it successfully shipped packages directly from China to the United States.

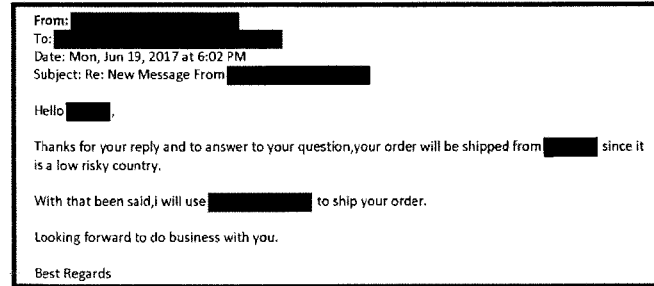
<sup>118</sup> Email communication (June 15, 2017) (App. 0280); Email communication (June 20, 2017) (App. 0281).

<sup>119</sup> U.S. CUSTOMS & BORDER PROTECTION, CSMS #98-000243, *Textile Transshipment Report* (1998).

<sup>120</sup> Briefing with the U.S. Dep't of Homeland Security, Homeland Security Investigations (July 13, 2017).

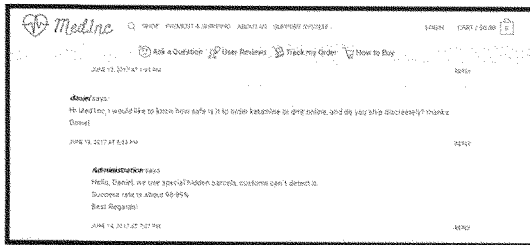
<sup>121</sup> Briefing with U.S. Dep't. of Homeland Security, Customs and Border Protection (Aug. 21, 2017); Briefing with the U.S. Postal Service (Aug. 21, 2017).

<sup>122</sup> Email communication (June 19, 2017) (App. 0259).



123

**U.S.-Based Distributor.** As an alternative to transshipment, two of the sellers indicated that the drugs would be shipped from China to a “U.S. branch,” and then to the U.S.-based recipient. **Website F** advertised “99.8 percent” pure fentanyl shipped from their Texas branch via ECOs and the Postal Service.<sup>124</sup>



When Subcommittee staff mentioned that they were shopping

around for fentanyl, the dealer even offered a \$20 discount and additional payment options in an attempt to close the deal.<sup>125</sup>

Finally, most of the online sellers used the terms “stealth,” “discrete [sic],” and “unmarked” to describe how the seller would conceal the drugs from detection during the shipping process. **Website D** advertised the most elaborate packaging description, labeled “100% Safe and Secure Stealth Discreet Packaging.”<sup>126</sup>

<sup>123</sup> *Id.*

<sup>124</sup> Email communication (June 15, 2017) (App. 0285).

<sup>125</sup> Email communication (June 21, 2017) (App. 0284).

<sup>126</sup> Email communication (June 13, 2017) (App. 0276).

Your order comes in a "100% Safe and Secure Stealth Discreet Packaging" and will be ship discreetly ever to you via one of our long time most trusted courier partners (i.e DHL, TNT or FedEx) on a 100% discreet courier overnight flight which is definitely the safest means to get your package over to you without keeping any trace. Your order comes in Stealth Pack, Vacuum Sealed in thick plastic and An Aluminum Foil Grip Bag, covered in Extra Layer of MYLAR seal, Candle Wax, Bubble Wrapped and will be specially delivered to you as a gift in a Complete Unmarked Envelope (with no brands name or labels), just the company logo and terms of use. Our packaging follows a privacy policy of all our customers, therefore no indications of the package contents will be displayed this is to ensure the postman, colleagues or anyone else at that address will not know that you have placed an order for such product. Delivery does not require signature and we can deliver to Post Box. We pride ourselves on our fast and secretive ordering process for our products.

127

#### IV. IDENTIFYING U.S. INDIVIDUALS RECEIVING SUSPECTED DRUG PACKAGES FROM CHINA

After extended conversations with the online sellers, the Subcommittee sought to uncover the identity and motives of U.S. individuals who were either associated with the online sellers or likely purchasers of illegal and deadly synthetic opioids. The Subcommittee reviewed detailed shipment data and financial records linked to the six previously identified online sellers.

The Subcommittee's review revealed four alarming findings. First, the Subcommittee identified a likely distributor of deadly synthetic opioids from China *based in the United States*. Second, the Subcommittee identified seven individuals in the United States who tragically died from synthetic opioid overdose soon after they wired money to accounts controlled by the online sellers. Third, the Subcommittee identified at least 18 individuals from 11 states who sent money to the online sellers' accounts who were either arrested or convicted of serious drug related offenses. Fourth, the Subcommittee identified at least two more U.S. individuals who are likely engaged in the mass distribution of synthetic opioids.

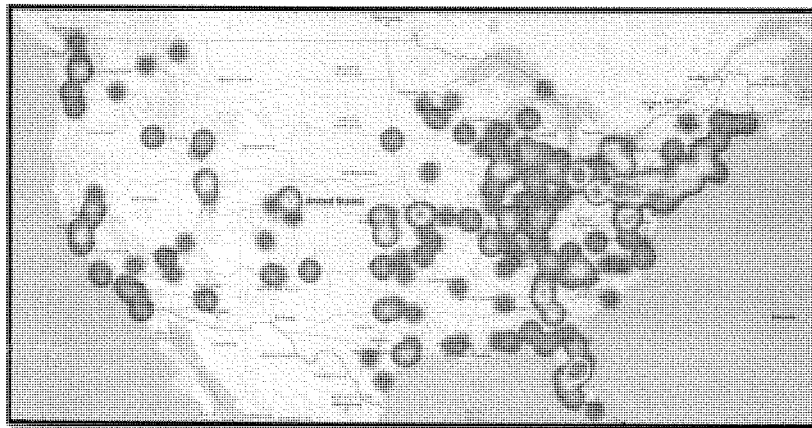
To provide appropriate law enforcement authorities with actionable leads on potential ongoing criminal activity, the Subcommittee is not revealing in this public report the identity of either the online sellers or any individuals likely associated with the websites. A confidential report and related records containing comprehensive information about the online sellers and any U.S.-based individuals will be provided, as appropriate and in a manner consistent with U.S. Senate rules, to local and federal law enforcement authorities.

---

<sup>127</sup> *Id.*

### A. Methodology for Locating Likely Purchasers of Illegal Opioids

To locate likely purchasers of illegal opioids and their suspected associates, the Subcommittee examined financial and shipment information linked to the six online sellers discussed in the preceding section. U.S. individuals in 43 states completed over 500 financial transactions totaling nearly \$230,000 to accounts linked to four of the six online sellers.<sup>128</sup> Individuals in Ohio, Pennsylvania, New York, and Florida had the most financial transactions linked to the online sellers. In just those four states, there were over 200 transactions totaling roughly \$100,000.<sup>129</sup> The map below illustrates every U.S. location linked to a payment to the online sellers offering fentanyl and other deadly synthetic opioids for sale.<sup>130</sup> Locations in red indicate the most transactions.



After identifying over 300 individuals who sent money to the online sellers, the Subcommittee requested shipment data linked to those individuals from the Postal Service, CBP, and three ECOs. The goal was to determine which packages likely contained drugs based on payment dates and identified drug sources, both domestic and international, to uncover trends and patterns of how drugs actually make their way into the United States.

<sup>128</sup> The Western Union Company production to the Subcommittee (Aug. 9, 2017) (on file with Subcommittee); The Western Union Company production to the Subcommittee (Sept. 29, 2017) (on file with Subcommittee) (*hereinafter* "Western Union Productions").

<sup>129</sup> *Id.*

<sup>130</sup> *Id.*

Subcommittee staff examined over two million lines of shipment data produced by the Postal Service, CBP, and the three ECOs. The shipment data examined typically included unique identifiers associated with specific individuals, including the receiver's name, address, and the date of shipping. The Postal Service's international data sometimes lacked sender information, which could have allowed the Subcommittee to determine a common drug shipper or a common pattern of activity to assist with shipment targeting. The Subcommittee searched multiple datasets several different ways by limiting information and conducting a manual review to determine address matches.

Additionally, the Postal Service does not always require a return shipping address. This information was excluded in much of the domestic shipment data reviewed. And even when the return address information was present, some shipments still lacked a definitive house or apartment number or street name. However, the Subcommittee conducted an expanded search of Postal Service records to identify the source location of the suspected drug shipments.

Despite these limitations, the Subcommittee had significant success tracking shipments to individuals in the United States who also sent international money wires within approximately one week of the shipment. This examination led to the Subcommittee's findings discussed below.

Finally, in examining the data, the Subcommittee observed another limitation that impacts the Postal Service or law enforcement's ability to monitor suspicious packages entering the United States. Much of the data the Subcommittee received was not provided as AED to CBP or the Postal Service prior to the package arriving in the United States. Rather, as the package traveled through the domestic mail stream for delivery, Postal Service systems generated the data. At delivery, the data for Postal Service packages mirrored the data collected by the ECOs when they take possession of a package from a customer.

#### **B. The Subcommittee Identified a Likely *U.S.-Based* Distributor for Chinese Produced Fentanyl and Other Deadly Synthetic Opioids**

The buyers identified by the Subcommittee lived in more than three dozen states and seemingly had no connection except for making purchases from a common online seller. However, another common thread that emerged is that one Pennsylvania address was used to send *more than 120 packages* tied to payments to an online seller during a two-month period in early 2017.<sup>131</sup> The Subcommittee found a compelling connection between the timing of the payment data and the shipment data. Oftentimes, shipments were sent within one day of the receipt of

---

<sup>131</sup> United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

payment. The chart below shows a sampling of the more than 120 shipments that followed payments sent to an online seller advertising opioids for sale.<sup>132</sup>

Payment Amount	Payment Sent to Online Seller	Package Sent from PA Address
\$154.00	11/8/2016	11/10/2016
\$276.00	1/8/2017	1/9/2017
\$341.00	1/11/2017	1/12/2017
\$82.00	1/11/2017	1/13/2017
\$212.50	1/12/2017	1/13/2017
\$334.00	1/19/2017	1/20/2017
\$199.00	1/19/2017	1/20/2017
\$290.00	1/20/2017	1/23/2017
\$322.02	1/21/2017	1/23/2017
\$96.20	1/23/2017	1/24/2017
\$659.56	1/23/2017	1/25/2017
\$133.40	1/28/2017	1/31/2017
\$310.00	2/1/2017	2/1/2017
\$76.20	2/2/2017	2/6/2017
\$232.50	2/4/2017	2/7/2017
\$114.60	2/4/2017	2/7/2017
\$221.00	2/4/2017	2/7/2017
\$104.80	2/6/2017	2/7/2017

In addition, upon further examination of these shipments, the Subcommittee found numerous instances of shipments that went to individuals who (1) were arrested for drug offenses; (2) tragically died from drug overdoses; or (3) were active payers to the online sellers, as further described below.

Based on these findings, it is likely that an active drug distributor in Pennsylvania is acting as a distributor for an internationally-based website that advertises synthetic opioids for sale on the open web.

#### **C. The Subcommittee Identified Seven Individuals Who Wired Money to Online Sellers and Later Died of Drug Overdoses**

The Subcommittee's investigation further confirmed the deadly nature of the opioid epidemic. Of the more than 300 individuals identified in the data, the

<sup>132</sup> Western Union Productions; United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

Subcommittee identified *seven* deceased individuals who died from a fentanyl or other synthetic opioid overdose who wired money to accounts linked to the online sellers identified in this report. The Subcommittee also identified shipments received by those deceased individuals that correspond with the dates when money was wired to the websites. In fact, in one example discussed below, an individual received a package the day before his death.

One such individual identified by the Subcommittee was a 49-year-old Ohio man who paid roughly \$2,500 to an online seller over the course of 10 months from May 2016 to February 2017. Over that time period, he received 18 packages through the Postal Service that closely corresponded with the dates he wired money to an online seller. For example, on May 14, 2016 and October 27, 2016, he sent \$134 and \$310 respectively, and on both occasions packages bound for his address entered the international mail system on the same days he made payments. Nearly all of the other payments coincided closely with the dates a package was sent through the Postal Service. Five international packages sent to this Ohioan coincided with foreign wire payments made to one of the online sellers.<sup>133</sup> At least one of these packages came directly from China and the ISC in Chicago processed it. According to publicly available tracking information, both packages spent less than 24 hours processing through CBP in Chicago.<sup>134</sup> And, as shown below, one of the packages spent roughly an hour in customs before being processed through for delivery.

---

<sup>133</sup> Western Union Productions; United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

<sup>134</sup> United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).



<p><b>June 9, 2016, 7:54 am</b>  Arrived at USPS Regional Facility  CLEVELAND OH DISTRIBUTION CENTER</p>
<p><b>June 8, 2016, 3:41 pm</b>  Arrived at USPS Regional Facility  CHICAGO IL INTERNATIONAL DISTRIBUTION CENTER</p>
<p><b>June 8, 2016, 9:50 am</b>  Inbound Out of Customs</p>
<p><b>June 8, 2016, 8:41 am</b>  Processed Through Facility  ISC CHICAGO IL (USPS)</p>
<p><b>June 4, 2016, 11:35 pm</b>  Processed Through Facility  SHANGHAI EMS, CHINA</p>

At the time of these shipments, the Chicago ISC did not participate in the Postal Service pilot program designed to let CBP target suspected drug packages with AED, as discussed in more detail in the following section.<sup>135</sup> This individual also received seven packages from the likely Pennsylvania distributor identified in the previous section.<sup>136</sup> One of the packages was delivered from Pennsylvania two weeks before he passed away.<sup>137</sup> According to autopsy records provided to the Subcommittee, the cause of death was “acute fentanyl intoxication.”<sup>138</sup>

In a similar case, the Subcommittee identified a 25-year-old man from Michigan who sent \$543 over the course of three months to an online seller. All three payments corresponded with the dates packages were sent to him through the Postal Service.<sup>139</sup> On November 2, 2016, he sent \$341 to an online seller, and on

<sup>135</sup> See Section V.

<sup>136</sup> United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

<sup>137</sup> *Id.*

<sup>138</sup> Autopsy records on file with the Subcommittee.

<sup>139</sup> Western Union Productions; United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

November 3, 2016, a package was sent to him from the suspected Pennsylvania-based distributor. On February 6, 2017, he sent \$104.80 and had a package mailed to him from the suspected Pennsylvania-based address on February 7, 2017.<sup>140</sup> Five months later, he died on July 16, 2017 from a fentanyl overdose.<sup>141</sup>

Finally, another Michigan man sent roughly \$400 dollars to an online seller in late 2016.<sup>142</sup> On November 25, 2016, he wired more than \$200 to an international online seller and, on December 2, 2016, he received a package linked to the Pennsylvania-based distributor.<sup>143</sup> Public records indicate that just one day later, he died of an accidental overdose of multiple drugs, including a fentanyl analogue.<sup>144</sup> Over the course of a year before his death, he received at least five additional packages linked to the Pennsylvania-based distributor.<sup>145</sup>

**D. The Subcommittee Identified 18 Individuals Who Wired Money to Online Sellers Who Were Arrested or Convicted of Serious Drug-Related Offenses**

The Subcommittee identified 18 individuals who were arrested or convicted of serious drug-related offenses who also sent money to online sellers. Ten of these individuals previously had an arrest or conviction for possession or possession with intent to distribute drugs and later sent money to an online seller and received a package. The remaining eight were arrested after they sent money and received a package. Arrests took place in states including Ohio, Pennsylvania, Florida, New York, and Massachusetts. Criminal charges for the individuals ranged from intent to distribute, to endangering the welfare of a child, to possession of controlled substances.

For example, one individual from Ohio was indicted in early 2017 for possession with intent to distribute nearly three pounds of fentanyl.<sup>146</sup> The Subcommittee identified one payment to an online seller in mid-2016 of more than one thousand dollars.<sup>147</sup> Although the individual used a fake name to receive international packages containing large quantities of fentanyl, law enforcement authorities were able to identify him and conducted a controlled delivery.<sup>148</sup>

<sup>140</sup> *Id.*

<sup>141</sup> Autopsy records on file with the Subcommittee.

<sup>142</sup> Western Union Productions.

<sup>143</sup> Western Union Productions; United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

<sup>144</sup> Autopsy records on file with the Subcommittee.

<sup>145</sup> United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

<sup>146</sup> Records on file with the Subcommittee.

<sup>147</sup> Western Union Productions.

<sup>148</sup> *Id.*; *Securing the Maritime Border: The Future of CBP Air and Marine Before the Subcomm. on Border and Maritime Security of the H. Comm. on Homeland Security*, 114th Cong. (2015) (testimony

According to publicly available information, this individual told law enforcement he ordered the fentanyl online from China after a family member showed him how to do it.<sup>149</sup> Under the current sentencing guidelines, this individual is facing a minimum prison sentence of ten years.<sup>150</sup>

Another individual, also from Ohio, sent more than \$3,500 over a two-month span in mid-2016 to an online seller located in China.<sup>151</sup> He received four international packages with tracking details indicating they originated in China.<sup>152</sup> According to publicly available information, this individual was charged with intent to distribute fentanyl that would ultimately cause the death of another individual.<sup>153</sup> He was later sentenced to more than 15 years in prison.<sup>154</sup>

Finally, one man from New York was arrested and charged with one count of conspiracy to distribute large quantities of fentanyl.<sup>155</sup> According to payment records reviewed by the Subcommittee, he sent at least one payment in mid-2016 to an online seller located in China worth more than \$1,500.<sup>156</sup> In publicly available documents, he was accused of receiving several kilograms of fentanyl and repackaging the drugs into smaller quantities for resale.<sup>157</sup>

#### **E. The Subcommittee Identified Two Individuals Likely Engaged in the Distribution of Synthetic Opioids**

The Subcommittee identified at least two additional individuals who are likely engaged in the online purchase and distribution of synthetic opioids, including fentanyl. One individual in Kansas wired nearly \$2,500 to an online seller over a two-month period in late 2016.<sup>158</sup> The day after wiring one of those payments, the suspected Pennsylvania-based distributor sent the individual a package.<sup>159</sup> Further, this same individual received more than 30 suspect international packages from ECOs and the Postal Service containing supplies and

---

of Randolph D. Alles, Assistant Commissioner, Office of Air and Marine, U.S. Customs and Border Protection) (A controlled delivery is a technique whereby a smuggling suspect agrees to accept and open a package known to contain illegal goods, but is under observation by law enforcement.).

<sup>149</sup> Records on file with the Subcommittee.

<sup>150</sup> *Id.*

<sup>151</sup> Western Union Productions.

<sup>152</sup> United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

<sup>153</sup> Records on file with the Subcommittee.

<sup>154</sup> *Id.*

<sup>155</sup> *Id.*

<sup>156</sup> Western Union Productions.

<sup>157</sup> Records on file with the Subcommittee.

<sup>158</sup> Western Union Productions.

<sup>159</sup> United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

other materials typically used to produce mass quantities of pills for distribution.<sup>160</sup> The package description information submitted to CBP included pill presses used to compress powders into tablets.<sup>161</sup> This individual also ordered chemical bonding agents commonly used in the mass production of tablets and pills.<sup>162</sup> Finally, at least one chemical listed on shipment records for merchandise purchased by this individual is commonly used to create a distinctive and marketable color for tablets and pills.<sup>163</sup>

Finally, a different individual in Ohio sent more than \$3,000 to an online seller over a four month period from late 2016 to early 2017.<sup>164</sup> He received international packages—three from China and one from Hong Kong.<sup>165</sup> He also received three additional suspect packages containing items commonly used in the mass production of pills and tablets.<sup>166</sup> The shipment data indicated the packages contained chemicals, such as coloring agents, and empty plastic casings commonly used to create tablets and pills.<sup>167</sup> And one chemical listed on the shipment data is known to be used specifically for synthetic opioid production.<sup>168</sup>

---

<sup>160</sup> *Id.*; CBP production to the Subcommittee (Nov. 26, 2017) (on file with the Subcommittee); FedEx Corporation production to the Subcommittee (Nov. 17, 2017) (on file with the Subcommittee); FedEx Corporation production to the Subcommittee (Nov. 14, 2017) (on file with the Subcommittee); United Parcel Service, Inc. production to the Subcommittee (Nov. 6, 2017) (on file with the Subcommittee); DHL Express U.S. production to the Subcommittee (Nov. 3, 2017) (on file with the Subcommittee).

<sup>161</sup> Drug Enforcement Administration, U.S. Dept of Justice, DEA-DCT-DIB-021-16, *Counterfeit Prescription Pills Containing Fentanyl: A Global Threat 2* (July 2016) (“Clandestine pill press operations also occur in the United States. Traffickers usually purchase powdered fentanyl and pill presses from China to create counterfeit pills to supply illicit U.S. drug markets. Under U.S. law, the Drug Enforcement Administration (DEA) must be notified of the importation of a pill press. However, foreign pill press vendors often mislabel the equipment or send it disassembled to avoid law enforcement detection.”).

<sup>162</sup> CBP production to the Subcommittee (Nov. 26, 2017) (on file with the Subcommittee); DHL Express U.S. production to the Subcommittee (Nov. 3, 2017) (on file with the Subcommittee).

<sup>163</sup> FedEx Corporation production to the Subcommittee (Nov. 17, 2017) (on file with the Subcommittee).

<sup>164</sup> Western Union Productions.

<sup>165</sup> United States Postal Service production to the Subcommittee (Nov. 9, 2017) (on file with the Subcommittee).

<sup>166</sup> CBP production to the Subcommittee (Nov. 26, 2017) (on file with the Subcommittee).

<sup>167</sup> *Id.*

<sup>168</sup> Records on file with the Subcommittee.

**V. CBP AND THE POSTAL SERVICE ARE ONLY MAKING LIMITED USE OF ADVANCED ELECTRONIC DATA TO IDENTIFY, TARGET, AND SEIZE ILLICIT INTERNATIONAL PACKAGES OF SYNTHETIC OPIOIDS**

CBP uses AED to identify international packages that might contain illicit items. To assist in this effort, the Postal Service has made strides to increase the amount of AED it collects through various bilateral agreements with foreign postal operators. Effectively using the data to identify, target, and seize illicit international packages, however, remains a significant challenge. Before June 2017, CBP used AED to target suspect packages at only one of the Postal Service's ISCs through a pilot program. The Subcommittee's investigation found that the pilot program was in considerable disarray and disorganization, which hampered the efficient use of AED to target packages.

This section discusses the development and operation of the pilot program, its inefficiencies, and the decision by the Postal Service and CBP to delay a nationwide expansion.

**A. Rapid Growth of Inbound International Mail Presents Challenges for Effective Screening and Inspection**

The rapid growth of inbound international mail packages presents challenges for CBP's effective screening and inspection. The inbound international mail processed by the Postal Service and inspected by CBP has experienced double digit percentage growth over each of the last three years.<sup>169</sup> This growth has been disproportionate at the JFK ISC in New York because it is the largest of the five major facilities that the Postal Service uses to receive and process inbound international mail. According to the most recent data available, the Postal Service recorded inbound international mail volume of more than 275 million packages.<sup>170</sup> Nearly half of this volume arrived at the JFK ISC.<sup>171</sup>

CBP and the Postal Service did not adequately plan for this rapid growth of inbound international mail. According to both CBP and Postal Service officials, the recent increase in inbound international mail—specifically ePackets from China—took officials by “surprise” and led to struggles in processing and inspecting the

<sup>169</sup> United States Postal Service production to the Subcommittee (Oct. 23, 2017) (on file with the Subcommittee).

<sup>170</sup> United States Postal Service production to the Subcommittee (May 22, 2017) (on file with the Subcommittee).

<sup>171</sup> *Id.*

mail.<sup>172</sup> This growth also introduced unique operational and technical challenges for CBP and the Postal Service, especially at the JFK ISC.<sup>173</sup>

For example, before November 2015, CBP did not have the ability to target and inspect individual pieces of mail using AED. Instead, CBP inspected international mail from specific countries determined by the agency to be a “country of interest” or “country of concern.” CBP officers then manually inspected all of the mail the Postal Service received from those targeted countries. CBP officers told the Subcommittee that the targeted countries periodically changed based on CBP officers’ experience, knowledge, and threat assessment.<sup>174</sup> At times, however, CBP did not list China on its country of interest list solely because the incoming volume was too great.<sup>175</sup> CBP also did not consistently inspect ePackets shipped from China until the pilot program began at the JFK ISC in November 2015.<sup>176</sup>

#### **B. The Postal Service and CBP Started a Pilot Program to Target Packages for Inspection Using AED**

The Postal Service and CBP recognized the significant challenge of processing and screening hundreds of thousands of international mail packages

<sup>172</sup> Interview with Charles Conti, United States Postal Service, Plant Manager, John F. Kennedy International Airport, International Service Center (Oct. 26, 2017) (*hereinafter* Conti Interview (Oct. 26, 2017)); Interview with Quanla Owens, U.S. Customs and Border Protection, former Program Manager, International Mail and Express Consignment Facilities, New York Field Office (Nov. 20, 2017) (*hereinafter* Owens Interview (Nov. 20, 2017)); Interview with Manuel Garza, U.S. Customs and Border Protection, Director, Manifest & Conveyance Security (Nov. 1, 2017) (*hereinafter* Garza Interview (Nov. 1, 2017)); CBP-PSI-000075 (App. 0002) (A Postal Service email on May 5, 2015 to CBP officials stated that the Postal Service did “not have a project growth rate for ePackets over the next year at this time.” The Postal Service official indicated CBP could examine historic growth rate patterns instead of a prediction.).

<sup>173</sup> USPS-PSI-00009844 (App. 0053) (“The growing inbound volume has outgrown the facility and is causing congestion at the JFK ISC, which overloads the operations. In order to alleviate the issues caused by the growing inbound volume, the JFK ISC is interested in a one-year pilot test to move some of the handling of Chinese inbound ePacket mail to a new Annex facility near the JFK airport, provided by the supplier.”); *see also* Office of the Inspector General, United States Postal Service, MS-AR-17-003, *Inbound International Mail Operations* 1 (Dec. 30, 2016).

<sup>174</sup> Subcommittee staff visit to JFK ISC (Sept. 14, 2017); Subcommittee staff visit to LAX ISC (Aug. 22, 2017).

<sup>175</sup> CBP-PSI-000083 (App. 0008) (“When we were out at the LA IMF they were working off of a [sic] Enforcement Countries list for July which consisted of 22 countries. China was not one of the countries on the list.”); Interview with Leon Hayward, U.S. Customs and Border Protection, Acting Director, New York Field Operations (Oct. 31, 2017) (*hereinafter* Hayward Interview (Oct. 31, 2017)) (indicating that at some points China was “excluded” from the country of interest list because of the volume).

<sup>176</sup> Office of the Inspector General, United States Postal Service, MS-AR-17-003, *Inbound International Mail Operations* 6 (Dec. 30, 2016) (“Specifically, CBP does not inspect all mailpieces and often requests that only certain samples or mailpieces be presented by Postal Service employees for inspection. For example, CBP did not typically inspect ePackets from China at the JFK ISC prior to November 2015.”).

arriving in the United States each and every day.<sup>177</sup> It is important to note that the two agencies' very different missions added to the complications that came with the increased volume of packages. The Postal Service accepts all international mail from foreign postal operators and delivers that mail within certain timeframes to its intended recipient. CBP, meanwhile, has a national security mission to review suspect international cargo, including packages, without concern for speedy delivery. This tension contributed to difficulties between the two agencies over the course of the pilot program.

