NEVADA HIDTA

High Intensity Drug Trafficking Areas

2018 Threat Assessment

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I. Scope

The purpose of the 2018 Nevada High Intensity Drug Trafficking Area Threat Assessment is to assess current and emerging drug-related trends within the designated area, and deliver accurate and timely strategic intelligence to assist law enforcement agencies in the development of drug enforcement strategies. This document provides narcotic threat activity assessments depicting the regional extent of illicit narcotic abuse and activities, actors and organizations, smuggling methods and routes of transportation, and evolutions in trends, tactics, and procedures. This document also fulfills statutory and grant requirements issued by the Office of National Drug Control Policy, and has been approved by the Nevada HIDTA Executive Board.

II. Executive Summary

The Nevada HIDTA's drug trafficking threats are heavily influenced by the Drug Trafficking Organizations (DTOs) and trafficking patterns that impact the Southwest border region.

- Criminal activity in Mexico leading to Nevada is the primary source for most of Nevada's top drug threats including methamphetamine, heroin and cocaine. These drugs illegally enter Nevada by way of Southwest border states, most often from California and Arizona.

- Mexican DTOs use vehicles and the interstate system to move large quantities of methamphetamine, heroin, cocaine and illegal marijuana into and through the state north/south via I-15 and US-95 and east/west via I-80.

- Methamphetamine continues to be Nevada's number one drug threat. Mexican DTOs continue to supply large quantities of methamphetamine to the region for local distribution as well as trafficking to other cities and states nationwide. Methamphetamine, particularly ice, continues to provide very high purity levels while pricing remains low.

- Heroin is also a significant and steady threat to both HIDTA counties. Heroin produced in Mexico is the only heroin available within the Nevada HIDTA. Heroin is characterized as Mexican black tar followed by brown. Some reporting of China White heroin has also occurred although in very limited levels.

- The illicit market for controlled prescription drugs (CPDs) continues to be problematic within the Nevada HIDTA. Nevada's CPD illicit market features both a local and tourist component that attracts not only the opioid abuser, but also distributors who establish drug trafficking organizations associated with cells in other parts of the country.

- Over the past 3 years, the Nevada HIDTA reporting has assessed a moderate to low level threat from cocaine and even a declining market in last year's report. To be guarded, because of increased production and seizures in South America, Nevada HIDTA task force personnel consider cocaine to be a secondary emerging threat.

- In Nevada, the demand for marijuana exceeds all other drug types. Assessments indicate California is the primary source of the illegal marijuana supply to Nevada followed by illegal local cultivation operations and those who purchase legal marijuana and illegally resale or ship the marijuana out of state.

- Assessing the fentanyl threat confirms awareness is up in the law enforcement and medical communities and the overall illicit market for fentanyl in the Nevada HIDTA appears to be still emerging. During 2017, the Nevada HIDTA reported several seizures of fentanyl confirmed by laboratory testing. Some of the seizures include multi-kilogram quantities of fentanyl hydrochloride. Research indicates fentanyl related overdoses increased from the previous year, and several deaths included fentanyl mixed with other drug types.

- Assessment of a money laundering threat appears to indicate some criminals attempt to use the legalized gaming industry for illicit purposes by probing perceived areas of vulnerability within various gaming operations. In specific reference to money laundering, casinos often encounter suspects who use methods that may be somewhat unique to the gaming industry. The cash intensive environment makes it a natural target for criminals to attempt to legitimize their illicit proceeds.

III. Nevada HIDTA Region

The Nevada HIDTA covers the following two counties: Washoe in the north and Clark in the south. Washoe County is home to Nevada's second most populous metropolitan city – Reno. Clark County encompasses Las Vegas as well as Henderson and North Las Vegas, all of which include a significant level of the state's total population. Both counties have the majority of the state's population calling either Washoe or Clark counties home with other counties remaining rural.[1]

The top industries in Nevada include: tourism, gaming and logistics, manufacturing, construction, mining and aerospace. Within the tourism and gaming industries lies several other sub-industry categories that include leisure and hospitality to name just a few. The tourism numbers are staggering in Las Vegas and significant in Reno as well. During 2017, Las Vegas recorded over 42 million visitors, while the Reno/Tahoe airport logged over 4 million for the first time. [2] According to the 2018 United States Census Bureau estimates, the total

[1] Governor Certified Population Estimates of Nevada's Counties, Cities and Towns 2017

[2] Las Vegas Convention and Visitors Authority and Carson Now.org February 26, 2018: Estimates from NV State Demographer, NV Department of Taxation

population of Nevada has risen to roughly 3.06 million, which ranks 32nd highest in the country. Additionally, the Census Bureau ranked Nevada as the second state with the largest population percentage increase during the 2016-2017 period. [3]

IV. Drug Threats

a. Overview

Nevada HIDTA uses a survey assessment that is sent out to a number of law enforcement agencies, management, agents, detectives and patrol officers as a part of an assessment of drug threats. The 2018 Nevada HIDTA Drug Threat Assessment Survey (NHDTS) and Nevada HIDTA criminal investigations reveal critical information about Nevada's drug threat.

- Mexico is the primary source country for methamphetamine, heroin and cocaine that enter Nevada by way of Southwest border states, most often from California and Arizona.

- Methamphetamine is the most significant drug threat facing the Nevada HIDTA, and the threat is influenced by high availability, low price and higher purities of 'ICE'.

- The demand for marijuana exceeds all other drug types, and California is the primary source of supply to Nevada of illegal amounts of marijuana. Illegal marijuana in bulk and other forms is often transported into or through Nevada HIDTA counties for local distribution or transported to other cities and states. In Southern Nevada, local illegal marijuana cultivation, primarily through indoor grow operations, is an ongoing concern.

- Prescription drug trafficking and abuse continue to afflict the citizens of Nevada, particularly in Clark County. The supply and demand for these types of drugs is very robust creating a market dynamic that makes it profitable creating the black market. Overdose deaths from prescription drug abuse continue to outpace all other drug types.[4]

- Individual criminals and DTOs use a wide variety of transportation methods to import/export drugs into or from the Nevada HIDTA including automobiles, tractor-trailers, and mail services. The mail services are used to transport smaller quantities of multiple drug types, while the larger volumes of illicit drugs move into and through the area specifically by automobiles and to a lesser extent from tractor-trailers.

A majority of Nevada HIDTA task force members responding to the 2018 NHDTS believe that violent crime associated with drug activity is increasing. The drug trade is inherently violent and drug traffickers at all levels have consistently shown a willingness to use firearms and

[3] United States Census Release Number: CB17-210 December 20, 2017

[4] Clark County Coroner's Office

other weapons against competitors as well as law enforcement. Mexico continues to battle high levels of violence directed by the cartels. The government of Mexico reported over 29,000 murders for 2017, a record total that Mexico largely attributes to drug related violence.[5]

b. Methamphetamine

Methamphetamine continued to be Nevada's number one drug threat in 2017 and all indicators show the same may be true for 2018. Several of the primary indicators used by the Nevada HIDTA Investigative Service Center (ISC) to determine drug threat levels continue to show methamphetamine at or near the top. Mexican DTOs supply large quantities of methamphetamine to the region for local distribution as well as trafficking to other cities and states nationwide. The local product continues to maintain purities levels 90% or above, while pricing remains very low.

