



**Drug Market Analysis**

**2008**

# **Washington/Baltimore**

## **High Intensity Drug Trafficking Area**



**NATIONAL DRUG INTELLIGENCE CENTER**  
**U.S. DEPARTMENT OF JUSTICE**





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This assessment is an outgrowth of a partnership between the NDIC and HIDTA Program for preparation of annual assessments depicting drug trafficking trends and developments in HIDTA Program areas. The report has been coordinated with the HIDTA, is limited in scope to HIDTA jurisdictional boundaries, and draws upon a wide variety of sources within those boundaries.



# National Drug Intelligence Center

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# PREFACE

This assessment provides a strategic overview of the illicit drug situation in the Washington/Baltimore (W/B) High Intensity Drug Trafficking Area (HIDTA), highlighting significant trends and law enforcement concerns related to the trafficking and abuse of illicit drugs. The report was prepared through detailed analysis of recent law enforcement reporting, information obtained through interviews with law enforcement and public health officials, and available statistical data. The report is designed to provide policymakers, resource planners, and law enforcement officials with a focused discussion of key drug issues and developments facing the Washington/Baltimore HIDTA.

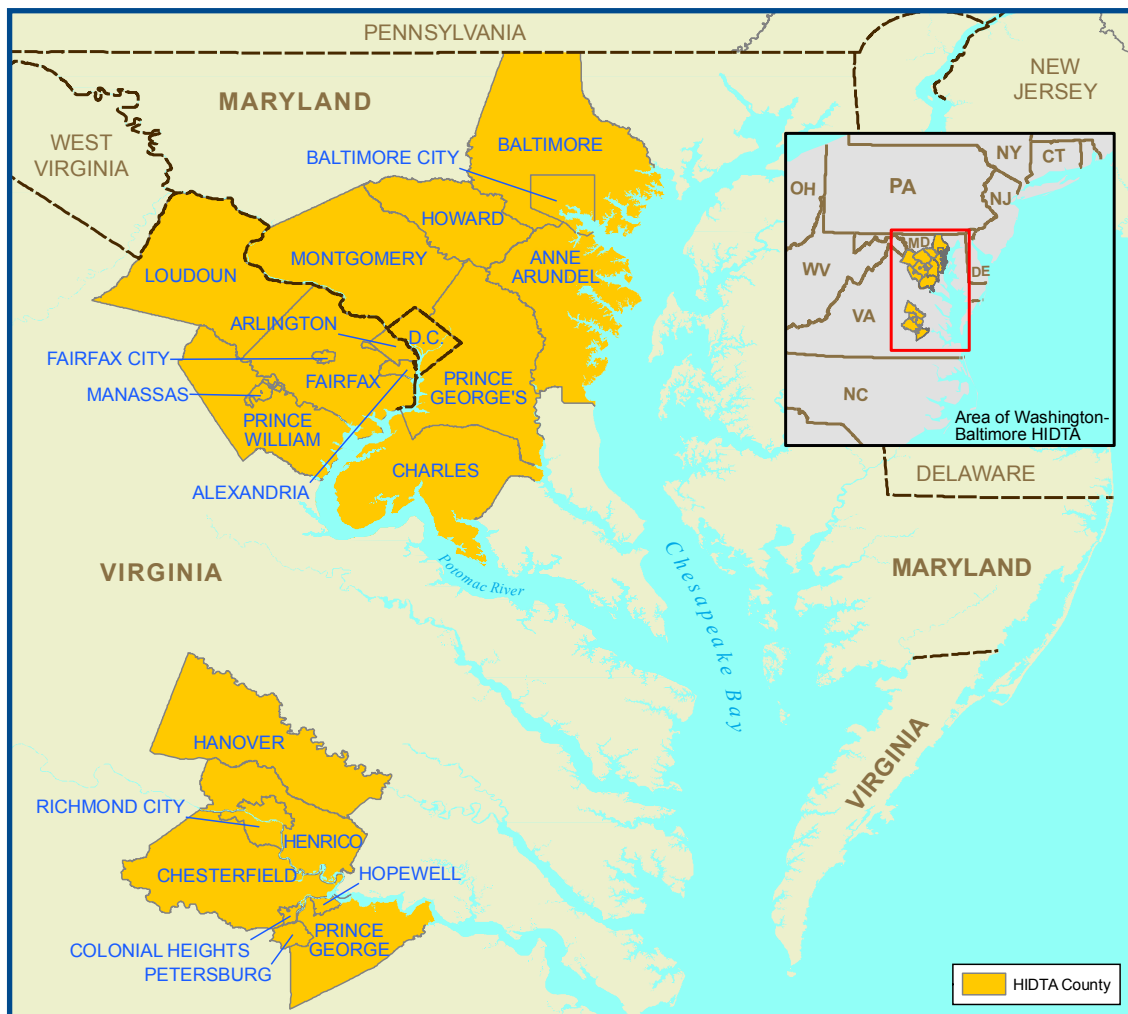


Figure 1. Washington/Baltimore High Intensity Drug Trafficking Area.



### STRATEGIC DRUG THREAT DEVELOPMENTS

- Mexican drug trafficking organizations (DTOs) operating out of the southwestern United States are becoming increasingly involved in cocaine trafficking within the region, especially in southern Virginia and in the Shenandoah Valley, adjacent to the HIDTA region. Mexican DTOs that have established transshipment centers in Georgia and North Carolina are supplying cocaine, heroin, marijuana, and methamphetamine to the region.
- Cocaine availability in the W/B HIDTA region fluctuated during the past year, decreasing during the first quarter of 2007 and returning to previous levels by the third quarter in most parts of the region. However, law enforcement reporting regarding cocaine availability and prices indicates that cocaine is still in short supply in some parts of Baltimore and Washington, D.C.
- Central American DTOs and criminal groups from Guatemala and El Salvador are increasingly involved in cocaine trafficking in the HIDTA region.
- High-potency marijuana production, particularly by Vietnamese criminal groups, at indoor grow sites is increasing, especially in the Baltimore and Richmond areas. Law enforcement officials in the region report that the demand for high-potency marijuana is increasing.
- Diverted pharmaceutical drugs, particularly prescription narcotics, are increasingly abused by young, affluent suburbanites in the W/B HIDTA region who acquire the drugs from friends and family and through doctor-shopping. Prescription narcotics also provide an alternative to heroin for abusers who view heroin use as too risky, too costly, or otherwise unattainable.
- MDMA (3,4-methylenedioxyamphetamine, also known as ecstasy) distribution and abuse are increasing in parts of suburban Washington, D.C., where the drug is often abused with other substances, such as alcohol, marijuana, cocaine, heroin, and Oxy-Contin (oxycodone).
- PCP (phencyclidine) abuse is emerging in some suburban areas of the HIDTA region but is most prevalent in Baltimore and southeast Washington, D.C.