To better handle the growing international mail volume, the Postal Service and CBP collaborated on a pilot program at the JFK ISC designed to limit the overall number of packages CBP manually screened.<sup>178</sup> In January 2014, senior Postal Service and CBP officials circulated an early draft work plan for "[i]nbound pilot procedures."<sup>179</sup> According to this document, "[A]n advance system will allow CBP to move away from a primarily manual method of targeting inbound mail to a more selective processing approach."<sup>180</sup> The plan would also allow "for a more systematic enforcement effort by CBP while at the same time enabling the USPS to facilitate the mail through its process in a more expeditious manner."<sup>181</sup> Postal Service and CBP officials told the Subcommittee that the pilot program started at the JFK ISC because it receives the majority of inbound international mail.<sup>182</sup> However, those same officials later admitted that the pilot program would have been more effective had it started at an ISC receiving less volume.<sup>183</sup>

Originally, the pilot program reviewed AED for packages from France and China.<sup>184</sup> The Postal Service provided CBP with AED, which CBP then analyzes to identify packages for the Postal Service to "hold" for inspection.<sup>185</sup> CBP then entered a "hold request" that is transmitted electronically to Postal Service employees at the ISC. When Postal Service employees conducted initial verification

<sup>177</sup> Conti Interview (Oct. 26, 2017); Owens Interview (Nov. 20, 2017); Garza Interview (Nov. 1, 2017).

<sup>178</sup> USPS-PSI-00006720 (App. 0042) ("The sheer volumes of this mail and the risk profiles need to be assessed."); USPS-PSI-00009217 (App. 0048) ("[B]y leveraging the data, USPS can improve the efficiency of mail processing.").

<sup>179</sup> USPS-PSI-00001983 (App. 0038).

<sup>180</sup> *Id.*

<sup>181</sup> *Id.*

<sup>182</sup> Interview with Freemont Rigel, United States Postal Service, Executive Director, International Strategy and Business Development (Nov. 2, 2017) (*hereinafter* Rigel Interview (Nov. 2, 2017)); Hayward Interview (Oct. 31, 2017).

<sup>183</sup> Conti Interview (Oct. 26, 2017).

<sup>184</sup> USPS-PSI-25256 (App. 0074) (Postal Service PowerPoint detailing the full data elements in ITMATT message: Item ID, Sender Receiver Name and Address, Description of Contents, Content Type, Quantity, Weight, Value, Harmonized Tariff code, Country of Origin, License Numbers, Insurance Value, and Postage).

<sup>185</sup> Subcommittee staff visit to U.S. Customs and Border Protection's National Targeting Center (Sept. 12, 2017).

scans of inbound international mailings, they received notice if a package is targeted for hold by CBP.<sup>186</sup> Initially, CBP limited targeting to only ten packages a day—a number that at least one CBP officer indicated was “just scratching the [surface]” of the threat of illicit, dangerous goods entering the country via the mail.<sup>187</sup>

The act of locating and providing a package to CBP for inspection is formally known as “presentment.”<sup>188</sup> At the beginning of the pilot program in November 2015, once the Postal Service was informed that a package had been targeted by CBP, Postal Service employees would then locate and present either the package or the full sack of mail believed to contain the package to CBP for inspection. While the Postal Service eventually automated the presentment process, for most of the pilot program’s operation, Postal Service employees or CBP officers located the targeted package by manually sorting through large sacks of mail containing hundreds of individual packages. This “resource intensive”<sup>189</sup> process required searching through hundreds of international packages to find the targeted package—the proverbial “needle in a haystack” according to one CBP officer working at the JFK ISC.<sup>190</sup>

### C. The Postal Service and CBP Did Not Make Timely Improvements to the Pilot Program

While both agencies recognized the inefficiencies of the manual process to identify and present packages, just months after the pilot program began, it took more than a year before the issues were resolved.<sup>191</sup> As the CBP Program Manager for the New York Field Office bluntly wrote in an email, “There has been no meaningful improvement as the China ePacket Pilot approaches its second year.”<sup>192</sup> The most significant shortcoming of the pilot program, according to internal Postal

---

<sup>186</sup> The Postal Service Inspector General issued a “management alert” to Mr. Conti in his capacity as JFK ISC plant manager in January 2016 detailing concerns regarding this scanning and verification process at both the JFK and LAX ISCs. The Inspector General found that the Postal Service was not consistently complying with its verification scanning processes of inbound international mail. See Office of the Inspector General, United States Postal Service, MR-MT-16-001, *Management Alert: International Inbound Mail Verification 2* (Jan. 28, 2016); Mr. Conti would later tell the Subcommittee that while he signed the Postal Service’s formal response to the Inspector General as a “Responsible Official,” he did not write or read the letter before signing it. Conti Interview (Oct. 26, 2017).

<sup>187</sup> CBP-PSI-000078 (App. 0003).

<sup>188</sup> Office of the Inspector General, United States Postal Service, MS-AR-17-003, *Inbound International Mail Operations 7* (Dec. 30, 2016).

<sup>189</sup> CBP-PSI-000078 (App. 0003).

<sup>190</sup> Subcommittee staff visit to JFK ISC (Sept. 14, 2017).

<sup>191</sup> CBP-PSI-000095 (App. 0014).

<sup>192</sup> CBP-PSI-000114 (App. 0020).



Service and CBP emails and documents, was that the Postal Service did not consistently present 100 percent of targeted packages to CBP.

In a June 2016 email, CBP's Internal Mail Security Director acknowledged the program's shortcomings, stating that "[t]he lack of consistency with the pilot is the issue. [The Postal Service's JFK Plant Manager] continues to cite human error whenever targeted mail is not presented to CBP for inspection. Full bags of mail with possible targets continue to take additional resources, as you know CBP has to look for each target in a bag of mail."<sup>193</sup> In an interview with the Subcommittee, the plant manager for the Postal Service's JFK ISC explained that the human error mentioned in the email referred to the manual process of searching through large bags of mail for an individual parcel. He indicated that if the process had been automated sooner, the pilot could have been more efficient and accurate.<sup>194</sup>

The Postal Service did have plans in place to automate and present individual packages to CBP in 2016. According to the Postal Service's Assistant Director for Global Trade Compliance, Cheri DeMoss, "[e]nhanced functionality" to allow the Postal Service to provide CBP with the individual targeted piece rather than the entire bag of mail was set to be in place by September of that year.<sup>195</sup> According to the Postal Service, the automation did not begin then because of required software updates.<sup>196</sup> Additionally, one Postal Service official claimed that CBP continued to request entire bags of mail rather than individual targeted packages until late 2016, rendering automation by the Postal Service unnecessary at that time.<sup>197</sup>

The two agencies did not begin working together to make meaningful improvements to the pilot until March 2017 when the program moved away from manual sorting to automation. Automation improved the Postal Service's presentment rate.<sup>198</sup> Below is an image of the machine Postal Service installed, the "Automated Parcel and Bundler Sorter." The machine relies on imaging and barcode technology to automatically sort large volumes of packages. This

<sup>193</sup> CBP-PSI-000264 (App. 0130).

<sup>194</sup> Conti Interview (Oct. 26, 2017).

<sup>195</sup> USPS-PSI-00017312 (App. 0058).

<sup>196</sup> Interview with Cheri DeMoss, United States Postal Service, Manager, Trade Systems and Analysis (Oct. 25, 2017) (*hereinafter* DeMoss Interview (Oct. 25, 2017)).

<sup>197</sup> *Id.*

<sup>198</sup> CBP-PSI-000486 (App. 0026) (Ms. DeMoss wrote in an email to CBP officials detailing the anticipated improvement after automation was installed: "Yes JFK is placing ATS advance holds on China epacket and French Express Mail items. USPS is working to improve the success rate and implementing the ability to sort out China epacket hold bags on automated equipment. The testing on automated equipment is in progress and we expect this to improve the success rate."); CBP-PSI-000116 (App. 0022) (Mr. Garza wrote in an email on June 6, 2017 that his supervisor "would like to spend a few hours at the mail facilities to see the package sort automation and success that the adjustments on the machine have had.").

equipment is now in place at the JFK ISC, as shown below during a Subcommittee site visit to the facility.



#### **D. The Postal Service and CBP Still Do Not Agree on How to Measure the Pilot Program's Success**

The Postal Service and CBP have not developed an agreed upon measurement of success for the pilot program. When asked if the AED pilot program is successful, both agencies gave different responses. As a result, the program's expansion to other ISCs around the country faced continual delays.

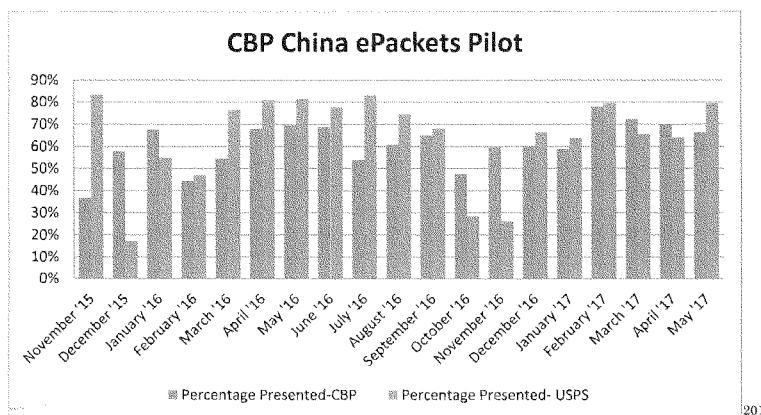
As previously described, the program was effectively simple in design. After analyzing AED provided by the Postal Service, CBP targeted particular packages it believed contained illicit goods. The Postal Service then located and presented that package to CBP for additional inspection and possible seizure.

During the JFK pilot program, CBP and the Postal Service collected performance data on the percentage of targeted packages the Postal Service presented to CBP for inspection, which is the "presentment rate." The number of packages that slip through the cracks and are not presented to CBP is an important statistic to determine the success of targeting and intercepting packages. However, the Postal Service and CBP still have not agreed on specific goals for the pilot and how to measure those goals. As a result, they differ on what the Postal Service's presentment rate is and how success should be defined in the program.<sup>199</sup>

<sup>199</sup> CBP-PSI-000114 (App. 0020) (As one CBP officer working closely on the pilot program stated, "The measurement of holds are not consistent between CBP and the USPS.").

According to one CBP official, “CBP simply reports the total amount of Holds that we place compared to how many holds USPS presents to us for inspection. If CBP views the target in the ATS [Automated Targeting] system, our impression is that a hold may be placed on it.”<sup>200</sup> However, the Postal Service uses different metrics. It measures what it refers to as “actionable holds”—meaning items the Postal Service is actually capable of intercepting. This measure exempts any holds that are deemed not actionable. For example, the Postal Service exempts any package that has already left the ISC prior to CBP’s request for a hold, is diverted and delivered to a different ISC, or never arrived in the United States. Exempting these packages boosts the Postal Service’s presentment rate, showing what appears to be greater success at locating and presenting packages to CBP.

The difference in how the Postal Service and CBP measure success is significant. Below is a chart that shows the percentage of holds presented for inspection as identified by both CBP and the Postal Service. In 13 of the 19 months since the start of the pilot program, the Postal Service calculated a higher presentment rate than CBP. On average, as shown below, the Postal Service and CBP had a 17 percent difference in reported success rates over the last 20 months:



Last year, however, both CBP and the Postal Service realized they need to agree on how to measure success for the good of the program. A summary of a “USPS/CBP Executive Meeting” held at CBP Headquarters on June 8, 2017,

<sup>200</sup> CBP-PSI-0000246 (App. 0024).

<sup>201</sup> United States Postal Service production to the Subcommittee (Oct. 18, 2017) (on file with the Subcommittee); CBP production to the Subcommittee (July 7, 2017) (on file with the Subcommittee).

summarizes discussions about these concerns. CBP indicated that the Postal Service's presentment rate at JFK was "at +/- 70%."<sup>202</sup> But a Postal Service representative claimed that it has a higher success rate on actionable holds because a target piece of mail may arrive at an alternate ISC or was never sent.<sup>203</sup> At this meeting CBP agreed that the agencies needed "to determine one source of measurement used by both agencies."<sup>204</sup>

Unfortunately, despite this recognition, as of the release of this report, the agencies still rely on different performance measurements. In fact, a September 1, 2017 Memorandum of Understanding between the Postal Service and CBP concerning the expansion of the pilot program to the other ISCs failed to articulate a definable standard of success. The Memorandum of Understanding states,

As it relates to electronic advance data, [the agencies would] *work to develop* a measurable performance goal for the presentation of packages targeted by CBP for examination, including a corresponding mutually agreed upon performance goal in each local SOP, and provide periodic status reports to each other regarding their progress in meeting such goal.<sup>205</sup>

When asked why the agencies still have not resolved this longstanding issue, one CBP official told the Subcommittee that the issue was the topic of regular conversation throughout the course of the pilot, both internally and with the Postal Service and that a meeting was scheduled between the agencies to discuss how to come to an agreement on measuring success.<sup>206</sup> This meeting was scheduled for early November 2017, two years after the start of the pilot program.

Given this debate, the program's effectiveness and ability to expand suffered. As the U.S. Government Accountability Office found in August 2017, "Because USPS and CBP have not agreed to specific performance goals or targets, it is difficult to make well-informed decisions regarding the possible expansion of these pilots in the future."<sup>207</sup> While there have been efforts to increase the Postal Service's presentment rate using automated sorting, packages still slip through the cracks and ultimately get delivered.<sup>208</sup> This remains a problem. CBP spends time and resources to target specific packages it believes contain illicit goods—including

<sup>202</sup> USPS-PSI-00047061 (App. 0121).

<sup>203</sup> *Id.*

<sup>204</sup> *Id.*

<sup>205</sup> United States Postal Service production to the Subcommittee (Oct. 11, 2017) (App. 0163) (emphasis added).

<sup>206</sup> Garza Interview (Nov. 1, 2017).

<sup>207</sup> U.S. Gov't Accountability Office, GAO-17-606, *Costs and Benefits of Using Electronic Data to Screen Mail Need to Be Assessed* 23 (2014).

<sup>208</sup> Subcommittee staff visit to JFK ISC (Sept. 14, 2017).

synthetic narcotics such as fentanyl.<sup>209</sup> The Postal Service is bound by federal regulations<sup>210</sup> to make all mail available to CBP and must present all inbound international mail that CBP requests.<sup>211</sup>

**E. The Postal Service and CBP Officials Did Not Expand the JFK Pilot Program until after the Subcommittee's May 2017 Hearing on International Mail Security and the Importation of Deadly Drugs**

While both the Postal Service and CBP discussed expanding the pilot program to other ISCs, both agencies routinely missed their own internal deadlines over the last year and a half. It was not until after the Subcommittee's hearing in May 2017 that both the Postal Service and CBP formally agreed to expand to the other four ISCs. CBP began targeting some packages at the remaining ISCs three days before this report was released.<sup>212</sup>

Not expanding the program to the other ISCs limited the success of CBP's targeting efforts using AED. CBP was only targeting packages arriving from China at the JFK ISC, which constitutes roughly 50 percent of inbound international mail volume. Additionally, suspect mail packages targeted by CBP destined for the JFK ISC would not get inspected if they were rerouted to a different ISC.<sup>213</sup> In those instances, the packages were delivered to the addressee.

Recognizing these and other issues, nearly one year after the pilot program began at JFK, CBP and the Postal Service discussed expanding to other ISCs—most notably, the ISC located near the Los Angeles International Airport (LAX). In 2016, the LAX ISC received the third highest volume of inbound international mail (behind JFK and Chicago).<sup>214</sup> Postal Service officials indicated that they were ready to “start the same type of pilot” at LAX in October 2016.<sup>215</sup> Freemont Rigel, the Postal Service's Director of Global Trade Compliance wrote in an email that the JFK pilot program allowed the Postal Service to “put a positive spin” on steps taken

<sup>209</sup> CBP-PSI-000246 (App. 0024).

<sup>210</sup> 19 C.F.R. § 145.2 (2017).

<sup>211</sup> Office of the Inspector General, United States Postal Service, MS-AR-17-003, *Inbound International Mail Operations* 8 (Dec. 30, 2016).

<sup>212</sup> U.S. Customs and Border Protection email to the Subcommittee (Jan. 19, 2017) (on file with the Subcommittee).

<sup>213</sup> Interview with Abby Martin, United States Postal Service, Director, Global Trade Compliance (Oct. 24, 2017) (*hereinafter* Martin Interview (Oct. 24, 2017)); USPS-PSI-00019360 (App. 0067) (In a November 2016 email, Mr. Rigel wrote to CBP officials concerning the expansion: “But based on the sheer volume – they also see the value to both USPS and CBP if we can get [the pilot] in place ASAP at all locations [.]”).

<sup>214</sup> United States Postal Service production to the Subcommittee (May 22, 2017) (on file with the Subcommittee).

<sup>215</sup> USPS-PSI-00017730 (App. 0062).

to combat illicit drug trafficking in the mail system.<sup>216</sup> Mr. Rigel continued that the Postal Service was “ready to start [the] same type of pilot in LAX—another good news pro-active USPS International ops.”<sup>217</sup>

Around the same time in late 2016, Postal Service officials started urging CBP to expand the pilot program to LAX. Ms. DeMoss, the Postal Service’s Assistant Director for Global Trade Compliance, sent an email to Mr. Manuel Garza, CBP’s Director of the Manifest and Conveyance Security Division, stating “[w]ith all of the attention on advance data and the drugs found in the mail we are getting pressure to expand the ATS targeting at the other ISCs.”<sup>218</sup> Ms. DeMoss explained further, “[w]ith the extreme volumes of China epacket for peak and the attention on the drugs I think we need to move quickly on this. The last time we discussed getting this in place by November [2016]. We have the capability to expand to all ISCs and the advance data on China epacket is now at 97%.”<sup>219</sup>

However, CBP officials expressed concern that, contrary to Postal Service employees’ emails, the Postal Service was actually not prepared to handle additional locations. Mr. Garza argued that the presentment rate was roughly 65 percent at the JFK ISC and that CBP officials believed “USPS had agreed to a much higher success rate for delivering targeted epackets than they have been able to achieve.”<sup>220</sup> Mr. Garza later explained to the Subcommittee that the program did not have any formal, written targets or goals, but that the overall sentiment was that the Postal Service would have a 90 percent presentment rate.<sup>221</sup> According to Mr. Garza, the fact that this pilot did not “identify goals early on” was different than other CBP programs that outlined specific goals at the start.<sup>222</sup>

Additionally, Ms. Owens, CBP’s then-Program Manager for International Mail and Express Consignment Facilities in the New York Field Office, surveyed CBP employees on the ground and compiled the following internal feedback about the problems with the pilot to date regarding why the Postal Service was not ready to expand:<sup>223</sup>

---

<sup>216</sup> *Id.*

<sup>217</sup> *Id.*

<sup>218</sup> USPS-PSI-00019351 (App. 0064).

<sup>219</sup> *Id.*

<sup>220</sup> CBP-PSI-000102 (App. 0016).

<sup>221</sup> Garza Interview (Nov. 1, 2017).

<sup>222</sup> *Id.*

<sup>223</sup> CBP-PSI-000114 (App. 0020).

As discussed, please see a bulleted outline below, the bullets have been taken from the email strings attached:

- The China e-Packet Pilot success rate at JFK is approximately 65-75 percent (some weekly reports have been higher, some have been lower).
- The United States Postal Service (USPS) had agreed to a much higher success rate for delivering targeted e-Packets than they have been able to prevent.
- The lack of consistency is the issue.
- The measurement of holds are not consistent between CBP and the USPS, the USPS measures what they refer to as "actionable holds" while CBP reports on all holds placed by our targets.
- There has been no meaningful improvement as the China e-Packet Pilot approaches its second year.
- CBP has seen no real reciprocation from the USPS at JFK.
- CBP at JFK does not feel the USPS is equipped or prepared to handle additional targets by CBP (currently there are 10 holds per day).
- The USPS does not present actual CBP holds, but a sack of approximately 100 packets containing each targeted piece.
- CBP has been successful in placing holds that have been yielding positive results, however until the USPS can present the actual target, the pilot cannot be considered a success.
- Oftentimes, after a hold is placed, it is delivered to the consignee without ever being presented to CBP.
- The USPS has essentially contracted out the handling of most of the China e-Packet mail at JFK to a ground handling company. CBP is not completely comfortable with what the USPS has deemed a Terminal Handling Site (THS), as there is currently no CBP presence at Building 88, the THS location at JFK.

Please let me know if you have any questions.

Thank you.

Quanta A. Owens

CBP officials also cited personnel issues at the JFK ISC as a reason the pilot was not ready to be expanded. Leon Hayward, CBP's Acting Director of Field Operations at the New York Field Office, wrote in an email that CBP went "to great lengths to enhance our local relationship and to develop the capabilities necessary to target and examine ePackets expeditiously. We have seen no real reciprocation from USPS at JFK."<sup>224</sup> Mr. Hayward would later explain to the Subcommittee this meant that a senior CBP officer at the JFK ISC did "not like progress" and was not in favor of expanding the pilot, so CBP management made the decision to transfer this official in order to move forward. Mr. Hayward also explained that there was a strong personality conflict between the Postal Service JFK Plant manager and the former CBP Deputy Chief Officer.<sup>225</sup>

As a result of these performance and personnel challenges, the program did not expand in 2016. In early November 2016, a Postal Service official stated that the plan to expand to the LAX ISC was delayed to allow for the improvement of the presentment rate and to have the other ISCs running no later than March 2017.<sup>226</sup> In an email Mr. Rigel stated, "So we will start in February and complete by end of March—one site at a time since they will also have a HQ CBP presence at each site as it comes up (ORD, LAX, SFO, MIA). CBP has to train their personnel on the new process—how to identify holds, etc."<sup>227</sup>

In late February 2017, the Postal Service again sought to expand the pilot in an effort to address mail processing backlogs in customs it was experiencing at LAX due to the transfer of CBP officers to border protection duty.<sup>228</sup> The LAX ISC Plant

<sup>224</sup> CBP-PSI-000487 (App. 0027).

<sup>225</sup> Hayward Interview (Oct. 31, 2017).

<sup>226</sup> USPS-PSI-00021004 (App. 0071).

<sup>227</sup> USPS-PSI-00021005 (App. 0072).

<sup>228</sup> USPS-PSI-00031818 (App. 0036) ("In our discussions, they communicated heavy resources being diverted to border [ ].").

Manager advised senior Postal Service officials that the plant was “experiencing a backlog/delay at LA ISC Customs Facility. CBP has advised they are unable to staff all the belts under current operating conditions.”<sup>229</sup> Abby Martin, the Postal Service’s Director of Global Trade Compliance, responded that the Postal Service could activate the targeting program to help with the backlog: “One path to pursue is asking CBP HQ to allow us to turn on the Advanced Targeting in LAX (expanding the JFK pilot, essentially), as that would cut down on the volume needing to go through customs. We could be ready to do that within a day or two if that is agreed to by all parties.”<sup>230</sup> The LAX ISC Plant Manager also stated that “[t]his is a perfect opportunity for [the] advanced data pilot for LA.”<sup>231</sup>

However, Mr. Raines responded that the Postal Service was not “ready to expand and certainly not at the piece level.”<sup>232</sup> In an interview with the Subcommittee, Ms. Martin stated that while the Postal Service was looking to decrease the backlog, Mr. Raines believed that the automated sorting system was still being tested at the JFK ISC and that he did not believe it was ready to be implemented at LAX.<sup>233</sup>

In mid-March 2017, it was clear the expansions were not going to be finalized and officials set a new deadline for the following month. Ms. DeMoss explained in an email, “We are on track to expand the capability to place holds in all ISC’s [sic] by April 2017.”<sup>234</sup> However, that “target date” came and went.<sup>235</sup> And as of mid-May, neither the Postal Service nor CBP had a timeline for expansion.<sup>236</sup> Ms. DeMoss wrote that, “So far CBP has agreed to getting LAX going by the end of May,” but there was no timeline for any other ISCs.<sup>237</sup> And a May 12, 2017 PowerPoint, as shown below, was shared internally within the Postal Service, but lacked a target date:

<sup>229</sup> USPS-PSI-00031818 (App. 0234).

<sup>230</sup> USPS-PSI-00031817 (App. 0233).

<sup>231</sup> USPS-PSI-00032309 (App. 0077).

<sup>232</sup> USPS-PSI-00031817 (App. 0233).

<sup>233</sup> Martin Interview (Oct. 24, 2017).

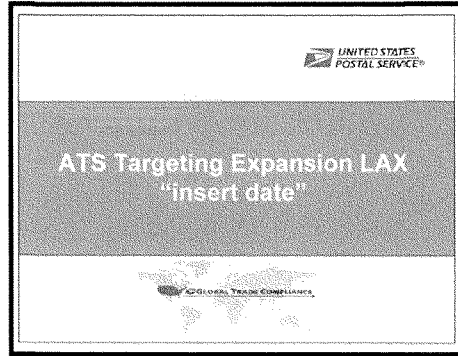
<sup>234</sup> USPS-PSI-00036254 (App. 0080).

<sup>235</sup> USPS-PSI-00039877 (App. 0081) (“We had a milestone to emulate the Customs JFK pilot to all 4 ISCs. The target date was May 1.”).

<sup>236</sup> USPS-PSI-00040144 (App. 0084).

<sup>237</sup> USPS-PSI-00040207 (App. 0087).





238

It was not until the Subcommittee's May 25, 2017, hearing, *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs* that both the Postal Service and CBP appeared to develop a new sense of urgency.<sup>239</sup> The pilot program was a critical topic discussed at the hearing. The Acting Inspector General for the United States Postal Service Office of Inspector General, Tammy Whitcomb, testified that "expanding that pilot quickly across the country to the other International Service Centers" was vital "so that the data that is being received from these countries can be used to target specific and dangerous packages."<sup>240</sup> According to internal Postal Service documents, Postal Service and CBP officials watching the hearing quickly realized that expanding the program to the other ISCs needed to be a priority.

While there was a discussion of a "kickoff meeting" regarding expanding to the LAX ISC, that meeting was not scheduled prior to the Subcommittee's hearing. As detailed below, it is clear from internal Postal Service documents that the Subcommittee's oversight hearing changed the timeline of the pilot program expansion. Ms. Martin sent the following email to Robert Woods, CBP's Program Manager for International Mail, during the Subcommittee's hearing about the expansion:

<sup>238</sup> USPS-PSI-00041584 (App. 0092).

<sup>239</sup> See *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs Before Perm. Subcomm. on Investigations*, 115th Cong. 45-46 (2017).

<sup>240</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs Before Perm. Subcomm. on Investigations*, 115th Cong. 60 (2017) (testimony of Tammy Whitcomb, Acting Inspector General, United States Postal Service).

**From:** Martin, Abigail D - Washington, DC  
**Sent:** Thursday, May 25, 2017 11:34 AM  
**To:** WOODS, ROBERT  
**Cc:** CLARKE, QUINTIN; Raines Jr, Robert H - Washington, DC  
**Subject:** RE: Kickoff Meeting for LAX Pilot Expansion

Hi Bob - Not sure if you are watching the hearing or not, but we need to move on the expansion of the pilot, not just to LAX but all the ISCs. Any update on getting the kick off set up? Should we invite all of the ISCs/IMFs to the kickoff in order to get everyone started preparing for expansion?

241

Mr. Woods promptly replied back:

**From:** WOODS, ROBERT  
**Sent:** Thursday, May 25, 2017 12:20 PM  
**To:** Martin, Abigail D - Washington, DC  
**Cc:** CLARKE, QUINTIN; Raines Jr, Robert H - Washington, DC; GARZA, MANUEL A  
**Subject:** RE: Kickoff Meeting for LAX Pilot Expansion

Abby,

Yes, we were viewing the hearing and agree that we definitely need to get moving on the expansion. L.A. CBP has responded that next Wednesday the 30<sup>th</sup> will not work for them. Let me know if your team is able to make adjustments to accommodate Thursday the 1<sup>st</sup>. If not, let's look at trying to get together early the following week (June 5<sup>th</sup>).

