



U.S. Immigration and Customs Enforcement

STATEMENT

OF

JANICE AYALA

**ASSISTANT DIRECTOR FOR INVESTIGATIVE PROGRAMS
OFFICE OF INVESTIGATIONS
U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT
DEPARTMENT OF HOMELAND SECURITY**

REGARDING A HEARING ON

“ORGANIZED RETAIL CRIME”

BEFORE THE

**UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE ON CRIME, TERRORISM, AND HOMELAND
SECURITY**

**November 5, 2009 – 10:00 a.m.
2141 Rayburn House Office Building**

INTRODUCTION

Chairman Scott, Ranking Member Gohmert, and distinguished Members of the Subcommittee:

On behalf of Secretary Napolitano and Assistant Secretary Morton, I would like to thank you for the opportunity to testify today on the efforts of U.S. Immigration and Customs Enforcement (ICE) in the area of Organized Retail Crime (ORC). As you know, ICE is the largest investigative agency within the Department of Homeland Security. We protect national security and uphold public safety by targeting transnational criminal networks and terrorist organizations that seek to exploit vulnerabilities at our borders.

ICE investigates individuals and organizations that exploit vulnerabilities in financial systems for the purpose of laundering illicit proceeds. ICE also addresses the financial component of every cross-border criminal investigation. Naturally, this includes investigations into organized retail crimes. ICE's financial investigative authorities and unique capabilities specifically enable it to identify, dismantle, and disrupt the financial criminal enterprises that threaten our nation's economy and security. One of the most effective methods utilized to identify, dismantle, and disrupt organizations engaged in retail crime is to target the unlawful proceeds gained through their efforts.

ICE's Role in Battling Organized Retail Crime

ICE's Office of Investigations is well aware of the impact of organized retail crime on more than just our retail industry and economy. ICE investigations have demonstrated that profits generated from organized retail crime represent a clear threat to the U.S. financial sector because these profits may be laundered through U.S. and international financial systems. Similar

to other criminal organizations, organized retail crime rings look for and exploit the vulnerabilities within these financial infrastructures to move and store their illicit proceeds.

ICE is involved in myriad investigations that target criminal activity including money laundering, narcotics trafficking, illegal importation and export, violation of intellectual property laws, human smuggling and trafficking, gang activity and human rights violations. ICE agents have broad investigative authorities under Titles 8, 18, and 31 of the United States Code, permitting them to pursue many different types of criminal violations, including complex banking and financial misconduct cases and seize assets of criminal enterprises engaged in immigration and customs violations. The melding of these authorities and unique capabilities given to, and used by, ICE enables it to identify, dismantle and disrupt the financial criminal enterprises that threaten our nation's economy and security.

From experience, ICE recognizes that organized retail crime groups engage in activities that cross over into one or more of ICE's ongoing initiatives or violate laws in which ICE has jurisdiction. ICE has been involved in a number of successful organized retail crime investigations over the past few years, but I would like to briefly discuss two of them.

Rosemont Wholesale, Inc.

ICE has been involved in the Rosemont Wholesale, Inc. investigation since 2005. At that time, ICE learned that individuals connected to Rosemont Wholesale, Inc. were possibly moving illicit proceeds abroad from the large-scale interstate sale of stolen retail products.

In 2005, retailers operating in the San Francisco Bay Area provided information to the Oakland Police Department regarding an ORC ring. Oakland Police Department subsequently forwarded that information to the ICE Special Agent in Charge (SAC) office in San Francisco.

ICE agents in San Francisco, with assistance from the Internal Revenue Service – Criminal Investigation (IRS-CI), the Oakland Police Department, the U.S. Department of Agriculture (USDA), and the Federal Bureau of Investigation (FBI), uncovered a ring involving thieves who stole over-the-counter products from large retailers throughout the San Francisco Bay Area. The stolen products were then resold through Rosemont Wholesale, Inc., a company involved in selling over-the-counter retail products such as medicines, razor blades, and baby formula, both over the Internet and throughout the San Francisco Bay Area to small, local grocery stores. Two fencing operations bought the stolen merchandise on behalf of Rosemont and generated illicit profits by selling it to Rosemont at a premium.

Rosemont then “laundered” the products, selling them through their online auction site and shipping them throughout the United States and Canada. Some of the proceeds from the criminal enterprise turned up in Yemen. In addition, Rosemont structured numerous banking transactions to avoid currency reporting requirements.

Following an extensive investigation, agents from ICE, IRS-CI, FBI, USDA, and officers from the Oakland Police Department executed search warrants at six locations in the San Francisco Bay Area. ICE seized more than 12 tractor-trailer loads of stolen merchandise valued at approximately \$4.4 million. Charges were brought against eight defendants, including interstate transportation of stolen goods, securities, moneys, fraudulent state tax stamps or articles used in counterfeiting (18 U.S.C. § 2314), fraud and swindles (18 U.S.C. § 1341), laundering of monetary instruments (18 U.S.C. § 1956), structuring transactions to evade reporting requirements prohibited (31 U.S.C. § 5324), attempt to evade or defeat tax (26 U.S.C. § 7201), fraud and false statements (26 U.S.C. § 7206) and conspiracy to commit offense or to defraud the United States (18 U.S.C. § 371).