### HIDTA OVERVIEW

The W/B HIDTA region encompasses four distinct population centers—the Baltimore metropolitan area, the District of Columbia, northern Virginia, and the Richmond metropolitan area. The region includes the following city and county jurisdictions: Maryland (the city of Baltimore as well as Anne Arundel, Baltimore, Charles, Howard, Montgomery, and Prince George’s Counties); northern Virginia (the city of Alexandria along with Arlington, Fairfax, Loudoun, and Prince William Counties); the Richmond metropolitan area (the cities of Chesterfield, Colonial Heights, Hopewell, Petersburg, and Richmond as well as Hanover, Henrico, and Prince George Counties); and Washington, D.C.

Economic, demographic, and transportation factors make the W/B HIDTA region a fertile environment for drug trafficking and abuse. Some areas, such as inner-city Baltimore, Richmond, and Washington, D.C., are economically depressed, leading some residents to view drug trafficking as the only means of financial gain and drug abuse as a form of escape. Revitalization efforts in Washington, D.C., have included the demolition of several public housing projects and have resulted in the dispersion of drug- and gang-related problems to suburban areas, particularly in Maryland. The W/B HIDTA region has a large and increasing population; the combined Baltimore-Washington metropolitan area is the fourth largest in the nation, with a current population of more than eight

million. The region is becoming more ethnically and racially diverse, particularly in the Washington, D.C., metropolitan area, where more than 133,200 Salvadoran immigrants currently reside. The next largest groups come from India (62,300), Korea (58,900), China (46,600), Mexico (43,600), and Vietnam (43,200). In particular, the growing Hispanic population in the region has enabled Colombian, Dominican, Mexican and, increasingly, Guatemalan and Salvadoran criminal groups and gangs with ties to drug source and transit countries to operate more easily. Drug trafficking in the region is facilitated by an extensive transportation infrastructure that includes highways—Interstate 95, in particular—railway and bus systems, two international seaports, and four international airports with passenger and cargo services.

## **DRUG THREAT OVERVIEW**

The distribution and abuse of crack cocaine pose the greatest drug threats in most areas of the region; however, in the city of Baltimore, the abuse of heroin (primarily South American (SA) heroin) is the principal drug threat. High levels of violent and property crime associated with crack cocaine and heroin trafficking severely tax law enforcement resources in the HIDTA region. The social and health consequences of cocaine and heroin abuse also strain social services and public health resources in the HIDTA region. Heroin abuse is multigenerational in the Baltimore area, where both parents and children are enrolling in heroin abuse treatment programs. Furthermore, the abuse of heroin, particularly by injection, leads to multiple health risks, including the transmission of infectious diseases such as HIV (human immunodeficiency virus) and hepatitis.

Other illicit drugs are also trafficked and abused to varying degrees throughout the HIDTA region. Marijuana is the most widely available and abused drug in the region. Most of the marijuana available is Mexican commercial-grade; however, high-potency marijuana (Canadian and locally produced) is becoming increasingly available in parts of the region, such as Fairfax County,

### **Fluctuations in Cocaine Availability**

Cocaine availability in the W/B HIDTA region fluctuated during the past year; a decrease in the first quarter of 2007 was most likely the result of local law enforcement successes and large seizures of the drug in Mexico. Cocaine availability returned to previous levels by the third quarter of 2007 in most parts of the region. However, fourth quarter 2007 law enforcement reporting regarding availability and price indicates that cocaine was in short supply in some parts of Baltimore and Washington, D.C. In Baltimore midlevel cocaine prices were higher in the fourth quarter of 2007, while in Washington, D.C., cocaine prices, especially at the wholesale level, have been high since the first half of 2007, when domestic cocaine shortages were first reported. Some midlevel distributors in the region are “shorting” buyers by misrepresenting the amounts that they are selling. For example, in July 2007 Drug Enforcement Administration (DEA) agents in Richmond seized five plastic bags containing bricks of white powder—sham cocaine—which they suspected was going to be used in a drug rip-off as a result of the cocaine shortage.

Virginia; Montgomery County, Maryland; and Baltimore. High profits and the perception of low risk associated with marijuana distribution are fueling an expansion of marijuana trafficking operations in the region. Methamphetamine is readily available in southwestern Virginia and the Shenandoah Valley region, and abuse of the drug is spreading to rural and suburban areas adjacent to the HIDTA region. Anecdotal reporting suggests that methamphetamine abuse is prevalent in the male homosexual community in Washington, D.C. Diverted pharmaceutical drugs, particularly prescription narcotics such as oxycodone and methadone, are increasingly abused by young, affluent suburbanites who acquire the drugs from friends and family and through doctor-shopping. Reporting from treatment providers indicates that diverted prescription narcotics provide an alternative to heroin for abusers who view heroin use as too risky or costly. MDMA distribution and abuse are increasing in parts of suburban Washington, D.C., where





the drug is often combined with other substances, such as alcohol, marijuana, cocaine, heroin, and OxyContin by abusers to heighten their experience. PCP abuse, rare in most areas of the country, is emerging in some suburban areas in the HIDTA region but is most prevalent in southeast Washington, D.C., and Baltimore.

## DRUG TRAFFICKING ORGANIZATIONS

Colombian and Dominican DTOs based in New York City are the primary wholesale distributors of cocaine and SA heroin in the W/B HIDTA region; Mexican DTOs are increasingly becoming involved in cocaine and SA heroin transportation and lower-level distribution. Mexican DTOs and criminal groups based in the southern or western United States also transport and distribute most of the marijuana available in the region; they also supply significant quantities of cocaine. An increasing number of Mexican traffickers are transporting large quantities of methamphetamine into Virginia, particularly the Shenandoah Valley region adjacent to the HIDTA region.