242

According to Ms. Martin, before the hearing, the effort to expand the pilot was stalled by CBP; however, the discussion about the pilot program at the hearing “really lit a fire” under both the Postal Service and CBP.<sup>243</sup> Mr. Garza also told the

<sup>241</sup> USPS-PSI-00045215 (App. 0104).

<sup>242</sup> USPS-PSI-00045213-45214 (App. 0145-0146).

<sup>243</sup> Martin Interview (Oct. 24, 2017).

Subcommittee that after the hearing, CBP officials decided it was appropriate to expand.<sup>244</sup> The Postal Service and CBP also started having weekly meetings to discuss both the pilot expansion and the use of AED generally—something that had not taken place before.<sup>245</sup>

In the hours after the Subcommittee's hearing, concern about the lack of progress in expanding the pilot program rose to the highest ranks of the Postal Service. According to Ronald Stroman, the Deputy Postmaster General, the Postmaster General asked him to "convey her request that [the Postal Service] develop a project plan, including [a] timeline, to expand the JFK Pilot to all of our ISCs as soon as possible."<sup>246</sup> Robert Raines, the Executive Director of International Operations for the Postal Service, wrote to Ms. Martin, "We will need to develop [the project plan] quickly."<sup>247</sup>

Other Postal Service and CBP officials also initiated internal email exchanges on the same day as the Subcommittee hearing to address the failure to expand the pilot program. For example, Robert Cintron, the Postal Service's witness at the hearing and the Vice President of Network of Operations, wrote to his senior staff the same day as the Subcommittee's hearing that the JFK expansion was one "[k]ey thing" to "focus on and accelerate."<sup>248</sup>

One week after the Subcommittee's hearing, the Postal Service and CBP finally agreed to start the pilot program at the Los Angeles ISC ("LAX ISC") on June 19, 2017.<sup>249</sup> According to internal documents reviewed by the Subcommittee, the Postal Service was then ready to expand the pilot program to the other ISCs by June 30, 2017.<sup>250</sup> While the technical components and equipment were in place to expand beyond the JFK ISC, CBP needed to train its employees at the other ISCs, and the two agencies needed to work out additional details. At a planning meeting held on June 8, 2017, CBP still could not provide a specific number of parcels they planned to target at the other ISCs.<sup>251</sup> And in mid-June, CBP was not able to provide substantive updates to the Postal Service concerning expansion beyond JFK

<sup>244</sup> Garza Interview (Nov. 1, 2017).

<sup>245</sup> Garza Interview (Nov. 1, 2017); CBP-PSI-000501 (App. 0033) ("With all of the activity going on with the JFK pilot expansion and the STOP Act, I would like to propose setting up a weekly touch point with your team, USPIS [sic] and us to ensure that we have time to share updates, discuss progress and next steps, and in general keep apprised of what each group is doing.").

<sup>246</sup> USPS-PSI-00045225 (App. 0112).

<sup>247</sup> USPS-PSI-00045224 (App. 0113).

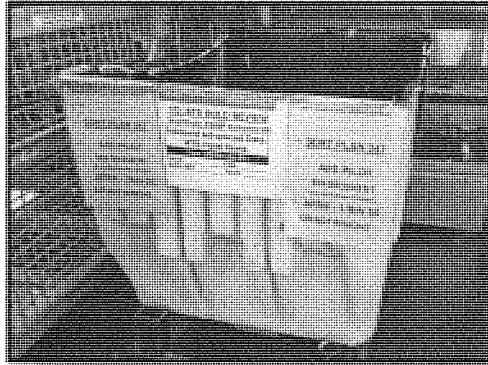
<sup>248</sup> USPS-PSI-00045135 (App. 0101).

<sup>249</sup> USPS-PSI-00045541 (App. 0117) (June 1, 2017 email indicating the start date for the LAX ISC is June 19, 2017).

<sup>250</sup> USPS-PSI-00046680 (App. 0118).

<sup>251</sup> USPS-PSI-00047061 (App. 0121).

and LAX.<sup>252</sup> As of publication of this report, the pilot program is in place at the ISCs located at JFK, LAX, and MIA.<sup>253</sup> Below is a photograph of the bins used to process targeted mail taken during a Subcommittee visit to the LAX ISC.<sup>254</sup>



The Postal Service told the Subcommittee that the capability is in place to expand the program to the remaining ISCs, and three days before the Subcommittee released this report CBP officials began targeting at the remaining ISCs.<sup>255</sup>

## VI. THE UNITED STATES IS A MEMBER OF THE UNIVERSAL POSTAL UNION, WHICH GOVERNS THE FLOW OF INTERNATIONAL MAIL

As a signatory to the Universal Postal Union (“UPU”) treaty, the designated operator for the United States, the Postal Service, is required to accept and deliver any packages shipped from other member countries’ designated operators. While this arrangement provides for global delivery of the mail, it is currently compromising the U.S.’s ability to fully monitor international shipments coming

<sup>252</sup> USPS-PSI-00047829 (App. 0122) (Ms. Martin wrote in an email: “We have no idea when CBP is going to be ready or willing to expand beyond LA and JFK. Today is just working with the plants to make sure they understand what they need to do to be ready to go by June 30.”).

<sup>253</sup> Martin Interview (Oct. 24, 2017); DeMoss Interview (Oct. 25, 2017); Conti Interview (Oct. 26, 2017); Hayward Interview (Oct. 31, 2017); Garza Interview (Nov. 1, 2017); Rigel Interview (Nov. 2, 2017).

<sup>254</sup> Subcommittee staff visit to LAX ISC (Aug. 22, 2017).

<sup>255</sup> Martin Interview (Oct. 24, 2017); Garza Interview (Nov. 1, 2017).

into the country through the Postal Service. This is due, in part, to the lack of an international requirement for all countries to provide AED for packages. While many of the U.S.'s largest trading partners have the ability to collect and provide AED on packages, the majority of packages have no AED associated with them. Other countries assert they do not have the capability to provide AED on packages, either at all or in certain rural areas.

The majority of proposals the UPU considered requiring countries to collect and share AED were designed to address aviation security following a thwarted terrorist attack in 2010. More recently, AED has taken on a new importance as part of the effort to interdict shipments of synthetic opioids. While CBP, the agency primarily responsible for protecting our borders, asserts that AED is of the utmost importance in locating and interdicting these illicit drugs, the State Department maintains there is a lack of worldwide consensus on this issue.<sup>256</sup>

Currently, there is no international requirement to provide AED, but the UPU has made some strides over the past decade since the United States first introduced the idea of exchanging AED for packages in 2008. Starting January 1, 2018, all packages must display a barcode, regardless of whether AED is loaded onto the barcode. The original expectation was for AED to be loaded on the barcode by 2020. However, the requirement that data be loaded onto the barcode by 2020 has been delayed, as countries are requesting studies on the impact the requirement would have on designated operators and mail delivery. According to Joseph Murphy, the State Department representative to the UPU, a country can currently require AED from another member country if that country has the ability to provide AED. For example, the United States could require countries like China, which provides AED on around 50 percent of packages already,<sup>257</sup> to provide AED on all packages.

In the interim, the Postal Service recently started pursuing bilateral and multilateral agreements with foreign posts that would require the transmission of AED for certain postal products.

This section explains the complicated structure of the UPU through the entity's decade-long consideration of requiring AED on international packages. This section also includes a discussion of an attempt by the European Union to protect its own national security by requiring AED on all packages. Finally, the section highlights the hands-off approach taken by the United States at the UPU with regard to AED.

---

<sup>256</sup> Interview with Joseph Murphy, U.S. Department of State, Chief, International Postal Affairs (Nov. 9, 2017) (*hereinafter* Murphy Interview (Nov. 9, 2017)).

<sup>257</sup> App. 0256. (Stating China provides AED on 48.4 percent of packages and Hong Kong on 0.7 percent of packages); *see also* CBP-PSI-000506 (App. 0225) (stating as of March 2017, 53 percent of products from China had AED).

### A. The Complicated Structure of the UPU Creates Confusion Regarding Priorities and Responsibilities

Headquartered in Bern, Switzerland, the UPU is an international organization established in 1874 comprised of 192 participating members, including the United States.<sup>258</sup> As a condition of membership in the UPU, all members agree to accept and deliver packages from all other designated operators. According to the UPU, this “helps to ensure a truly universal network of up-to-date products and services.”<sup>259</sup> While the Postal Service is the designated operator for the United States, the State Department represents the interests of the United States before the UPU, as provided in the Postal Accountability and Enhancement Act of 2006.<sup>260</sup>

The UPU is divided into four bodies: (1) the Congress; (2) the Council of Administration; (3) the Postal Operations Council (“POC”); and (4) the Internal Bureau. The POC is the “technical and operational mind of the UPU and consists of 40 member countries, elected during Congress.”<sup>261</sup> The POC is tasked with “helping Posts modernize and upgrade their postal products and services.”<sup>262</sup> It is also responsible for making “recommendations to member countries on standards for technological, operational or other processes...where uniform practices are necessary.”<sup>263</sup> Given these responsibilities, the POC has, and continues, to play a major role in globalizing the use of AED.

The POC is comprised of 40 member countries, including the United States, Great Britain, China, Canada, France, Germany, and Japan.<sup>264</sup> There is a robust and complex structure within the POC to divide and consider the issues under its jurisdiction. The United States currently serves, with India, as the Co-Chair of Committee 1 on Supply Chain Integration.<sup>265</sup> The POC also writes the Acts of the

<sup>258</sup> *The UPU*, UNIVERSAL POSTAL UNION, <http://www.upu.int/en/the-upu/the-upu.html>.

<sup>259</sup> *Id.*

<sup>260</sup> Postal Accountability & Enhancement Act of 2006, Pub. L. No. 109-435, § 407, 39 U.S.C. § 407 (2016).

<sup>261</sup> *About Postal Operations Council*, UNIVERSAL POSTAL UNION, <http://www.upu.int/en/the-upu/postal-operations-council/about-poc.html>.

<sup>262</sup> *Id.*

<sup>263</sup> *Id.*

<sup>264</sup> See *Postal Operations Council member countries*, UNIVERSAL POSTAL UNION, <http://www.upu.int/en/the-upu/postal-operations-council/member-countries.html> (detailing a full list of countries that are part of the POC).

<sup>265</sup> Under Committee 1 there are a number of other Committees and Groups, including: (1) Standards Board; (2) Operations and Accounting Review Group; (3) Customs Group; (4) UPU-WCO Contact Committee; (5) Transport Group; (6) UPU-IATA Contact Committee; (7) Postal Security Group; (8) UPU-ICAO Contact Committee. This list does not include ad hoc subcommittees created for certain issues. See *Postal Operations Council key documents*, UNIVERSAL POSTAL UNION, <http://www.upu.int/en/the-upu/postal-operations-council/key-documents.html>.

Union, “which are the rules of the road for international mail exchange.”<sup>266</sup> Each of the committees, subcommittees, and working groups meet at various times throughout the year. These meetings are opportunities for member countries to travel to Bern and voice concerns or support for UPU proposals regarding international mail. With regard to AED, however, these meetings have resulted in considerable discussion, but only incremental progress.

**B. For a Decade, the UPU has Struggled to Require Member Countries to Collect and Share AED for International Mail**

The consideration of AED at the UPU has been a protracted process. Many member countries resist adopting requirements related to exchanging AED for international mail. There are several reasons for this resistance including a lack of infrastructural capability for some developing countries to collect AED. Indeed, at the May 25 Hearing, Mr. Gregory Thome of the State Department testified:

The technical ability to exchange [AED] does not, however, translate directly into the ability to collect and enter it. Many post offices in rural areas of the developing world do not have Internet connectivity or even reliable sources of electricity, which makes collection and transmission of data for postal items extremely difficult. Even in developed countries, some postal services have been slow to invest in the needed infrastructure for item-level electronic data exchange – and few, if any, countries now have the ability to provide it for 100 percent of their mail requiring customs declarations.<sup>267</sup>

While advancements were made at the UPU over the last decade, there is still no global requirement to provide AED on international mail packages. As Mr. Thome explained:

Regulations approved by the [UPU] last February will allow members to impose requirements for [AED] on items containing goods, provided they take into account whether the requirements they are imposing can be met by those to whom they apply. The thinking behind the regulation was that demanding something that is impossible as a condition for delivering another’s country’s mail is the same as

---

<sup>266</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs Before the S. Perm. Subcomm. on Investigations*, 115th Cong. (2017) (testimony of Gregory D. Thome, Director, Office of Specialized and Technical Agencies, Bureau of International Organization Affairs, Department of State).

<sup>267</sup> *Id.*

refusing to receive it at all. Such requirements would undermine the reciprocity that is at the heart of the UPU.<sup>268</sup>

The Postal Service and CBP have struggled to adapt to the current international package environment, but the international community has only started to understand the utility of using AED to stop shipments of illicit drugs.

### C. The 2008 UPU Congress Considered the First-Ever Proposal Regarding the Use of AED Offered by the United States

The UPU's consideration of AED first began at the 2008 UPU Congress when the United States offered a resolution to expand the use of AED.<sup>269</sup> The proposal focused on "enhanc[ing] the efficiency and speed of customs clearance" to allow posts to compete with the express consignment operators.<sup>270</sup> Specifically, the resolution required three things:

- (1) [D]evelop and maintain standards for UPU-Customs [AED] messaging, through the Standards Board, in cooperation with the World Customs Organization;
- (2) [P]romote, in cooperation with the World Customs Organization, the use of [AED] transmission among postal administrations and from postal administrations to local customs authorities for the clearance of postal items; and
- (3) [D]raw up a plan with deadlines for the implementation of transmission of [AED] customs messages on postal items in a phased-in manner, starting with required transmissions by developed countries by a date or dates to be determined after appropriate study.<sup>271</sup>

According to Joseph Murphy,<sup>272</sup> the resolution was referred to a working group where it was amended and then adopted by consensus.<sup>273</sup> The adopted

<sup>268</sup> *Id.*

<sup>269</sup> See PSI-UPU-01-00003-4 (App. 0350-0351). The UPU Congress meets every four years in a designated host country. The other UPU bodies meet more frequently, usually at the UPU headquarters in Bern, Switzerland.

<sup>270</sup> *Id.*

<sup>271</sup> App. 0351.

<sup>272</sup> Mr. Murphy's title is currently Chief, International Postal Policy and Executive Director, Advisory Committee on International Postal and Delivery Services at the Department of State.

<sup>273</sup> Email from Patricia X. McNerney (Dec. 01, 2017) (*clarifying* Mr. Murphy's testimony during his Subcommittee Interview on Nov. 9, 2017). During his interview, Mr. Murphy inaccurately reported the resolution was defeated because other countries viewed the measure as something the United States was trying to push on the rest of the world. Murphy Interview (Nov. 9, 2017).



version of the resolution removed all references to any deadline for providing AED as follows:

- (3) [D]raw up a plan involving the relevant POC groups and in consultation with the UPU-WCO Contact Committee with deadlines for the implementation of transmission of [AED] customs messages on postal items in a phased-in manner, starting with required transmissions by developed countries by a date or dates to be determined after appropriate study, including identifying products, types of mail impacted, customer and operator capabilities, operational impacts, and performance measures.<sup>274</sup>

While the AED measure contained no planned date for implementation, subsequent events that occurred before the next Congress in 2012 would highlight the value of AED.

#### **D. AED was used to Thwart an Al Qaeda Attempt to Ship Explosives in UPS and FedEx Packages**

In October 2010, foreign officials interdicted two packages containing explosives packed into printer toner cartridges.<sup>275</sup> The explosives were rigged with a remote cell phone trigger and shipped via two express consignment operators, UPS and FedEx.<sup>276</sup> Intelligence from Saudi Arabia helped locate the two packages through the use of AED in the form of tracking numbers.<sup>277</sup> The tracking information indicated the packages were sent from Yemen and bound for delivery in the United States.<sup>278</sup> The express carriers were able to track the packages and locate one at East Midlands Airport in the United Kingdom and the other in Dubai after traveling on two Qatar Airways passenger jets.<sup>279</sup> Al Qaeda in the Arabian Peninsula (AQAP) ultimately claimed responsibility for the thwarted attack.<sup>280</sup> In its statement, AQAP claimed they “intend[ed] to spread the idea to our mujahedeen brothers in the world and enlarge the circle of its application to include civilian aircraft in the West as well as cargo aircraft.”<sup>281</sup>

<sup>274</sup> App. 0461.

<sup>275</sup> CDP-2017-00015–00941 (App. 0326).

<sup>276</sup> *Yemen parcel bomb “was 17 minutes from exploding,”* BBC NEWS (Nov. 4, 2017), <http://www.bbc.com/news/world-europe-11692942>.

<sup>277</sup> *Id.*

<sup>278</sup> *Id.*

<sup>279</sup> *Id.*

<sup>280</sup> CNN Wire Staff, *Yemen-based al Qaeda group claims responsibility for parcel bomb plot*, CNN (Nov. 6, 2010), <http://edition.cnn.com/2010/WORLD/meast/11/05/yemen.security.concern/?hpt=T2>.

<sup>281</sup> *Id.*

The international mail community took notice. Mr. Murphy explained, “everything changed in 2010 with the printer cartridge bombs in courier shipments, because people realized that mail had the same vulnerabilities.”<sup>282</sup> As a result, a great deal of international mail delivery shut down for four months after the thwarted attack.<sup>283</sup>

The United States began to work with European allies to develop a strategy for the UPU to adopt the use of AED.<sup>284</sup> The goal was to include an article in the 2012 UPU convention document for the UPU Congress scheduled to meet in Doha, Qatar.<sup>285</sup> The focus of the proposed article would be the use of AED for security purposes, similar to how it was used to locate the explosives in the two express carrier packages. This marked a shift from past AED considerations, which primarily focused on clearing packages through the customs process.<sup>286</sup> Twenty of the twenty-seven European Union countries in the UPU proposed language that “would add text to state that the security strategy should include complying with the legal requirements for providing electronic advance data in accordance with UPU technical messaging standards.”<sup>287</sup> To reduce the burden on some members, the proposal would rely on “a phased-in approach and the use of pilots to ease the transition to providing advance data.”<sup>288</sup>

Ultimately, the 2012 Doha Congress adopted the following language as Article 9 of its Convention document:

Article 9  
Postal security

1. Member countries and their designated operators shall observe the security requirements defined in the UPU security standards and shall adopt and implement a proactive security strategy at all levels of postal operations to maintain and enhance the confidence of the general public in the postal services, in the interests of all officials involved. This strategy shall, in particular, include the principle of complying with requirements for providing electronic advance data on postal items identified in implementing provisions (including the type

<sup>282</sup> Murphy Interview (Nov. 9, 2017).

<sup>283</sup> *Id.*

<sup>284</sup> *Id.*

<sup>285</sup> *Id.*

<sup>286</sup> See CDP-20017-00015-01414 (App. 0349) (“Resolution C 56, adopted by the 2008 UPU Congress, called for intensified efforts in providing advance electronic information on international postal packages for customs purposes.”).

<sup>287</sup> CDP-2017-00015-01413 (App. 0348) (The 20 countries included: Belgium, Bulgaria, Cyprus, Denmark, Estonia, Finland, France, Great Britain, Hungary, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, and Spain.).

<sup>288</sup> *Id.*

of, and criteria for, postal items) adopted by the Council of Administration and Postal Operations Council, in accordance with UPU technical messaging standards. The strategy shall also include the exchange of information on maintaining the safe and secure transport and transit of mails between member countries and their designated operators.

2. Any security measures applied in the international postal transport chain must be commensurate with the risks or threats that they seek to address, and must be implemented without hampering worldwide mail flows or trade by taking into consideration the specificities of the mail network. Security measures that have a potential global impact on postal operations must be implemented in an internationally coordinated and balanced manner, with the involvement of the relevant stakeholders.<sup>289</sup>

Mr. Murphy explained that the Article 9.2 language was directed at the United States, given its higher risk as an international terrorism target.<sup>290</sup> Therefore, since the United States was considered to be susceptible to higher risk, it was expected to do more.

As mandated by Article 9, the POC began working on adopting the security standards for AED, which resulted in the “Roadmap for Implementing the UPU Electronic Data Global Postal Model (“Roadmap”).”<sup>291</sup> Mr. Murphy explained that the United States as the Co-Chair (with India) of POC Committee 1 on Supply Chain Integration, took an active role in ensuring the Roadmap was an operational document.<sup>292</sup> As such, the Roadmap “provides an overview of the proposed way forward for UPU designated operators, the International Bureau, and other relevant stakeholders involved with postal supply chain security to meet emerging requirements in the postal sector for the provision of electronic advance data.”<sup>293</sup> Further, the Roadmap intended to “clarify the roles, goals, and timelines that the UPU will be pursuing over the next several years.”<sup>294</sup>

The Roadmap focused on the “capture, exchange, and use of electronic-item content” for eight data elements “sent by the origin Post, through the destination

<sup>289</sup> Decisions of the 2012 Doha Congress, Universal Postal Union 122 (final texts of the Acts signed at Doha and of the Decisions other than those amending the Acts), [http://www.jcampbell.com/UPU/Acts\\_2012/UPU\\_2012\\_0\\_CongressActs\\_20130517\\_Published.pdf](http://www.jcampbell.com/UPU/Acts_2012/UPU_2012_0_CongressActs_20130517_Published.pdf).

<sup>290</sup> Murphy Interview (Nov. 9, 2017).

<sup>291</sup> CDP-2017-00015-00939 (App. 0324).

<sup>292</sup> Murphy Interview (Nov. 9, 2017).

<sup>293</sup> CDP-2017-00015-00941 (App. 0326).

<sup>294</sup> *Id.*

Post, to the destination authorities for every relevant item.”<sup>295</sup> These eight data elements include:

- (1) Sender's name
- (2) Sender's address
- (3) Addressee's name
- (4) Addressee's address
- (5) Detailed content description
- (6) Gross weight
- (7) Number of packages (one by default)
- (8) Item ID<sup>296</sup>

Many of these data elements were already required on customs declaration forms CN22 and CN23,<sup>297</sup> which some posts were already exchanging electronically through “item level exchanges of attributes” or “ITMATT.”<sup>298</sup> Overall, the Roadmap was a step forward in advancing the use of AED for security purposes, but it was not absolute. As Mr. Murphy explained, the Roadmap only requires countries to provide AED to the extent of their capability to provide it.<sup>299</sup> Despite its limitations, the Roadmap gives the United States the immediate ability to require AED from additional countries who have the capability to share it.

The Roadmap focuses on aviation security, as opposed to the interdiction of contraband such as illegal drugs. It specifically states, “items that contain prohibited substances like drugs are not targeted by [AED].”<sup>300</sup> Mr. Murphy downplayed this statement and explained, “nothing is targeted by [AED], it's just data. The targeting is done by the recipients of the data.”<sup>301</sup> He also noted that the United States is the only country whose designated operator has a law enforcement component, the Postal Inspection Service, which informs the United States' view that data can be used to target illicit drugs and other prohibited items.<sup>302</sup>

---

<sup>295</sup> CDP-2017-00015-00942 (App. 0327).

<sup>296</sup> *Id.*

<sup>297</sup> Forms CN22 and CN23 are customs declaration forms required to be affixed to all international packages under the Acts of the UPU. The form requires the sender to provide the following fields of information: sender name and address; recipient name and address; a detailed description of the contents; quantity; weight; value; tariff; and country of origin. See Universal Postal Union, WCO-UPU Postal Customs Guide (June 2014), [https://www.icao.int/Meetings/AirCargoDevelopmentForum-Togo/Documents/WCO-UPU\\_PostalCustomsGuide-June2014.pdf](https://www.icao.int/Meetings/AirCargoDevelopmentForum-Togo/Documents/WCO-UPU_PostalCustomsGuide-June2014.pdf).

<sup>298</sup> *Id.*

<sup>299</sup> Murphy Interview (Nov. 9, 2017).

<sup>300</sup> CDP-2017-00015-00942 (App. 0327).

<sup>301</sup> Murphy Interview (Nov. 9, 2017).

<sup>302</sup> *Id.*

**E. To Protect its own National Security, the European Union  
Attempted to Require AED for all Packages by May 1, 2016**

... As the UPU wrestled with how to implement AED requirements, the European Union passed a law in direct response to the 2010 printer cartridges incident to protect its security.<sup>303</sup> In October 2013, the EU adopted the Uniform Customs Code (“UCC”) which required AED on all packages entering the EU by May 2016.<sup>304</sup> As reported: “One of the major items [of the UCC] covered the quality and availability of [AED] for goods entering the EU customs territory, including postal flows to the EU transported under the UPU Acts.”<sup>305</sup> Under the UCC, AED was required before the parcel was assigned to a bag for transport.<sup>306</sup> “The source for the data to be used would be the UPU CN 23.”<sup>307</sup> The UCC would take effect on May 1, 2016, but would be a “phased-in implementation” starting with EMS and parcels, and “other postal products would be implemented at a later stage.”<sup>308</sup>

Several countries raised concerns about the UCC requirement as a whole, but they primarily expressed concerns over meeting the May 1, 2016 implementation date, since they likely could not meet the deadline. For example, when the European Union representative presented on the UCC at the Council of Administration, “an intense debate of the issues” followed.<sup>309</sup> The delegate from France expressed strong views on the European Union’s requirements and instead argued for “the need to take coordinated action in Berne” as well as “the need to adopt a global standard.”<sup>310</sup> France also made clear “the EU was not alone in wanting to implement such requirements – other countries were preparing similar legislation.”<sup>311</sup> Mr. Murphy confirmed this was a reference to the United States and potentially Australia.<sup>312</sup>

Other countries followed France in protest of the law and raised a number of specific issues with the UCC. Japan, for example, “expressed its strong concerns, particularly regarding the following two factors: the implementation date set by the EU and privacy and data protection when using CN 23 data for security purposes.”<sup>313</sup> Greece, Great Britain, and Germany expressed similar concerns.<sup>314</sup> China “was also concerned about the confidentiality of data in the context of the

<sup>303</sup> CDP-2017-00015-00659-663 (App. 0313-0317).

<sup>304</sup> Commission Regulation 952/2013, 2013 O.J. (L 269) 1.

<sup>305</sup> CDP-2017-00015-00659 (App. 0313).

<sup>306</sup> *Id.*

<sup>307</sup> CDP-2017-00015-00660 (App. 0314).

<sup>308</sup> *Id.*

<sup>309</sup> CDP-2017-00015-00661 (App. 0315).

<sup>310</sup> CDP-2017-00015-00662 (App. 0316).

<sup>311</sup> *Id.*

<sup>312</sup> Murphy Interview (Nov. 9, 2017).

<sup>313</sup> CDP-2017-00015-00662 (App. 0316).

<sup>314</sup> CDP-2017-00015-00663 (App. 0317).

transfer of data to third countries.”<sup>315</sup> India and South Korea “also expressed a variety of concerns, similar to those that had already been voiced, particularly in terms of implementation deadlines, privacy concerns and the permanence of the exemption for letter post items.”<sup>316</sup> India further asserted “the data required could not be captured at all post offices in a large country, and that advance data was not particularly effective as a security measure; physical inspection was the only sure way to keep the mail safe.”<sup>317</sup>

The United States decided, however, to publicly take a hands-off approach.<sup>318</sup> In response to the specific concerns raised above, “the United States stressed the UPU’s commitment to the development of the exchange of electronic data and was of the opinion that its provision enhanced security of the mail stream and air cargo.”<sup>319</sup> After the meeting, Mr. Murphy wrote:

Over-all we are, of course, supportive of what the EU is trying to do but its timetable is, in fact, unrealistic and its approach a bit high-handed. The reaction in [Committee 1] to the EC presenter is a function of these factors, and I judged that there was little benefit in trying to deflect the well-earned ire of the Indian and other delegations or in associating the U.S. with the EU’s ham-handed approach at that juncture, particularly given that we had laid out our overarching position in [Committee 1]’s Customs Group.