On October 16, 2009, Hassan Swaid, the President, Chief Executive Officer and owner of Rosemont Wholesale, Inc., was sentenced to 78 months in prison for his role in the conspiracy. Swaid was convicted on June 24, 2009, following a six-week jury trial. Five other members of this organization have pled guilty to various crimes, including structuring transactions to evade reporting requirements, conspiracy related to the interstate transportation of stolen goods, securities, moneys, fraudulent state tax stamps or articles used in counterfeiting, attempting to evade or defeat tax, and fraud and false statements. All remaining conspirators are currently awaiting sentencing.

Mohammed Ghali

ICE was involved in the Mohammed Ghali investigation after receiving information that a criminal organization he headed was involved in the interstate transportation of stolen merchandise and laundering the proceeds from the sale of this stolen merchandise internationally. According to sources ICE had developed, several members of the organization were also alleged to have direct ties to terrorist acts and/or organizations.

Mohammed Ghali was the leader of a criminal organization involved in large scale organized retail theft and international money laundering. Proceeds from Ghali's criminal activity were deposited in foreign financial institutions with weak anti-money laundering programs.

Members of the Ghali organization recruited hundreds of shoplifters and drug addicts to steal over-the-counter medicinal products, prescription drugs, and other specific items such as infant formula, glucose test strips, razors, and pregnancy test kits. These items were then repackaged and sold to wholesalers and retailers.

The organization used numerous convenience stores owned and operated by members of the organization in the Fort Worth, Texas area as fencing locations. Shoplifters and thieves utilized elaborate schemes to obtain the products such as counterfeit coupons, price matching schemes, and manufacturing counterfeit uniform price code labels. They also committed fraud through the use of food stamps and Women, Infant and Children Programs. In some instances, large quantities of products were obtained through armed robbery and warehouse thefts. For example, a shipment of Viagra valued at over \$1 million was stolen from a legitimate drug wholesaler, purchased by members of the Ghali organization, and then resold on the street.

To further expose the criminal organization, ICE initiated a joint undercover operation between its Dallas SAC office, the Fort Worth Police Department, and the Food and Drug Administration. The investigation utilized a number of investigative techniques, including the use of confidential informants, wiretaps, video and audio surveillance, undercover meetings and pen registers. Members of the loss prevention community also participated throughout the course of the investigation. Agents conducted approximately 93 undercover transactions in which property was specially marked, represented as stolen and sold to members of the organization. As a result of the investigation, approximately 35 members of the organization were charged with state and federal violations, including conspiracy, possession of stolen goods, interstate transportation of stolen property, receipt of stolen goods, and money laundering. Ghali, the leader of the organization, was convicted and sentenced to serve 14 years in federal prison. He also was ordered to forfeit two residences and \$527,627 in cash that was seized during the investigation.

While I cannot discuss the specifics of ongoing organized retail crime investigations, ICE is currently working on active cases related to organized retail crime in Texas, Illinois, California and Florida.

Organized Retail Crime Pilot Program

ICE has become increasingly involved in investigations that target organized retail crime due to the interstate and international shipments of stolen goods and the corresponding movement of illicit proceeds from the sale of these stolen goods.

ICE has developed a pilot program to enhance the agency's ability to address the organized retail crime threat. The ORC Pilot Program was launched on July 6, 2009, in Houston, Los Angeles, Miami and New York, and is scheduled to last for an initial period of six months. The ORC Pilot Program focuses on four primary areas: 1) the development of a threat assessment to determine how these groups are engaged in crimes over which ICE has jurisdiction; 2) the development of a tracking system aimed at assessing ICE's involvement in ORC cases; 3) the development of a database that will be made available to the field with retail industry contacts for the affected ICE offices, which compliments the existing information contained in the National Retail Federation's LERPnet database by placing ICE agents in contact with members of the retail community throughout the country; and 4) an enhanced effort to explore fully how these groups are exploiting systemic vulnerabilities in the banking system to launder their profits.

The ORC Pilot Program, which is being funded with base investigative resources, encompasses all types of ORC-related criminal activities under the jurisdiction of ICE, including those committed over the Internet. Since the pilot program was launched just over four months ago, it is still too early to conduct an accurate analysis of its overall effectiveness. However,

based on previous successful ICE investigations into organized retail crime, we have been able to develop some indicators of suspicious banking activity related to ORC. These indicators include:

- Business checks written to individuals, as opposed to legitimate suppliers.
- Business checks cashed at the banks from which the checks originated, instead of being deposited into another business' bank account.
- Business checks written to cash on a regular basis in amounts that exceed a business's petty cash requirement.
- Multiple checks written on the same day to cash to ensure the amount of each check does not exceed \$10,000.
- Multiple money orders in increments of \$500 or less deposited into bank accounts in which the remitter of the money order is the same as the authorized signers on the bank accounts for which the checks are being deposited.
- Subjects of questionable financial transactions maintaining the same address.
- Occupations listed for the subjects of questionable financial activities that are not commensurate to the volume and type of the financial activities.
- Checks drawn from the questionable financial activities that are negotiated in foreign countries.
- Cash deposits related to the questionable financial activities involving currency in \$100 denominations.

CONCLUSION

While the organized retail crime initiative is only a pilot program at this time, based on our preliminary results of the threat assessment, ICE hopes to develop it into an ongoing initiative.

I would like to thank the Subcommittee for this opportunity to testify and for your continued support of ICE, DHS and our law enforcement mission. I will be happy to answer any questions that you may have at this time.