



# U.S. Immigration and Customs Enforcement

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STATEMENT

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REGARDING A HEARING ON

*“INTERNATIONAL DRUG SMUGGLING SCAMS  
TARGETING SENIORS”*

BEFORE THE

UNITED STATES SENATE  
SPECIAL COMMITTEE ON AGING

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## INTRODUCTION

Chairman Collins, Ranking Member McCaskill, and distinguished members of the Committee:

On behalf of Department of Homeland Security (DHS) Secretary Jeh Johnson and U.S. Immigration and Customs Enforcement (ICE) Director Sarah Saldaña, thank you for the opportunity to appear before you today to discuss ICE's robust and ongoing efforts to combat cross-border financial crimes and particularly, consumer fraud scams that target the elderly. My testimony today will focus on specific cases that address these scams and will also help the Committee to raise awareness of these crimes, which affect so many.

ICE Homeland Security Investigations (HSI) has the most expansive investigative authority and the largest force of criminal investigators in DHS. HSI has 6,200 special agents assigned to more than 200 cities throughout the United States and 62 offices in 46 countries worldwide. Working with federal and international partners, HSI disrupts and dismantles transnational criminal networks by targeting the illicit pathways and organizations that engage in cross-border crime.

### ***Homeland Security Investigations***

HSI is the investigative arm of ICE; it conducts criminal investigations to protect the United States against terrorism and other criminal activity that threatens public safety, national security and brings to justice those seeking to exploit our customs and immigration laws worldwide. Notably, in fiscal year (FY) 2015, HSI made a record 30,833 criminal arrests, identified and/or rescued over 1,000 sexually exploited children, seized nearly 1.3 million pounds of drugs, screened more than 2 million visa applications, seized \$442 million in illicit

currency and assets, and saw over 2,000 human smuggling convictions returned as a result of HSI investigations.

HSI focuses its broad investigative authority on three operational priorities: (1) border security, (2) public safety, and (3) counterterrorism/homeland security. HSI investigates customs and immigration crimes, including transnational criminal organizations (TCOs) engaged in illicit activity related to human rights violations; drugs, weapons and contraband smuggling; financial crimes; cybercrimes; child exploitation; human smuggling and human trafficking, intellectual property theft and trade fraud, transnational gangs, and immigration document and benefit fraud.

## **BACKGROUND**

### ***Fraud Schemes***

HSI investigates numerous international and cross-border fraud schemes, such as phony investment pitches and business opportunities. Such scams are growing increasingly sophisticated and international in scope and are able to victimize U.S. citizens throughout the country. According to the U.S. Federal Trade Commission (FTC), consumers lose hundreds of millions of dollars annually to cross-border financial crimes such as telemarketing fraud. Sadly, in many cases the loss represents the victim's entire life savings.

Perpetrators victimize consumers of all ages, backgrounds, and income levels, but the elderly are disproportionately targeted. Perpetrators take advantage of the fact that elderly Americans may have cash reserves or other assets to spend on these deceptive offers. A survey conducted in 2013 by the American Association of Retired Persons found that 90 percent of respondents reported awareness of consumer fraud, yet two-thirds said it was hard to spot fraud while it is happening. The survey also shows that elderly victims find it difficult to terminate

telephone conversations, even when they convey that they are not interested in continuing a conversation. Also, the elderly may be reluctant to report the incident for fear of losing financial independence should their families discover the fraud. Scammers may try to use a variety of schemes, especially when they find a potentially vulnerable victim, such as one who may suffer from a cognitive impairment.

One common type of fraud is the telemarketing lottery or sweepstakes scam. These schemes typically involve callers fraudulently identifying themselves as a lawyer, customs official, or lottery company representative. In a typical fraud scenario, potential victims are led to believe that they have won an international multimillion-dollar sweepstakes. The scammers tell the victims that in order to receive their winnings, the victim will need to pay an advance fee. This fee is usually described as a tax, insurance payment, or customs duty that must be paid to release the winnings. The victims are instructed to send the funds via mail, courier, or wire transfer. The scammers then steal the victims' money.

Scammers will also try to impersonate a relative, as perpetrators can often find names of a recent widow or widower's loved ones listed in an obituary. For example, an impersonator might claim to be a loved one, state that they were arrested in Canada for driving under the influence and need money to pay a fine to avoid being sent to jail. A similar scenario is a perpetrator impersonating a senior's relative claiming while on travel, they were injured and had to be hospitalized so they need money immediately for medical treatment until their insurance can be processed to cover their medical care.