I should add that, in addition to reiterating our view of EU data privacy concerns...the very brief U.S. [Committee 1] intervention on this issue also took exception to India’s assertion that [AED] offered no security benefits and re-iterated the importance to posts, especially in the context of e-commerce, of moving forward.<sup>320</sup>

Mr. Murphy continued that he planned to convey to the group that “although [AED] implementation by posts cannot be rushed and haphazard, too slow an implementation could impede the continued expansion in use of the mail for international e-commerce shipments.”<sup>321</sup> Further, Mr. Murphy made clear that “[i]f a postal item contains an item requiring a customs form, there should be [AED] for it.”<sup>322</sup> He also planned to assuage any privacy concerns by highlighting “that no more data is being provided through [AED] than is already provided on the

<sup>315</sup> *Id.*

<sup>316</sup> *Id.*

<sup>317</sup> *Id.*

<sup>318</sup> Murphy Interview (Nov. 9, 2017).

<sup>319</sup> CDP-2017-00015-00663 (App. 0317).

<sup>320</sup> CDP-2017-00015-00696 (App. 0354).

<sup>321</sup> CDP-2017-00015-01114 (App. 0341).

<sup>322</sup> CDP-2017-00015-01115 (App. 0342).

[handwritten] customs declaration.”<sup>323</sup> By providing the data, posts are “accelerating the submission to customs authorities in the receiving country of data provided by customers for that express purpose.”<sup>324</sup>

The European Union felt the backlash for the legislation from a number of UPU members. For example, following a briefing by the European Union on the new requirements Mr. Murphy noted there was a “palpable sense of hostility in the room toward the EU rep, not least from France but also from India and Japan, which both pretty much said they won’t comply.”<sup>325</sup> Japan continued to raise privacy concerns after the European Union presentation and wrote Mr. Murphy to thank him “for supporting [Japan]’s concern on [AED] privacy.”<sup>326</sup> In response, Mr. Murphy sent his talking points to the UPU representative from Japan regarding these issues and explained “although [AED] implementation by posts cannot be rushed and haphazard, too slow an implementation could impede the continued expansion in use of the mail for international e-commerce shipments.”<sup>327</sup> With regard to any privacy concerns, Mr. Murphy explained:

[W]hile it must be acknowledged that packaging data electronically does heighten privacy concerns by making data more accessible, it is worth highlighting the memorandum’s observation that no more data is being provided through [AED] than is already provided on the customs declaration.

In this sense, posts are not so much exchanging personal data through [AED] as they are accelerating the submission to customs authorities in the receiving country of data provided by customers for that express purpose.<sup>328</sup>

#### **F. The UPU’s Senior Leadership Lobbied its Members Against the European Union’s UCC Implementation Date for Providing AED**

As concerns about the UCC mounted, the UPU took action and formally requested that the European Union extend the implementation date of the law and its requirements. On December 11, 2014, Pascal Clivaz, the Deputy Director General of the UPU, wrote to Pierre Moscovici, the European Union Commissioner of Economic and Financial Affairs, Taxation and Customs “to communicate [the UPU] members’ concerns about the implementation of the Union Customs Code,

---

<sup>323</sup> *Id.*

<sup>324</sup> *Id.*

<sup>325</sup> CDP-2017-00015-01174 (App. 0345).

<sup>326</sup> CDP-2017-00015-01113 (App. 0340).

<sup>327</sup> CDP-2017-00015-01114 (App. 0341).

<sup>328</sup> CDP-2017-00015-01115 (App. 0342).

and the adoption of 1 May 2016 as the implementation date for non-EU countries to provide pre-advance of postal traffic in advance of import into the EU for risk assessment purposes.”<sup>329</sup> Deputy Director General Clivaz continued:

Briefly, many UPU members are concerned that the deadline of 1 May 2016 does not allow enough time for the consultations needed in order for a globally acceptable consensus model to evolve. It is also felt that this deadline does not allow enough time for all stakeholders to put the necessary technical and regulatory infrastructures in place.<sup>330</sup>

He also pointed out that the UPU, under Article 9, was tasked with “developing the relevant security requirements and implementing provisions on advance electronic information [AED] for postal items.”<sup>331</sup> Given the UPU concerns, Deputy Director General Clivaz requested the European Union “take full account of the comments and concerns of UPU member countries” and suggested that “extending the deadline for consultations...would allow further discussions and enable solutions to be reached that suit the needs of, and are able to be implemented by all parties.”<sup>332</sup>

In its continued attempt to convince the European Union to postpone the UCC implementation date, UPU senior leadership lobbied its members. On December 15, 2014, Deputy Director Clivaz wrote to all UPU members reminding them the Postal Operations Council was working to enact requirements for advance electronic information for postal items.<sup>333</sup> However, “the 1 May 2016 deadline for the provision of such information in the European Union approaches rapidly.”<sup>334</sup> He made clear the “deadline will have an effect on mail exchange with Europe for all other UPU member designated operators.”<sup>335</sup> According to the Deputy Director, “It is imperative that a single global solution be developed for advance electronic information for customs and for security purposes.”<sup>336</sup> The Deputy Director urged members to take action by contacting the European Commission and expressing this view.<sup>337</sup>

---

<sup>329</sup> CDP-2017-00015-00679 (App. 0318).

<sup>330</sup> *Id.*

<sup>331</sup> *Id.*

<sup>332</sup> CDP-2017-00015-00680 (App. 0313).

<sup>333</sup> CDP-2017-00015-00658 (App. 0312).

<sup>334</sup> *Id.*

<sup>335</sup> *Id.*

<sup>336</sup> *Id.*

<sup>337</sup> *Id.*



### **G. The European Union Postponed the Start Date of the UCC to 2020**

Ultimately, the European Union postponed the start date for mandatory use of AED on postal packages. At a presentation during a UPU Standing Group Meeting in February 2017, the European Commission reported the new target date was 2020, which aligned with the UPU roadmap.<sup>338</sup> Providing AED would no longer be mandatory, but instead would start on a voluntary basis. Further, there would be a grace period for implementation of mandatory compliance until 2023, with no penalties before that date.

Ms. Cheri DeMoss of the Postal Service represented the United States at the February 2017 UPU meeting. Ms. DeMoss felt the European Union's legislation was needed to speed the process of other countries preparing to provide AED. She believed the delay of the UCC and lack of penalties until 2023 would extend the time other countries would take to develop the capacity to comply and simultaneously "delay implementation of [AED] from posts."<sup>339</sup>

### **H. The 2016 UPU Congress in Istanbul Initiated a Proposal for AED through the Integrated Product Plan**

While the Roadmap from the 2012 Congress in Doha focused on the operational side of providing AED for international mail, the 2016 Congress in Istanbul worked to develop a business-centric strategy to modernize international mail called the Integrated Product Plan ("IPP"). While the IPP was not focused on AED, it had certain implications for the exchange of AED between posts. For purposes of AED, the IPP is broken into two steps. The first step requires all designated operators "to apply S10 barcodes to small packets" by January 1, 2018.<sup>340</sup> Designated operators would ultimately use the barcode to track the package. No information, however, is initially required to be loaded on to the barcode. The IPP explains that "by proposing the obligatory application of S10 barcodes on small packets containing goods in 2018 already, we are acting pragmatically by driving behaviour so that we are aligned in advance of the 2020 supply chain requirements."<sup>341</sup> By 2020, the IPP expected – but did not require – all posts would be able to load AED onto the barcode, which is Step 2.

While Step 1 requiring barcodes was implemented at the beginning of 2018, the goal of implementing Step 2 by 2020 is no longer considered possible. In his

<sup>338</sup> CDP-2017-00015-01078 (App. 0293) (U.S. POSTAL SERVICE, 2017 UPU Standing Group Meetings Report, Postal Operations Council (Feb. 20, 2017)).

<sup>339</sup> DeMoss Interview (Oct. 25, 2017); *See also* U.S. POSTAL SERVICE, 2017 UPU Standing Group Meetings Report, Postal Operations Council (Feb. 20, 2017).

<sup>340</sup> CDP-2017-00015-00214 (App. 0302).

<sup>341</sup> *Id.*

interview with the Subcommittee, Mr. Murphy explained such a delay was likely, given that the implementation date of 2020 now “seems ambitious.” Instead, there is discussion of adding several steps before requiring that data to be loaded onto the barcode.<sup>342</sup>

**I. Countries Again Argued Against Any UPU Requirements to Provide AED; the United States Distanced Itself from the Proposal**

Some UPU countries responded strongly to the IPP. In an *ad hoc* group of Committee 3, a number of countries pushed back. For example, India requested “a thorough, comprehensive impact study should be carried out, including all the UPU member countries before implementing Step 1.”<sup>343</sup> India also asserted that “applying barcodes on small packages should not be made mandatory.”<sup>344</sup> Several other countries, including Botswana, Japan, South Korea, and China, raised the issue that no impact study was conducted prior to implementation.<sup>345</sup>

The international view of the value of AED, however, has clearly changed. Not all countries responded negatively to the IPP and some even took a proactive and positive stance. Australia asserted “step 1 is a good first step,” noting posts “must address our customers’ needs.”<sup>346</sup> Denmark requested that the IPP “move swiftly forward.”<sup>347</sup>

Once again, the United States took a decidedly understated public role in the advancement of the IPP. A memo described the State Department’s position with regard to the IPP:

The US is strongly supportive of the IPP, although it has concerns with the pace of its implementation (which may not successfully meet the electronic customs manifesting deadlines set by the European commission). However, US concerns on the ‘*need for speed*’ must also be weighed against the greatest ‘*need for adoption*’ of the IPP plan. Many countries have already expressed their concerns with the IPP, and more aggressive timelines might scare away those countries currently supporting this IPP concept.

Consequently, the US is taking a ‘supportive’ role in this matter and letting the POC Physical Services Co-Chairs (UK and Canada) take

<sup>342</sup> Murphy Interview (Nov. 9, 2017).

<sup>343</sup> CDP-2017-00015-00218 (App. 0306).

<sup>344</sup> *Id.*

<sup>345</sup> *Id.*

<sup>346</sup> *Id.*

<sup>347</sup> CDP-2017-00015-00219 (App. 0307).

the lead in the campaign to have this IPP adopted. While the US sees several areas that need fine-tuning, to avoid creating doubts on the IPP package, US will only make minimal suggestions for change – in cases there were clear drafting errors. Once the IPP is adopted, the US can then turn to achieving better versions of the definitions at the mini-Congress in 2018.<sup>348</sup>

**J. Multiple AED Proposals at the UPU Led to Confusion Regarding Member Countries Requirements and Efforts have “Slowed Down to a Crawl”**

As the UPU closes in on almost a decade of considering AED, there appear to be several proposals regarding AED, but none that require all Posts to exchange AED. While Mr. Murphy explained that the Roadmap and IPP are designed to operate concurrently,<sup>349</sup> neither proposal has resulted in the global exchange of AED by designated operators. In fact, there appears to be confusion as to which document governs and what is required. On September 2, 2016, Peter Chandler, the Manager of UPU Relations at the Postal Service, was asked in an email “is there a specific proposal on advance electronic customs data for the [2016] UPU Congress?”<sup>350</sup> He explained:

There is no single proposal that directly says...by some date you shall be providing electronic customs information on your items....The February 2016 POC adopted a Road Map to advance work on electronic advanced data for security purposes [AED] but it never overtly said it was mandatory for everyone also. I’ve also noted a couple of recent country proposals to Congress that touch upon customs [AED].

There was supposed to be a progress report to Congress on the road map for [AED]—however, things have slowed down to crawl on this at the International Bureau after a change in management of this program.<sup>351</sup>

Mr. Murphy stated that this email addressed the fact that there were no proposals regarding AED at the 2016 Istanbul Congress, since the Roadmap was in response to the addition of Article 9 at the 2012 Doha Congress.<sup>352</sup> However, it seems clear from the above exchange that UPU members do not consider the sharing of AED mandatory. Notably, as indicated above, a change in UPU personnel has resulted in efforts surrounding AED at the UPU to slow dramatically.

<sup>348</sup> CDP-2017-00015-00401 (App. 0311) (emphasis in original).

<sup>349</sup> Murphy Interview (Nov. 9, 2017).

<sup>350</sup> CDP-2017-00015-00341-342 (App.0309-0310).

<sup>351</sup> *Id.*

<sup>352</sup> Murphy Interview (Nov. 9, 2017).

### K. The UPU Takes Notice of Posts being used to Ship Illicit Drugs

While the international community initially focused on AED for security purposes and expediting customs, the conversation has since shifted to targeting illicit drugs. On February 23, 2017, the POC Postal Security Group met in Bern, Switzerland to discuss the issue of using posts to ship illicit drugs. During that meeting, the use of posts to ship synthetic opioids was discussed:

The [Postal Security Group] Secretariat provided information that was presented to the Council of Europe on the rise of the Dark web and cryptomarkets, and the use of covert internet means which enables illicit drug producers to directly market to users. This business model shift has resulted in an increased volume of illegal drugs in the letter mail rather than parcels, which creates additional challenges for posts. In addition, new highly potent forms of synthetic opioids and other toxic chemicals are being transported in the post. These chemicals are deadly in minute quantities, and pose a risk to postal employees. It is imperative for posts to be prepared to appropriately respond to inadvertent exposure to toxic chemicals to protect employees and the postal supply chain.<sup>353</sup>

While CBP has asserted that it relies heavily on AED to target packages containing illicit drugs, the State Department maintains there is a lack of worldwide consensus on this assertion. The State Department has internally questioned whether AED is helpful in targeting packages containing illicit drugs. A February 1, 2017 internal State Department memoranda to Deputy Assistant Secretary (DAS) Nerissa Cook questioned the impact AED would have on targeting packages containing illicit drugs. In explaining the IPP, the memorandum stated:

One component of this modernization is expanding the collection and transmission of [AED] for individual mail items—a topic of high interest on the Hill, *ostensibly because of the presumed contribution [AED] would make to preventing synthetic opioids from arriving in the United States through the international mail*. Because of its clear benefits for aviation security, customs operations and expeditious handling, accelerating the use of [AED] is one of our highest priorities at the UPU this Congress cycle. (We will also soon initiate interagency consultations on ways to accelerate [AED] exchange through bilateral engagement.)<sup>354</sup>

<sup>353</sup> CDP-2017-00015-01073 (App. 0335).

<sup>354</sup> CDP-2017-00015-00811 (App. 0321) (emphasis added).

The State Department's skepticism with regard to the utility of AED continued to increase. A May 9, 2017 memorandum again updating Deputy Assistant Secretary Nerissa Cook on the implementation of AED in the IPP noted:

This topic is of high interest on the Hill, ostensibly because of the presumed contribution [AED] would make to preventing synthetic opioids from arriving in the United States through the international mail. *Despite its uncertain benefits for this purpose*, accelerating the exchange of [AED] is one of our highest priorities at the UPU this Congress cycle because of its clear benefits for aviation security, IPR enforcement and expeditious mail handling.<sup>355</sup>

Mr. Murphy explained he drafted these updates on behalf of his supervisor, Mr. Gregory Thome. When questioned whether he believed AED aided CBP in targeting packages, he explained there was a perception in the global postal community that the benefits of AED for targeting packages were uncertain.<sup>356</sup> He continued "from a policy standpoint, it does not matter why we want it, we just want it."<sup>357</sup> Mr. Murphy took the position that foreign posts need to exchange AED for purposes of modernization.<sup>358</sup>

## VII. EXPRESS CARRIERS USE ADVANCED ELECTRONIC DATA TO LOCATE PACKAGES TARGETED BY CBP

Unlike the Postal Service, Express Consignment Operators (ECOs) are mandated under the Trade Act of 2002 to collect AED on all packages and provide that information to CBP. The ECOs examined by the Subcommittee were DHL, FedEx, and UPS. While those three ECOs maintain they present all packages targeted by CBP for inspection, the volume handled by ECOs is much less than that delivered by the Postal Service. Further, ECOs are able to control a package from the time it is accepted to delivery. This is unlike the Postal Service, which has no control of international packages at their point of origin and is obligated under the UPU treaty to accept and deliver packages it receives from foreign posts. A number of items, however, are prohibited from being shipped under the UPU treaty, including "narcotics and psychotropic substances...or other illicit drugs which are prohibited in the country of destination."<sup>359</sup>

<sup>355</sup> CDP-2017-00015-00821 (App. 0359) (emphasis added).

<sup>356</sup> Murphy Interview (Nov. 9, 2017).

<sup>357</sup> *Id.*

<sup>358</sup> *Id.*

<sup>359</sup> Universal Postal Union, Universal Postal Convention, Article 18, "Items not admitted. Prohibitions,"

Drug traffickers also use ECOs to ship illicit opioids. According to an August 2017 report from the U.S. Government Accountability Office, 30 percent (92,878 items out of 308,360) of CBP's seizures of all inbound international shipments from 2012–2016 came from ECOs.<sup>360</sup> Of the total seizures (both Postal Service and ECOs), 47 percent (or 144,117 items) were illegal or inadmissible drugs while the remaining seizures were merchandise.<sup>361</sup>

For example, earlier this year, CBP seized 83 DHL shipments containing 36 pounds of fentanyl at Cincinnati/Northern Kentucky International Airport. A CBP press release reported that the shipments were from China and “were addressed to individuals in multiple locations throughout seventeen U.S. states and Canada.”<sup>362</sup> The shippers attempted to disguise the contents by mislabeling packages with descriptions of “silicone resin, hardware nuts, snap hooks, plastic sheet sample, and nano hydrophobic coatings.”<sup>363</sup>

This section explains how Congress mandated ECOs to collect AED on all international packages entering the United States following the terrorist attacks on September 11, 2001. In response, the ECOs developed proprietary systems to transmit AED. This has resulted in ECOs identifying and presenting almost all of the packages targeted and requested by CBP for inspection.

#### **A. Congress Mandated Express Consignment Operators to Provide CBP with AED on all Packages**

Congress passed the Trade Act of 2002 following the terrorist attacks against the United States on September 11, 2001. The Trade Act required ECOs to collect certain information for all international packages.<sup>364</sup> However, as discussed below, Congress did not mandate the collection of AED on Postal Service packages.

---

[http://www.upu.int/uploads/tx\\_sbdownloader/universalPostalConventionArticle18ItemsNotAdmittedProhibitionsEn.pdf](http://www.upu.int/uploads/tx_sbdownloader/universalPostalConventionArticle18ItemsNotAdmittedProhibitionsEn.pdf)

<sup>360</sup> U.S. GOV'T ACCOUNTABILITY OFF., GAO-17-606, INTERNATIONAL MAIL SECURITY: COSTS AND BENEFITS OF USING ELECTRONIC DATA TO SCREEN MAIL NEED TO BE ASSESSED 8 (2017), <https://www.gao.gov/assets/690/686377.pdf>.

<sup>361</sup> *Id.*

<sup>362</sup> Press Release, U.S. Customs and Border Protection, Cincinnati CBP Seizes 290 Pounds of Designer Drugs (Mar. 29, 2017), <https://www.cbp.gov/newsroom/local-media-release/cincinnati-cbp-seizes-290-pounds-designer-drugs>.

<sup>363</sup> *Id.*

<sup>364</sup> 19 U.S.C. § 2071 (note), Mandatory Advanced Electronic Information for Cargo and Other Improved Customs Reporting Procedures (2016).

### 1. The Trade Act Required ECOs to Collect AED to Provide to CBP

Trade Act regulations state that the ECOs must provide CBP with AED on all incoming foreign shipments prior to arriving in the United States at a designated port of entry.<sup>365</sup> The data elements ECOs must provide electronically to CBP include:

- Country of origin for the merchandise
- Shipper name, address and country
- Ultimate consignee name and address
- Specific description of the merchandise
- Quantity
- Shipping Weight
- Value.<sup>366</sup>

Regulations explain “CBP must receive the required cargo information no later than 4 hours prior [to] the arrival of the [package] in the United States.”<sup>367</sup> ECOs that fail to provide the required AED are subject to civil penalties “in a monetary amount up to the value of the cargo, or the actual cost of the transportation, whichever is greater.”<sup>368</sup> Each year the ECOs pay penalties to CBP for failing to provide AED as reflected in the chart below. In contrast, the Postal Service is not required to pay penalties for failing to provide AED on any of its international packages.

**Annual Amount Paid to CBP in Manifest Penalties by DHL, FedEx, and UPS<sup>369</sup>**

2012	2013	2014	2015	2016
\$308,500	\$230,650	\$34,675	\$124,619	\$267,850

In addition to penalties, the Trade Act imposed certain costs on the ECOs regarding CBP’s inspection of their packages. Specifically, Trade Act regulations require each ECO to “provide, without cost to the Government, adequate office space, equipment, furnishings, supplies and security as per CBP’s specifications.”<sup>370</sup> This is in addition to the requirement that ECOs pay CBP a fee of one dollar for each international package valued at \$2,500 or less shipped through the ECO.<sup>371</sup>

<sup>365</sup> 19 C.F.R. § 128.21 (2017).

<sup>366</sup> *Id.*

<sup>367</sup> 19 C.F.R. § 122.48a (2017).

<sup>368</sup> 19 U.S.C. § 2071 (note), Mandatory Advanced Electronic Information for Cargo and Other Improved Customs Reporting Procedures (2016).

<sup>369</sup> These figures represent aggregated information for the three ECOs reviewed by the Subcommittee.

<sup>370</sup> 19 C.F.R. § 128.21 (2017).

<sup>371</sup> 19 C.F.R. § 24.23(b)(1)(i) (2017).

This fee is related to processing the package by CBP and clearing it through U.S. customs.<sup>372</sup> That fee results in significant amounts paid to CBP each year by the ECOs:

Annual Amount Paid to CBP in One Dollar Per Package Fees by DHL, FedEx, and UPS<sup>373</sup>

2012	2013	2014	2015	2016
\$33,725,745*	\$52,066,414	\$54,402,127	\$59,816,258	\$67,030,218

\*Quarter 4 only provided by DHL.

ECOs have the option of passing the one-dollar-per-package-fee and the CBP-associated costs on to consumers by building the fees into the shipping costs.<sup>374</sup> In contrast, the Postal Service does not pay CBP one-dollar-per-package to process international packages sent through its network.

It is important to note that the package volume carried by the ECOs is significantly less than the Postal Service's volume. However, ECOs also experienced growth over the past five years.

Annual ECO International Shipping Volume Into the United States for DHL, FedEx, and UPS<sup>375</sup>

2012	2013	2014	2015	2016
28,138,472*	51,915,823	54,440,116	59,353,177	65,772,320

\*Quarter 4 Only provided by DHL.

#### **B. Congress Delegated the Decision to Require Postal Service to Provide AED**

While the Trade Act of 2002 statutorily mandated that the ECOs provide CBP AED on packages in their networks, Congress did not impose the same requirements on the Postal Service. In fact, Congress left the decision up to the Secretary of the Treasury and Secretary of Homeland Security, in consultation with the Postmaster General.<sup>376</sup> Specifically, the Trade Act states:

With respect to the requirements imposed on the carriers, the Secretary, in consultation with the Postmaster General, shall

<sup>372</sup> *Id.*

<sup>373</sup> These figures represent aggregated information for the three ECOs reviewed by the Subcommittee.

<sup>374</sup> For example, UPS explained it includes the one-dollar-per-package fee and other costs in the amount it charges customers to ship a package through its network. Briefing with UPS (May 5, 2017).

<sup>375</sup> These figures represent aggregated information for the three ECOs reviewed by the Subcommittee.

<sup>376</sup> 19 U.S.C. § 2071 (note), Mandatory Advanced Electronic Information for Cargo and Other Improved Customs Reporting Procedures (2016).



determine whether it is appropriate to impose the same or similar requirements on shipments by the United States Postal Service. If the Secretary determines that such requirements are appropriate, then they shall be set forth in regulations.<sup>377</sup>

To date, the requirement to provide AED has not been imposed on the Postal Service because no decision has been made by the Secretaries or Postmaster General.

### C. ECOs use AED to Track Packages Throughout Their Networks

Pursuant to Trade Act requirements, ECOs provide AED to CBP on all packages delivered to the United States. Each ECO has extensive practices and procedures for accepting delivery of a package.<sup>378</sup>

#### 1. ECOs Control Packages from Drop-Off to Delivery

From the time a package is dropped off by the customer until it is delivered to the final address, it is controlled and tracked by an ECO. DHL noted that packages are booked by a DHL customer service employee through proprietary systems while “Pick Up includes...picking up and accepting the shipments from the Customer.”<sup>379</sup> FedEx policy includes the following:

FedEx’s responsibility for a package begins when an employee accepts it. All packages must be prepared and packed by the customer for safe transportation with ordinary care in handling. Customers may use packaging supplied by FedEx Express, or they may use their own packaging if it meets standards set by FedEx Express.

FedEx reserves the right to refuse to do business with parties suspected of using FedEx services for illegal or unethical purposes. All FedEx employees are required to report senders they suspect of abusive, illegal, or unethical activities to Customer Service or the Operations Manager at their location. The Operations Manager must inform Security, Legal, and Marketing groups in the affected region.<sup>380</sup>

FedEx also retains the ability to open any package being shipped through its network. FedEx policies indicate “all items offered or accepted for shipment are subject to inspection. If a complete description of the contents of any international

---

<sup>377</sup> *Id.*

<sup>378</sup> *Id.*

<sup>379</sup> DHL\_PSI00000075-78 (App. 0360-0362).

<sup>380</sup> FDXPSI0000187 (App. 0455).

shipment is not available, FedEx has the option of opening and inspecting the shipment to verify the description of its contents.”<sup>381</sup>

“In his testimony before the Subcommittee at the May 25 hearing, Norm Schenk, UPS Vice President of Global Customs Policy and Public Affairs explained UPS “picked up [packages] from foreign customers bound for the U.S.”<sup>382</sup> He also testified, “We even require [AED] through subcontractors in countries where we work, if we do not have a physical presence there, as a high-risk package can be sent from anywhere at any time.”<sup>383</sup>

#### **D. ECOs Require Customers to Provide Information Mandated by the Trade Act**

The three ECOs examined by the Subcommittee require customers to provide certain information in order to ship a package through their networks. The information requested aligns with the fields of information required under Trade Act regulations.<sup>384</sup>

##### **1. DHL**

DHL policy requires shippers to include certain information in the form of an Air Waybill during the processing of any shipment.<sup>385</sup> DHL international shipping requirements include providing the following fields of information:

- Address (including city name)
- Country (where pickup will be made)
- Company name (if not residential)
- Location/Specific floor/ room number
- Contact name
- Phone number
- Ready time

<sup>381</sup> FDXPISI0000086 (App. 0456).

<sup>382</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (testimony of Norman Schenk, Vice President of Global Customs Policy and Public Affairs, United Parcel Service).

<sup>383</sup> *Id.*

<sup>384</sup> 19 C.F.R. § 128.21 (2017).

<sup>385</sup> DHL\_PSI\_00000076 (App. 0360). An Air Waybill is the customer’s receipt for their shipment that ensures delivery. The Air Waybill information is provided by the customer and “details the basic information about [the] shipment, including where it’s being sent from and to, the weight, [ ] a brief description of the goods...where [the] shipment is going, what service [is] required, and how [the customer] intends to pay.” The Air Waybill also includes “the terms and conditions upon which [DHL] will provide service.” DHL, Shipping Documentation, DHL (Jan. 10, 2018), <https://dhlguide.co.uk/going-global/customs/carrier-documentation/>.