Availability

The majority of law enforcement respondents to the 2018 NHDTS report that methamphetamine ranks at or near the top for availability. This is backed up by increasing year end seizure totals and declining year end price. Nevada HIDTA pricing reflects the average per pound price for methamphetamine in Clark County is approximately $3,275 - a three year low. By comparison, the average price for a pound of methamphetamine ICE in Los Angeles stands at $2,750. [6]

Meth-ICE	2015	2016	2017
Pound	$3-$5,000	$3-$4,000	$3-$4,000

Methamphetamine seizures along the southwest border have risen over 150% from CY 2012 to CY 2016.[7] In Nevada, methamphetamine seizures have also risen but to a lesser degree. Over the last 3 years, Performance Management Program (PMP) data shows methamphetamine seizure totals have risen approximately 40% and seizures of methamphetamine are second only to marijuana.

Methamphetamine Seizures for Nevada HIDTA		
Year	**Quantity Seized (kg)**	**% increase over previous year**
2014	237	--
2015	275	16%
2016	286	4%
2017	384	34%

[5] "Drug violence blamed for…" The Guardian January 21, 2018
[6] LA HIDTA Drug Price List December 2017
[7] DEA National Drug Threat Assessment 2017

Similar to most of the major drug types imported into Nevada from Mexico, Mexican DTOs that import methamphetamine may also traffic other drugs as well such as heroin, fentanyl, cocaine and marijuana. During 2017, Nevada HIDTA sponsored investigations identified at least one Mexican methamphetamine DTO that also imported large quantities of fentanyl.

Use

At the retail level, methamphetamine is sold primarily by Hispanic and white dealers and to a lesser extent black street gang members to a customer base that is predominately white. According to the Las Vegas Metropolitan Police Department (LVMPD) (Clark County Detention Center) arrest data, white females account for over 60% of methamphetamine possession arrests involving females, while white males comprise almost 50% of male arrests for methamphetamine.[8]

In Washoe County, methamphetamine arrests fell between 2011 and 2013, then remained low in 2014 before sharply increasing between 2015 and 2017. During 2017, methamphetamine arrest totals reflect record highs and surpassed both heroin and opiate arrests. [9]

Meth Arrests	**2015**	**2016**	**2017**
LVMPD	2,092	2,897	2,721
WSO	80	129	193

The number of methamphetamine-related treatment admissions for Nevada continue to rise, up 30% from 2,182 in 2014 to 2,843 in 2017. According to the Treatment Episode Data Set (TEDS), for primary methamphetamine/amphetamine admissions, the age range with the highest admission rate was persons aged 26-30 year old. The largest percentage of methamphetamine admissions are male, increasing from 50% of the methamphetamine admission population in 2014 to 66% in 2017. The majority of persons admitted for methamphetamine are white; however, this percentage has decreased from 72% in 2014 to 54% in 2017.

TEDS DATA - NV METH

	2014	2015	2016	2017
Total	2182	2053	1197	2843
% of All Treatments	27.2 - 2nd to Alcohol	22.5 - 2nd to Alcohol	11.2 - 2nd to Alcohol	20.6 - 2nd to Alcohol
GENDER				
Male %	50.1	54	63.7	66
Female %	49.9	46	36.3	33
AGE				
Highest %	26-30	26-30	26-30	26-30
RACE				
Highest % - White	72	70	57.1	54.1

*Substance Abuse & Mental Health Services Administration Treatment Episode Date Set (TEDS)

[8] LVMPD Clark County Detention Records

[9] Washoe County SO March 2018

Local treatment admission statistics provided directly from a West Care Treatment facility in Las Vegas further corroborate a substantial increase in methamphetamine admissions in the area as depicted in the chart below. (West Care is one of the largest treatment facilities in the Las Vegas area.)

CATEGORY	FY 2013–14 (n = 3,068)	FY 2014-15 (n=4,056)	FY 2015-16 (n=4,874)
Methamphetamine	13%	16%	21%

WestCare Treatment Admissions.

Methamphetamine continues to be one of the deadliest street drugs abused in the Nevada HIDTA. Clark County Coroner's Office statistics collected for the time period of 2012 through 2017 indicate that methamphetamine is the most prevalent illicit drug encountered in overdose deaths. Furthermore, based on the information depicted in the chart below, the percentage of overdose deaths attributed at least partially to methamphetamine has increased twofold over the last five years (20% in 2012 vs. 45% in 2017)

Source: CCCO	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
ALL DRUGS	539	533	519	629	647	616
METHAMPHETAMINE	111	131	165	221	262	277
%	20%	24%	32%	35%	40%	45%

*Clark County Coroner's Office Statistics provided by LVMPD

A significant 2018 report from the Centers for Disease Control and Prevention indicates Nevada's amphetamine death rate is highest in the nation and soon will eclipse the state's prescription opioid death rate if current trends continue. In April of 2018, the Las Vegas Review-Journal cited this report from the Centers for Disease Control and Prevention that says the death rate in Nevada attributed to "psychostimulants" - a class of drugs that includes methamphetamine, ecstasy and ADHD prescription drugs like Adderall and Ritalin - hit 7.5 per 100,000 in 2016. That was up nearly 32 percent from 2015. The report studied data from 31 states and Washington, D.C.[10]

Transportation

Federal agency reporting combined with other HIDTA reporting assesses that primary methamphetamine trafficking routes link the southern border with western states via interstates leading to major cities in Nevada. Nevada HIDTA assessments indicate these DTOs predominantly use the interstate system to move larger quantities of methamphetamine into and through the state. According to the 2018 NHDTS, over 90% of responders report that DTOs utilize passenger vehicles to transport methamphetamine into and through the Nevada HIDTA. The concealment method most frequently observed is the use of concealed traps or compartments in vehicles traveling from California or Arizona. Some specific examples

[10] "Report: Nevada's death rate from meth, stimulants lead the U.S." Associated Press April 2018

include: methamphetamine concealed in after-market compartments located underneath the driver and front passenger seats of a passenger vehicle, and after-market compartments located in the dash of passenger vehicles behind the glove compartment and gas tanks.

Drug traffickers also transport smaller quantities of methamphetamine from Nevada to other cities and states nationwide via the postal services. Several seizures of methamphetamine, ranging from multi-ounce to multi-pound quantities, were seized from parcel shipping services such as Fed-Ex, DHL and UPS. Destinations of these shipments include: Columbus, OH; Tulsa, OK; Alexandria, LA; East Point, GA; Mount Vernon, IL; Chicago, IL; Peoria, IL; Kalamazoo, MI; Philadelphia, PA; Mount Solon, VA; New York, NY; Tampa, FL; Riverview, FL; Pinellas Park, FL; Clearwater, FL. A separate investigation also shows pound quantities destined for Australia. Some of the parcel concealment methods included methamphetamine concealed in baby powder bottles, jars of peanut butter, and within sealed cans of Venison.

Production

The clandestine manufacturing of methamphetamine in Nevada is almost nonexistent, because the regional market is saturated with high grade methamphetamine manufactured in and imported from Mexico. Mexican DTO's are known to transport methamphetamine in solution into the Nevada HIDTA, and at least one recent investigation reported on the discovery of a methamphetamine conversion lab site along with several pounds of methamphetamine in solution. In addition to the methamphetamine in solution, the location included drying pans and other paraphernalia consistent with a large scale operation.