Other DTOs and criminal groups also distribute illicit drugs at the wholesale level in the HIDTA region. Jamaican criminal groups supply commercial-grade marijuana from Florida and the Caribbean, while Vietnamese criminal groups are the principal suppliers of high-potency marijuana (Canadian and locally produced) and MDMA from Canada. Middle Eastern, Pakistani, and West African DTOs distribute Southwest Asian (SWA) heroin, primarily in Baltimore. Law enforcement reports indicate that Central American DTOs and criminal groups, including Guatemalans and Salvadorans, are increasing their involvement in cocaine trafficking in the HIDTA region.

Neighborhood-based street gangs, or local "crews," are the principal retail illicit drug distributors in the W/B HIDTA region, particularly for crack cocaine and heroin. Gang activity remains a principal public safety concern in some areas of

### Drug Trafficking Organizations, Criminal Groups, and Gangs

**Drug trafficking organizations** are complex organizations with highly defined command-and-control structures that produce, transport, and/or distribute large quantities of one or more illicit drugs.

**Criminal groups** operating in the United States are numerous and range from small to moderately sized, loosely knit groups that distribute one or more drugs at the retail level and midlevel.

**Gangs** are defined by the National Alliance of Gang Investigators' Associations as groups or associations of three or more persons with a common identifying sign, symbol, or name, the members of which individually or collectively engage in criminal activity that creates an atmosphere of fear and intimidation.

the region, primarily because of violence related to gang drug trafficking.

National-level street gangs also conduct drug distribution operations in the HIDTA region. Hispanic gangs, including 18th Street, Latin Kings, and Mara Salvatrucha (MS 13), are particularly problematic in northern Virginia and Maryland suburbs surrounding Washington, D.C. MS 13 members moved into the HIDTA region from Los Angeles, California, and established a presence in northern Virginia, particularly in the cities of Fairfax, Herndon, and Reston; members later migrated to the nearby counties of Montgomery, Prince William, and Prince George's, Maryland. MS 13 members engage in drug distribution and other criminal activities including aggravated assault and homicide in these communities. African American Bloods and Crips sets also distribute drugs and engage in other criminal activities in the region. Baltimore County Police Department gang investigators reported in early 2008 that there had been several attempts by Bloods street gang members to infiltrate the public safety sector by applying for positions within the Department of Corrections. Bloods sets, such as Tree Top Piru and 9-Tre Gangsters, are active in Salisbury, Maryland. Black

### “Operation Smackdown” Disrupts Heroin Distribution by Baltimore Gang

A federal grand jury indicted eight Baltimore drug gang members for their alleged participation in a conspiracy to distribute over \$20,000 worth of heroin daily in south Baltimore. According to court documents, the gang had been responsible for distributing large quantities of heroin from 2005 to 2007 in various parts of south Baltimore through street-level distribution “shops.” The shops included vacant residences, lightly traveled side streets, rear alleys, and similarly desolate locations selected to avoid police detection. A shop typically operated from 8 a.m. to 8 p.m., 7 days a week. The gang used several heroin stash locations to resupply the dealers.

Source: Drug Enforcement Administration.

Dragons, an Asian street gang based in Monterey, California, distributes MDMA and marijuana in Virginia and Washington, D.C.

## PRODUCTION

Illicit drug production in the W/B HIDTA region is limited to the conversion of powder cocaine to crack and to occasional marijuana and methamphetamine production.

Most of the powder cocaine purchased by retail distributors is converted to crack prior to distribution within the region. Retail-level crack distributors typically purchase kilogram or lesser quantities of powder cocaine from midlevel suppliers within the W/B HIDTA region, primarily in urban areas such as Baltimore, Richmond, and Washington, D.C. They then take the powder cocaine to their home areas and convert it to crack, typically in residential settings.

Limited amounts of marijuana are produced in the W/B HIDTA region from cannabis cultivated at both indoor and outdoor grow sites. However, the amount of marijuana produced at indoor grow sites, especially in the Baltimore and Richmond

areas, may be increasing as demand for high-potency marijuana rises in these areas. Various marijuana producers in the region, particularly Vietnamese criminal groups, are increasingly replicating methods used at indoor grow sites in Canada, such as using elaborate hydroponic equipment, bypassing electrical meters, and using entire buildings for grow operations. Additionally, many rural areas within the region are conducive to outdoor cannabis plots because of the temperate climate and the large areas of remote terrain, such as deep valleys, steep and rocky hillsides, and vast wooded areas. As such, law enforcement officials recognize the potential for an increase in outdoor cannabis cultivation. DEA officials in Baltimore report that many outdoor plots in Maryland appear to have been started indoors and generally contain fewer than 60 plants.

Powder methamphetamine production in the HIDTA region is limited. The number of clandestine methamphetamine laboratories and dumpsites seized in Maryland, Virginia, and Washington, D.C., dropped dramatically from 79 in 2004 to 22 in 2007 (see Table 1 on page 6). However, during that 4-year period, only four laboratory seizures were recorded in the HIDTA region—one in April 2004 in Prince William County; one in October 2004 in Washington, D.C.; one in December 2006 in Henrico County, and one in June 2007 in Silver Spring, Maryland, where a well-equipped methamphetamine laboratory<sup>1</sup> was seized by DEA in an apartment. Most local laboratory capacities range from multigram to multiounce production. Methamphetamine laboratories are found in rural areas, in warehouses or storage facilities, or on remote land; often the laboratories are nonoperational at the time of seizure. Declining methamphetamine production is most likely the result of increased law enforcement pressure and Virginia legislation restricting the sale of pseudoephedrine.

1. This methamphetamine laboratory seizure is not reflected in National Seizure System (NSS) data found in Table 1 on page 6.



**Table 1. Methamphetamine Laboratory Incidents<sup>a</sup> in the District of Columbia, Maryland, and Virginia, 2003–2007**

| YEAR | DC | MD | VA | Total |
|------|----|----|----|-------|
| 2007 | 0  | 0  | 22 | 22    |
| 2006 | 0  | 3  | 21 | 24    |
| 2005 | 0  | 3  | 51 | 54    |
| 2004 | 1  | 1  | 77 | 79    |
| 2003 | 0  | 2  | 31 | 33    |

Source: National Seizure System data as of April 14, 2008.

a. Methamphetamine laboratory incidents include seizures of laboratories, dumpsites, chemicals, glassware, and equipment.