- Close time (if morning pickup request for break time hours)
- Special instructions (supplies/packing material)
- Payment method
- Account number
- Destination
- Special Handling Requests
- Product
- Paperwork confirmation
- Weight (if known)
- Dimensions (if known)
- Total number of pieces<sup>386</sup>

## 2. FedEx

FedEx policy states that it “requires every package to be properly identified, marked and labeled to ensure a smooth customs clearance and on-time delivery, as well as reduced missorts and lost revenue.”<sup>387</sup> FedEx gathers certain information and “[e]ach package must display the following unique identification and labels that allow FedEx Express to handle it with the greatest possible efficiency,”<sup>388</sup> in part:

- The sender’s name and complete address
- The recipient’s name and complete, deliverable address on all pieces
- A completed international air waybill
- Where available, an air waybill peel-off tracking number label (placed on the commercial invoice)
- Backup tracking number
- Other appropriate service or handling labels such as Fragile, Actual & Dim, Perishable, Heavy, and Dangerous Goods<sup>389</sup>

For international shipments, FedEx policy states “[d]ocumentation is required for every international shipment” and “[t]he International Waybill is required for all express shipments.”<sup>390</sup> The FedEx International Waybill is “a legal document for shipping, manifesting, customs clearance, tracking, and billing,” and serves as “a contract between the sender and carrier to transport international cargo.”<sup>391</sup> Information collected on the International Air Waybill by FedEx includes: (1) description and quantity of the goods; (2) value of the shipment; (3) number of

---

<sup>386</sup> DHL\_PSI\_00000076 (App. 0360).

<sup>387</sup> FDXPSI0000146 (App. 0396).

<sup>388</sup> *Id.*

<sup>389</sup> *Id.*

<sup>390</sup> FDXPSI0000124 (App. 0394).

<sup>391</sup> *Id.*

pieces (packages) in the shipment; (4) weight of the shipment; (5) type of mail service requested; and (6) type of payment (freight, duty, and taxes).<sup>392</sup>

FedEx policy states the VISA MANIFEST System exists to: (1) expedite the customs clearance process; (2) track international shipments; (3) invoice international shipments; (4) prevent overages and shortages; (5) support customer service/customer inquiries; (6) allow regulatory agencies to select and hold shipments for examination; (7) provide screens and reports that allow users to ensure an accurate manifest is provided for customs clearance; and (8) capture export proof of reporting for regulatory agencies.<sup>393</sup>

On the day of the shipment, FedEx enters shipment information into an electronic record of shipment information called VISA MANIFEST System. In total, information for all international shipments on a VISA MANIFEST Report includes:

- Sender's account information
- Reference Information
- Origin
- Destination
- Recipient's account number, phone number, name, address, city, state, province, country, and postal code
- Broker's name, city, country, phone number, and postal code
- Service type
- Special handling codes (Hold at Location, Saturday Delivery, and Dangerous goods)
- Billing information
- Account number
- Country code
- Weight
- Manufacturing code
- Currency type
- Carriage value
- Customs value
- Exporter's license
- Description
- MPS (Multiple Piece Shipment) information<sup>394</sup>

<sup>392</sup> *Id.* at App. 0394-0395.

<sup>393</sup> FDXPISI0000312-313 (App. 0398-0399).

<sup>394</sup> FedEx Ship Manager Server Transactions Guide, FedEx Corporate Services, Inc. 2013–2014. Generating FedEx Shipping Forms and Reports, FedEx Express International Reports, International Visa Manifest Report-FedEx Express, 17.6.5.  
[https://www.fedex.com/us/developer/WebHelp/fsms/1401/dvg/DVG-WebHelp/index.htm#1\\_Introduction\\_to\\_FedEx\\_Ship\\_Manager\\_Server.htm](https://www.fedex.com/us/developer/WebHelp/fsms/1401/dvg/DVG-WebHelp/index.htm#1_Introduction_to_FedEx_Ship_Manager_Server.htm).

FedEx indicated that the VISA MANIFEST System is an electronic record of shipment information that begins the clearance process of an international shipment before it arrives at its destination. It also serves as a legal document that describes the cargo being transported, allowing "origin, transit, and destination locations to print a manifest."<sup>395</sup> For further verification of accuracy, personnel at the origin, transit, and destination locations are responsible for changing the manifest as needed. This would occur, for example, when a flight is delayed, rerouted, or cancelled.<sup>396</sup>

### 3. UPS

To ship a package with UPS, a customer is required to provide certain information submitted in the form of an International Air Waybill (IAWB), which serves as the "contract of carriage between the shipper and the carrier."<sup>397</sup> As Mr. Schenk of UPS testified at the May 25th hearing, UPS has "been using electronic data for years, even before it was required by the Trade Act of 2002, to provide CBP with item-level detail about every shipment entering the country." These data consist of seven data points:

- The sender's name and address
- The recipient's name and address
- The value of the contents
- A description of the contents and
- The piece count for the shipment<sup>398</sup>

Mr. Schenk continued "this not only helps [UPS] reduce the potential for dangerous goods entering the United States through our system, but also aids in meeting manifesting and compliance requirements, ensuring payment of duties and fees and expediting clearance through customs."<sup>399</sup>

UPS uses an electronic database called the UPS WorldShip System, which collects and enters data provided almost entirely by the customer.<sup>400</sup> In locations where customers submit shipments with hard copies of the shipment data, a UPS

<sup>395</sup> FDXPISI0000312 (App. 0398).

<sup>396</sup> FDXPISI0000102 (App. 0393).

<sup>397</sup> App. 0404-0405; *see also* UPS Air Freight Terms and Conditions of Contract For UPS Air Freight Services in the United States, Canada, and International, Effective July 10, 2017, 3-4, [https://www.ups.com/assets/resources/media/en\\_US/AirFreight\\_TandC.pdf](https://www.ups.com/assets/resources/media/en_US/AirFreight_TandC.pdf).

<sup>398</sup> *Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs: Hearing Before the S. Permanent Subcomm. on Investigations of the S. Comm. on Homeland Security and Governmental Affairs*, 115th Cong. (2017) (testimony of Norman Schenk, Vice President of Global Customs Policy and Public Affairs, United Parcel Service).

<sup>399</sup> *Id.*

<sup>400</sup> In locations where customers submit shipments with hard copies of the shipment data, a UPS employee would enter the data into the WorldShip System. PSI-UPS-01-000002 (App. 00622).

employee enters the data into the WorldShip System. The system requires the shipper to provide:

- A valid UPS account number
- Contents of the shipment
- Contact name and telephone number for the shipper
- A consignee contact name, telephone number, address, and zip/postal code
- Accurate dimensions and weight of the shipment<sup>401</sup>

#### **E. Automated Systems Assist ECOs in Tracking Packages**

Policies and procedures from each ECO described proprietary systems used to track packages throughout each carrier's network.

##### **1. DHL**

DHL policies state a number of requirements for international shipments throughout the DHL express global network, including validation of shipment information to ensure delivery through the DHL network.<sup>402</sup> This includes reviewing the data entered for each package for errors and ensuring any missing information is included.<sup>403</sup> DHL also reviews the description of goods to ensure that information is accurate.<sup>404</sup>

When CBP or law enforcement seizes a shipment at a DHL facility, the DHL facility staff must take note of: (1) the Air Waybill number; (2) the agency taking possession of the shipment; (3) the name of the representative of the agency and; (4) the commodity contained within the shipment.<sup>405</sup> The DHL facility manager is then required by policy to enter the seizure/intercept information into the appropriate DHL database.<sup>406</sup>

DHL has taken further steps to partner with DHS regarding the shipment of drugs through the DHL network. In January 2014, DHL entered into a Memorandum of Understanding with HSI and CBP regarding narcotics

---

<sup>401</sup> App. 0404-0405; UPS Air Freight Terms and Conditions of Contract For UPS Air Freight Services in the United States, Canada, and International, effective July 10, 2017, 3-4, [https://www.ups.com/assets/resources/media/en\\_US/AirFreight\\_TandC.pdf](https://www.ups.com/assets/resources/media/en_US/AirFreight_TandC.pdf).

<sup>402</sup> DHL\_PSI\_00000080 (App. 0363).

<sup>403</sup> DHL\_PSI\_00000160 (App. 0379).

<sup>404</sup> DHL\_PSI\_00000160-165 (App. 0379-0384).

<sup>405</sup> DHL\_PSI\_00000142 (App. 0377).

<sup>406</sup> *Id.*

enforcement at DHL facilities in an effort to reduce drugs being smuggled into the country through the DHL network.<sup>407</sup>

## 2. FedEx

FedEx policy states the Global Enterprise Network for the Entry of Shipment Information at the Source (“GENESIS”) is used to enter manifest data for all international shipments. Document images are also digitally stored in the GENESIS Global Document Archive for future use, and manifest information is uploaded to the VISA MANIFEST System where the manifest can be viewed, printed, or electronically sent to customs, the broker, within FedEx, or to other government agencies.

FedEx policies also state that “[a]ll shipments offered to or accepted by FedEx are subject to inspection,” and that “[c]orporate [s]ecurity may open and inspect any package (except diplomatic bags and military shipments) at any time for safety and/or security reasons.”<sup>408</sup> Further, “[o]perations management may open shipments in order to obtain a better address or description of the contents.”<sup>409</sup> However, FedEx Security does not have consolidated tracking or logging of illegal items found in shipments.<sup>410</sup>

Based on the originating location of the package, FedEx provided country-specific procedures for accepting a package for delivery. For example, because India requires shippers to know their customers, FedEx created the “Unknown Shipper Authentication Program” for India.<sup>411</sup> FedEx policy states these procedures “capture the mandatory information of every walk in customer who books his shipments at the FedEx counters using cash.”<sup>412</sup> An unknown shipper is required to provide proof of identification, such as a passport or driving license.<sup>413</sup>

Further, FedEx employees are advised to look for certain specific signs in identifying a suspicious package.<sup>414</sup> Other countries where FedEx accepts packages for delivery also have specific policies and procedures, including China, Colombia, Dominican Republic, Canada, Hong Kong, Singapore, and the United Kingdom.<sup>415</sup>

<sup>407</sup> DHL\_PSI-00000094-101 (App. 0376).

<sup>408</sup> FDXPSI0000170 (App. 0397).

<sup>409</sup> *Id.*

<sup>410</sup> Email from Brian Heberlig, counsel for FedEx, to the Subcommittee (Nov. 28, 2017).

<sup>411</sup> FDXPSI0002510–2512 (App. 0451-454).

<sup>412</sup> *Id.* at App. 0453.

<sup>413</sup> *Id.*

<sup>414</sup> *Id.*

<sup>415</sup> Letter from Brian Heberlig & Jason Weinstein, counsel for FedEx, to the Subcommittee (Sept. 29, 2017).

### 3. UPS

UPS produced a number of policies and procedures regarding proprietary systems used to track packages using AED. UPS explained how it interacts with CBP at its facilities: “UPS express and hub facilities have sophisticated automation and scanning procedures, and routinely present packages to CBP, whose officers are stationed at these facilities.”<sup>416</sup>

Manuals for the UPS operating system (“OPSYS”) international data system appear to allow an employee to run a number of queries and reports to track a package at any point during the delivery process.<sup>417</sup> The OPSYS system also allows UPS employees to access the data associated with a specific package and to locate a specific package by searching for the shipper’s name.<sup>418</sup>

#### F. ECOs Do Not Share Information Related to Shippers of Illegal Items

While the ECOs work to maintain the integrity of their networks, there is currently no coordinated effort to share information regarding shippers of illegal items among the ECOs or with CBP.

#### 1. DHL

DHL reported that it does not accept packages from individuals or entities appearing on denied parties’ lists, such as the U.S. Department of Treasury Office of Foreign Assets Control, but does not have a DHL-generated denied shipper list. Instead, “DHL relies on its robust communications from across the DHL global network to cancel problematic customer accounts.”<sup>419</sup> DHL explained this is the current course of action because it found “customers will continually change shipping names and other contact information making any DHL-generated list insufficient to be relied upon.”<sup>420</sup>

#### 2. FedEx

FedEx also provided a “list of parties from which FedEx refuses to accept packages, or from whom FedEx only accepts certain types of packages, because the party failed to comply with FedEx policies for shipping Dangerous Goods.”<sup>421</sup> The undated list consisted of 116 entries, including 100 domestic shippers and 16 foreign shippers, with several located in China. Most of the listed entities have names indicative of a business, some of which are household names. The list contained no individuals, unless that person was associated with a business. From

<sup>416</sup> Letter from Laura Lane, President, UPS Global Affairs, to the Subcommittee (Nov. 21, 2017).

<sup>417</sup> PSI-UPS-01-000002 (App. 0389).

<sup>418</sup> UPS Production to the Subcommittee (Nov. 21, 2017).



a review of the businesses on the list by Subcommittee staff, none of them appeared related to openly selling illicit drugs. FedEx stated it does not share its list with other ECOs or CBP.<sup>422</sup>

### 3. UPS

UPS stated that it “regularly works to update its systems to ensure that it does not do business with customers who traffic in illegal merchandise. When UPS identifies such customers, it works to block that person from shipping through the UPS network.”<sup>423</sup> UPS provided a list of individuals and entities from which it no longer accepts packages.<sup>424</sup> However, UPS indicated it does not share its internal lists of these individuals with other ECOs.<sup>425</sup>

#### G. ECOs Provide Almost All Targeted Packages to CBP for Inspection

According to statistics provided by CBP, as depicted below, the ECOs provide almost all of the packages targeted for inspection.

CBP Analysis of ECO Presentment Rates of Targeted Packages<sup>426</sup>

Fiscal Year	Total Express Bills	Penalties for Non-presentment	Presentment Rate
2013	29,375,103	4,626	99.9%
2014	50,066,460	7,041	99.9%
2015	78,296,817	3,680	99.9%
2016	104,223,263	341	99.9%
2017	108,327,947	207	99.9%

<sup>419</sup> Letter from Matt Miner, counsel for DHL, to the Subcommittee (Nov. 16, 2017).

<sup>420</sup> *Id.*

<sup>421</sup> See also Letter from Brian Heberlig & Jason Weinstein, counsel for FedEx, to the Subcommittee (Sept. 13, 2017). Dangerous Goods is the international equivalent of “Hazardous Materials,” defined in 49 CFR 171.8 as “a substance or material that the Secretary of Transportation has determined is capable of posing an unreasonable risk to health, safety, and property when transported in commerce, and has designated as hazardous under section 5103 of Federal hazardous materials transportation law (49 U.S.C §5103).” These substances may be lawfully shipped by customers and transported by ECOs provided they are appropriately marked, labelled, packaged, and documented.

<sup>422</sup> Email from Brian Heberlig, counsel for FedEx, to the Subcommittee (Nov. 13, 2017).

<sup>423</sup> Letter from Laura Lane, President, UPS Global Affairs, to the Subcommittee (Oct. 11, 2017).

<sup>424</sup> UPS Production to the Subcommittee (Nov. 21, 2017) (on file with the Subcommittee).

<sup>425</sup> Letter from Laura Lane, President, UPS Global Affairs, to the Subcommittee (Nov. 21, 2017).

<sup>426</sup> CBP Production to the Subcommittee (Dec. 7, 2017) (on file with the Subcommittee).

Both FedEx and UPS internally tracked the number of packages targeted by CBP and provided presentment rates, along with statistics regarding packages that were targeted, inspected, and seized by CBP. For 2012, FedEx's presentment rate was 98.9 percent.<sup>427</sup> From 2013 to the present, FedEx has presented more than 99 percent of the packages CBP targeted for inspection.<sup>428</sup> UPS also reported rates of providing targeted packages to CBP for inspection, which have improved over the past five years, as depicted below:<sup>429</sup>

Year	Packages Missed
2012	334
2013	71
2014	32
2015	13
2016	13
2017	4

DHL reported it "neither keeps track nor maintains records sufficient to report the number of DHL packages: (1) identified or targeted by CBP for inspection; (2) interdicted by CBP; or (3) with a 'deny shipment' order placed by CBP."<sup>430</sup> DHL did state it "has processes in place to X-ray and otherwise screen for potential threats."<sup>431</sup> Later, DHL provided specific statistics on exams and detentions by CBP for years 2016 and 2017 and reported it had the ability to provide the same statistics for 2013-2015, but not prior to the release of this report.<sup>432</sup>

<sup>427</sup> FedEx Production to the Subcommittee (Sept. 6, 2017) (on file with the Subcommittee).

<sup>428</sup> *Id.*

<sup>429</sup> UPS Production to the Subcommittee (Dec. 4, 2017) (on file with the Subcommittee).

<sup>430</sup> DHL was originally unable to provide statistics regarding the number of packages presented to CBP for inspection. Letter from Matt Miner, counsel for DHL, to the Subcommittee (Oct. 13, 2017).

<sup>431</sup> *Id.*

<sup>432</sup> Email from Matt Miner, counsel for DHL, to the Subcommittee (January 23, 2018).

NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA

SENSITIVE BUT UNCLASSIFIED

To: DAS Nerissa Cook  
From: Gregory D. Thome, IO/STA  
Date: May 9, 2017  
Subject: IO/STA – A Look Ahead for May to July 2017

(U) UNVIE:

[REDACTED]

(U) USICAO Montreal:

[REDACTED]

(U) IO/STA:

[REDACTED]

(U) IRENA:

[REDACTED]

(U) IAEA:

• (SBU) Budget:

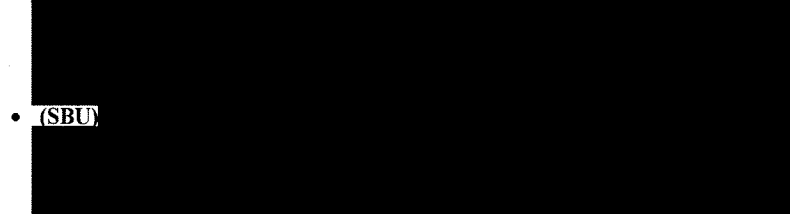
[REDACTED]

SENSITIVE BUT UNCLASSIFIED

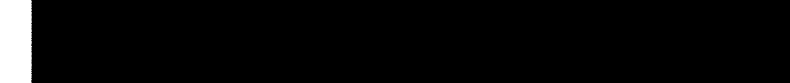
NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA



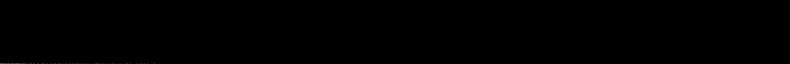
- (SBU) Senior Staffing:



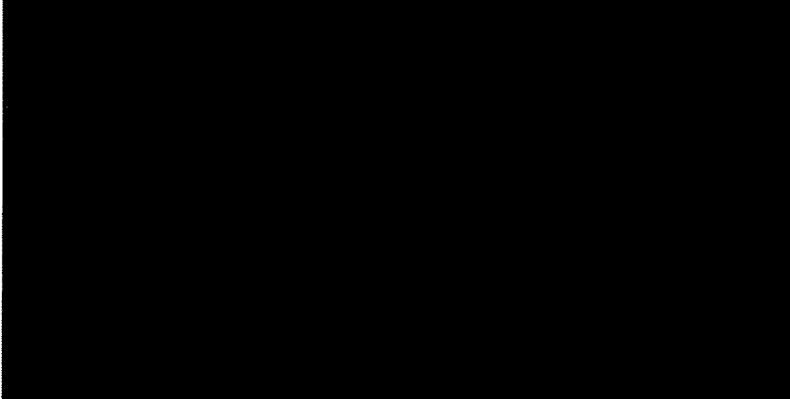
- (SBU)



(SBU) UN Disarmament Affairs:



(SBU) ICAO:



SENSITIVE BUT UNCLASSIFIED

NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA

[REDACTED]

(U) IMO:

[REDACTED]

(U) IHO:

[REDACTED]

(U) UNESCO:

- (U) Executive Board:

[REDACTED]

SENSITIVE BUT UNCLASSIFIED

NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA

[REDACTED]

- (U) World Heritage:

[REDACTED]

- (U) MAB:

[REDACTED]

- (U) Climate Change:

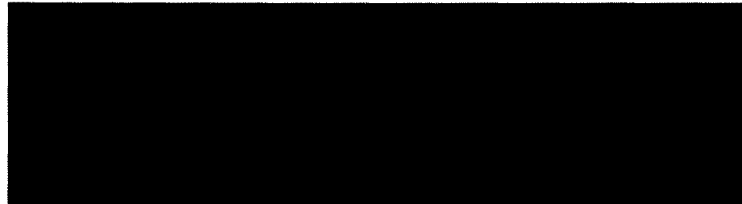
[REDACTED]

- (U) IOC:

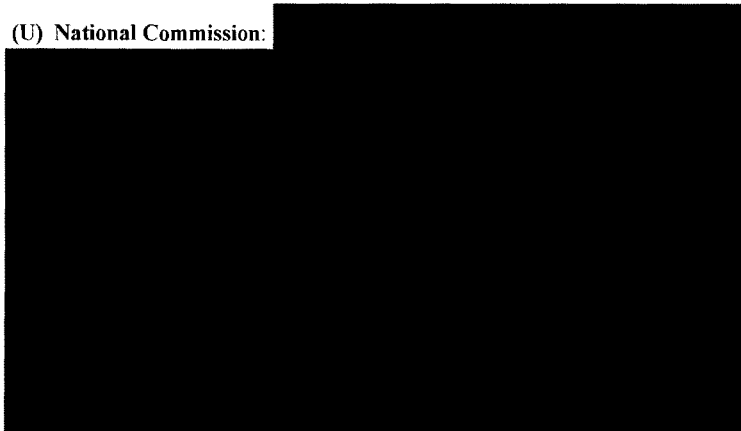
[REDACTED]

SENSITIVE BUT UNCLASSIFIED

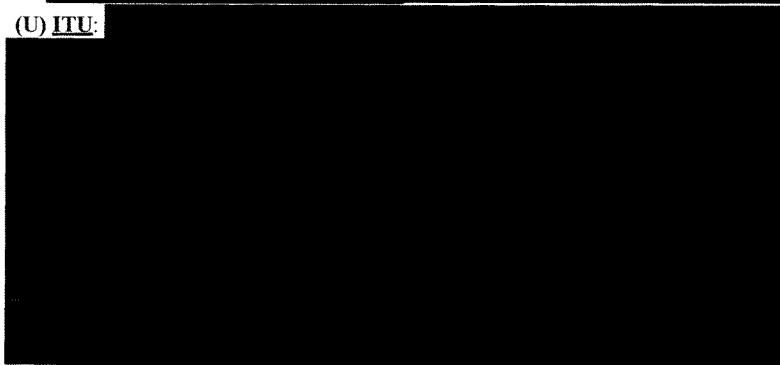
NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA



• (U) **National Commission:**



(U) **ITU:**



(SBU) **Internet Governance:**



SENSITIVE BUT UNCLASSIFIED

NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA

[REDACTED]

(SBU) Cyber Norms:

[REDACTED]

(U) UNODC:

[REDACTED]

(U) UNCOPUOS:

[REDACTED]

(U) UPU: Work is well underway within the UPU's Postal Operations Council (POC) to implement Phase 1 of the Integrated Product Plan (IPP) to modernize international mail product offerings and to elaborate the requirements for Phase 2, which will be considered at an Extraordinary Congress in Addis Ababa in September 2018. The IPP's goal is to better meet the needs of customers and supply chain partners, including customs authorities, as the composition of the mail stream continues its rapid shift from traditional items of correspondence to e-commerce goods. It has broad implications for mailers, and we are reaching out to stakeholders through our advisory committee and through industry associations to obtain private sector views. The most important initial aspect of the IPP is the Phase 1 division of Letter Post, which includes flats and small packets up to 2 kilograms, into items containing documents and those containing goods. Another

SENSITIVE BUT UNCLASSIFIED



NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA

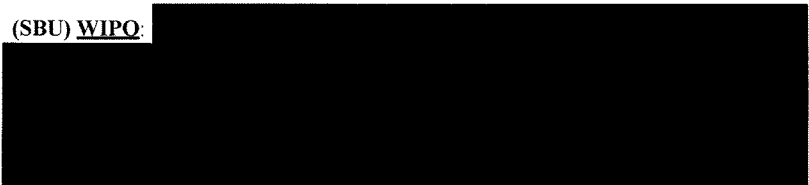
component of the IPP involves placing standard bar codes onto items containing goods, which will facilitate the collection and transmission of Advance Electronic Information (AEI) for individual mail items. This topic is of high interest on the Hill, ostensibly because of the presumed contribution AEI would make to preventing synthetic opioids from arriving in the United States through the international mail. Despite its uncertain benefits for this purpose, accelerating the exchange of AEI is one of our highest priorities at the UPU this Congress cycle because of its clear benefits for aviation security, IPR enforcement and expeditious mail handling. U.S. co-chairmanship of the POC Committee on Supply Chain Integration and chairmanship of that Committee's Standing Group on Security positions us well to advance this issue at the UPU. (Apart from our efforts at the UPU, we have also initiated interagency consultations on increasing AEI exchange through bilateral engagement.)

(U) In addition to the IPP and AEI, we are participating in processes that address important UPU institutional issues, including possible restructuring of the Organization's governing bodies, financing arrangements, implementation of an Istanbul Congress decision to establish a UPU-administered assistance program funded from a surcharge on some mail flows, and re-capitalization of the UPU's pension fund. (State Department Comptroller Flaggs chairs the pension fund task force.)

(U) No formal meetings of UPU bodies are scheduled this quarter but a cluster of standing group and task force meetings in Bern in June will maintain the momentum from the highly productive POC and Council of Administration meetings held in Bern March 27-April 7.

(U) The USPS OIG issued its long-awaited report on Extraterritorial Offices of Exchange (ETOE) on April 6. The report, issued as a white paper, did not make any recommendations but pointed to a number of concerns about the lack of transparency and oversight of ETOEs in the U.S. This report and Istanbul Congress decisions on ETOEs point to the need to review our ETOE policy, and we are initiating that process.