- ***Intelligence Gap***

1.) *What is the impact in situations where Mexican DTOs are comingling fentanyl with methamphetamine?*
2.) *To what extent is methamphetamine in solution transiting through or destined for the Nevada HIDTA designated area?*

c. Heroin

Next to methamphetamine, heroin is widely considered as a primary drug threat to the Nevada HIDTA. Last year, the Nevada HIDTA reported the threat from heroin trafficking and abuse continued to rise, but a year-end review in 2017 suggests a stable market without further increase. Nevada HIDTA task forces continue to encounter heroin there are some indicators suggesting the previous 2 year upward trend may be slowing down. More time, information and assessments are needed to clearly demonstrate if this is a trend.

Availability

Heroin produced in Mexico is the only heroin available within the Nevada HIDTA, with the two types characterized as Mexican black tar followed by brown. Some reporting of 'China

White' heroin has also occurred, but after laboratory analysis two examples from both Northern and Southern Nevada in 2017, alleged 'China White' seizures turned out to be fentanyl or fentanyl analogues.

Early in 2017, the Northern Nevada Drug Task Force (NNDTF) began to investigate a recent rise in overdose deaths in Washoe County, NV. The increase was believed to be due to heroin mixed with fentanyl, street named "China White". During an investigation a significant quantity of the suspected "China White" was seized. Preliminary laboratory results from the testing of a small portion of the seizure identified the drugs as fentanyl mixed with the synthetic opioid U-47700.

In November of 2016, the Drug Enforcement Administration (DEA) placed the synthetic opioid U-47700 onto Schedule I of the Controlled Substances Act. DEA received reports indicating at least 46 confirmed fatalities nationwide associated with U-47700 during fiscal year 2016. Over the same period, DEA received over 85 reports from state and local forensic laboratories of U-47700 submissions. [11]

During a traffic stop during April of 2017, the Southern Nevada Interdiction Task Force (SNITF) seized approximately 8 kilograms of suspected 'China White' heroin from a vehicle on Interstate 15. The drugs were originally thought to be heroin; however, laboratory analysis results later confirmed the drugs were fentanyl.

Fentanyl mixed with U47700

Fentanyl hcl from gas tank

According to the DEA's National Drug Threat Assessment for 2017, 5 of 9 southwest border corridors reported a decrease in heroin seizures during CY 2016 vs. CY 2015. Additionally, the San Diego, California and Tucson, Arizona corridors reported the highest amount of heroin seizures during CY 2016. [12] Both sets of data are relevant to Nevada for the following reasons:

- Heroin seizures dropped in Nevada during 2017
- California and Arizona are the main domestic sources for heroin in Nevada

Heroin investigations continue to report kilogram quantities of heroin transiting the area in conjunction with other drug types, but as mentioned, actual seizure numbers declined by

[11] DEA National Drug Threat Assessment
[12] DEA National Drug Threat Assessment

nearly 50% during 2017.[13] Availability is highlighted by a drop in seizures, slight increase in price but a significant threat level as reported by law enforcement.

Heroin Seizures for Nevada HIDTA		
Year	**Quantity Seized (kg)**	**% increase over previous year**
2014	28	--
2015	77	175%
2016	82	6%
2017	37	-55%

Clark County

Heroin	2015	2016	2017
Tar (kg)	$20-$26,000	$24-$30,000	$26-$31,000
Brown (kg)	$18-$25,000	$22-$31,000	$21-$33,000

Use

Heroin abuse remains a major health and safety concern for Nevada and the nation. Heroin abuse can often be deadly or lead to addiction, other criminal activity, broken families, homelessness and disease. From the law enforcement perspective, heroin availability and use remain prevalent as reported in the NHDTS for 2017 as well as from arrest data for both Clark and Washoe Counties. Over the last two years, the LVMPD has reported an increase in heroin related arrests and a 3 year high in 2017, while Washoe County reports an increase in each of the past 3 years. Beginning in 2014, Washoe County heroin arrests began to increase sharply and more than doubled from 2014 by the end of 2016.[14]

Heroin Arrests	**2015**	**2016**	**2017**
LVMPD	508	637	729
WSO	148	191	185

For years, available treatment data in Nevada has not reflected widespread abuse in Nevada HIDTA counties; however, last year the Nevada HIDTA reported that future reporting years were likely to show increases in treatment admissions and overdose deaths as this data caught up to the increasing market for heroin within the Nevada HIDTA. Statewide treatment admissions for heroin range from 11-14% from 2013 through 2015; however, TEDS has revised its percentage for 2015 down to 10%, and this percentage total remains close to the same through 2017. [15] Contrast this statewide information with some local reporting from a

[13] Nevada HIDTA PMP
[14] LVMPD and Washoe County SO
[15] TEDS

West Care treatment facility in Clark County, and the perspective changes. From 2013-2016, one local WestCare facility reflects treatment admissions for heroin ranging from 23% to 26% during the same time through 2016. For this particular WestCare facility alone, heroin treatment admissions outpace methamphetamine and are second only to alcohol. [16]

Heroin related overdose deaths in Clark County have fluctuated around 70-79 over the last 3 years. The data reflects a steady increase beginning in 2011 and continuing through 2015, the last and most dramatic year for the increase. For 2017, the total numbers match 2015 and reflect the highest total over the last 10 years. [17]

In Northern Nevada, the Washoe County Coroner's Office reports 32 heroin related overdose deaths for 2017, and 5 of these deaths include heroin with fentanyl and/or fentanyl analogues. For heroin related deaths unaccompanied by other drug types, the numbers are far less but have shown a slight and steady increase from 2014 through 2016. [18]

Transportation

Like most of the major drug threats to the Nevada HIDTA, heroin is primarily transported from the southwest border into Nevada within automobiles. Concealment methods may vary, but several heroin seizures during 2017 reflect the use of after-market hidden compartments used to hide multi-pound or kilogram quantities of heroin. Several responses to the 2017 NHDTS also report that semi-truck/ tractor trailers are used to transport heroin into the Nevada HIDTA; however, investigative reporting is limited to heroin trans-shipment outside of the HIDTA region. Additionally, there are no known heroin seizures from semi-truck/ tractor trailers linked to investigations in Nevada.

Since April of 2016, the Nevada HIDTA has reported on larger drug seizures at the McCarran International Airport in Las Vegas, Nevada. The reporting has involved couriers, who travel to Las Vegas from outside the area, attempting to smuggle kilogram quantities of either heroin or cocaine to destinations on the east coast. This pattern continued in 2017, though to a lesser known extent.

During one example, the Southern Nevada Interdiction Task Force (SNITF) seized multi-kilogram quantities of heroin from checked lugggage. SNITF personnel observed one suitcase that contained two flat panels wrapped in black tape and hot glued into the suitcase under the nylon liner. A cut in one of the packages exposed brown powder appearing to be heroin, which also field tested positive for heroin.