## TRANSPORTATION

The area's extensive and diverse transportation network is routinely exploited by traffickers to transport large quantities of drugs to, through, and within the W/B HIDTA region. The interstate highway system and extensive railway system provide easy transit between drug markets in the region and domestic source areas. Interstate 95, the major north-south transportation corridor on the East Coast, provides drug traffickers with ready access to wholesale drug markets, such as Miami and New York City. Additionally, U.S. Highway 1 in northern Virginia and Interstates 70 and 83 in Maryland are significant drug transportation routes. Interstates 64 and 85, which provide access to highways transiting the Richmond area, enable traffickers to transport large quantities of drugs from the southwestern and southeastern United States to the HIDTA region. Drug traffickers also ship drugs directly to the region through four international airports and two international seaports, including the Port of Baltimore, one of the busiest container and cruise ports in the United States. (See Figure 2 on page 7.)

DTOs use a variety of methods to transport drugs into and through the W/B HIDTA region, the most common of which are private, rental, and

commercial vehicles and package delivery services. Traffickers also use couriers on commercial aircraft, airfreight services, and sea cargo shipments to transport drugs to the region. The most innovative DTOs use multiple transportation methods to avoid detection and increase the likelihood of successful delivery. Law enforcement reporting indicates that traffickers increasingly transport drugs into the W/B HIDTA region in vehicles with hidden compartments and concealed or commingled with legitimate shipments of airfreight. For example, a 2007 cocaine shipment originating in Mexico City and seized at Dulles International Airport was concealed inside a decorative wooden stand. Cocaine has also been concealed in electric guitars and smuggled from Mexico to Baltimore/Washington International airport. Additionally, cocaine concealed in the heels of cowboy boots was seized at Dulles International Airport.

Package delivery services are increasingly being used by drug traffickers in the W/B HIDTA region, particularly to transport marijuana, which is typically sent in multipound parcels from the Southwest Border area. Many drug traffickers prefer to use package delivery services because they can monitor the progress of their shipments on the Internet. If a shipment is delayed, they assume law enforcement has intercepted the parcel and refuse delivery to avoid arrest. Recent law enforcement reporting indicates that cocaine traffickers are compressing powder cocaine into disc shapes as a method of concealment for transportation. Drug traffickers routinely use relatively unsophisticated techniques to conceal drugs shipped in parcels, such as hiding them in ceramic statues, candles, bubble bath containers, coffee cans, drink bottles, blenders, cooking pots, VCRs, or computer hard drives.

Heroin is generally transported to the W/B HIDTA region by Colombian and Dominican DTOs from sources in New York, New York; Philadelphia, Pennsylvania; Los Angeles, California; Florida; and the Caribbean Islands. Mexican and Guatemalan DTOs are also involved in supplying heroin to retail distributors in the area. West African criminal groups are increasingly distributing large quantities of heroin that they obtain from



Figure 2. Washington/Baltimore HIDTA region transportation infrastructure.

### Heroin Smuggled in Large Wooden Picture Frame From Nigeria

The DEA Mid-Atlantic Laboratory (Largo, Maryland) received a submission of a large, wooden-framed picture containing a sheet of compressed brown powder, suspected to be heroin. The package was seized by German customs agents in Frankfurt, Germany, from a flight en route from Lagos, Nigeria, to Dulles International Airport and was forwarded to the laboratory after a controlled delivery in the United States. The heroin was wrapped in several layers of plastic and tape and was concealed behind the picture. Analysis of the powder confirmed that the substance was 55.9 percent heroin hydrochloride and also contained morphine, codeine, and caffeine. The Mid-Atlantic Laboratory has previously encountered heroin concealed inside picture frames, but this package was unique in that the heroin was in a thick sheet mimicking the picture backing rather than in the wooden frame.

Source: Drug Enforcement Administration.



sources in New York City or directly from Afghanistan to drug dealers in Baltimore. Additionally, in April 2007 the DEA Washington Field Division seized 741 grams of heroin from a package that had been sent from Calcutta, India, to a Nigerian heroin trafficker residing in northeast Washington, D.C. Although most of the illicit drugs transported to Baltimore are abused locally, the city also serves as a source of heroin for users in the surrounding area and throughout the state of Maryland.

Wholesale quantities of cocaine are transported to the W/B HIDTA region and supplied to local traffickers by Colombian or Dominican DTOs based in New York City. However, Mexican DTOs from the southwestern United States are increasingly involved in cocaine trafficking within the region, especially in southern Virginia and the Shenandoah Valley. Mexican DTOs that have established transshipment centers in Georgia

### Large Quantities of Heroin and Cocaine Smuggled from Overseas

In March 2008 a federal grand jury indicted 11 defendants for conspiracy to import and sell 5 kilograms or more of cocaine and 1 kilogram or more of heroin during a 7-year period ending in February 2008. According to the three-count indictment, the defendants had conspired to import large quantities of cocaine and heroin into the United States from Spain, Panama, Barbados, St. Thomas, and Dominica, intending for the drugs to be sold in Maryland, New York, and elsewhere. The defendants had recruited U.S. citizens as “mules” to travel to and from the United States. The mules were fitted with girdles and loose-fitting clothing to conceal drugs and drug proceeds that were strapped and taped to their bodies. The defendants paid the mules thousands of dollars to transport the drugs and money and gave them instructions on what to say and do should they be confronted or arrested by law enforcement. Members of the conspiracy allegedly distributed heroin and cocaine to customers in Baltimore and New York City.

Source: U.S. Attorney, District of Maryland.

and North Carolina are supplying cocaine, as well as methamphetamine, to the region through these centers. Other traffickers also transport cocaine to the region, including Guatemalan traffickers who transport cocaine into Baltimore and a Jamaican group that transports cocaine into Richmond.