Most of these scammers are articulate and can often involve a variety of partners to defraud the victim over the course of a period of time; a strategy that serves to increase the complexity of the matter and leads to greater credibility to the scheme. Scammers have also

been known to repeatedly bombard their victims with non-stop calls, even employing verbal abuse to coerce victims to comply. Intimidated, confused, and exhausted, victims will often yield to the scammer's demands.

## **HSI INVESTIGATIONS**

### ***Operation Cocoon***

HSI and U.S. Customs and Border Protection (CBP) are working with our international and U.S. federal law enforcement partners to combat the emerging trend involving the movement of illicit contraband by unsuspecting elderly citizens. To date, HSI and CBP have worked with our foreign counterparts to interdict a total of 272 kilograms of methamphetamine, 209 kilograms of cocaine, 4 kilograms of ecstasy, and 11 kilograms of heroin. They have arrested 15 facilitators affiliated with TCOs — one in Hong Kong, two in China, three in Argentina and nine in Spain.

TCOs recruit drug couriers who appear to be unsuspecting and present the best opportunity to smuggle contraband through our international borders. TCOs use inheritance, romance or business opportunity scams to recruit elderly U.S. citizens through various Internet avenues such as social media, cyber begging, and phishing e-mails to smuggle drugs through commercial air travel without the knowledge of the courier. These unwitting couriers travel to numerous countries with airline tickets purchased upon completion of each leg of the journey to evade detection. These elaborate international schemes involve these couriers meeting with alleged "business partners" in numerous countries during a single trip.

The average age of the couriers was approximately 59, and the oldest of these couriers was 87. The oldest unwitting individual HSI encountered during one of our investigations was

97; however, HSI special agents identified him before he left the United States to participate in the endeavor and convinced him to abandon his travel plans because he was going to be another unwitting victim.

Where appropriate, HSI will continue to work to address concerns in this way – before potential couriers leave the United States – where there is reason to believe they may be unwittingly utilized to smuggle drugs. But there are often challenges that make this difficult. For example, the recruited individuals may be so engaged with the criminal organization that they do not believe the truth when confronted, in part because these organizations warn their victims to not believe anyone who approaches them as law enforcement. HSI has also warned elderly unwitting couriers concerning their potential role in this scheme, only to have them book travel and get intercepted in other countries with drugs.

The collaborative efforts between CBP and HSI, through the National Targeting Center, HSI's domestic field offices, and HSI's International Operations, have resulted in a significant disruption to these TCOs' operational methodologies. Specifically, the TCOs have decreased the use of both elderly persons and U.S. citizens, and must resort to utilizing younger, non-U.S. citizens to transport drugs on their behalf.

### ***Impersonating Government Officials***

As you may know, HSI, along with other law enforcement agencies, have also been investigating a growing and pervasive scam where scammers, frequently operating overseas, will contact American victims, pretending to work for government agencies like the Internal Revenue Service (IRS) or DHS. The scammers will fraudulently tell victims that they have a tax lien, or have committed a crime and must pay a fine. HSI's primary focus is the underlying fraud and related money laundering. In all instances, HSI seeks to ensure full investigative collaboration

with the appropriate investigative entities from the agency that is being impersonated. In cases where an IRS agent is being impersonated, HSI collaborates with the appropriate component within the IRS.

The scammers will tell the victims to make a payment to the government agency using a third-party money transfer system. The scammers will work with partners in the United States to obtain and launder the fraudulent proceeds, before attempting to transfer them out of the country.

For example, we have seen scammers call individuals and claim to work with an alleged local “Attorney General’s” office. The scammer tells the victim that they will be charged with fraud but they have the opportunity to pay a fee through a third-party money transfer system to avoid criminal prosecution. The criminal perpetrators even oblige requests for tracking or confirmation numbers and provide addresses for actual government offices to further their crime.

The money is then frequently transferred onto a pre-paid debit card, which can be used to purchase money orders at a variety of reputable establishments. U.S.-based co-conspirators to scammers purchase these pre-paid debit cards, load them with fraudulent funds and then purchase money orders at supermarkets and other locations. The money orders can then be deposited into bank accounts that the scammers control. In one case, scammers stated they purchased approximately \$5,000 in money orders each day, six days a week. Over the course of nine months, investigators estimated these scammers facilitated the transfer of more than \$1 million from victims to scammers operating overseas.

### ***Jamaican Criminal Organizations and their Methods***

Over the past decade, U.S. complaints about telemarketing fraud originating from Jamaica have increased significantly. According to Jamaican law enforcement, local gangs

employ telemarketing fraud tactics to raise capital which is used to facilitate the smuggling of weapons into Jamaica and drugs into the United States.