[16] West Care Treatment Center
[17] Clark County Coroner's Office
[18] Washoe County Coroner's Office

- ***Intelligence Gap***

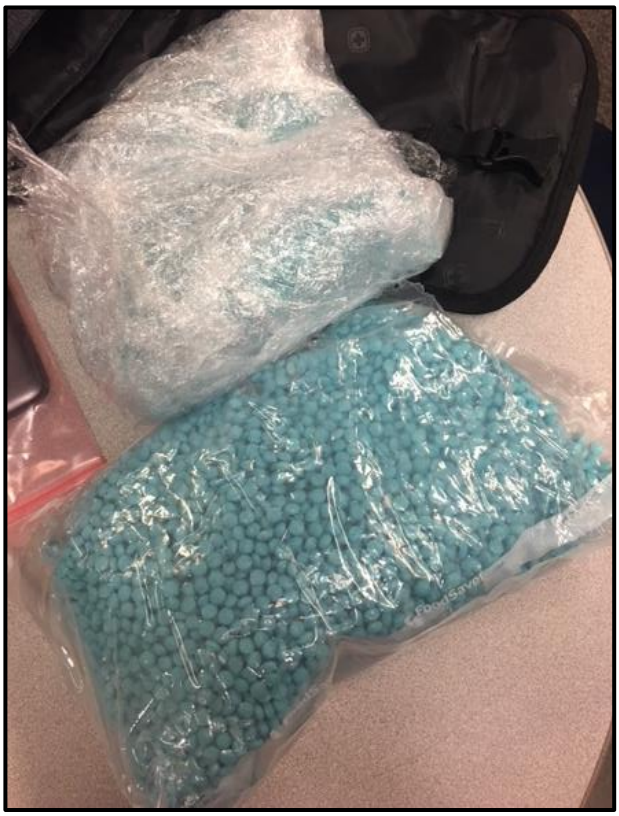
1.) *What will the impact on the heroin market in Nevada be resulting from the implementation of new strategies and new Nevada laws targeting CPDs.*
2.) *The scope of local, regional and international DTO engagement in transportation and distribution from the Nevada HIDTA to other designated areas.*
3.) *The illicit drug market impact of fentanyl marketed as 'China White'.*

d. Controlled Prescription Drugs

The black market for prescription opioids continues to be a significant threat to the Nevada HIDTA. Several respondents to the NHDTS believe that controlled prescription drugs (CPD's) are one of the primary threats, and several Nevada HIDTA sponsored investigations continue to show a significant supply and demand for CPDs both locally and regionally.

Availability

Over the course of several years, Nevada HIDTA investigations have shown that prescription opioids are obtainable through several methods including: overprescribing physicians, pharmacy thefts, and more recently fake prescription medications. The market remains stable and significant based on illicit pricing, reported black market availability and investigations continue to show an unwavering supply. The low end street price for an individual 30mg oxycodone pill has hovered around $13 in Las Vegas for the last several years, but the same pill can be sold for 3 to 10 times that amount in other parts of the country.



The Nevada opioid prescription rate has steadily increased from 2013, 78.1 per 100 residents, to 2016, 87.5 per 100 residents, which exceeded the nationwide rate of 66.5. In Nevada, Nye County had the highest rate of 155.6 per 100 residents, which equated to more than one prescription per person, while Clark County had a rate of 84.3 per 100 residents.[19] Statistical data for prescription painkillers sold, units prescribed per 100,000 patients, show the following for Nevada:

- 2nd highest state in the nation for hydrocodone and oxycodone
- 4th highest for methadone, and 7th highest for codeine.[20]

[19] Las Vegas Review Journal: Opioid deaths in Nevada decline, but hospitalizations rise, data show, September 25, 2017
[20] State of Nevada Plan to Reduce Prescription Drug Abuse

As a way to combat the opioid epidemic through the comprehensive collection of related data, the Nevada Legislature passed Assembly Bill 474 effective January 1, 2018. The bill allows for Nevada to create a statewide opioid database and to sanction practitioners who inappropriately prescribe opioids with disciplinary actions.[21]

Investigations continue to show that some Nevada area physicians have a tendency to overprescribe medication to patients or maintain a willingness to prescribe medications without a legitimate medical necessity. A recent investigation found that a Las Vegas area doctor was prescribing codeine cough syrup to patients without a medical need and many were tied to area street gangs. In this instance, the doctor was not authorized to prescribe any Schedule I-IV narcotics and was on probation with the Nevada state medical board.

In Las Vegas, codeine cough syrup on the black market goes for $350 to $650 per 16 oz. bottle; however, in the southern region of the United States the price can skyrocket to $1,000 per bottle. Therefore, it is believed that codeine cough syrup is diverted from the West Coast and Las Vegas to the South, particularly Houston, Texas, and Atlanta, Georgia. In 2014, over 2.85 million pints of Actavis, a brand of promethazine with codeine syrup, was sold over the social media site Instagram prior to its production being discontinued due to abuse.[22]

From another case example in the north, a multi-agency investigation in Northern Nevada found that an Elko County area cardiologist had been prescribing medication to patients without medical justification or conducting necessary medical examinations. According to a 39-count indictment that was unsealed in December of 2017, this cardiologist was accused of routinely prescribing fentanyl, hydrocodone, and oxycodone for his patients without a legitimate medical purpose from May 2014 to September 2017.[23] Not only did several of the cardiologist's patients die of an overdose, but the cardiologist also fraudulently billed Medicare and Medicaid for services not rendered to patients.

Assessing the threat revealed there are unscrupulous doctors routinely work in conjunction with rogue pharmacies. Oftentimes, physicians will recommend patients to a particular pharmacy that knowingly fill prescriptions by overprescribing doctors. On other occasions, distribution groups engage in pharmacy shopping to fill prescriptions. Both methods illustrate that pharmacies play a vital role in the black market of pharmaceutical diversion.

[21] Las Vegas Review Journal: Opioid deaths in Nevada decline, but hospitalizations rise, data show, September 25, 2017
[22] Instagram Provides an Illegal Market for "Lean", January 16, 2014
[23] KOLO 8 News Now December 12, 2017

DEA data shows the top five controlled substances Nevada pharmacies ordered from distributors in 2015 and 2016 were oxycodone, hydrocodone, morphine, codeine, and amphetamine. Data for fiscal year 2017 shows the top five controlled substances ordered were oxycodone, hydrocodone, morphine, amphetamine, and codeine[24].

	2015		2016		2017*	
CONTROLLED SUBSTANCE	TOTAL GRAMS	RANK**	TOTAL GRAMS	RANK**	TOTAL GRAMS	RANK**
Oxycodone	739,775.13	4th	726,683.62	4th	507,689.97	5th
Hydrocodone	414,640.02	10th	387,446.64	11th	265,151.85	11th
Morphine	267,045.76	4th	247,865.42	4th	159,456.39	5th
Codeine	129,581.37	18th	112,925.72	19th	86,639.47	22nd
Amphetamine	83,340.78	49th	93,146.95	49th	77,027.70	49th

* Data consists of January 1, 2017 through September 30, 2017
**Depicts the cumulative consumption ranking for the entire United States and its territories in grams per 100,000 population information from 2010, and includes controlled substances ordered from pharmacies, hospitals, practitioners, teaching institutions, mid-level practitioners, and narcotic treatment programs.

Prescription drugs diverted illegally through pharmacy break-ins continues to be a major concern for law enforcement. In 2016, 62% of reported prescription drug thefts occurred at pharmacies, while 28% occurred at hospitals, whereas 2017 saw a slight decrease with 60% of thefts occurring at pharmacies, and 32% of thefts occurring at hospitals. The remainder of thefts occurred at practitioner offices and at the pharmaceutical distributor level[25]. Additionally, armed robberies have increased since 2013, although the number of armed robberies slightly decreased in 2017. Night break-ins, on the other hand, have dramatically increased nine fold from 2015 to 2017. In 2017, there were 19 reported pharmacy break-ins in the Las Vegas area, in which the majority of these break-ins occurred in the last half of 2017.[26]

From 2013 through 2016, hydrocodone was the top drug reported stolen, followed by oxycodone, morphine, alprazolam, and hydromorphone. However, 2017 saw a shift in drugs reported stolen with oxycodone being the top drug stolen, followed by hydrocodone, codeine, morphine, and hydromorphone.[27] Due to the wide variety of drugs taken, it is believed that individuals breaking into pharmacies target oxycodone and hydrocodone, but also take whatever medication they may encounter.

