

**TESTIMONY
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**BUREAU OF IMMIGRATION AND CUSTOMS ENFORCEMENT
DEPARTMENT OF HOMELAND SECURITY**

**BEFORE THE
HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY,
AND HUMAN RESOURCES**

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I. Introduction

Good morning, Chairman Souder, Congressman Carter. It is a privilege to appear before you to discuss the Bureau of Immigration and Customs Enforcement (BICE) investigations into organized retail theft and money laundering violations.

For the past five years special agents assigned to the Special Agent in Charge, Houston, Texas have conducted investigations into the activities of a loosely joined confederation of individuals involved in the theft, repackaging, and resale of consumer goods. These consumer goods primarily consist of infant formula, over the counter (OTC) medicinal goods, and other health and beauty aids. ICE special agents have also been investigating the money laundering aspects of these criminal activities.

The targets of these investigations are predominantly individuals from Latin America or the Middle East, including Egypt, Jordan, and Lebanon. These individuals operate as grocery or dry goods wholesalers, buying and selling goods on the gray market or secondary side of the industry. The wholesalers are supported by groups of shoplifters operating around the United States.

BICE investigations have identified approximately 60 groups of organized shoplifters plus a multitude of independent individuals. For the most part, these individuals are residing and operating in the United States in violation of our immigration laws and travel the country stealing merchandise from legitimate retailers and wholesalers.

II. Shoplifting Scheme Background

ICE special agents have interviewed a number of shoplifters and identified a method to their operation. The shoplifting group is comprised of five to six women and younger men. An experienced man is established as a team leader and is subsequently responsible for making the travel arrangements, providing transportation, food, and lodging for the group. Once a group is assembled, they travel to a target city, obtain a hotel room, and spend the next seven to ten days shoplifting from major stores in the area. Each day the stolen goods are stored in a self-service storage unit that is rented by the team leader. Upon conclusion of the operation, the stolen goods are removed from the storage units, loaded into a rental truck and returned to their home city and sold to buyers. If there is an exceptionally large amount of stolen goods, the teams have occasionally shipped them via a legitimate trucking company back to the buyer.

Most team members are equipped with several false names and dates of birth in the event they are arrested. If a member arrested is a minor, they provide identification purporting them to be an adult in order to avoid State laws requiring parent notification and can be released on bond.

III. The Buyers

The buyers generally identify themselves as grocery wholesalers in an effort to establish an air of legitimacy. These companies file corporate charters with the Secretary of State of Texas and obtain local "Doing Business As" licenses. Very few of these individuals operate out of a normal business location; most operate out of their residence or from a storage unit where the stolen goods are stored. BICE, working in conjunction with the IRS and the FBI, have shut

down large-scale theft operations throughout the U.S. In Lexington, Kentucky, the SHALASH ORGANIZATION was dismantled and three leaders were arrested and subsequently convicted. In Arizona, 12 members of the JAMAL ORGANIZATION were arrested. In Dallas, Texas, 23 members of the GHALI ORGANIZATION were arrested. BICE is currently conducting investigations in Florida, California, North Carolina, South Carolina, Virginia and Kentucky. Here in Houston, the activities of the combined federal, state and local law enforcement agencies have forced these criminal organizations to change from theft of infant formula to other products to avoid civil and criminal sanctions.

Five years ago, several subjects were repackaging stolen infant formula and placing them in counterfeit cardboard boxes. The purpose of the counterfeit boxes was to deceive the buyer into thinking the formula was from the actual manufacturer. In the words of one subject, "if you are going to sell a Rolex watch it has to be in a Rolex box." The repackaging operations took place in warehouses or storage units. After the goods were repackaged the cases were placed on pallets, shrink-wrapped, and shipped to local or out-of-state buyers. Investigative efforts resulted in the dismantling of the company identified as the manufacturer of the counterfeit boxes.

IV. The Secondary Market

To conceal the origin of the product, false purchase orders are produced alleging that company "A" sold the merchandise to company "B" who sold it back to company "A" or to company "C". Payments for these shipments are usually structured in order to avoid Federal monetary reporting requirements. Several checks are written in amounts less than \$10,000.00 and are addressed to different subjects on different dates, all within the same company. Wire transfers are used when a company sells to a large-scale buyer or to an unsuspecting legitimate buyer. Each company is able to claim and show receipts indicating that it had purchased the product from the other company, without knowledge that the merchandise was stolen. If the stolen goods are over the counter

medicinal goods or health and beauty aids, they are typically sold to smaller "Mom and Pop" type convenience stores. Frequently, the stolen merchandise is sold in convenience stores that are actually owned and operated by the organization.

Some criminal organizations are also involved in the large-scale burglary of tobacco, jewelry, and clothing warehouses. Most of the stolen tobacco products are sold in stores owned or operated by these organizations. The loss of taxes on this merchandise has a financial impact on each State. Typically, stolen jewelry, perfume, and clothing are mixed with legitimate shipments and exported overseas. Other times, these items are shipped by falsely manifesting the goods. Investigation has also revealed that some commercial burglaries involving merchandise in excess of hundreds of thousands of dollars have been shipped to the Middle East, where it can be resold for three times the value. The investigation into the money laundering aspects of these proceeds have revealed individuals involved in exportation of motor vehicles suspected of being purchased with money derived from the illegal activities. The vehicles can also be sold overseas for three times the value. The proceeds of this illegal activity are subsequently returned to the U.S.

To prosecute members of these criminal organizations for Interstate Transportation of Stolen Property, the Government must show that each can of infant formula or over the counter was stolen or obtained by fraudulent means. This is difficult, as individual items are not marked in a unique way, such as currency, to aid in tracking of these items.

V. Women, Infant, and Children Stores

In addition to convenient stores, some of these criminal organizations also own and operate Women, Infant, and Children (WIC) stores where they can sell their stolen goods. The WIC program is a federally funded, state operated program to aid lower income citizens. There are many forms of WIC fraud both by the vender and by the recipient. I will explain a few of them today. By purchasing stolen infant formula for five dollars per can and selling it for ten

dollars per can, the WIC store profits are greatly increased. Each month, a WIC store submits all the WIC vouchers used to purchase food from that store. Investigations have revealed that some stores are marking the WIC vouchers to indicate that food was sold which was never sold and/or cash was given to the person instead of food. At this time there is no federal regulatory requirement that the WIC stores buy the food sold at their stores from controlled sources. The State of Texas has recently enacted requirements that WIC stores buy directly from the manufacture or from a regulated source.

VI. Following the Money

Profits generated by the sale of stolen goods are used for the purchase of additional goods, thus repeating the cycle, and to further the wealth of the criminals involved. Investigations around the country have determined that large amounts of money are being shipped out of the U.S. to the Middle East. Investigations have revealed that money is smuggled out of the country by concealment on individual travelers, wire transfers through European banks, express-type mail shipments containing currency or monetary instruments, and unlicensed money remitter services. Many banks in the Middle East do not cooperate with U.S. law enforcement and the funds cannot be traced.

VII. Conclusion

In conclusion, I would like to thank you Mr. Chairman and Congressman Carter for your continued support and interest in BICE. It is an honor to serve with the Bureau of Immigration and Customs Enforcement and I thank you for the opportunity to appear before you today to discuss some of our investigative efforts. It would be my pleasure to answer any questions you may have.