Mexican DTOs transport most of the commercial-grade marijuana available in the region from Mexico through southwestern states such as California, Arizona, and Texas. Vietnamese criminal groups are the principal transporters of high-potency marijuana, smuggling the drug from Canada into the W/B HIDTA region. Additionally, Jamaican criminal groups transport some marijuana from Florida and the Caribbean into the region. Many local marijuana distributors have developed sources of supply in southwestern states; they either travel to those states to pick up multipound quantities of marijuana or have it shipped to them, primarily by overnight mail services.

Most of the methamphetamine available in the W/B HIDTA region is transported to the area by Mexican DTOs from Georgia, North Carolina, and Texas; however, some rural locations within the area also are occasionally supplied by outlaw motorcycle gangs (OMGs) that receive methamphetamine from other OMGs outside the region. Vietnamese DTOs and long-distance truck drivers also transport gram to ounce quantities of methamphetamine into the region from Canada, occasionally in tablet form. Additionally, methamphetamine abusers who are members of the region’s homosexual community transport some ice methamphetamine to urban areas, primarily the District of Columbia, from New York City or California.

MDMA available in the region is transported primarily by Vietnamese traffickers to Washington, D.C., and Baltimore from Toronto, Canada; New York City; or Philadelphia. PCP is transported to the W/B HIDTA region, primarily the Washington, D.C., area, from California by African American distributors and abusers traveling aboard commercial aircraft. PCP is typically concealed in plastic bottles and placed in checked baggage. New York City-based traffickers often serve as brokers

between the PCP distributors in the region and California sources. Additionally, some members of OMGs and abusers who frequent the club scene in the region transport PCP to the area from New York City; Newark, New Jersey; and Philadelphia for limited local distribution.

## **DISTRIBUTION**

Colombian and Dominican DTOs based in New York City are the principal wholesale distributors of cocaine and SA heroin in the W/B HIDTA region. However, Mexican organizations based in the southern and western United States are increasingly involved in wholesale drug distribution in the region, especially in southern Virginia and the Shenandoah Valley. Mexican traffickers who operate in southern Virginia are often based in or have connections to organizations in North Carolina and Georgia. West African DTOs with sources of supply in Asia distribute wholesale amounts of heroin in the W/B HIDTA region, making this one of the few areas of the country where Southeast Asian (SEA) and SWA heroin are available. Mexican DTOs and criminal groups are the primary wholesale distributors of commercial-grade marijuana in the W/B HIDTA region, while Vietnamese criminal groups with ties to Asian DTOs in Canada have emerged as the principal distributors of high-potency marijuana in the region.

Retail drug distribution in the W/B HIDTA region often takes place in open-air drug markets situated along commuting corridors and within public housing projects in Baltimore and Washington, D.C. These markets provide abusers within and outside the region with ready access to crack cocaine, heroin, and other illicit drugs. Most open-air drug markets are located in inner-city areas and are operated by neighborhood-based African American and Hispanic gangs or crews that periodically provide customers with free samples, or “testers,” of heroin and cocaine to encourage future sales. Heroin packaging in the region varies by location; in the Baltimore metropolitan area, heroin is almost exclusively packaged in gelatin

capsules and marketed by brand name, while in Washington, D.C., heroin is sold under various brand names but packaged primarily in small, colored or otherwise marked plastic bags. In areas in which open-air drug markets are not present, crack cocaine sales take place in low-income areas or housing projects. Law enforcement has also identified some bars in the region that are operated or frequented by OMG members and used as distribution sites for methamphetamine, crack cocaine, and marijuana.

Mobile phones, particularly prepaid cellular phones, are the preferred communication method for drug traffickers and distributors in the HIDTA region. Distributors prefer to use prepaid phones because they can be used to coordinate the organization’s activities and day-to-day operations while providing a high degree of anonymity and security and because they can be replaced at a low cost. Prepaid cell phones can be purchased for cash at many supermarkets, department stores, or convenience stores, or through any of hundreds of online retailers and auctions. They typically cost around \$20 but can often be purchased for significantly less. Prepaid cell phones typically cost more per minute to use than do cell phones attached to monthly service agreements, but the primary appeal of prepaid cell phones to drug traffickers is the anonymity they provide.

Diverted pharmaceutical drugs are widely available and abused in the W/B HIDTA region and are obtained primarily through prescription forgeries and doctor-shopping. Other methods of diversion include pharmacy thefts, diversion by doctors and pharmacists, purchases through Internet pharmacies, and the use of DEA registration numbers by nonregistrants who place controlled substance orders with drug wholesalers for large quantities of drugs. Moreover, medical office staff members who are authorized to place orders with pharmacies for legitimate prescriptions sometimes place fraudulent orders, which they sell for profit. The illegal distribution of prescription drugs through Internet pharmacies is a growing problem in the region. Law enforcement reporting indicates



### Maryland Pharmacy Owners Charged with Illegally Selling 10 Million Hydrocodone Tablets Over the Internet

In September 2007 the U.S. Attorney for the District of Maryland announced a grand jury indictment of two defendants who operated a Baltimore-based pharmacy for long-term care facilities and nursing homes and who had been illegally operating an online pharmacy that sold hydrocodone products to the general public. The defendants were charged with illegally selling nearly 10 million dosage units of hydrocodone over the Internet, engaging in a continuing criminal enterprise, engaging in monetary transactions using the proceeds of the illegal drug sales, and filing false tax returns. Between 2004 and 2006 the defendants allegedly conspired to sell hydrocodone through the Internet to any customer with a valid credit card. Of the 36 doctors who issued prescriptions processed by the company, 11 wrote over 98 percent of the hydrocodone prescriptions. Additionally, hydrocodone accounted for 88 percent of all prescriptions filled by the pharmacy. Two pharmacy clients died as a result of a multiple drug overdose, which included hydrocodone obtained through this illegal operation.

Source: U.S. Attorney for the District of Maryland.

that some distributors are transporting pharmaceutical drugs into the area from North Carolina, South Carolina, and Tennessee.

## ABUSE

Heroin is widely available and abused in urban areas throughout the W/B HIDTA region. Heroin is the primary drug of abuse in Baltimore and can be purchased at numerous open-air drug markets in West and East Baltimore in either "raw" (high-purity) or cut form. Heroin abuse in Baltimore is cultural and intergenerational; most users and many dealers have parents and grandparents who are addicted to heroin. In Washington, D.C., the heroin trade is well-entrenched; some local

markets cater to the suburban trade, while others are frequented by established sellers and long-term addicts. Richmond also has a small heroin market that primarily supplies long-term addicts.