[24] Drug Enforcement Administration's Automated Reports and Consolidated Ordering System (ARCOS)
[25] Drug Enforcement Administration's Drug Theft Loss Database
[26] Drug Enforcement Administration's Drug Theft Loss Database
[27] Drug Enforcement Administration's Drug Theft Loss Database

Recent investigations have shown the presence of counterfeit prescription medications in the Las Vegas area. Some local drug traffickers have purchased pill presses, along with binding materials and parts, to make their own pills. Other counterfeit pills, particularly counterfeit oxycodone tablets, are trafficked through other states to Nevada from Mexico. Information derived from neighboring state seizures suggests that the counterfeit pills produced in Mexico also contain fentanyl.

Use

Hospitalization data, although dependent upon the way physicians code a visit, also increased throughout the years. From 2010 to 2016, emergency department encounters for heroin and prescription drugs increased significantly by 136%, from 2,963 emergency room encounters in 2010 to 7,495 encounters in 2016.[28] Additionally, Naloxone was administered at the hospital on 20.7% of emergency department encounters seen with opioid poisoning in 2016[29]. In reference to ethnicity and age range among the ER visits, assessments reveal almost three quarters of ER encounters were white/Caucasians, followed by African Americans and Hispanics, while the majority ranged in age from 25 to 64.[30]

Treatment facilities have reported that, although they provide treatment for prescription drug abusers, the majority of patients seek treatment for heroin. However, counseling sessions have determined that many of the heroin patients began abusing prescription drugs first before switching to heroin for a lower cost and stronger effects.

According to TEDS data for the state of Nevada in 2016, 199 patients out of 9,381 patients sought treatment for non-heroin opioid addiction. Of these 199 patients, just over half were males, while the majority of admissions ranged from 21 to 35 years of age.[31]

A startling 2010 statistic found that Nevada had the fourth highest drug overdose mortality rate in the United States, and the majority of overdose deaths stemmed from prescription drugs. This 2010 overdose rate, 20.7 per 100,000 residents, increased by 80 percent from the 1999 rate of 11.5 per 100,000.[32] Opioid related overdose deaths in Nevada have decreased by 12% from 2010 to 2016 but still average 7 deaths per week. The vast majority, 59%, of opioid related deaths were caused by natural and semi-synthetic opioids in 2016.[33] Assessments indicate eighty-three percent of 2016 overdose victims were Caucasians, followed by 8% African-American, and 7% Hispanics. Over 200 victims were male, while 175

[28] Nevada Opioid Surveillance Report
[29] The Scope of Opioid Use in Nevada, 2016
[30] Nevada Opioid Surveillance Report
[31] TEDS
[32] Prescription Drug Abuse 2013: Strategies to Stop the Epidemic from the Trust of America's Health, October 2013
[33] The Scope of Opioid Use in Nevada, 2016

victims were female.[34] Most of the deaths occurred in victims ranging between 45 and 54 years of age.[35]

Transportation

Current investigative information and NHDTS survey respondents report that DTOs and individual criminals primarily use automobiles and the parcel services to transport CPDs to other destinations. According to PMP data from the Southern Nevada Interdiction Task Force (SNITF), there were 47 CPD related seizures during 2017and 46 of them were parcel seizures. Other regional investigative data show CPD pills, particularly oxycodone tablets, are shipped via U.S. Postal Service, Federal Express, and UPS, sometimes disguised as candy, aspirin, or concealed inside other items. Additionally, local traffickers have traveled outside of the state to deliver pills via personal and rental vehicles, and multiple out-of-state organizations have sent couriers via commercial air to Las Vegas to pick up CPDs. In this example, couriers most often return to their destination right after delivery or spend less than 24 hours in Las Vegas.

The illicit CPD environment in Nevada HIDTA counties includes a multi-level threat in which tourism attracts not only abusers but also traffickers to the area who can establish drug trafficking operations associated with pre-existing distribution cells in other parts of the country. Several recent investigations have also shown that some Medicaid patients legally obtained prescriptions, but then sell their medications to local drug traffickers who can then resell the medication.

- ***Intelligence Gap***

1.) *The illicit drug market impact in the Nevada HIDTA designated area resulting from prescription and synthetic opioid trafficking on the dark web.*
2.) *The illicit drug market impact in the Nevada HIDTA designated area resulting from counterfeit CPD's arriving from Mexico.*
3.) *What locations or social media platforms are used by illicit CPD buyers from outside of the Nevada HIDTA designated area who wish to develop sources of supply?*

e. Cocaine

Availability

Mexican DTOs supply the majority of available cocaine to the Nevada HIDTA from Mexico through the Southwest Border, primarily into Southern California and Arizona. The Southwest Border (SWB) remains the key entry point for cocaine smuggled into the United States and Nevada. Unlike Nevada's methamphetamine and heroin markets, the regional market for cocaine has been moving opposite of at least one nearby domestic source area. For the last 3 years, the Nevada HIDTA has reported a comparative low level threat from cocaine and most recently a market in a state of decline. Contrast that with a domestic source area for

[34] National Drug Threat Assessment 2017-DEA
[35] National Drug Threat Assessment 2017-DEA

cocaine in Los Angeles, where the DEA reports cocaine availability during the first half of 2016 was considered 'high'.[36] In years past, cocaine trafficking and abuse has significantly impacted the Nevada HIDTA, but the regional market has not rebounded since the major declines in cocaine cultivation.

DEA reports that out of all the drugs surveyed in the National Drug Threat Assessment during 2017, cocaine received the second lowest percentage (3.2%) of nationwide responses identifying it as the greatest drug threat. [37] Likewise, a majority of respondents to the NHDTS report that cocaine demand and availability continue to be moderate during 2017. A slight drop in price coupled with a significant increase in cocaine seizures last year suggest that a resurgence may be forthcoming; however, moderate to no change in treatment admissions and cocaine related overdose deaths counterbalance the other threat indicators.

Cocaine	2015	2016	2017
Kilograms	$22-$26,000	$27-$32,000	$25-$29,000

Mexican DTOs supply the majority of available cocaine to the Nevada HIDTA from Mexico through the SWB, primarily into Southern California and Arizona. Mexican DTOs are known to supply cocaine to local African-American and Hispanic DTO members, who may also belong to street gangs. This interaction occurs in Northern and Southern Nevada, where African-Americans remain as the primary distributors of crack cocaine. In Northern Nevada, African-American street gang members have historically traveled to the Reno area from Central and Northern California to distribute cocaine out of low end motel/hotels.