Fraudulent telemarketing has become a lucrative source of income for criminal organizations in Jamaica. According to Jamaican law enforcement, violence related to telemarketing scams has grown significantly, with gangs and criminal organizations exchanging gunfire over lists of potential victims.

### ***Project JOLT***

In March 2009, ICE entered into an agreement with the Jamaica Constabulary Force to form Project JOLT (Jamaican Operations Linked to Telemarketing) Task Force which focuses on identifying, disrupting and dismantling organizations perpetrating Jamaican-based telemarketing fraud. Project JOLT works to recover the money fraudulently obtained by the telemarketers and repatriates the funds back to the victims. Since this 2009 agreement, the State Department and ICE have provided the Jamaica Constabulary Force and Project JOLT with over a million dollars in training and equipment to combat telemarketing fraud and protect Americans.

In the United States, Project JOLT collaborates with private companies like Western Union, as well as with federal agencies such as the U.S. Department of State, Department of Justice, the FTC, the U.S. Postal Inspection Service and the Federal Bureau of Investigation (FBI) to combat telemarketing fraud.

Building on the success of previous investigations, the HSI-led JOLT Task Force continues to meet with our Jamaican partners to discuss ongoing trends and share information. HSI is also assisting Jamaican law enforcement by providing training and guidance with financial crimes investigations.



It should also be noted that there has and continues to be excellent cooperation with the Government of Jamaica on these issues. Their government has enacted new laws to facilitate the investigation, prosecution and conviction of scammers. As a result of these cooperative efforts, in February 2015, a Jamaican man was extradited to the United States for his role in a Jamaican based telemarketing scam. The investigation was conducted jointly by HSI, the U.S. Postal Service, the U.S. Marshals Service, and the Jamaica Constabulary Force.

### ***Jamaican Lottery Scam Case Example***

On July 2, 2015, as a result of an HSI-led investigation in the city of Philadelphia, six people were charged for running a “Jamaican lottery” scam that targeted senior citizens in the United States.

According to the indictment, the victims were informed that they had won the “Jamaican lottery” but that in order to claim their winnings they first needed to pay tens of thousands of dollars for “fees.” The victims were repeatedly coerced to provide the conspirators with cash, checks and property but never received any winnings from the purported lottery.

The six defendants were all charged with conspiring to commit mail, bank and wire fraud in a scheme that obtained more than \$200,000 from mostly elderly victims with a diminished mental capacity. The organizer/leader of the conspirators and some of the other members were also charged with wire fraud and travel fraud, as the result of specifically defrauding an elderly individual. This was a case that was investigated by HSI, the Delaware County District Attorney's Criminal Investigation Division Senior Exploitation Unit, and the Delaware County Office of Services for the Aging.

### ***Project COLT***

HSI is a member of the COLT (Center of Operations Linked to Telemarketing) initiative. HSI and its Canadian law enforcement counterparts are working together to confront common challenges raised by transnational organized crime, including groups responsible for perpetrating telemarketing fraud. COLT is the oldest of the interagency partnerships established in Canada to combat telemarketing fraud, established on April 1, 1998.

The COLT is comprised of representatives from HSI, the FBI, the U.S. Postal Inspection Service, the FTC, the Royal Canadian Mounted Police (RCMP), the Sûreté du Québec (Quebec Provincial Police), the Montreal City Police Department and the Canadian Competition Bureau.

Since its inception, Project COLT has initiated 997 investigations resulting in 119 criminal arrests, 133 indictments, and 95 convictions. Seizures were reported at more than \$6.3 million.

To combat the rampant rise in cross border telemarketing and credit card fraud, the HSI Rouses Point office in New York created the Cross Border Antifraud Operations Working Group. The scope and purpose of the initiative is to identify, deter and dismantle organizations engaged in telemarketing, mail and credit card fraud, operating through the HSI Rouses Point area of responsibility. The initiative combines specific areas of HSI expertise to enhance current investigations while bringing together federal, state and local investigators, as well as intelligence officers and state and federal prosecutors, to exploit information obtained through the individual agencies operating processes.

HSI currently works with the CBP Office of Field Operations and Border Patrol, the FBI, the U.S. Postal Inspection Service, the FTC, the Canadian Border Services Agency, and the RCMP in support of Project COLT.

### ***Bail Scam Case Example***

On April 8, 2015, in Plattsburgh, New York, as a result of an HSI-led investigation, two individuals were indicted for their role in a grandparent fraud scheme that preyed upon the love of relatives and manufactured an emergency situation to get money.