SA heroin is the principal type available in street-level heroin markets in Baltimore, Richmond, and Washington, D.C., according to DEA Heroin Domestic Monitor Program (HDMP) data. SWA heroin was available in both Richmond and Washington, D.C., in 2007. Moreover, third-quarter fiscal year (FY) 2007 HDMP results show that the average heroin purity in Baltimore increased from 8.1 percent to 15.4 percent in the second quarter, while heroin purity in Washington, D.C., increased considerably from 12.6 percent to 22.3 percent during the same period. However, heroin purity in Richmond decreased from 37.2 percent to 22.5 percent in the second quarter.

Crack cocaine is abused primarily by African American individuals in inner-city areas of the W/B HIDTA region. Powder cocaine is abused primarily by middle- and upper-middle-income individuals in metropolitan and suburban areas of the region. Nightclubs and bars in the affluent Georgetown area and newly renovated areas of Washington, D.C., reportedly are frequented by white-collar cocaine users. Powder cocaine is also one of many drugs available and used in the nightclub scene by suburban teens and young adults.

Marijuana is abused by a wide range of users in the W/B HIDTA region. Blunts and joints remain the most popular methods of smoking marijuana in the region. Marijuana, particularly when used in these forms, is often combined with small rocks of crack cocaine or PCP.

Methamphetamine abuse, traditionally limited to the homosexual community in the Washington, D.C., area, may be extending to young rural and suburban users as availability of the drug increases. Ice methamphetamine availability and abuse are increasing in a number of areas in the region, particularly in the Shenandoah Valley, where law enforcement agencies attribute rising availability and abuse to increasing distribution

of ice methamphetamine by Mexican traffickers. Henrico County, Virginia, law enforcement officials also report an increase in the availability of ice methamphetamine, which is known as *hielo* (Spanish for ice) in the Hispanic community. Young abusers tend to use methamphetamine—one of the many drugs available at nightclubs in the region.

MDMA available in the W/B HIDTA region is generally abused in combination with other substances, including alcohol, marijuana, cocaine, and club drugs. In some communities, however, law enforcement and medical authorities are now reporting the abuse of MDMA with heroin or OxyContin. MDMA is widely available in areas around colleges and universities and is used mainly by youth in more affluent communities at clubs and parties.

PCP is abused primarily by young, inner-city African American and lower-middle income Caucasian individuals in the W/B HIDTA region. Charles County, Maryland, law enforcement officials report an increase in PCP abuse in their jurisdiction, where the drug is reportedly more widely abused than heroin, methamphetamine, or MDMA.

Pharmaceutical drug abuse is increasing among adolescents and young adults in the W/B HIDTA region. Many new drug abusers are inclined to abuse prescription narcotics rather than heroin, cocaine, or methamphetamine because pharmaceutical drugs are perceived to be safer. Once addicted to prescription narcotics, abusers often switch to heroin because of the drug's availability and lower price. Similarly, abusers of prescription stimulants sometimes switch to crack cocaine abuse, and some treatment providers believe that abusers of prescription amphetamines, such as Ritalin (methylphenidate) or Adderall (dextroamphetamine), may begin to abuse methamphetamine as it becomes more available. Law enforcement agencies in the region report that abusers of prescription narcotics and heroin often use a combination of Alprazolam, Klonopin (clonazepam), Promethazine, and Clonidine to extend their drug high.

### **Howard County, Maryland, Officials Seize New Drug Cocktail**

The Howard County Forensic Chemist working out of the Maryland State Police Forensic Sciences Division (Pikesville) recently received a polydrug submission that included two clear plastic capsules containing an off-white powder suspected to be heroin. The drugs were seized by the Howard County Police Department during a traffic stop near Savage (located just off I-95 between Washington, D.C., and Baltimore). Analysis of the powder by color testing indicated a mixture of acetaminophen, caffeine, heroin, and Alprazolam. The ratio of heroin to Alprazolam was approximately 2:3. This was the first known submission to the laboratory of capsules containing a mixture of heroin and Alprazolam.

Source: Drug Enforcement Administration.

Prescription narcotics are the most commonly abused diverted pharmaceutical drugs in the W/B HIDTA region; however, abuse patterns vary according to location. Methadone, OxyContin, and Valium abuse is predominant in Washington, D.C.; OxyContin, Klonopin, methadone and other benzodiazepines are most commonly abused in the Baltimore area; and OxyContin, Alprazolam, and hydrocodone products are commonly abused in Richmond.

## **DRUG-RELATED CRIME**

Drug-related violence, including robberies and shootings, is increasing in all areas of the W/B HIDTA region; much of this increase is attributed to rising gang violence related primarily to the distribution of crack cocaine. Thirty-eight of the 46 state and local law enforcement respondents to the National Drug Intelligence Center (NDIC) National Drug Threat Survey (NDTS) 2007 in the W/B HIDTA region reported that crack cocaine was the drug most associated with violent crime in their jurisdictions. The number of homicides in the region increased in 2007, particularly in





Washington, D.C., and some parts of Maryland. Law enforcement officials in Washington, D.C., reported 181 homicides in 2007, an increase from 167 in 2006, which had been the lowest homicide total in 20 years. Baltimore officials reported 155 homicides in 2007, up from 133 in 2006. Law enforcement officials in Prince George's County reported 141 homicides in 2007, an increase from 134 in 2006, but still lower than the 169 homicides reported in 2005. Drug-related property crime is also a problem in the region. Some drug abusers commit crimes such as burglary, forgery, fraud, and theft to support their addictions. Of the 46 regional respondents to the NDTs, 27 reported that crack cocaine was the drug most associated with property crime in their jurisdiction. Respondents from Baltimore reported that both cocaine and heroin were the drugs most associated with property crimes in their area.