The Southwest Border (SWB) remains the key entry point for cocaine smuggled into the United States and Nevada. Customs and Border Protection's (CBP) cocaine seizures along the SWB increased 20 percent between 2015 and 2016, from 9,018 kilograms (kg) to 10,839 kg, the most cocaine seized along the SWB since at least 2011. The seizures from 2016 marks the second consecutive year there was an increase in seizures along the SWB, following a period of decline between 2013 and 2014.[38]

The Nevada HIDTA reports a significant increase in cocaine seizures during 2017, but a closer examination of factors contributing to the total indicates minimal change to the overall pattern. Last year, the Nevada HIDTA reported cocaine seizure totals at a record low, but the previous year's total was inflated by one significant seizure that occurred outside of the area. A similar situation has taken place in 2017. The seizure total of 176 kilograms was significantly bolstered by an approximate 90 kilogram interdiction seizure destined for another city and state. During 2017, the Nevada HIDTA interdiction teams accounted for approximately 65%

[36] National Drug Threat Assessment 2017 - DEA
[37] National Drug Threat Assessment 2017 - DEA
[38] "Columbian Cocaine Production Expansion…" DEA Intelligence Brief August 2017

of the cocaine seizure total, which suggests the majority of seizures were destined for areas outside of the Nevada HIDTA market.

Use

Statewide treatment admissions for cocaine have remained at low levels for the past several years in comparison to other drug types such as methamphetamine, heroin, marijuana and other opiates; however, cocaine related overdose deaths began to increase in 2015 and remained higher in 2016 than the previous 3 year totals from 2012-2014.[39] Statewide treatment admissions for cocaine varies little from some local data. According to TEDS, treatment admissions for cocaine remained at 3% or lower over the last 3 years, and West Care data from one Clark County location ranges from .7 to 1% during the same time period.

Last year, the Nevada HIDTA reported that a Mexican DTO operating in the Las Vegas area was responsible for supplying cocaine and fentanyl to the Southeastern United States. The DTO was known to use various mail services to send pound and kilogram quantities of methamphetamine and cocaine, and some of these same shipments included large amounts of fentanyl. No further reporting on cocaine trafficking in conjunction with fentanyl occurred during the current year; however, overdose fatalities where both drugs were present increased to 10 in Clark County during 2017. [40]

Statewide treatment admissions for cocaine varies little from some local data. According to TEDS, treatment admissions for cocaine remained at 3% or lower over the last 3 years, and West Care data from one Clark County location ranges from .7 to 1% during the same time period. [41]

Transportation

Cocaine transportation methods have remained fairly consistent, ranging from tractor-trailers for large loads to parcels for smaller amounts. NHDTS respondents report the following cocaine transportation methods: passenger vehicle, tractor-trailer, U.S. mail services and buses. Investigative reporting reflects some of these same methods, including one seizure involving a tractor-trailer.

Several kilogram quantity seizures were made at the Las Vegas airport over the last 2 years, while another came from the postal services and involved a multi-kilogram shipment to Florida that also contained quantities of fentanyl. Some of the seizures involving commercial air travel included couriers, who traveled from California by Greyhound bus before departing Las Vegas via commercial air to east coast destinations. The cocaine was concealed in checked luggage.

[39] TEDS & Clark County Coroner
[40] Clark County Coroner's Office
[41] TEDS & Clark County Coroner

- ***Intelligence Gap***

1.) *The illicit drug market impact in the Nevada HIDTA resulting from increasing transit of cocaine from Mexico and domestic source cities.*
2.) *What is the impact of the regional preference for methamphetamine on the cocaine market in the Nevada HIDTA designated area?*
3.) *Will Mexican DTOs traffic cocaine comingled with fentanyl on an increasing basis during the next reporting period?*

f. Marijuana

Nevada has been a part of the national movement toward marijuana legalization for well over a decade. During 2001, Nevada became the ninth state to enact a medical marijuana law in the United States. The law allowed patients suffering from AIDS, cancer, glaucoma and other illnesses to use marijuana as long as they receive written permission from a doctor. The patients were permitted to grow as many as seven marijuana plants if they met state requirements. As of April 1, 2014, Nevada began issuing a limited amount of licenses to open dispensaries for the purpose of selling medical marijuana to registered medical marijuana cardholders. By the end of 2016, Northern Nevada had 9 certified medical marijuana dispensaries, while Southern Nevada had a total of 40.

During November of 2016, Nevada voters legalized the use of recreational marijuana. Nevada is now one of 8 states with legalized marijuana for recreational use. Some of the major points of the new Nevada law are as follows for persons 21 and over:

- It is lawful to possess 1 ounce or less of marijuana
- Or 1/8 ounce concentrated marijuana, such as oils, edibles or drinks
- It is lawful to possess marijuana paraphernalia
- It is illegal to smoke or consume marijuana in a public place or moving vehicle

Currently, Nevada has a total of 62 legal marijuana dispensaries, with all but 1 authorized for both recreational and medical sales of marijuana products.

Illegal Marijuana trafficking, distribution and abuse is a considerable concern in Nevada, yet the drug is not categorized as a top level threat. This is also consistent with national reporting where only about 6% of respondents to the DEA National Drug Threat Survey reported marijuana as their greatest drug threat.[i] Despite legalization for recreational use beginning in Nevada during 2016, the illicit market is significant and appears to be expanding in some areas. Additionally, in Southern Nevada there may be a nexus between drug related violent crime and marijuana. According to the Southern Nevada Counter-Terrorism Center (SNCTC), 58% of the drug related murders in Clark County involved marijuana in 2017. This is a slight increase from 2016, when 54% of the drug related murders involved marijuana.[42]

[42] "2017 Homicide Annual Report" SNCTC

Availability

The Nevada HIDTA illicit marijuana market is comprised of the following: importation from California and Mexico; local production from indoor grow operations and THC extraction labs; and some outdoor cultivation to an unknown extent. Historically, Mexico and California have supplied Nevada with illicit marijuana primarily cultivated in illegal outdoor grows. For more than a decade, the Mexican drug cartels have been illegally growing marijuana in the forests of the United States, and law enforcement agencies have had mixed success destroying these illicit crops. Assessments point to California as the epicenter of black-market marijuana in the U.S., with estimates of over 90% of the country's illegal marijuana farms. The authorities say they're finding cartel-affiliated marijuana on government-owned lands in states including Oregon, Utah, Washington, Nevada and Arizona, all of which permit some form of medical marijuana.

The demand for marijuana with higher levels of THC has led to the rise of THC illegal extraction labs, especially in California. These labs produce THC levels that are typically much higher than the average marijuana plant, or even in plants produced from better quality indoor grow operations. The final product can be used during vaping or in e-cigarettes. Cannabis oil concentrates have become popular due to their potency and efficient delivery of medical effects, or a high. Concentrates, which come in the form of waxes, liquids, and what the marijuana industry calls shatter or butter, can be vaporized or dabbed.[43]

DEA reports that for CY 2016, 75% of the THC extraction labs reported nationwide came from California.[44] According to the Western States Information Network (WSIN), law enforcement agencies encountered 296 THC labs in Northern California from 2014-2016. Fifty of these labs led to explosions and fires.[45]

After Colorado implemented the law allowing recreational sales in 2014, law enforcement reported increasing levels of illegal marijuana transiting through Northern Nevada from California to Colorado by auto or parcel, and even some export from Southern Nevada to Colorado. Over 40% of NHDTS respondents report the illegal sale of marijuana/marijuana products increased during 2017 from 2016.

In Southern Nevada, one example of illicit marijuana traffickers attempting to exploit legalization and public perception is through the illegal sale of marijuana at "Pop Up" parties. These parties are underground events where multiple vendors set up in a venue to sell marijuana products and other illicit drugs on the black market.