The indictment states the elderly victims were contacted by individuals who told them their grandchildren needed money for bail and other purposes. Once the money arrived at various addresses in Plattsburgh, the individuals retrieved the illegally obtained funds and delivered it to others.

The two defendants were charged with conspiring to commit mail fraud and four counts of mail fraud. They face a maximum sentence of 20 years imprisonment and a \$250,000 fine. The Plattsburgh Police Department initiated the investigation and partnered with HSI. The U.S. Postal Inspection Service, the Clinton County Sheriff's Office, the Canada Border Services Agency and Project COLT also participated.

### ***West African Transnational Criminal Organizations—Romance Scams***

Over the past several years HSI investigators have also seen an increase in fraud scams against the elderly via West African fraud syndicates, mainly through a scheme known as the Romance Scam. West African fraud syndicates strategically target recently widowed seniors due to their vulnerabilities and access to cash. The TCOs use fictitious profiles on dating websites to establish virtual relationships with unsuspecting elderly victims. The organizations exploit the relationship by portraying an emergency and requests the victim “loan” them \$5,000 to \$10,000. If the victim attempts to discontinue the fraudulent relationship, the scammer exploits the victim’s embarrassment and attempts to induce them to conduct other fraudulent schemes, such as cashing fraudulent checks. If the victim contacts the scammer to tell them they were

approached by law enforcement, the scammer tells the victim that they are the police and they should continue working together.

### ***Partnerships***

In order to combat criminal organizations involved in romance scams, telemarketing and government impersonation fraud schemes, HSI works closely with other DHS components, such as the U.S. Secret Service, CBP, the DHS Office of the Inspector General and the DHS Office for Civil Rights and Civil Liberties, as well as the FBI, the U.S. Postal Inspection Service, FinCEN, and the IRS. By operating in the United States, TCOs pose significant multi-jurisdictional challenges to U.S. law enforcement. To combat this, HSI and its partner agencies have worked with the Department of Justice to produce a more coordinated enforcement and prosecution effort. This effort involves law enforcement working jointly with prosecutors, our foreign law enforcement partners and the financial industry. This collaboration has led to a more cooperative law enforcement effort that will eventually lead to the disruption and dismantlement of these TCOs that victimize our senior citizens.

### ***Cornerstone – Forging Partnerships with the Private Sector***

The HSI Cornerstone Outreach Initiative was launched in July 2003 and has grown into a robust, unparalleled financial outreach program. The success of the program is due in large part to the personalized collaboration with financial industry partners.

HSI recognizes that our financial industry partners have critical and actionable information related to illicit financial activity and are the first line of defense against money laundering. HSI special agents also serve as subject matter experts in money laundering methods involving fraudulent schemes. The Cornerstone Program brings together the expertise from

government and non-government environments to address financial vulnerabilities exploited by TCOs.

HSI is actively engaging the financial industry's anti-money laundering executives to forge one-on-one partnerships, developing and sharing red-flag indicators based on review of the financial flows relating to consumer fraud activity. These partnerships enable HSI to leverage the banking industry, money service businesses and prepaid card issuers for intelligence and cooperation in investigating and prosecuting TCOs.

HSI participates in a working group sponsored by the International Association of Financial Crime Investigators. This non-profit organization working group is comprised of industry representatives from banks, money service businesses, retailers and law enforcement agencies at the federal, state and local level. The working group focuses on developing strategies that can mitigate the exploitation of elderly victims in financial crimes. HSI serves in an advisory role and provides technical expertise to address this prevailing financial fraud threat.

### ***Payment Mechanisms***

As this testimony demonstrates, the TCOs involved in these fraudulent schemes want to receive illicit proceeds, quickly and anonymously. One emerging method employed by scammers is to use money mules from the United States. Money mules serve as money consolidation points in the United States and eventually launder illicit proceeds out of this country to the source countries where the TCOs are based. The choice payment methods for the TCOs are money service businesses and prepaid cards. Money service businesses allow TCOs to receive funds through structured payments made below reportable currency thresholds. Prepaid cards allow for the instantaneous transfer of funds, which can be loaded by a victim virtually or at a retail location.

## **CONCLUSION**

Thank you again, for the opportunity to appear before you today to discuss ICE's efforts to combat consumer fraud scams targeting the nation's senior citizens. We look forward to continued collaboration with this Committee to reduce the potential for these criminals to identify susceptible targets and move their illicit funds. We will also examine the viability of raising the penalties for these crimes, to meet the seriousness of the harm they inflict on our elderly population. I would be pleased to address any questions you have at this time.