Medicaid- and Medicare-related fraud associated with the distribution and abuse of diverted pharmaceutical drugs is a problem in the W/B HIDTA region. The cities of Baltimore, Washington, and Richmond have large low-income populations that receive Medicaid benefits, as well as large numbers of retired federal employees who are Medicare recipients. Criminal groups in low-income areas steal, borrow, rent, or buy Medicaid cards from legitimate holders to fill counterfeit prescriptions, which are then sold on the street. Single cards can be used to obtain multiple prescriptions; this activity results in fraudulent billings to the Medicaid system and millions of dollars in annual costs to taxpayers. Because of the huge illicit profit potential, law enforcement officials are concerned that cities in the region with large numbers of Medicaid or Medicare recipients may emerge as local sources for diverted pharmaceutical drugs, particularly OxyContin.

## ILLCIT FINANCE

Drug traffickers in the W/B HIDTA region use various money laundering techniques in order to conceal drug proceeds and finance their operations. The means of transferring illicit funds

vary by group and include bulk cash smuggling, wire transfers, the structuring of bank deposits and money order purchases, the commingling of drug proceeds with funds generated at legitimate businesses, purchases of real estate and vehicles, front businesses, smart cards, automated teller machines (ATMs), prepaid stored value cards, and the use of *hawalas*.<sup>2</sup>

Colombian, Dominican, and Mexican DTOs and criminal groups transport drug proceeds primarily in bulk from the HIDTA region, across the U.S.–Mexico border, and into Mexico, Central America, or South America for eventual repatriation. In transporting bulk cash, these traffickers use private vehicles, commercial vehicles, freight transportation companies, shipping containers, and package delivery services. Additionally, Mexican DTOs launder drug proceeds by structuring bank deposits into multiple accounts to avoid the Currency Transaction Report (CTR) filing threshold.

Vietnamese DTOs and criminal groups often use cash-intensive front businesses, such as travel agencies or car washes, to launder illicit drug proceeds. They also transport drug proceeds in bulk, in the form of cash and money orders, to Canada. Once the proceeds are in the country, they deposit them into Canadian bank accounts and then electronically wire-transfer the proceeds to source countries. Vietnamese DTOs and criminal groups also launder drug proceeds by structuring bank deposits and participating in real estate fraud.

Middle Eastern and Pakistani DTOs and criminal groups launder illicit heroin proceeds through front businesses, such as used car dealerships, and through the use of *hawalas*. In September 2007 a federal grand jury in Maryland indicted 39 defendants for using a *hawala* to transfer money

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2. *Hawala* is a fairly anonymous form of banking that has been used in the Middle East for centuries. *Hawala* money transfers are made outside the formal banking sectors and are virtually undetectable. Transfers are made primarily from one location to another without physically moving funds and, in many cases, with little or no recordkeeping. Any records that are kept are usually in an unrecognizable form of shorthand or are encoded.

purportedly obtained through drug trafficking between Maryland, Canada, Spain, and Belgium. Nigerian DTOs favor bank fraud schemes as well as bulk currency smuggling. West African groups often purchase cars or other legal assets to ship back to Africa as a method of payment.

Most retail-level drug dealers launder drug proceeds through the purchase of consumer goods (clothing, jewelry, and vehicles) and real estate, and through the use of front businesses. Some retail-level dealers also launder money through recording studios and businesses that promote rap music concerts. Drug traffickers use other techniques to launder illicit drug proceeds that involve money orders, stored value cards, ATMs, the precious metals and gems trade, and casinos as well as schemes involving real estate and the insurance industry. For example, the leader of a cocaine distribution organization operating in Maryland was convicted of conspiracy to commit money laundering by purchasing and refinancing several homes through submission of false loan applications in Forestville, Oxon Hill, and Fairmont Heights. The subject would purchase a home and refinance the mortgage several times for larger amounts, each time submitting falsified loan documents. He then took the cash obtained through refinancing and invested in other homes. The amount of laundered funds exceeded \$400,000.

Stored value cards are increasingly used by traffickers to launder money because they are an easily transportable and virtually anonymous way to store and access cash. Stored value cards physically resemble traditional credit or debit cards and can be used to access both global debit and ATM networks. Stored value card programs often accept applications without face-to-face verification of cardholder identity, taking applications online or by fax. Funds can be prepaid by one person and withdrawn by another through ATMs anywhere in the world; multiple cards can be issued for a single account.

### **E-Gold Indictment**

On April 27, 2007, a federal grand jury in Washington, D.C., indicted two companies operating a digital currency business and their owners. The indictment charges E-Gold Ltd., Gold and Silver Reserve, Inc., and their owners with one count each of conspiracy to launder monetary instruments, conspiracy to operate an unlicensed money transmitting business, operating an unlicensed money transmitting business under federal law, and one count of money transmission without a license under Washington, D.C., law. According to the indictment, persons seeking to use the alternative payment system were required to provide only a valid e-mail address to open an E-Gold account—no other contact information was verified. The indictment was the result of a 2½-year investigation by the U.S. Secret Service in cooperation with the Internal Revenue Service, the Federal Bureau of Investigation, and state and local law enforcement agencies. According to the U.S. Attorney for the District of Columbia, “The defendants operated a sophisticated and widespread international money remitting business, unsupervised and unregulated by any entity in the world, which allowed for anonymous transfers of value at a click of a mouse. Not surprisingly, criminals of every stripe gravitated to E-Gold as a place to move their money with impunity.”

Source: U.S. Department of Justice.

## **OUTLOOK**

Mexican DTOs, operating primarily out of transshipment centers in Georgia and North Carolina, will most likely increase their wholesale distribution of cocaine, heroin, marijuana and, to a lesser extent, methamphetamine, in the HIDTA region in the coming year. These organizations have well-established transportation and distribution networks which will enable them to supply wholesale quantities of illicit drugs to the region.



Indoor cannabis cultivation, particularly at hydroponic grow sites in the HIDTA region, will most likely increase over the next year. The rising demand for high-potency marijuana and the high profit potential will quite likely entice more traffickers in the region to become involved in indoor cannabis cultivation.

The abuse of diverted pharmaceutical drugs, particularly prescription narcotics, will continue to increase in the HIDTA region in the coming year, especially among young adults. These drugs are readily available to abusers through family, friends, or doctor-shopping, and abusers do not perceive them to be as dangerous as heroin or cocaine.