[43] "The marijuana business that's becoming a brand name" Inc.com
[44] National Drug Threat Assessment DEA 2017
[45] "Hash Oil Labs – When Will It End?" Central Valley HIDTA May 2017

Over the last 3 years, the Nevada HIDTA has also reported on numerous investigations into illegal marijuana delivery services. These businesses include some of the following similarities:

- Suspects with current or previous ties to California
- Internet advertising
- Ties to illegal marijuana indoor grow operations or THC extraction labs

While availability for illegal marijuana may rising, some law enforcement data used to determine the market, including arrests and indoor grow seizures, has steadily decreased over the past 5 years. Normally, this type of downward trend would suggest a positive impact on the illicit market; however, assessing illegal marijuana as a drug threat becomes an anomaly due to state legalization and public perception followed by law enforcement and prosecutorial response.

The price for illegal marijuana over 50% produced from illegal indoor grows in Clark County is at an all-time low. Over the last 5 years, the low end of the price range for a pound of locally produced illegal marijuana has decreased from $3,200 in 2013 to $1,500 in 2017. Yet during this same time period, indoor grow seizures have tumbled by over 80% from over 100 in 2013 to just 15 in 2017. Additionally, marijuana related arrests have plunged more than 50% from over 1,600 in 2013 to less than 750 in 2017 in Clark County. [46]

Clark County

Indoor MJ	2015	2016	2017
Pound	$2-$5,000	$3-$5,000	$2-$5,000

Use

As referenced earlier, marijuana is the drug of choice in Nevada and is available in many different forms including leaf, oil and edibles, both legal and illegal amounts. Recent reporting reflects some marijuana users are concealing and smoking the 'hash oil' extracted from the marijuana plant within E-cigarettes, and the liquid marijuana or oil is one of the more popular forms available on the black market.

Transportation

Almost 70% of NHDTS respondents report passenger vehicles as the primary method used to transport illegal marijuana through the Nevada HIDTA followed by mail delivery services and tractor trailers. Many of these same transportation methods are reported by DEA nationally along with car haulers, trains and buses. [47]

In Washoe County, the Northern Nevada Interdiction Task Force reports large quantities of illicit marijuana transiting the area in vehicles, heading east from Northern and Central California. Additionally, many of these marijuana shipments are believed to originate from indoor grow operations. Vehicles transporting marijuana and marijuana edibles are also

[46] LVMPD

[47] "National Drug Threat Assessment" DEA 2017

encountered in Southern Nevada. One recent highway interdiction stop tied to Nevada revealed the driver was attempting to transport over 170 pounds of marijuana products, including in excess of 10 packages of THC 'vape' cartridges.

Assessments indicate an increase in marijuana parcel seizures containing illegal/legal marijuana was reported during 2017. After a steady decline in marijuana parcel seizures in Clark County from 2013 through 2015, a significant drop occurred in 2016 followed by a record high in 2017. Additionally, over 85% of all parcel seizures in Southern Nevada contained marijuana during 2017, and an increasing amount appeared to contain marijuana legally purchased from local dispensaries. [48] This situation is difficult to assess as many factors can change seizure numbers such as increased enforcement or shippers earmarking the package as suspicious.

Marijuana 'Vape' Cartridges

Production/Cultivation

Illicit marijuana production in the Nevada HIDTA is driven by indoor grow operations, THC extraction labs and outdoor cultivation. A threat remains in Southern Nevada from illegal indoor marijuana operations despite declining seizure numbers. These criminal operations are often located in residential areas and pose serious threats to neighborhoods due to a possibility of increased potential for crime and violence, property damage and environmental impact.

The second component to production is the unlawful THC extraction process, commonly referred to as BHO labs or 'hash/honey oil' labs. One of the most popular methods used to extract high levels of THC concentrates involves the use of Butane gas. The process is extremely dangerous and can lead to explosions and/or fires. From one example during December of 2017, Nevada HIDTA task force personnel responded to a residential apartment in Clark County that was the location of a BHO lab explosion. The lab had one large canister that led to the explosion, causing damage to the apartment and windows, and the suspected lab operator suffered severe burns.[49] Nevada HIDTA agents and officers have encountered THC labs through investigations of illegal marijuana indoor grow operations, delivery services and after reported explosions. From 2015-2017, Nevada HIDTA task forces have seized 26 THC extraction laboratories.

Outdoor marijuana cultivation is the third component to Nevada HIDTA illegal marijuana production. In years past, illegal outdoor marijuana grow operations are also encountered by Nevada law enforcement and are sometimes located in very secluded, mountainous areas of the state that are only accessible by foot. Aerial surveillance has been successful in locating

[48] Nevada HIDTA PMP and LVMPD
[49] LVMPD

some of these remote grow sites; however, grow site laborers become aware of the law enforcement presence as a result. Consequently, most grow sites net few arrests, because the element of surprise has since been removed.

Over the past 3 years, law enforcement in Nevada has identified multiple grow sites totaling over 100,000 plants. The majority of these operations are found on Forest Service and Bureau of Land Management (BLM) land and pose a risk to the public as well as the environment. Many of these grow operations have been found by citizens using the lands for recreation and accidently stumble across the site. Investigations have shown growers are typically armed posing a risk for those who encroach the site.

Investigations often reveal Mexican DTO members frequently use illegal pesticides such as Carbofuran and Zinc Phosphide to keep insects and animals away from the outdoor marijuana grow site. Both of these pesticides have been banned in the United States and pose a risk to the environment as well as law enforcement personnel investigating the grow sites.

- ***Intelligence Gap***

1.) *Multi-State/Regional DTO engagement in the transportation of illegal marijuana cultivated in Nevada which has been identified in the Nevada HIDTA designated area.*
2.) *Destination areas for illegal marijuana cultivated in Nevada.*
3.) *THC purity levels of marijuana plants from Nevada HIDTA outdoor grow operations.*
4.) *The actual impact of parcels shipped by criminals containing legal or illegal amounts of marijuana from Nevada marijuana dispensaries.*

g. MDMA

Availability

MDMA is available at both the wholesale and street level, in 'boat' quantities (1,000 pills) and by the pill depending on the nature of the drug transaction. Over the past 3 years, law enforcement in Clark County has encountered moderate to prevalent amounts of "Molly", a form of MDMA, available in both pill and powder form. Assessments indicate that purchasing Molly in powder form is cheaper than pill form. Some distributors will encapsulate the Molly themselves prior to selling it. During 2016, Pink Molly was in demand in the Las Vegas area. Pink Molly is packaged in smaller capsules and is considered to be very strong by MDMA and Molly users.

In 2015, the Nevada HIDTA reported that Molly was being marketed as "Moonrock". DEA laboratory testing of some of the seizures

revealed the chemical component to be Methylone, which was imported from China for further distribution in Nevada, California and New York. The Methylone obtained from China was ordered on the internet and shipped to the Las Vegas area using various postal avenues.

The demand for MDMA and Molly is largely confined to the Las Vegas area within the Nevada HIDTA. Some Las Vegas night clubs and adult entertainment clubs are popular locations for MDMA and other drug distributors to meet and 'network'. MDMA and Molly are considered to be readily available in this environment. Some local suppliers are believed to bring in MDMA and Molly from other cities such as Los Angeles. Limited reporting suggests that Las Vegas suppliers travel to Southern California to obtain Molly, and very few actually produce Molly in Southern Nevada.

PMP records show total seizures for MDMA/Ecstasy have fluctuated from 2016 to 2017 according to weight measurement. In 2016, Nevada HIDTA task forces seized approximately 124.86 kg of MDMA/Ecstasy versus 4 kg in 2017. In contrast, 1,918 dosage units were seized in 2016 versus 13,772 dosage units of MDMA in 2017.