(SBU) WIPO:



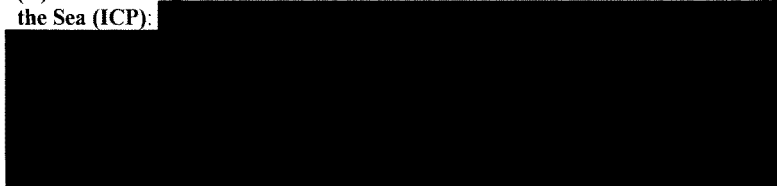
SENSITIVE BUT UNCLASSIFIED

NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA



(U) ENVIRONMENT

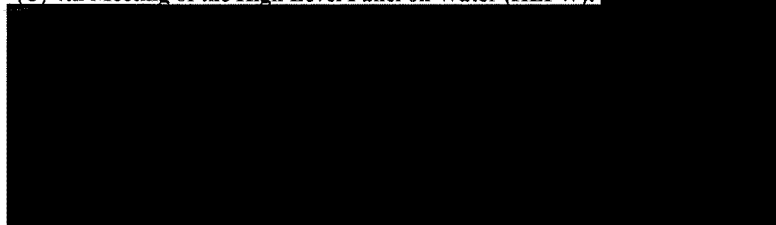
(U) 18th Meeting of the Informal Consultative Process on Oceans and Law of the Sea (ICP):



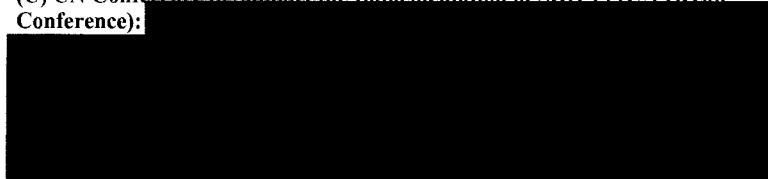
(U) 52nd Meeting of the GEF Council:



(U) 4th Meeting of the High Level Panel on Water (HLPW):



(U) UN Conference to Support the Implementation of SDG 14 (UN Ocean Conference):



(U) Fourth Session of the Preparatory Committee on BBNJ:



SENSITIVE BUT UNCLASSIFIED

NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA

[REDACTED]

**(U) Montreal Protocol OEWG 39:**

[REDACTED]

**(U) CITES Animals and Plants Committees:**

[REDACTED]

**(U) Upcoming Events of Interest**

May 3-5	3rd Meeting, CSTD Working Group on Enhanced Cooperation (Geneva)
May 8-9 (TBC)	IAEA Program and Budget Committee (Vienna)
May 8-12	20 <sup>th</sup> Session of the CSTD (Geneva)
May 8-17	WMO Financial Advisory and Executive Council (Geneva)
May 15-19	Informal Consultative Process on Oceans and Law of the Sea (ICP-18) (New York)
May 15-24	ITU Council (Geneva)
May 22-26	UN Commission on Crime Prevention and Criminal Justice (Vienna)
May 22-24	13 <sup>th</sup> IRENA Council (Abu Dhabi)
May 23-25	52nd of the GEF Council Meeting (Washington)
May 25	4th Meeting of the High Level Panel on Water (HLPW) (Cancun)

SENSITIVE BUT UNCLASSIFIED

NOT FOR PUBLIC RELEASE  
MAY CONTAIN SENSITIVE PROPRIETARY, PRIVACY, AND FOREIGN GOVERNMENT DATA

May 31-June 1	IAEA Conference on Technical Cooperation (Vienna)
June 5-9	IAEA Board of Governors (Vienna)
June 5-9	UN Ocean Conference (New York)
June 7-9	ITU-hosted AI for Good Global Summit (Geneva)
June 7-16	IMO Maritime Safety Committee (London)
June 7-16	UN Committee on the Peaceful Uses of Outer Space (Vienna)
June 12-16	WSIS Forum (Geneva)
June 19-23	4 <sup>th</sup> and Final Meeting of the 2016/2017 UN Group of Government Experts (GGE) on cybersecurity (New York)
July 10-21	BBNJ PrepCom 4 (New York)
July 10-14	WIPO Program and Budget Committee (PBC) (Geneva)
July 11-14	Montreal Protocol OEWG 39 (Bangkok)
July 17-19	IMO Technical Cooperation Committee Meeting (London)
July 18-21	CITES Animals and Plants Committees (Geneva)
July 24-28	IMO Council Meeting (London)

SENSITIVE BUT UNCLASSIFIED



**STATEMENT OF ANTHONY M. REARDON  
NATIONAL PRESIDENT  
NATIONAL TREASURY EMPLOYEES UNION  
ON COMBATTING THE OPIOID CRISIS  
BEFORE THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL REFORM  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
UNITED STATES SENATE**

**JANUARY 25, 2018**

Chairman Portman, Ranking Member Carper, distinguished members of the Subcommittee, thank you for the opportunity to submit this testimony. As President of the National Treasury Employees Union (NTEU), I have the honor of leading a union that represents over 25,000 Customs and Border Protection (CBP) Officers, Agriculture Specialists and trade enforcement personnel stationed at 328 land, sea and air ports of entry (POE) across the United States (U.S.) and 16 Preclearance stations currently in Ireland, the Caribbean, Canada and United Arab Emirates airports.

In addition to CBP's trade and travel security, processing and facilitation mission, CBP employees at the ports of entry are the second largest source of revenue collection for the U.S. government. In 2016, CBP processed more than \$2.2 trillion in imports and collected more than \$44 billion in duties, taxes, and other fees. On behalf of NTEU CBP members, I want to thank you for this opportunity to address CBP Office of Field Operations (OFO) staffing and other issues that affect CBP's interdiction of synthetic opioids at ports of entry.

**CBP and Synthetic Opioid Interdiction:**

CBP plays a major role in addressing the nation's opioid epidemic--a crisis that is getting worse, as the deadly chemical fentanyl is being manufactured in China and is either funneled through Mexico or sent by mail and express consignment operators directly to addresses in the U.S. Under the Trade Act of 2002 as amended, Congress required all cargo, including express cargo, but not including inbound international mail, subject to requirements for electronic advance data (EAD). For cargo arriving by aircraft, express consignment operators are required to provide EAD to CBP prior to the scheduled arrival of express cargo in the U.S. Express consignment operators accept items for delivery to the U.S. at points of sale in foreign countries and maintain control of items until they are delivered to the addressees.

Analysis of EAD is one of the tools that helps CBP identify threats in inbound international express cargo items and includes the sender's name and address,

recipient's/consignee's name and address, contents' description, number of pieces, and total weight. Express consignment operators found in violation of these requirements are subject to a penalty. EAD requirements were to be implemented by CBP in three phases.

Phase 1 required electronic manifests to CBP for international travel four hours prior to arrival and for Canada, Mexico, the Caribbean, parts of Central and South America at "wheels up." However, every day these manifests are inaccurate with countless "overages." An overage is a shipment that is not included on the manifest. In other words, an overage is an unmanifested, unknown shipment which is in violation of the law. A manifested shipment may have 1 or 500 overages, but the highest penalty for "overages" is \$5,000 and these penalties are routinely mitigated to \$50 for a first violation and \$100 for subsequent violations.

Phase 2 required express consignment operators to provide quality shipper/consignee data. These addresses should show that the packages are received from legitimate businesses/addresses and are delivered to legitimate businesses/addresses. If not, the express consignment operator is subject to a penalty.

In 2007, CBP drafted the phase 3 implementation plan, but to date has not implemented it. Phase 3 would allow CBP Officers to impose a monetary penalty for incorrect manifest descriptions. Without implementation of Phase 3, CBP Officers cannot penalize carriers for bringing in items manifested as one thing that turn out to be another. Many of these shipments are not concealed well and are often simply mislabeled. For example, narcotic chemicals may be labeled "car parts" or "supplement powder", and CBP cannot impose a penalty for this type of mislabeling.

GAO reports that express consignment operators say that "they are able to individually scan each item upon arrival, providing an opportunity to identify and set aside express cargo targeted for CBP inspection based on EAD." (GAO-17-606, page 29) However, CBP Officers tell NTEU that this is not the case for "overages" that arrive unmanifested or for mislabeled packages. They tell me that too many people rely on electronic manifests to be accurate when they frequently are not.

Also, according to GAO, "although CBP has been using EAD to target express cargo for inspection since approximately 2004, it has not evaluated whether this method results in benefits relative to other methods of choosing express cargo...for inspection" (GAO-17-606, page 28.)

For these reasons, NTEU recommends that Congress direct CBP to provide a report on an annual basis on the individuals and companies that violate the Trade Act to the Senate Committee on Homeland Security and Governmental Affairs. The annual report would require the violator's name; the violation committed; the port of entry/location through which the items entered; an inventory of the items seized including description of the item and quantity; place of origination including address of the violator; the amount in penalties assessed by CBP for each violation by violator name and port of entry/location; the amount of penalties that CBP could have levied for each violation by violator name and port of entry/location and the rationale for negotiating down the penalty for each violation by violator name and port of entry/location.

Congress, by requiring CBP to report this useful information on violators and violator penalty assessments, would enhance CBP's interdiction of prohibited items from entering the U.S. through express consignment operators.

**CBP Staffing at Express Consignment Hubs:**

NTEU is also extremely concerned with the staffing at express consignment hubs. For example, at the Federal Express hub in Memphis there were a minimum of 70 million international shipments over the past year. Yet, there are less than 25 CBP Officers on duty each day screening these shipments--not per shift, but total.

There are, on average, about 15 CBP Officers on the main overnight Federal Express 'sort' shift. Considering the volume there, NTEU members tell me that the port should require a minimum of 60 CBP Officers to increase the legitimate flow of freight and ensure successful interdiction of synthetic chemicals and other illegal cargo. NTEU does commend CBP Memphis for outfitting a new 2-person chemical team there with laser equipment that can detect dangerous synthetic drugs, thereby reducing the number of dangerous chemical shipments that the CBP Officers must handle. However, these dangerous chemicals are still handled nightly by CBP Officers.

The Cincinnati Hub is just as understaffed. There are approximately 17 CBP Officers covering two shifts. That is 9 to 11 Officers on the night shift responsible for screening approximately 46 million import shipments at the Cincinnati hub in fiscal year 2017. NTEU members tell me that CBP Officer staffing there should be doubled, and a request to that effect is awaiting action by CBP headquarters. I have heard similar stories of CBP Officer staffing shortages at other hubs and at international mail centers.

CBP Officer staffing shortages are not just confined to ports of entry with international mail centers or express consignment hubs. There is an existing vacancy rate of nearly 1,200 funded CBP Officers and, according to CBP's analytic workload staffing model, an additional 2,500 CBP Officers and 731 Agriculture Specialists need to be funded and hired in order to meet 2018 staffing needs. With the existing vacancy of 1,200 funded CBP Officers this adds up to **a total CBP Officer staffing shortage of 3,700 today.**

The economic cost of the CBP OFO staffing shortage is staggering. According to the Joint Economic Committee (JEC), every day 1.1 million people and \$5.9 billion in goods legally enter and exit through the ports of entry. The volume of commerce crossing our borders has more than tripled in the past 25 years. Long wait times lead to delays and travel time uncertainty, which can increase supply chain and transportation costs. According to the Department of Commerce, border delays result in losses to output, wages, jobs and tax revenue due to decreases in spending by companies, suppliers and consumers. JEC research finds border delays cost the U.S. economy between \$90 million and \$5.8 billion each year.

But, even with additional CBP Officer staffing, without accurate EAD violation information and stricter penalty enforcement, interdiction efforts will continue to be hobbled. NTEU requests that Congress provide funding for more CBP OFO personnel, and require CBP to

annually report Trade Act EAD violators and violators' penalty assessments.

Thank you for the opportunity to bring these issues before the Committee.



**Questions for the Record  
Submitted to Joseph P. Murphy  
International Postal Policy Unit Chief  
U.S. Department of State  
From Chairman Rob Portman and Ranking Member Thomas R. Carper**

**“Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail”  
January 25, 2018**

**Question 1:**

Please provide information about any current or planned studies regarding the ability to collect and share electronic package data between postal operators of UPU members, as well as the utility of collecting and sharing such data. When will any such studies begin and end?

**Answer 1:**

The UPU International Bureau is analyzing the results of a survey on the state of members’ preparedness to exchange advance electronic data. We anticipate that Postal Operations Council members will hear a presentation on results during their next meeting in mid-April.

In addition, to measure progress toward various UPU Business Plan and capacity-building project goals, the International Bureau constantly monitors designated postal operators’ installation and use of systems to exchange advance electronic data. Periodic updates from the International Bureau provide the most comprehensive picture of designated postal operators’ ability to collect and share advance electronic data. The established Business Plan and project implementation metrics will measure progress over the 2017-2021 period. We are not aware of any past or planned study of the utility of collecting or sharing advance electronic data.

**Question 2:**

How does the State Department plan to address data quality issues associated with advanced electronic data?

**Answer: 2**

The Department’s focus has been on UPU activities aimed at building the capacity of the global postal network for the exchange of advance electronic data to enable postal operators to meet future requirements. If data quality issues arise after the implementation of such requirements, we would initially attempt to resolve them through bilateral consultations.

Currently, most of the advance electronic data that the United States receives is provided pursuant to bilateral or other commercial agreements between USPS and foreign postal operators. As such, for questions about improving the quality of the data the United States receives, we refer you to the USPS.

**Question 3:**

Please detail the steps the State Department has taken and plans to take to foster and leverage high-level partnerships with Chinese officials to combat the shipment of illicit opioids to the United States.

**Answer 3:**

The Department plans to build upon the successes of President Trump's November 2017 meeting with President Xi in which the United States and China agreed to explore opportunities to deepen existing bilateral counternarcotics cooperation. Further engagement includes discussing the possibility of China broadening its domestic legislation to control fentanyl-related substances as a "class" (as opposed to individually), which would dramatically enhance law enforcement's power to curtail trade in these dangerous drugs.

The Department will also continue cooperation through bilateral dialogues with China, such as the U.S.-China Joint Liaison Group on Law Enforcement Cooperation (JLG) and the U.S.-China Law Enforcement and Cybersecurity Dialogue (LECD). Already, China has taken action to domestically control 143 substances since 2015, including carfentanil and four other key fentanyl analogues at the United States' request.

As part of this bilateral cooperation, the Department is exploring opportunities to expand U.S.-China collaboration aimed at addressing the new drug trafficking paradigm of synthetic opioids being sold online and trafficked into the United States through international mail and express shipments. One early example of this collaboration is the participation of a Chinese official, along with a representative of the Universal Postal Union, in a side event that the United States sponsored on this topic on March 12 at the 61<sup>st</sup> Session of the UN Commission on Narcotic Drugs.

The Department continues to support Mission China's priority to combat drug trafficking by funding the DOJ Resident Legal Advisor position at Embassy Beijing and by providing resources to DEA Beijing to travel in-country for consultations and to deliver training.

**Post-Hearing Questions for the Record  
Submitted to Joseph P. Murphy  
International Postal Policy Unit Chief  
Bureau of International Organizations  
U.S. Department of State  
From Senator Heidi Heitkamp**

**“Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail”  
January 25, 2018**

**Question 1:**

The focus of this hearing was clearly on the opioid epidemic and how some of the current challenges with the international mail system contribute to the epidemic. But I wanted to ask one related question that is not about opioids:

- Do the general problems with the international mail system – lack of cooperation, lack of consistent Advance Electronic Data – also occur when it comes to the shipping of counterfeit goods? Is that also a problem?

**Answer 1:**

Most international mail items containing goods currently lack advance electronic data, which means that this tool is not consistently available to assist U.S. Customs and Border Protection in its efforts to detect counterfeit goods. We would not, however, attribute this situation to a lack of cooperation, since we receive large amounts of data from countries that are able to provide it. The biggest problem is capacity, and efforts are currently underway to address the existing limitations of the system that are inhibiting data exchange, including the very limited ability of many foreign postal operators to collect and transmit electronic data for individual items.

**Question 2:**

One of the witness testimonies stated that there is no mandate for Advance Electronic Data (AED) in the international mail environment and that CBP is currently receiving less than 50 percent of AED on shipments with goods. I also understand from the PSI report that CBP has yet to analyze the effectiveness of using AED to target and interdict drugs or other prohibited items:

- Would an analysis of AED’s effectiveness make a difference in terms of having concrete evidence that would persuade folks—including other members of the UPU—about why AED is valuable?
- Why has this not already been done?
- Are there plans to do this in the future?

**Answer: 2**

Until recently, discussions about advance electronic data at the Universal Postal Union have been predicated on its use as a tool for aviation security. Since the United States is now expanding the scope of the rationale for requiring this data to include law enforcement applications, an analysis of its utility for such purposes, in particular for the detection of items containing dangerous illicit goods such as synthetic opioids, could help us to make our case internationally.

U.S. Customs and Border Protection would be best able to explain the current status of analysis and whether there are plans for future studies.

**Post-Hearing Questions for the Record  
Submitted to Mr. Robert Cintron  
Vice President, Network Operations  
U.S. Postal Service**

**“Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail”  
January 25, 2018**

**From Chairman Rob Portman (R-OH) and Ranking Member Thomas R. Carper (D-DE)**

1. How many bilateral agreements does the United States Postal Service have in place with foreign posts that impose mutual data-sharing requirements?

**Response:**

The U.S. Postal Service (USPS) requires advance electronic data (AED) to accompany the mail streams for which rates are established under bilaterally negotiated arrangements with the Foreign Postal Operators (FPOs) of Australia, Canada, China, Hong Kong, and Korea. Additionally, 19 other FPOs are sending AED for some of their package volume.

2. What percentage of the United States’ inbound international package mail volume is represented by the countries that are party to those bilateral agreements?

**Response:**

*The response to this question contains information subject to Freedom of Information Act (FOIA) Exemption 3 coupled with 39 U.S.C. § 410(c)(2) and FOIA Exemption 4) and is on file with the subcommittee.*

3. Please describe the ways the Postal Service is working with foreign postal operators to improve the quality of advanced electronic data it receives?

**Response:**

While FPOs are responsible for ensuring the quality of the data they provide, the USPS monitors inbound AED files and contacts FPOs if there are data quality issues, including invalid characters, non-English characters, extraneous punctuation marks, and duplicate records.

4. It is unclear, based on the Subcommittee's findings, how much information private shippers share with each other, the Postal Service, and U.S. Customs and Border Protection (CBP), on issues such as problem shippers and drug smuggling tactics, in order to better combat the kind of smuggling operations our investigation uncovered. One of the recommendations in the report called for the formation of an Information Sharing and Analysis Center between the Postal Service, express consignment operators, and CBP for the purpose of sharing information about best practices and the identities of known shippers of illegal items. Please describe the level of information sharing that currently occurs among the Postal Service, private shippers, and CBP and how a more formal process might be beneficial.

**Response:**

The U.S. Postal Inspection Service (USPIS) recently embedded full-time personnel at CBP's National Targeting Center (NTC). Being embedded at the NTC, as well as other intelligence sharing centers, allows the Inspection Service to share intelligence, coordinate cases, and conduct joint enforcement operations domestically and internationally. At the NTC, the Postal Inspection Service and private shippers currently work together alongside CBP to identify inbound suspect parcels as they are processed at the International Service Centers (ISCs). CBP and USPIS have direct access to information provided by private shippers to use in targeting and enforcement operations. Additionally, due to newly enhanced capabilities, CBP is now also able to provide USPIS information about suspect parcels that were already processed at the ISCs and are now in the domestic mail stream, further enhancing our joint investigative ability.

5. The Postal Service's 2018 capital plan calls for commitments of \$2.1 billion, to include 19.1 percent (\$400 million) on mail processing equipment and 28.6 percent (\$600 million) on information technology.
  - a. How much of these planned commitments will be used to improve the International Service Centers (ISCs), and are these planned amounts sufficient to fully automate the ISCs and handle the inbound volume of international mail? Please explain.

**Response:**

The Postal Service is currently deploying \$44.3 million in new capital investments for additional package processing equipment to plants that support inbound international volumes from ISCs. This includes a High Throughput Package Sorter at our Queens Processing and Distribution Center (P&DC). By way of further information, because the ISC's are leased facilities on airport property that have limited footprints and space limitations for new automation equipment, we instead deploy that equipment at downstream facilities that support ISC mail processing operations.

In addition, in that regard, capital investments totaling \$51.7 million have been made over the past two years for the deployment of Small Package Sorting Systems to either ISCs or processing operations that support ISCs. All of these investments are in addition to our ongoing nationwide programs that provide enhancements to mail processing equipment.

Further, the Postal Service is investing over \$7 million in security enhancements and equipment to support the United States Postal Inspection Service and postal employees in their duties and in support of processing inbound operations at the ISCs.

We believe that USPS' capital plan is sufficient for current volume levels. As volume continues to grow in the future, we will evaluate and adjust the capital commitments to meet the increased demand.

*Further response to this question contains information subject to FOIA Exemption 7(E) and is on file with the subcommittee.*

- b. The 2018 capital plan also calls for another commitment of 28.6 percent (\$600 million) for facilities. Does the Postal Service plan to use any of that \$600 million expenditure to make facility upgrades or changes to the ISCs? Please explain.

**Response:**

For fiscal year (FY) 2018, there are no major repair or alteration projects scheduled for any of the ISCs. Through February of 2018, approximately \$585,000 in capital has been spent on mail handling equipment and minor repairs within the ISCs.

- c. How can Congress assist the Postal Service in any of these efforts?

**Response:**

Congress can assist the Postal Service by enacting comprehensive postal reform legislation that provides financial stability and operational flexibility. This will permit the USPS to continue to make needed investments in international processing.

6. What operational changes has the Postal Service implemented, or proposed, to accommodate the projected growth of e-commerce? How much of the Fiscal Year 2018 capital plan funds will be used to assist with implementing these efforts?

**Response:**

Over the past several years the Postal Service has invested in bundle and package handling equipment, scanning devices, systems, security, advanced analytics capabilities, upgraded product tracking, improved customer notification, and improved delivery options including Sunday delivery and parcel lockers. The combined effect of these investments has helped the

Postal Service to handle a sustained growth in package volume (and has improved our ability to provide service more generally for all customers). In FY 2018, our capital plan anticipates investing over \$190 million on new package handling equipment, software applications, scanning devices, tracking, and customer service applications that support our continued ability to provide high-quality service for all customers, including e-commerce customers.

7. What plans or current efforts does the Postal Service have in place to ensure appropriate staffing levels to handle the growth of inbound international packages at the ISCs? How can Congress assist the Postal Service to ensure it is capable of maintaining an effective staffing level that will assist CBP with interdicting illicit packages?

**Response:**

Operational complement is managed to ensure staffing levels are in alignment with workload, including at the ISCs. Congress can assist the Postal Service by providing comprehensive postal reform legislation that provides financial stability and operational flexibility.

8. Another of our report's recommendations was for the Postal Service and CBP to deploy sufficient personnel resources at each of the ISCs to handle the growing volume of international mail and corresponding increase in shipments of illicit drugs. Is the Postal Service currently sufficiently staffed to handle this increase? If not, please explain.

**Response:**

As noted above, we continually evaluate and adjust staffing levels to match volume fluctuations and changes. We believe USPS is currently sufficiently staffed for current volume levels. As volume changes in the future, we will evaluate and adjust the staffing needs to meet the demand as appropriate.



**From Senator Claire McCaskill (D-MO)****USPS Accepting Packages with Incomplete Data**

1. Does the Postal Service reject all packages with incomplete or incorrect information? If not, why not?

**Response:**

USPS does not reject all packages based on incomplete or incorrect information, provided that the address information is complete and legible. CBP has the authority to direct USPS to return a package for insufficient customs declaration. If the address information is insufficient to enable delivery, USPS will return packages to the foreign post.

2. What criteria does the Postal Service use to determine when to reject a package with incomplete shipping information?

**Response:**

As noted above, if the address information is insufficient to enable delivery, or if CBP instructs us to do so, USPS will return packages to the foreign post.

**Insider Threats**

I understand that the Postal Service Office of Inspector General (OIG), using data analytics and targeting, has dramatically increased arrests of postal employees alleged to be involved in trafficking fentanyl and other narcotics. According to the Postal Service OIG, the number of narcotics-related internal investigations has doubled from 92 in FY 2012 to 183 in FY 2017, and the number of narcotics-related arrests has more than tripled from 37 in FY 2012 to 115 in FY 2017.

3. Does the Postal Service or the Postal Inspection Service have any formal “insider threat” program to systematically target and identify potential bad actors within the Postal Service who may be aiding and abetting drug traffickers? If not, does the Postal Service plan to implement such a program, and if so, what is the timeline on when we can expect such a program to be implemented?

**Response:**

The U.S. Postal Inspection Service’s mission includes the investigation and apprehension of those who misuse the U.S. Mail to facilitate drug trafficking. The Postal Service Office of Inspector General has jurisdiction over matters related to employee misconduct, including U.S. Postal Service employees engaged in drug trafficking through the U.S. Mail. When a Postal Inspection Service investigation reveals employee misconduct or criminality, the Postal Inspection Service alerts the Postal Service OIG. If appropriate, the Postal Inspection Service and the Postal Service OIG jointly investigate the matter.

**From Senator Heidi Heitkamp (D-ND)**

1. The focus of this hearing was clearly on the opioid epidemic and how some of the current challenges with the international mail system contribute to the epidemic. But I wanted to ask one related question that is not about opioids.
  - Do the general problems with the international mail system – lack of cooperation, lack of consistent Advanced Electronic Data – also occur when it comes to the shipping of counterfeit goods? Is that also a problem?

**Response:**

USPS currently has a good working relationship with CBP. CBP decides what contraband to target based on various techniques, including through its use of AED. USPS is working to provide every targeted item that CBP requests.

The U.S. Postal Inspection Service partners with various federal and state law enforcement agencies, including CBP, to combat illegal items entering the U.S. Mail stream. When illegal items are identified and intercepted by either the Postal Service or our law enforcement partners, the Postal Inspection Service investigates the crime and presents its findings to federal or state prosecutors if appropriate. The Inspection Service and our partners utilize a broad array of investigative techniques in order to identify and intercept illegal items in the U.S. Mail which the Inspection Service considers to be law enforcement sensitive. To protect the integrity of the investigations, the Inspection Service would prefer not to disclose investigative techniques in an open record. The U.S. Postal Inspection Service would be happy to provide that information in a closed setting.

2. One of the witness testimonies made a point about “the need to strategically invest in tools and people to combat this problem, since data is not enough.” What is really being discussed is resources, and how essential they are for the success of any agency involved in combatting this problem.
  - Would solving the Postal Service’s larger financial issues help in terms of their capacity to focus on the opioid epidemic, and specifically, its growing shipment through the Postal Service?

**Response:**

Yes, it would. The Postal Service has made combatting opioids a top priority and we are currently doing everything within our power to assist in the national effort to combat the opioid epidemic.

- How would fixing their broader financial situation make a difference?

**Response:**

Resolving the Postal Service's financial situation would provide financial stability, eliminate an ongoing distraction, improve our ability to perform our universal service obligations and enhance our ability to meet all of our duties and responsibilities, including our efforts to partner with law enforcement agencies like Customs and Border Protection to help ensure the security of the mail.

**Post-Hearing Questions for the Record  
Submitted to Mr. Todd C. Owen  
Executive Assistant Commissioner  
Office of Field Operations  
U.S. Customs and Border Protection  
U.S. Department of Homeland Security  
From Senator Claire McCaskill**

**“Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail”  
January 25, 2018**

<b>Question#:</b>	1
<b>Topic:</b>	Staffing Model
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** The opioid epidemic that is gripping this country is being fueled by drugs that are produced outside the United States. CBP Officers are the last line of defense in stopping these illegal substances from entering the United States, but they are overworked and understaffed. CBP's own staffing model indicates that you need almost 3,600 more officers.

What is your plan to meet CBP's needs based on its own staffing model?

**Response:** *This response contains information deemed For Official Use Only and is on file with the subcommittee.*

<b>Question#:</b>	2
<b>Topic:</b>	CBP Officers
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** The Administration has called for hiring 10,000 new ICE agents and 5,000 new Border Patrol agents, but has not proposed increasing the authorized number of CBP Officers.

In your opinion, does it make sense to increase border security by hiring only ICE and Border Patrol agents, but not CBP Officers?

**Response:** CBP remains focused on having the right mix of resources at and between our nation's POEs. As the CBP mission continues to evolve to meet the threat to the nation and facilitate legitimate trade and travel, we must continually assess personnel staffing requirement. CBP utilizes its Workload Staffing Model (WSM) to ensure CBPO staffing resources are aligned within the existing threat environments, while maximizing cost efficiencies.

The President's Budget reflects the addition of 328 CBPO's for ports of entry.

<b>Question#:</b>	3
<b>Topic:</b>	Missing Detection
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** How much do you think that this understaffing is contributing to missing the detection of some drugs?

**Response:** OFO maximizes enforcement with our available resources by employing a layered enforcement strategy at our ports of entry to include strategic and tactical intelligence along with advanced targeting. While staffing remains a critical component to intercepting illegal narcotics and dangerous goods, CBP remains committed to working with industry to incorporate emerging and existing technology into its operations to maximize interception capabilities and facilitate legitimate international trade.

**Question:** Are there any estimates of the quantity of illicit narcotics that CBP is not catching, and if so, how are those estimates arrived at?

**Response:** CBP does not have a method to estimate the quantity of illicit narcotics that are not intercepted at the border and at international mail facilities. Similarly, other federal, state and local law enforcement agencies can only report the quantities of narcotics that are interdicted.

<b>Question#:</b>	4
<b>Topic:</b>	Temporary Details
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** To make up for staffing shortfalls, CBP Officers on many occasions have been temporarily detailed to other ports to fill staffing needs. These temporary details are going to the ports of entry that see some of the highest numbers of drug seizures in the United States. I am concerned that we are compromising security and our ability to strategically stop drugs at these busiest ports of entry, not to mention compromising staffing levels at the ports that these officers are coming from.