Declining local methamphetamine production and the growing presence of Mexican DTOs in the HIDTA region may lead to increased availability of Mexican ice methamphetamine. Mexican DTOs already dominate the transportation and wholesale distribution of other illicit drugs in the region, using well-established routes and methods that would easily allow them to increase the flow of ice methamphetamine to the region should demand increase.

## SOURCES

### Local, State, and Regional

#### District of Columbia

Metropolitan Police Department

#### Maryland

Annapolis Police Department

Baltimore City Police Department

Organized Crime Division

Narcotics Section

Baltimore County Police Department

Calvert County Sheriff's Office

Charles County Sheriff's Office

Greenbelt City/Prince George's County Task Force

Harford County Police Department

Maryland State Police

Maryland State Medical Examiner's Office

Montgomery County Police Department

Prince George's County Police Department

St. Mary's County Sheriff's Office

University of Maryland

Center for Substance Abuse Research

Maryland Gangs Information and Prevention

#### Virginia

Alexandria Police Department

Chesterfield County Police Department

Hanover County Sheriff's Office

Henrico County Division of Police

Herndon Police Department

Loudoun County Sheriff's Office

Petersburg Police Department

Prince William County Police Department

Stafford Sheriff's Office

Virginia State Police

BCI Criminal Intelligence Division

Virginia Fusion Center

#### Regional

Middle Atlantic–Great Lakes Organized Crime Law

Enforcement Network (MAGLOCLLEN)



## Federal

Executive Office of the President  
Office of National Drug Control Policy  
Washington/Baltimore High Intensity Drug Trafficking Area

U.S. Department of Commerce  
U.S. Census Bureau

U.S. Department of Health and Human Services  
Center for Disease Control and Prevention  
National Institutes of Health  
National Institute on Drug Abuse  
Community Epidemiology Working Group

U.S. Department of Homeland Security  
U.S. Coast Guard  
U.S. Customs and Immigration Service

U.S. Department of Justice  
Drug Enforcement Administration  
El Paso Intelligence Center  
National Seizure System  
Heroin Domestic Monitor Program  
*Microgram Bulletin*  
Washington Field Division  
Baltimore District Office  
Richmond District Office

Federal Bureau of Investigation  
Baltimore Field Office  
Washington Field Office

U.S. Attorneys Offices  
District of Columbia  
Eastern District of Virginia  
District of Maryland

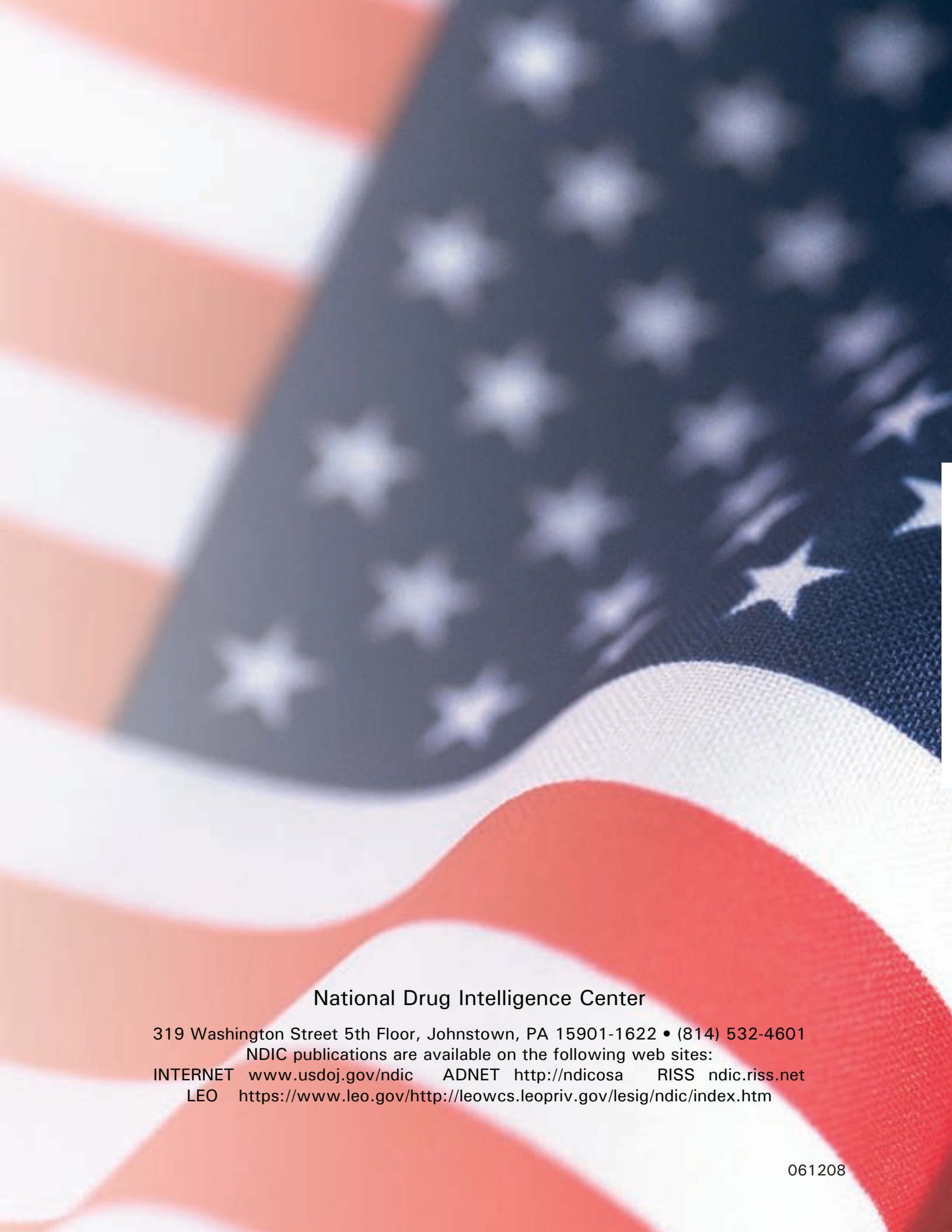
U.S. Department of the Treasury  
Internal Revenue Service  
U.S. Secret Service

U.S. Department of Transportation  
Federal Aviation Administration

## Other

National Broadcasting Corporation (NBC), Channel 4, Washington, D.C.  
*The Washington Post*





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