What effect are these details having on the security of the ports of entry that the officers are detailed from?

**Response:** Beginning in 2015, CBP's Office of Field Operations initiated 90-day rotational temporary duty assignments, for a limited number of CBP officers depending on seasonal workload. The rotational officers are used for processing immigration cases and augmenting passenger processing, in an attempt to minimize the impacts on the facilitation of legitimate trade and travel. CBP Officers will return to their home ports with exposure to a different environment, which will enhance their decision making skills and strengthen the enforcement posture at the home ports of entry. This temporary duty assignment also exposes CBP Officers to the diversity of CBP operations.

In addition, CBP has determined that an influx of additional personnel from Field Offices across the country is required to meet mission requirements during FY 2018. One of those requirements is to assist with the increasing influx of Credible Fear (CF) claims in San Diego and Tucson. Increased CF numbers tremendously affect available resources and ultimately gives rise to detention issues that quickly exceed infrastructure capacity and result in potential humanitarian concerns.

Without necessary staffing at San Diego Field Office and Tucson Field Office ports of entry, wait times will increase, service to the public and trade will be reduced, completion of required training may be hampered, and enforcement posture will be diminished.

**Question:** What factors does CBP use to determine which ports have sufficient capacity from which to detail someone?

**Response:** OFO selects large ports that have the highest "on board to authorized staffing" ratios. These ports generally experience the least disruption from detailing officers to locations with pronounced personnel shortages.

**Question:** Please provide a list of ports from which CBP Officers are being detailed, the number of CBP Officers being detailed from each port, and a list of the ports to which CBP Officers have been detailed and the number of officers that they received.

**Response:** *This response contains information deemed For Official Use Only and is on file with the subcommittee.*



<b>Question#:</b>	5
<b>Topic:</b>	Mail Facilities Staffing
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** The vast majority of drugs, especially opioids, come to the United States through our ports of entry including our mail facilities. Sadly, the Office of Field Operations has been grossly understaffed for years and, based on your own projections, our ports of entry are currently almost 3,600 officers short.

How many CBP Officers does CBP employ at international mail and express carrier facilities across the United States? Please provide a breakdown of permanent staff and details at each facility.

**Response:** *This response contains information deemed For Official Use Only and is on file with the subcommittee.*

**Question:** At the Cincinnati express mail facility, for example, only 17 CBP Officers cover two shifts. These 17 officers alone are responsible for screening almost 46 million import shipments in one year.

Based on CBP's staffing model, how many CBP Officers should ideally be stationed at each international USPS and express shipper mail facilities?

**Response:** We are working to refine the analysis specific to the international mail facilities and express consignment locations in the Workload Staffing Model. Additional CBP Officers working at the international mail facility would likely result in an increase in interdictions for fentanyl, other opioids, and other enforcement actions.

**Question:** Is CBP inspecting every suspicious package at the facility, or would CBP increase inspections for fentanyl if it had more CBP Officers and support personnel?

**Response:** CBP is inspecting and/or screening all shipments that are determined to be of high risk when they are presented to CBP by the USPS. For those shipments with associated advance electronic data (AED), CBP places a hold on them in our Automated Targeting System (ATS) and the United States Postal Service (USPS) has the responsibility for locating and presenting the shipments to CBP. For shipments without AED, most are screened through x-ray systems and/or through the use of the narcotics detector canines. Additional assets in terms of both CBPOs and scanning technology would support increasing inspections for fentanyl and other opioids.

If CBP had more officers working at the international mail facilities, would likely lead to an increase in interdictions of fentanyl and other opioids.

<b>Question#:</b>	6
<b>Topic:</b>	Postal Service Holds
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** When the JFK pilot was first getting started, the Postal Service was only stopping about half of the packages CBP was requesting to be stopped for a variety of reasons. I understand that has improved.

Of the packages that CBP is asking the Postal Service to hold for further inspection, what percentage is the Postal Service actually holding now?

**Response:** LA – 67 percent from July 2017 to Jan 2018  
 JFK – 83 percent from Oct 2017 through Dec 2017  
 Miami – 47 percent from July 2017 to Jan 2018

**Question:** What is the average hit rate on those packages - how many actually contain opioids?

**Response:** LA – 17 percent hit rate and 12 opioid seizures based on advance data.  
 JFK – 16 percent hit rate and 79 opioid seizures based on advance data.  
 Miami – 4 percent hit rate and 0 opioid seizures based on advance data. Additionally, Miami has indicated they have made seizures of N-Ethylpentylone, 3-Methoxy PCP, 5F-ADB and anabolic steroids as a result of advance data.

While the hit rate is currently low, CBP is only using this data for narcotics targeting at this time. We are not using the data for other enforcement activities such as IPR. As CBP Officers continue to improve targeting effectiveness, CBP expects this rate to increase in the future.

<b>Question#:</b>	7
<b>Topic:</b>	Success Measurement
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** This committee held a hearing on this issue in May 2017, and I was troubled by some of the responses I received in follow up questions for the record. For example, I asked what are the goals of the pilot program and how does CBP measure success? CBP responded that the ultimate goals of the pilot are "to successfully receive AED from the USPS," and "incrementally increase the number of targeted shipments."

Should the measure of success include interdicting more narcotics?

**Response:** CBP began the pilot at JFK as an attempt to receive AED from the USPS for certain mail packages and CBP was successful in receiving some data elements. Once CBP and USPS were able to exchange AED and target for high risk shipments, the next phase was for CBP to place holds on those high-risk shipments. The measure of success utilized for that phase was the holds placed by CBP and how many were actually delivered to CBP by the USPS.

Now that CBP and USPS can exchange data and USPS has refined their process for locating targeted high-risk shipments, the next phase is to incorporate additional measures of success and expanding to other locations. CBP is working with the USPS to certify the criteria for success for the pilot locations. An overarching measure of success for the pilot program continues to be "Increase in the interdiction of illicit goods due to AED."

**Question:** How much fentanyl was interdicted at the JFK service center in the year before the pilot program was implemented, and how much has been interdicted in subsequent years?

**Response:**

OFO Fentanyl Seizures (Kgs) by Mode FY16 - FYTD 18			
FY	Mode of Transport	Incident Count	Total (Kgs)
FY16	Landborder	20	171.35
	Express Consignment	40	21.42
	Mail	56	15.48
	<b>FY16 Totals</b>	<b>116</b>	<b>208.25</b>
FY17	Landborder	85	434.31
	Express	119	109.02

	Consignment		
	Mail	233	44.61
	<b>FY17 Totals</b>	<b>437</b>	<b>587.94</b>
<b>FY18TD</b>	Landborder	41	195.40
	Express Consignment	44	27.71
	Mail	224	50.12
	<b>FY18TD Totals</b>	<b>309</b>	<b>273.23</b>
<b>Total Number of Incidents</b>		<b>862</b>	
<b>TOTAL (Kg)</b>			<b>1,069.42</b>
<i>Source: Borderstat</i>			
<i>Source Dates: 10/1/2015 - 1/31/2018</i>			
<i>PPAE ERDS, OFO TACOPS, CCS-FP&amp;F</i>			

<b>Question#:</b>	8
<b>Topic:</b>	Pilot Program Cost
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Please describe any cost-benefit analysis conducted by CBP to determine that the pilot program, and its potential expansion, is increasing interdiction enough to justify the costs.

**Response:** GAO-17-606 included a recommendation to CBP to evaluate the relative costs and benefits of collecting electronic advance data for targeting mail for inspection in comparison to other methods. CBP is working to develop a response to this recommendation.

**Question:** How much have CBP and the USPS spent implementing the pilot program?

**Response:** CBP has spent an estimated \$20,000 on travel/training for the CBP Officers on the use of ATS and on travel for the oversight of the international mail program. The Office of Information and Technology (OIT) within CBP developed the mechanism to accept the advance electronic data from USPS and transfer it into a viewable format in ATS.

**Question:** How much fentanyl was interdicted at the JFK service center in the year before the pilot program was implemented, and how much has been interdicted in subsequent years?

**Response:**

OFO Fentanyl Seizures (Kgs) by Mode FY16 - FYTD 18			
FY	Mode of Transport	Incident Count	Total (Kgs)
FY16	Landborder	20	171.35
	Express Consignment	40	21.42
	Mail	56	15.48
FY17	Landborder	85	434.31
	Express Consignment	119	109.02
	Mail	233	44.61
FY18TD	Landborder	41	195.40
	Express Consignment	44	27.71
	Mail	224	50.12
Total Number of Incidents		862	

<b>TOTAL (Kg)</b>	<b>1,069.42</b>
<i>Source: Borderstat</i>	
<i>Source Dates: 10/1/2015 - 1/31/2018</i>	
<i>PPAE ERDS, OFO TACOPS, CCS-FP&amp;F</i>	

<b>OFO Fentanyl Seizures (Kgs) by Mode FY16 - FYTD 18</b>			
<b>FY</b>	<b>Mode of Transport</b>	<b>Incident Count</b>	<b>Total (Kgs)</b>
<b>FY16</b>	Landborder	20	171.35
	Express Consignment	40	21.42
	Mail	56	15.48
	<b>FY16 Totals</b>	<b>116</b>	<b>208.25</b>
<b>FY17</b>	Landborder	85	434.31
	Express Consignment	119	109.02
	Mail	233	44.61
	<b>FY17 Totals</b>	<b>437</b>	<b>587.94</b>
<b>FY18TD</b>	Landborder	41	195.40
	Express Consignment	44	27.71
	Mail	224	50.12
	<b>FY18TD Totals</b>	<b>309</b>	<b>273.23</b>
<b>Total Number of Incidents</b>		<b>862</b>	
<b>TOTAL (Kg)</b>			<b>1,069.42</b>
<i>Source: Borderstat</i>			
<i>Source Dates: 10/1/2015 - 1/31/2018</i>			
<i>PPAE ERDS, OFO TACOPS, CCS-FP&amp;F</i>			

**Question:** What is the timeline for expanding this pilot program and implementing it in all International Service Centers?

**Response:** CBP has expanded the pilot to the five main international mail facilities where CBP operates. These are JFK, Los Angeles, Miami, Chicago, and San Francisco. CBP and the USPS are still in discussion on expanding to the remaining four international mail facilities (i.e. Newark, Honolulu, San Juan and St. Thomas). Expansion would first be to Newark and Honolulu, followed by San Juan and St. Thomas. These latter facilities represent a small portion of the total volume of international mail. Newark and Honolulu should be operational by the end of FY 2018. As a result of the damage to the facilities caused by the 2017 hurricanes, the timelines for expanding the pilot program to San Juan and St. Thomas are yet to be determined.

<b>Question#:</b>	9
<b>Topic:</b>	Other Tools
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** More data is generally better than less, but data alone may not be sufficient. I understand that the Chinese have been very helpful in scheduling fentanyl and fentanyl analogs, making production and shipment more difficult. To get around Chinese restrictions, there is some concern that manufacturers are now trucking the fentanyl to Hong Kong and putting it in the mail in Hong Kong, where it gets aggregated with other shipments destined for the U.S. and the shipper and manufacturer information can get disguised more easily.

What tools or information besides advanced electronic data would be helpful to better identify, target and interdict suspicious packages?

**Response:** CBP recognizes the value of establishing and enhancing information sharing partnerships to combat opioids. Substantive, standardized and timely information sharing is critical in targeting and interdicting shipments as well as individuals who move drugs and illicit merchandise from the ports of entry to their destinations throughout the United States. In conjunction with CBP's many other initiatives, advancements in cargo and conveyance screening technology provide CBP with a significant capacity to detect dangerous materials and other contraband and continue to be a cornerstone of CBP's multilayered security strategy. CBP continues to collaborate and strengthen ties with our partners from the U.S. Postal Inspection Service (USPIS) and private sector partners to identify and disrupt drug smuggling. This effort also encourages global partners to enhance regulations concerning the manufacturing of finished pharmaceutical products regarding fentanyl and other synthetic opioids. CBP will also collaborate with the USPS and the Universal Postal Union (UPU) to standardize certain technology, which will enhance targeting efforts and operations for UPU member countries and their postal operators. The U.S. Government will provide best practices and training to those who request it.

Information sharing among the express consignment community, the Postal Service, and CBP occurs at both the national and local level through partnerships and engagement at CBP's National Targeting Center, and through local partnerships and collaboration within the International Mail Facilities and ports of entry. In April 2017, two (2) USPIS staff were embedded into the National Targeting Center and in February 2018, an Investigator with USPIS was assigned to CBP's National Targeting Center with specific focus on the targeting of illicit narcotics entering the U.S. via the postal supply chain. Additionally, there are plans in place to assign two (2) USPIS analysts to CBP's National Targeting Center with similar focus.



CBP is engaged with industry partners to enhance private industry partnerships and information sharing initiatives to further enhance the effectiveness of our detection and interdiction capabilities to combat transnational threats and the entry of opioids and other illicit drugs into the United States. CBP is exploring technology that could be utilized in the U.S. express consignment and international mail facilities to detect chemicals such as synthetic opioids and other illicit chemicals and would be open to receiving any assistance in this effort.

<b>Question#:</b>	10
<b>Topic:</b>	Cooperation from USPS
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** In 2016, the Postal Service received 620 million total pieces of international mail. By comparison, FedEx handled about 215 million packages. Of that 620 million, the Postal Service handled 275 million international packages.

How many packages is CBP receiving advanced electronic data on from the USPS?

**Response:** Since CBP began receiving advance electronic data in 2015, we have received over 389 million postal bills with advance data. It should be noted that in the first five months of FY18, CBP received almost 99 million of the 389 million postal bills.

**Question:** How many packages on average is CBP now flagging per day for USPS for further inspection?

**Response:** CBP Officers placed 14,400 international mail shipments on hold during the period of January 6, 2018 through February 2, 2018. That equates to an average of 514 holds per day, based on a seven day work week.

**Question:** If the Postal Service could effectively hold more packages, about how many do you think CBP would ideally be asking to hold on a daily basis based on available data?

**Response:** CBP is focused on generating holds that are based on effective and proven targeting techniques, and working with USPS to ensure that each of those holds are presented for the required inspection by CBP Officers. Rather than pinpointing a specific number of holds, it would be more helpful to continue examining the percentage of holds, based on AED, which are presented for inspection and subsequently result in an enforcement action. This information will be critical in refining CBP targeting related to opioids, illicit drugs (in general) and all manner of regulations enforced by CBP.

<b>Question#:</b>	11
<b>Topic:</b>	3D Screening Technology
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** I understand that CBP is in the process of procuring new 3D screening technology for use in some Postal Service international service centers. As I understand it, these screening machines will be able to use algorithms to effectively "read" imaging scans and detect anomalies that could be fentanyl. This sounds very promising.

How much closer would this technology allow us to get to 100% package screening?

**Response:** Currently CBP uses x-ray technology at international mail and express facilities that requires officers to look at every image to determine if they can see some type of anomaly. This is a tedious and time consuming process. The new dual-energy computed tomography (CT) systems uses algorithms that measure both density and atomic number of the contents within a bag or package.

Using this CT technology, algorithms can be developed to detect fentanyl and other dangerous narcotics. The CT system, with narcotic algorithms, will allow CBP to scan a greater number of packages for fentanyl and other illegal substances without impact to the facilitation process.

The time required to scan 100 percent of arriving packages would depend on the infrastructure of the facilities, total volume of packages arriving at each facility, and the manpower at each location. In order to be effective, these CT systems would need to be incorporated into the mail/express mail handling process.

**Question:** What would it take from a financial and logistical perspective to reengineer the USPS international service centers so that every package is put on a conveyor belt and screened by these 3D scanners?

**Response:** CBP would need to work with USPS to complete an operational assessment to determine the efficiency and effectiveness of placing every package at each USPS location on a conveyor belt. The assessment would need to include a site survey for the sites to identify infrastructure requirements, analysis of the volume for the locations to inform the scan speed requirements, and an assessment of manpower resources. From there, the cost, benefits, and logistical needs can be determined.

**Question:** How many of these machines is CBP planning to buy in 2018?

**Response:** During FY 2018, CBP plans to procure up to 10 units for the purpose of assessing the baggage system's ability to localize opioids within baggage parcel. As part of this effort, CBP

will work with vendors to develop an algorithm for the system to detect chemical substances of CBP concern.

**Question:** How long will it take to deploy these machines at all five international service centers?

**Response:** Deployments take place approximately 12 months after the date of procurement.

<b>Question#:</b>	12
<b>Topic:</b>	Fines
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** The Trade Act of 2002 applied to private express shippers like FedEx and UPS. It required express shippers to provide advanced manifest information or face stiff fines.

Does CBP issue fines for all un-manifested merchandise, even if it does not always collect the full amount? If not, why not and what criteria does CBP use to determine who gets fined?

**Response:** The penalty statute for un-manifested merchandise is 19 USC 1584, which is not included in the Trade Act of 2002. However, penalties under the Trade Act of 2002 for failure to file a manifest are issued in all instances when a manifest is not transmitted to CBP prior to lading of merchandise at the foreign port. Pursuant to 19 U.S.C. 1436, penalties are assessed against the arriving vessel, and air and rail carriers for failing to provide the required advance electronic cargo information to CBP.

**Question:** From 2014 through 2016, CBP issued almost \$27 million in fines for violations of arrival, reporting, entry and clearance requirements, but only collected just over \$4 million. This amounts to a collection rate of only 15%.

What factors are used to determine whether to accept an amount that is less than the maximum allowable fine?

**Response:** Information provided in the violator's petition along with mitigating and aggravating factors are used to make the determination.

<b>Question#:</b>	13
<b>Topic:</b>	Repeat Offenders
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** From 2014 through 2016, CBP issued 5,006 penalties.

How many of those penalties were assessed to a company or individual that had been previously assessed a fine at least once before? How many of those were negotiated down from the assessed amount?

**Response:** Of the 5,006 violators, 3,201 violators had more than one penalty previously assessed against them for the violation. There were 3,201 penalties that were mitigated (“negotiated down”) below the assessed amount.

**Question:** Of those fines that were assessed to a company that had been previously assessed at least one fine, what was the total amount assessed and collected?

**Response:** The total assessed amount was \$16,810,031 and the total amount collected was \$2,822,229.

<b>Question#:</b>	14
<b>Topic:</b>	Trade Act of 2002 Implementation
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Phase 3 of implementation of the Trade Act was supposed to include penalties for bad descriptions of package contents. After the May 2017 hearing, I asked if phase 3 had been fully implemented, and the response I received stated both that "The Trade Act of 2002 has been implemented," and also that, "DHS and the USPS remain in consultation regarding full implementation" of that particular section of the Trade Act.

Has the Trade Act of 2002 been fully implemented? If not, what is left to implement, and what are the reasons for the delay?

**Response:** The Trade Act of 2002 has been fully implemented. The Act includes a penalty provision for bad description of package contents for all modes of transportation. Section 343(a)(3)(K) of the Trade Act of 2002 also allows the Secretary of DHS, in consultation with the Postmaster General, to determine whether it is appropriate to impose advance data requirement on shipments by the USPS through regulatory action. DHS and the USPS remain in consultation regarding this section of the Act and are jointly supportive of expanding AED requirements to a greater percentage of incoming mail packages.

<b>Question#:</b>	15
<b>Topic:</b>	Metrics
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Claire McCaskill
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** After the May 2017 hearing, I asked whether CBP had ways to measure success of the requirements of the Trade Act, and CBP responded that they did not.

How does CBP or Congress know if all of these requirements are effective without any metrics?

**Response:** The requirements of the Trade Act could be considered successful because CBP now receives shipment information earlier in the supply chain, which significantly improves its targeting, mitigation, and prevention efforts.

In the ocean environment, cargo data must be submitted to CBP 24 hours prior to loading on a cargo ship destined to the United States. In the air environment, cargo data must be submitted to CBP at wheels up or four hours prior to arrival depending on the last point of departure. For cargo arriving via truck, the data must be transmitted one hour prior to arrival and cargo arriving via rail must be transmitted two hours in advance of arrival.



**Post-Hearing Questions for the Record**  
**Submitted to Mr. Todd C. Owen**  
**Executive Assistant Commissioner**  
**Office of Field Operations**  
**U.S. Customs and Border Protection**  
**U.S. Department of Homeland Security**  
**From Chairman Rob Portman and Ranking Member Thomas R. Carper**

**“Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail”**  
**January 25, 2018**

<b>Question#:</b>	16
<b>Topic:</b>	Pilot Program Success
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Rob Portman
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** U.S. Customs and Border Protection (CBP) announced that the joint CBP-United States Postal Service pilot program, using advanced electronic data to target suspicious inbound international packages, expanded to International Service Centers in Chicago, Illinois, and San Francisco, California. Have CBP and the Postal Service agreed on how each agency will determine the success of the pilot program at each of these locations?

**Response:** CBP began the pilot in JFK as an attempt to receive AED from the USPS. The measure of success was that CBP was able to receive the data. Once CBP and USPS were able to exchange AED, the next phase was for CBP to place holds on high-risk shipments. The measure of success utilized for that phase was, of the holds placed by CBP, how many were delivered to CBP by the USPS.

Now that CBP and USPS can exchange data and USPS has identified the process for locating targeted high-risk shipments, the next phase is to incorporate additional measures of success for the new locations. CBP is working with the USPS to certify the criteria for success for the pilot locations.

<b>Question#:</b>	17
<b>Topic:</b>	MOU
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Rob Portman
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Have the agencies signed a Memorandum of Understanding for the pilot program at Chicago and San Francisco?

**Response:** The Memorandum of Understanding (MOU) was signed between CBP and the USPS on September 1, 2017.

<b>Question#:</b>	18
<b>Topic:</b>	Information Sharing
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Rob Portman
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** It is unclear based on the Subcommittee's findings how much information private shippers share with each other, the Postal Service, and CBP, on issues such as problem shippers and drug smuggling tactics, in order to better combat the kind of smuggling operations our investigation uncovered. One of the recommendations in the report called for the formation of an Information Sharing and Analysis Center between the Postal Service, express consignment operators, and CBP to share information about best practices and the identities of known shippers of illegal items. Please describe the level of information sharing that currently occurs among the Postal Service, private shippers and CBP and how a more formal process might be beneficial.

**Response:** Information sharing among the express consignment community, the Postal Service and CBP occurs at both the national and local level through partnerships and engagement at CBP's National Targeting Center and through local partnerships and collaboration within the International Mail Facilities and ports of entry. In April 2017, two (2) USPIS staff were embedded into the National Targeting Center and in February 2018, an Investigator with USPIS was assigned to CBP's National Targeting Center with specific focus on the targeting of illicit narcotics entering the U.S. via the postal supply chain. Additionally, there are plans in place to assign two (2) USPIS analysts to CBP's National Targeting Center with similar focus. CBP is also a member of the air industry partnership monthly meetings, including a variety of private industry partners (such as consolidators, freight forwarders, and transporters). During the meetings, CBP and its partners discuss risk factors and mitigation methods in the air environment, which includes international mail.

<b>Question#:</b>	19
<b>Topic:</b>	Adequate Resources
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Rob Portman
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** During a visit to the International Service Center (ISC) at John F. Kennedy Airport, PSI staff discussed with CBP staff the importance of using the latest advances in technology as part of CBP's screening processes, and expressed a desire for certain key pieces of equipment. Since our visit, Congress passed legislation (the International Narcotics Trafficking Emergency Response by Detecting Incoming Contraband with Technology Act, or INTERDICT Act) that authorizes the deployment of additional screening devices and personnel. Does CBP currently have adequate resources to effectively target and inspect packages that might contain illicit drugs? Specifically, does CBP staff at each of the ISCs have all of the technological aides necessary to properly screen packages?

**Response:** In the fourth quarter of FY 2017, CBP procured over 90 presumptive testing devices and the associated narcotic field drug test kits, and we are currently training staff and deploying the technology across the IMF, Express Consignment Carriers (ECCs), and Southern land border ports.

<b>Question#:</b>	20
<b>Topic:</b>	Automated Sorting Process
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Rob Portman
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Has the sorting process used to identify packages targeted by CBP been automated at all five International Service Centers?

**Response:** DHS defers this question to the USPS.

<b>Question#:</b>	21
<b>Topic:</b>	Funding Cuts
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Rob Portman
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Public reports suggest that the President may propose a cut in funding for the Office of Field Operations (OFO), the component of CBP that searches for illicit drugs and other contraband at our ports of entry to include the United States-Mexico land border. I believe a cut to OFO would be extremely counter-productive given that opioids entering our country come through ports of entry as well. At our hearing, Mr. Owens stated that, according to CBP's workload staffing model, it is currently understaffed by 2,518 officers and 631 agricultural specialists needed to perform specific duties at the ports of entry. How would any funding cuts to this office impact CBP's efforts to identify and interdict shipments of synthetic opioids?

**Response:** The President's 2019 Budget for CBP OFO provides \$14.2 billion in discretionary funding and \$2.3 in mandatory funding. This results in a total increase of \$2 over 2017 Enacted, and \$304 over 2018 Enacted.

If Congress does not fully fund the President's Budget for CBP/OFO, it would significantly impact CBP's efforts to detect, identify, and interdict shipments of synthetic opioids, as well as limit CBP's ability to protect its personnel or respond to exposure of its personnel.

**Post-Hearing Questions for the Record  
Submitted to Mr. Todd C. Owen  
Executive Assistant Commissioner  
Office of Field Operations  
U.S. Customs and Border Protection  
U.S. Department of Homeland Security  
From Senator Heidi Heitkamp**

**“Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail”  
January 25, 2018**

<b>Question#:</b>	22
<b>Topic:</b>	Counterfeit Goods
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** The focus of this hearing was clearly on the opioid epidemic and how some of the current challenges with the international mail system contribute to the epidemic. But I wanted to ask one related question that is not about opioids.

Do the general problems with the international mail system - lack of cooperation, lack of consistent Advanced Electronic Data - also occur when it comes to the shipping of counterfeit goods? Is that also a problem?

**Response:** With the rise of e-commerce, by FY 2017 the number of international mail shipments had increased to over 400 million shipments from just 150 million mail shipments in FY2013. With regard to counterfeit goods enforcement, nearly 30 percent of the 34,000 seizures of counterfeit and pirated goods made in FY 2017 by CBP and ICE-HSI, worth an estimated manufacturer’s suggested retail price (MSRP) of \$1.35 billion, were in the international mail environment.

In FY 2017, during a “small package” blitz operation at the international mail facility in New York, 43 percent of the packages inspected were non-compliant. In total, CBP seized over five pounds of fentanyl along with almost 1,300 other non-compliant imports, including 800 counterfeit goods, as well as additional controlled substances. E-Commerce shipments pose the same health, safety, and economic security risks as containerized shipments, but the volume is higher and growing. Transnational criminal organizations are shipping illicit goods to the United States via small packages due to a low cost of shipping, perceived lower interdiction risk, and less severe consequences if the package is interdicted.

To correct this vulnerability, as outlined in CBP’s recently released e-commerce strategy, CBP has been actively engaging with stakeholders including online marketplaces, consumers, partner government agencies including the USPS, and in international forums

<b>Question#:</b>	22
<b>Topic:</b>	Counterfeit Goods
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

to better address the challenges in innovative ways. Specifically, CBP is working on new protocols that allow for effective identification, enforcement, and deterrence of trade violations in the e-commerce environment.



<b>Question#:</b>	23
<b>Topic:</b>	AED Analysis
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Mr. Owen, in your testimony you state that there is no mandate for Advanced Electronic Data (AED) in the international mail environment and that CBP is currently receiving less than 50 percent of AED on shipments with goods. I also understand from the PSI report that CBP has yet to analyze the effectiveness of using AED to target and interdict drugs or other prohibited items.

Would an analysis of AED's effectiveness make a difference in terms of having concrete evidence that would persuade folks-including other members of the UPU-about why AED is valuable?

**Response:** CBP believes that advance data is critical, especially when there is a known bad party. Advance data provides CBP with an opportunity to automatically hold all international mail shipments from a known supplier of fentanyl. If it were not for the advance data, CBP may not have been able to stop those shipments. GAO-17-606 included a recommendation to CBP to evaluate the relative costs and benefits of collecting electronic advance data for targeting mail for inspection in comparison to other methods. CBP is working to develop a response to this recommendation.

**Question:** Why has this not already been done? Are there plans to do this in the future?

**Response:** CBP is working to develop a response to the GAO recommendation.

<b>Question#:</b>	24
<b>Topic:</b>	Recruit and Retain
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** As you know, I am incredibly passionate about recruitment and retention issues for CBP-especially on the Northern Border. Strong coordination between CBP and the Postal Service is crucial in combatting the opioid crisis, as are recruiting and retaining effective employees. CBP plays a vital role in this process, and you note in your testimony that CBP operates within 9 International Mail Facilities, inspecting international mail arriving from over 180 countries. That is a big job.

Are you able to effectively recruit AND retain the CBP staff you need in these facilities?

**Response:** CBP experiences unique challenges in recruiting and retaining employees in remote Northern Border locations. OFO has effectively used recruitment incentives to encourage applicants to accept CBP Officer positions at exceptionally hard-to-fill/retain ports along the Northern Border; however, OFO has had limited success with the use of retention incentives due to OPM regulations. CBP has been working with OPM to identify opportunities to mitigate issues related to retention incentives.

**Question:** What would help you in your recruitment and retention efforts?

**Response:** CBP is working with OPM to increase the recruitment incentive for the Arizona border and Calexico, CA from 25 percent to 33 percent is expected to help staffing on the AZ border and Calexico. In regard to retention, OFO will continue to use available pay flexibilities, to include retention incentives in remote geographic locations.

<b>Question#:</b>	25
<b>Topic:</b>	Border Enforcement Security Taskforces
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Mr. Nevano, in your testimony you talk about the utilization of Border Enforcement Security Taskforces (BEST) - taskforces that seem to be one of our best weapons in tracking and shutting down opioid smuggling and trafficking operations domestically.

Can you help me understand a little better how a BEST operates in terms of structure and leadership and why this has made such a difference in domestic investigations and arrests?

I notice that there are no BEST locations from Wisconsin west until Blaine, Seattle - is there a reason there is not a location in state like North Dakota? Can a BEST be downsized or reconfigured to meet the challenges of smaller ports, more remote locations, and different traffic flow?

You mention that you are looking to expand BEST locations at additional facilities throughout the country - what is the current plan to do so in terms of ultimate goals regarding number of locations AND what is the incremental plan to achieve that goal?

**Response:** The U.S. Department of Homeland Security (DHS) recognized U.S. Immigration and Customs Enforcement's (ICE) BEST initiative as a DHS task force in order to leverage federal, state, local, tribal, and international law enforcement and information sharing efforts against Transnational Criminal Organizations (TCOs) and provide enhanced border security. BEST is codified at 6 U.S.C. § 240. DHS designated ICE Homeland Security Investigations (HSI) as the executive agency for the development, establishment, and management of the BEST program. In this capacity, ICE leads a collaborative campaign to manage and establish these investigative task forces in locations most affected by transnational organized crime. BESTs comprise of over 1,000 law enforcement officers who collectively represent over 100 federal, state, local, and international law enforcement partners. BESTs are located along the Southwest Border, the Northern Border, in major international airports and at strategic seaports. BESTs work in conjunction with other investigative, analytic, and information sharing entities and programs including High Intensity Drug Trafficking Areas, Organized Crime and Drug Enforcement Task Forces, state and metropolitan area fusion centers, and Joint Terrorism Task Forces. BESTs allow for information sharing and collaboration among its partners as they identify, disrupt, and dismantle TCOs posing significant threats to the nation's international borders.

<b>Question#:</b>	25
<b>Topic:</b>	Border Enforcement Security Taskforces
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

The two guiding pillars of BESTs are:

- 1) Co-location. Co-location means all members of a BEST (federal, state, local, tribal, and international) work side-by-side on a daily basis under ICE HSI supervision in a single location. It is the goal of ICE HSI to have BEST members in the same workspace to achieve maximum cohesion and collaboration.
- 2) Designation. Customs officer authorities may be delegated by ICE under 19 U.S.C. § 1401(i) to other federal, state, and local law enforcement officers to investigate and enforce customs laws. This designation is often referred to as “cross-designation” because the designated law enforcement officer is already empowered with the authorities granted by their parent agency. Cross-designation enhances the ability of BESTs to investigate a wide range of complex criminal investigations to include other federal, state, local, tribal, and international crimes. The employment of the full range of available law enforcement resources and authorities is a force multiplier to combat TCOs.

**Question:** I notice that there are no BEST locations from Wisconsin west until Blaine, Seattle - is there a reason there is not a location in state like North Dakota? Can a BEST be downsized or reconfigured to meet the challenges of smaller ports, more remote locations, and different traffic flow?

**Response:** The Special Agent in Charge of each HSI geographical area conducts a threat assessment and resource allocation assessment in order to determine in which locations to situate BESTs. BEST units employ a threat-based/risk mitigation investigative task force model that recognizes the unique resources and capabilities of all participating law enforcement partners. This partnership enables each unit to apply a comprehensive approach to combating transnational criminal organizations, while recognizing the distinctive circumstances and threats facing the various border environments. Not all areas have the resources and infrastructure available to establish BESTs.

**Question:** You mention that you are looking to expand BEST locations at additional facilities throughout the country - what is the current plan to do so in terms of ultimate goals regarding number of locations AND what is the incremental plan to achieve that goal?

<b>Question#:</b>	25
<b>Topic:</b>	Border Enforcement Security Taskforces
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Response:** BESTs are HSI's primary platform to investigate opioid smuggling domestically. HSI currently operates BESTs in 58 locations throughout the United States, having grown by 30 percent in FY 2017 through realignment of resources and expansion of partner participation in response to the President's Executive Order on TCOs. HSI will continue to explore opportunities to expand the number of BESTs. Efforts are ongoing to explore opportunities to create new BESTs at international mail facilities to further target illicit fentanyl shipments entering the United States.

<b>Question#:</b>	26
<b>Topic:</b>	Technological/Data Needs
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Mr. Nevano, you discuss the information provided by USPIS databases - previously unavailable to ICE and CBP - as "instrumental in identifying illicit opioid importation and distribution conspiracies throughout the nation".

Why was this information previously unavailable to ICE and CBP? How has the availability of this information changed the way you investigate these crimes - and how much of an increase have you seen in investigations/arrests directly related to the availability of this information?

Are there other technological or data needs - or lack of sharing of information between agencies - that you believe would further increase ICE and CBP's investigatory capabilities? If so, what are they and how do we make sure we get you these resources and access to this information?

**Response:** The United States Postal Service (USPS) continues to improve on its capability to track Advanced Electronic Data (AED). As stated during the hearing, USPS has faced challenges with obtaining AED information from foreign postal services in the past. The USPS is receiving AED, as part of a pilot program with certain foreign postal services, allowing law enforcement to more effectively target and locate packages that may contain illicit substances such as opioids. USPS has now assigned resources to the U.S. Customs and Border Protection (CBP), National Targeting Center and these resources allow for better information sharing and access to data.

U.S. Immigration and Customs Enforcement (ICE) understands that the USPS is able to track 40 percent of international mail through AED and ICE is receiving investigative leads as a result. ICE does not have specific information on the number of its investigations/arrests directly attributable to the availability of the AED information. However, from Fiscal Year (FY) 16 to FY 17, ICE has seen over a 400 percent increase in the number of fentanyl seizures and over a 300 percent increase in pounds of fentanyl seized.

ICE will continue to work with USPS to identify opportunities for improvements.

<b>Question#:</b>	27
<b>Topic:</b>	Dark Net Sales
<b>Hearing:</b>	Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

**Question:** Mr. Nevano, in your testimony you discuss the migration of illicit opioid sales online to the Dark Net.

How big is this problem in terms of these sales gravitating to the Dark Net? And how much harder is it to investigate and track dealers and buyers on the Dark Net? Why?

How does the ICE Cyber Crimes Division interact with DEA and other agencies to conduct investigations on the Dark Net?

What additional resources in terms of personnel, technology, and training are needed – just by ICE Cyber Crimes – to address the growing problem of Dark Net illicit opioid sales?

**Response:** Currently, across the top three dark web marketplaces, there are over 4,000 opioid listings. The identification of vendors and buyers on the dark net is far more challenging than identification in traditional investigations. Dark nets (or the overlay networks that facilitate connectivity to dark web) are designed to afford users with anonymity and encryption and thus hinder investigators' ability to identify vendors and buyers on dark net marketplaces where opioids and a number of other illegal items are sold and purchased. By design, no information about a connecting computer user is shared with the server hosting the marketplace and no information about the server or its location is shared with the connecting computer user. Additionally, cryptocurrencies are the preferred mechanism for payment on these marketplaces, which further complicates identification of individuals responsible for illicit transactions.

**Question:** How does the ICE Cyber Crimes Division interact with DEA and other agencies to conduct investigations on the Dark Net?

**Response:** U.S. Immigration and Customs Enforcement (ICE) Cyber Crimes Division works with the Drug Enforcement Administration (DEA) through ICE Homeland Security Investigations (HSI) personnel assigned to DEA Special Operations Division and also through joint investigative efforts throughout the United States. ICE Cyber Division, in conjunction with the HSI Illicit Financial Proceeds of Crime Unit, also provides cyber training to federal, state, and local partners to help develop an understanding of the technical fundamentals of investigations involving the dark net and cryptocurrencies.

**Question:** What additional resources in terms of personnel, technology, and training are

<b>Question#:</b>	27
<b>Topic:</b>	Dark Net Sales
<b>Hearing:</b>	Combatting the Opioid Crisis: Exploiting Vulnerabilities in International Mail
<b>Primary:</b>	The Honorable Heidi Heitkamp
<b>Committee:</b>	HOMELAND SECURITY (SENATE)

needed – just by ICE Cyber Crimes – to address the growing problem of Dark Net illicit opioid sales?

**Response:** ICE Cyber Crimes Division recognizes the need for specialized skillsets and technology when investigating sales of illicit opioids and other illegal items via the dark net as well as other criminal activities facilitated through the use of cyber technologies. These include hiring criminal investigators and non-agent personnel with information technology, computer science, programming, data analytics or cyber investigations backgrounds, advanced technical capabilities and software licenses necessary for online investigations and data capture, and the development of advanced training to provide field agents the skills necessary for investigations in a virtual environment.



**Post-Hearing Questions for the Record  
Submitted to Mr. William Siemer  
Acting Deputy Inspector General  
Office of the Inspector General  
United States Postal Service  
From Senator Heidi Heitkamp**

**“Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail”  
January 25, 2018**

- 1) The focus of this hearing was clearly on the opioid epidemic and how some of the current challenges with the international mail system contribute to the epidemic. But I wanted to ask one related question that is not about opioids.
  - Do the general problems with the international mail system – lack of cooperation, lack of consistent Advanced Electronic Data – also occur when it comes to the shipping of counterfeit goods? Is that also a problem?

**Response:**

We have not done much work around the shipment of counterfeit goods. However, we imagine that many of the same control issues that we see in the international shipment of illegal drugs and other prohibited items (such as cigarettes and prescription drugs)<sup>1</sup> are also present in the mailing of counterfeit goods. For reasons of safety and security, we have focused our recent analytics efforts on trying to identify outliers in the available data that point to illegal drug shipments.

- 2) Mr. Siemer, thank you for all the USPS OIG has done to combat the shipment of illegal drugs, and especially for your cross-agency work. You make a critical point in your testimony about “the need to strategically invest in tools and people to combat this problem, since data is not enough.” What you are really talking about is resources, and how essential they are for any agency involved in combatting this problem to be successful.
  - Would solving the Postal Service’s larger financial issues help in terms of their capacity to focus on the opioid epidemic, and specifically, its growing shipment through the Postal Service?
  - How would fixing their broader financial situation make a difference?

**Response:**

Resources are indeed critical and may be part of the overall solution. The Postal Service must first fully define the scope of the problem and formulate a strategy to address the growing concern that illegal drug shipments pose to its employees, network and brand. As

---

<sup>1</sup> On July 18, 2017, we issued an audit report titled *Prohibited Inbound International Mailings, Report Number MS-AR-17-008*, which evaluated the Postal Service’s processes for handling prohibited inbound international mailings such as cigarettes and prescription drugs, but not illegal drugs, and its coordination with U.S. Customs and Border Protection (CBP) at the Postal Service’s International Service Centers (ISCs).

we mentioned at the hearing, having a fully functioning Board of Governors for the Postal Service could assist management with the strategic direction and sense of urgency for these challenges. Once strategic decisions are made, the resource needs will be more evident.

At the OIG, we are seeing a dramatic increase in the number of employees involved in the trafficking of narcotics through the mail system. Additional resources for our office to help detect and investigate drug trafficking by employees is key. In particular, we are seeking additional funding in FY19 to hire more agents to focus exclusively on narcotics investigations, as well as additional analysts to connect to the Customs and Border Protection's (CBP) National Targeting Center (NTC) on a full-time basis.

**Questions for the Record  
Drug Enforcement Administration  
Before the Permanent Subcommittee on Investigations  
Committee on Homeland Security and Governmental Affairs  
United States Senate  
At a Hearing Entitled, "Combating the Opioid Crisis: Exploiting Vulnerabilities in  
International Mail"  
January 25, 2018**

**Questions from Chairman Portman and Ranking Member Carper**

- 1) Please provide a status on the recent indictments by the Department of Justice of two Chinese manufacturers, in the Southern District of Mississippi and the District of North Dakota, of fentanyl and other opiates.**

**Response:** The Department of Justice (Department), including the relevant U.S. Attorney Offices, continues to seek cooperation from and consult with our Chinese counterparts in the Ministry of Justice with regard to these matters.

On April 27, 2018, one of these indicted persons, Jian Zhang, four other Chinese nationals, and Zaron Bio-Tech (Asia) Limited, an entity registered in Hong Kong and owned or controlled by Jian Zhang, were added to the Department of the Treasury's Office of Foreign Assets Control (OFAC)'s list of "Specially Designated Nationals" or "SDNs" pursuant to the Foreign Narcotics Kingpin Designation Act. OFAC administers and enforces economic and trade sanctions, based on U.S. foreign policy and national security goals, against targeting foreign countries and regimes, terrorists, international narcotics traffickers, and other threats to national security, foreign policy, or the economy of the United States.<sup>1</sup> Any assets that designated persons or entities have an interest in, located in the United States or in the possession or control of a U.S. citizen, are blocked. OFAC's regulations generally prohibit all dealings by U.S. citizens that involve any property or interests in property of designated persons or entities. This designation, combined with the Department's actions, disrupt the flow of fentanyl and other synthetic opioids into the United States, and serve as a warning that the Departments of Justice and Treasury will continue to target those who deal in illicit opioids. These actions will also help deter and disrupt the money laundering activities of other Chinese Transnational Criminal Organizations.

- 2) On the day of our hearing, China stated it stands ready to work with the United States to enhance anti-drug coordination.**
  - In regards to question one, please provide a status on any actions taken or investigations conducted by China into the two Chinese nationals indicted by the Department of Justice for manufacturing and shipping fentanyl and other opiates into the United States.**

---

<sup>1</sup> U.S. Department of Treasury Office's Office of Foreign Assets Control: <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>, retrieved July 5, 2018.

**Response:** The Department continues to seek cooperation from and consult with its Chinese counterparts in Ministry of Justice with regard to these matters.

**3) Is the effort by the Drug Enforcement Administration to open a second China-based office, in Guangzhou, on track for completion this year?**

**Response:** The Drug Enforcement Administration's (DEA) office in Guangzhou, China, is estimated to open in early 2019, and will allow for the enhanced sharing of case related information with the Ministry of Public Security officials in Southern China. The province of Guangdong, China is home to a number of large shipping ports where seizures of illicit drugs occur frequently. The Chinese Ministry of Public Security's willingness to allow DEA to expand its engagement in China is a step forward in our overall bilateral relationship and shows China's overall willingness to address the opioid crisis affecting the United States.

- **Please provide some specifics on how the new office will increase the effectiveness of the DEA's presence in China and its partnership with Chinese officials.**

**Response:** DEA's presence in Guangzhou will allow DEA personnel to react quickly to operational requirements and support counterparts in post-seizure investigation and analysis. This will allow DEA to further develop intelligence gathering and investigative programs targeting the most significant transnational drug traffickers utilizing China as a source for synthetic drugs (new psychoactive substances (NPSs) and fentanyl class substances), drug precursor chemicals, and money laundering activities. Furthermore, DEA's presence in Guangzhou will substantially improve engagement with investigators, allowing for increased coordination, as opposed to only having access to investigators through Beijing.

**Questions from Senator Heitkamp**

- 4) **The focus of this hearing was clearly on the opioid epidemic and how some of the current challenges with the international mail system contribute to the epidemic. But I wanted to ask one related question that is not about opioids.**
- **Do the general problems with the international mail system – lack of cooperation, lack of consistent Advanced Electronic Data – also occur when it comes to the shipping of counterfeit goods? Is that also a problem?**

**Response:** The availability of Advance Electronic Data (AED) is useful in addressing and identifying shipments of any type to include targeting packages of counterfeit goods. The ability of law enforcement to identify shippers of illicit items and then target the shipments through the use of AED in the furtherance of investigations is an important piece in addressing these shipments to the United States. However, investigations can be developed after the seizure at a port without initial AED. Once the shipper is identified, AED can be helpful in identifying additional packages from the same shipper.

- 5) **Mr. Baldwin, you discussed China's National Narcotics Laboratory working with DEA to exchange information on emerging substances, trafficking trends, and drug sampling standards.**
- **Given the constant adjustments by labs in China to develop new fentanyl analogues to avoid enforcement in China or other countries – how quickly has the Chinese National Lab identified and reported these new analogues to DEA?**

**Response:** Because the fentanyl analogs that are sent to the United States are not usually intended for use and consumption in China, it is necessary to identify these substances in the United States and provide that information to our counterparts in China. It is also necessary to identify the specific harm these substances pose to U.S. citizens in order for the Chinese government to take action.

DEA shares information on emerging substances with China's National Narcotics Laboratory through the Expert's Exchange meeting with China's Narcotics Control Bureau (NCB) when new substances are identified and seized in the United States. This process is now well established and is an important part of DEA's cooperation with the Chinese.

Since March of 2015, DEA and the NCB have exchanged information on a number of fentanyl related substances, 10 of which have been placed under control within China. Once a new substance of abuse is identified, and there is no known medical use of that substance in China, the Chinese NCB has indicated that they can control that substance in as little as nine months.

- 6) **Mr. Baldwin, you discussed an increased awareness and willingness by Chinese authorities to announce scheduling controls on various fentanyl-class substances and analogues.**
- **How firm is China's commitment to these controls and in following through on enforcement on those labs, distributors, and others that violate these controls?**

**Response:** Once a substance has been identified and evidence of abuse provided, the Chinese have demonstrated the ability to move quickly to regulate that particular substance. Laboratory analysis of U.S. seizures show a direct and nearly immediate impact on the availability of those analogues in the United States. China is committed to supporting the enforcement of its own laws and controls when evidence demonstrates that Chinese law has been violated.

In the case of controlled drugs trafficked from China to the United States, the Chinese require: 1) a lab report of the substance seized in the United States claiming it originated from China, and 2) confirmation that the substance came from China, via shipping label or tracking documents. Due to laboratory processing backlogs and regulatory challenges in the Chinese shipping industry, this evidence is not always readily available and does not always yield immediate enforcement action.

- **Does scheduling by the Chinese authorities – or UNITED STATES intel about scheduling violations by Chinese manufacturers or distributors – lead to the shut-down of labs or other manufacturing facilities and distributors and the arrest of individuals involved in those enterprises?**

**Response:** The Chinese treat the violation of their drug laws as a very serious offense. When requisite evidence has been presented and confirmed that a lab in China is making a controlled substance, the Chinese have been successful at dismantling the facility. One of the most difficult challenges is identifying the individuals manufacturing, distributing, and shipping the controlled substances to the United States.

- **If not shut down initially, do subsequent violations or a pattern of producing/distributing new analogues that are subsequently scheduled lead to shut-downs and arrests?**

**Response:** Individuals who manufacture, distribute, and traffick controlled substances in violation of Chinese law will be arrested and the laboratory will be shut down. Currently, according to Chinese law, manufacturing new analogues is not a violation of any laws in China. Even if subsequently scheduled, as long as traffickers continue to sell only formulations or analogues are considered legal, there will be no enforcement action taken.

**Questions from Senator McCaskill**

As you may know, I introduced legislation last year to repeal the Ensuring Patient Access and Effective Drug Enforcement Act (EPAEDEA), which the *Washington Post* has described as, quote, “the crowning achievement of a multifaceted campaign by the drug industry to weaken aggressive DEA enforcement efforts against drug distribution companies.”

This change came at a time when it was more critical than ever to bring aggressive enforcement actions against opioid distributors. As I noted in document requests to the three major drug distributors last year, at least 13 distributors “knew or should have known that hundreds of millions of pills were ending up on the black market.”

At a December 2017 hearing of the Senate Judiciary Committee, DEA Acting Assistant Administrator Demetra Ashley stated that, quote, “the new standard [under the law] does make it more difficult to issue an [immediate suspension order] to non-compliant manufacturers and distributors.”

- 7) Can you elaborate on how the new standard under the Ensuring Patient Access and Effective Drug Enforcement Act has made issuing an immediate suspension order (or ISO) more difficult?

**Response:** The Ensuring Patient Access and Effective Drug Enforcement Act (EPAEDA) did not have the effect of eliminating DEA’s authority. However, it has altered the circumstances under which DEA pursues Immediate Suspension Orders (ISOs). Pursuant to the law, DEA will pursue an ISO in those circumstances when it can make a finding that demonstrates that “[d]ue to the failure of the registrant to . . . comply with the obligations of a registrant under this title . . . there is a substantial likelihood of an immediate threat that death, serious bodily harm, or abuse of a controlled substance will occur in the absence of an immediate suspension of the Registration.”

- 8) Can you point to recent examples of cases in which DEA wanted to issue an ISO but was unable to meet the new standard?

**Response:** The ISO standard within EPAEDEA has not prevented DEA from enforcing existing law and using its wide array of tools to ensure the more than 1.7 million registrants are in compliance with the Controlled Substances Act (CSA). These include administrative actions, civil penalties, and criminal charges.

- 9) Do you consider ISOs to be a credible threat against distributors following the 2016 law?

**Response:** While EPAEDEA certainly did not make it easier for DEA to obtain ISOs against distributors, DEA believes that ISOs remain a credible threat to non-compliant registrants whose actions pose an “imminent danger” to public health or safety within the meaning of

EPAEDEA. DEA will continue to use ISOs where appropriate against non-compliant registrants throughout the supply chain.

At the December 12, 2017 hearing before the Senate Judiciary Committee, Ms. Ashley further stated that, “DEA supports changing the Ensuring Patient Access and Effective Drug Enforcement Act, to allow DEA to more effectively stop bad actors from engaging in opioid diversion.”

**10) Can you elaborate on how the law should be changed, if not repealed entirely?**

**Response:** DEA supports amending EPAEDEA and continues to work with the House and Senate on any potential legislation.

**11) Ms. Ashley also noted that corrective action plans (or CAPs)—which DEA must now consider before issuing a show cause order—were not necessary, given that the agency already engages in extensive conversations with registrants regarding planned improvements in compliance.**

- **Do you agree that the procedure for submitting CAPs created in the 2016 law was unnecessary given existing DEA procedures?**

**Response:** Allowing a formal process by which a registrant who is subject to an Order to Show Cause (OTSC) may submit a Corrective Action Plan (CAP) to DEA is duplicative. Registrants have always had the opportunity to present mitigating factors and evidence of corrective action as part of any administrative proceeding.

**12) Has the procedure for reviewing and analyzing CAPs slowed DEA enforcement in a meaningful way?**

**Response:** The CAP provision adds an additional layer to the OTSC proceedings, causes unnecessary delays and commitment of further agency resources. Since the enactment of EPAEDA in April 2016, a small percentage (roughly 10 percent) of registrants served with an OTSC have submitted a CAP. To date, no CAP has resulted in DEA discontinuing or deferring administrative proceedings pursuant to an OTSC.

**13) Has the review of a CAP led the DEA to change course in any particular enforcement action—to decline to pursue an order to show cause, for example?**

**Response:** The CAP provision has not prevented DEA from pursuing an OTSC.

**14) Former agency officials noted at my roundtable in November 2017 that distributors had even started to prepare CAPs in advance of DEA enforcement actions.**

- **Is this true, in your experience?**

**Response:** While this may be possible, since the enactment of EPAEDA in April 2016, a small percentage (roughly 10 percent) of registrants served with an OTSC have submitted a CAP. To



date, no CAP has resulted in DEA discontinuing or deferring administrative proceedings pursuant to an OTSC.

15) The argument has been made, in the *Washington Post* and elsewhere, that enforcement efforts at DEA slowed down long before the 2016 law, due to the revolving door between DEA and the industry and lobbying efforts by former top-ranking officials. The 2016 law, in this view, merely codified a softer approach that DEA had already pursued against distributors.

- Is this narrative supported by the facts? Does this ring true based on your experiences?

**Response:** DEA has and continues to use all available tools to ensure the more than 1.7 million registrants are in compliance with the CSA. These include administrative actions, civil penalties, and criminal charges. For instance, the below table highlights DEA's actions leading to registration revocation, which include OTSCs, ISOs, and voluntary surrenders. Upon a registrant surrendering his/her registration for cause, or DEA obtaining a suspension/revocation of the registration, the registrant can no longer dispense, prescribe, or administer controlled substances. DEA deems this to be a success. As indicated in the chart below, DEA's collective use of the tools at its disposal has allowed it to take action against a significant number of registrants over the last 10 fiscal years. Over the last five fiscal years, these combined actions result in an average of roughly 980 registration revocations per year. Additionally, combined ISO and OTSC actions in Fiscal Year (FY) 2017 have more than doubled since FY 2014.

Actions Leading to Registration Revocation				
Fiscal Year	Orders to Show Cause Filed	Immediate Suspension Orders Filed	Voluntary Surrenders	Totals
2007	53	23	358	434
2008	52	17	812	881
2009	73	28	772	873
2010	67	38	696	801
2011	66	58	839	963
2012	54	46	979	1,079
2013	43	16	1,047	1,106
2014	32	8	922	962
2015	62	5	972	1,039
2016	57	9	786	852
2017	79	6	776	861

In addition, DEA has pursued civil action against some of the nation's largest drug distributors. In FY 2017, more than \$194 million in civil penalties were levied, which is more than the previous seven fiscal years combined (close to \$148 million). Finally, DEA has aggressively pursued criminal investigations initiated by our tactical diversion squads (TDS). Since FY 2011, DEA's TDS have assumed a greater role in diversion enforcement. DEA now

has 77 operational TDS groups across the United States, a significant increase over the 46 groups DEA had in FY 2012. In addition, DEA established two mobile TDS groups that can deploy quickly to "hot spots" in furtherance of the Diversion Control Division's mission. TDS groups focus primarily on criminal enforcement and the results of their work often lead DEA registrants to surrender their DEA registration for cause. Over the last seven fiscal years, DEA has initiated an average of more than 1,500 cases per year and made an average of more than 2,000 arrests per year.

**16) Is the revolving door between DEA diversion control and the distribution industry a factor affecting the nature of DEA enforcement against distributors?**

**Response:** Please see response above.