NV HIDTA Seizures	**2015**	**2016**	**2017**
Kilograms	53	125	4
Dosage Units	9,051	1,918	13,772

The average wholesale price of the pill form of Molly falls between $1,000 - $1,400, and the retail price ranges from $13-$24 per pill. Powdered Molly ranges in price from $800-$1,700 per ounce. Additionally, reporting has revealed that MDMA is being sold for approximately $13-$30 per pill or $5,750-$7,750 per 1,000 pills (boat). In comparison to the 2016 prices of Molly and MDMA, the 2017 prices are relatively lower in some areas as displayed in the chart below.

MDMA				
	Low	**High**	**Low**	**High**
Boat (Canadian)	$5,000	$7,000	$3,500	$5,500
Boat (Domestic)	$5,750	$9,750	$5,750	$7,750
Retail (single quantities)	$15	$27	$13	$30
Molly (powder)				
	Low	**High**	**Low**	**High**
Ounce	$1,275	$1,950	$800	$1,700
Molly (pill form)				
	Low	**High**	**Low**	**High**
Wholesale	$1,000	$1,350	$1,000	$1,400
Retail (per dose)	$15	$30	$13	$24

Assessments determined within the western region of the U.S., Asian DTO's remain one of the primary sources of MDMA. These DTO's are sometimes linked with Canada and sell wholesale amounts of MDMA to local traffickers. Once in Nevada, many traffickers and users are mostly white. Periodically through the years and specifically in 2017, the Nevada HIDTA has encountered local DTOs run by African Americans, who may also be street gang members, as sources of supply for MDMA in the Las Vegas area. Anecdotal reporting suggests there has been an increase in African American street gang members distributing MDMA and fentanyl pills during 2017.

From one investigation during 2017, a Nevada HIDTA task force seized over 10,000 pills of alleged MDMA packaged for sale. The drugs later tested positive for methamphetamine mixed with caffeine. The drug traffickers were also documented 76 East Coast Crip gang members out of California.

Nevada is the host state for two annual events that draw hundreds of thousands of people to limited areas where an increase in MDMA sales and abuse has been found. The Las Vegas Motor Speedway is home to the annual musical festival known as the Electric Daisy Carnival (EDC). In 2018, the EDC was a 3 day event and typically attracted well over 130,000 people per day. MDMA dealers also view the EDC as a business opportunity, and MDMA is a popular drug for some EDC attendees. Law enforcement reported 90 felony narcotics arrests for the three-day event many for possession or sales of MDMA.

The Black Rock Desert, located approximately 90 miles northeast of Reno, Nevada, in Pershing County, is the home for the annual Burning Man Festival. Estimates show in 2017, Burning Man was a weeklong event that drew in excess of 68,000 people from across the country and beyond. Burning Man appeals to some cross segments of society that also include a counter-culture element who may consider psychedelic drug use a part of the intrigue. As a result, law enforcement in Northern Nevada typically see an increase in MDMA trafficking into the area preceding the event. Outside of the Burning Man Festival, which is held in late August, MDMA is not prevalent in Northern Nevada.

Use

According to open source reporting, the Clark County Coroner's Office declared that one male attendee died as a result of Ecstasy and heat during the 2017 EDC festival. The toxicology report revealed that the descendant had MDMA and TFMPP (promoted as a legal alternative to MDMA) in his system. MDMA related overdose deaths also occurred at the EDC events in Las Vegas in each of the previous two years.

Transportation

MDMA and Molly are readily available within the night club scene in Las Vegas. In a majority of cases, individuals purchase user quantities after arriving in Las Vegas, however, in some instances, MDMA and Molly are brought in from other cities such as Los Angeles for use in

Las Vegas. Reporting indicates most MDMA labs are located in California, and the final product is transported into the Las Vegas area in personal or rental vehicles on Interstates 15, 95 and 80 or within parcels via the mail services.

- ***Intelligence Gap***

1.) *The illicit drug market impact in the Nevada HIDTA designated area resulting from increasing levels of MDMA distribution from street gang members or associates.*
2.) *Identification of sources of supply and source areas for MDMA importation during the EDC and Burning Man events.*
3.) *The level of MDMA increase to the illicit drug market in the Nevada HIDTA designated area resulting from the EDC and Burning Man events.*

h. Other Drugs

Over the last several years, drug threats from synthetic drugs such as bath salts and synthetic marijuana, commonly known at 'Spice', have made national headlines for their lethality and alarming side effects that sometimes lead abusers to commit acts of violence or engage in other extreme behaviors. While legislation and coordination among law enforcement, medical community and the public have had a positive impact on the demand for and availability of these synthetic drugs, a synthetic opioid that has been around for decades has now led to an epidemic in many states across the country.

Fentanyl

Fentanyl is a powerful synthetic opioid analgesic that is similar to morphine but is 50 to 100 times more potent. It is a schedule II prescription drug, and it is typically used to treat patients with severe pain or to manage pain after surgery. It is also sometimes used to treat patients with chronic pain who are physically tolerant to other opioids. In its prescription form, fentanyl is known by such names as Actiq, Duragesic, and Sublimaze. Street names for fentanyl or for fentanyl-laced heroin include Apache, China Girl, China White, Dance Fever, Friend, Goodfella, Jackpot, Murder 8, TNT, and Tango and Cash.[50]

During the 1990's and mid 2000's, certain areas of the country encountered spikes in drug overdose deaths that were attributed to illicit drugs such as heroin being cut with fentanyl. In most cases, abusers were reportedly unaware their drug of choice also contained fentanyl.

Fast forward to the last 5 years, and the country is once again experiencing the deadly effects of fentanyl and fentanyl analogues, but this time on a much wider scale. The initial spread can be traced to manufacturing in China but more recently has surged with the addition of clandestine manufacturing in Mexico. Once Mexican DTOs entered the fentanyl market, distribution has spread, availability has risen, and drug overdoses have spiked in several states that also experience significant prescription opioid and heroin abuse.

[50] National Institute on Drug Abuse

Assessments about fentanyl trafficking include:

- Pure fentanyl can be purchased for about $5,000 per kilo from China
- Nevada investigations reflect a fentanyl price of $30-$40k per kilogram
- Fentanyl can also enter into the United States from Canada.
- Fentanyl can be shipped into the country via UPS and FedEx. [51]

While Nevada has encountered a significant, long-term threat from the diversion of pharmaceutical opioids, heroin's rise has been more recent and may still be emerging. This has possibly counteracted against the regional, illicit market for fentanyl in a positive way. Reporting and awareness is up within the law enforcement and medical communities, but the overall illicit market for fentanyl in the Nevada HIDTA is still evolving.

Availability

Assessments determine Mexican DTOs have expanded fentanyl trafficking by comingling the synthetic opioid with illicit drug types other than heroin. The DEA says the powder form of fentanyl is popular, because it is potent and can be easily mixed with other drugs, including cocaine. It comes from clandestine labs in Asia and from Mexican drug cartels, said Bruce McColley, assistant special agent in charge of the DEA office in Detroit.[52]

Fentanyl thought to be methamphetamine

The expansion may be in part because the white form of heroin, known as 'china white', has not been able to overtake heroin markets that are almost exclusively dominated by Mexican black tar heroin. It may also be due to fentanyl hydrochloride or powder, blending in easier with other drugs such as cocaine and methamphetamine. Nevada HIDTA sponsored investigations have encountered both examples over the last two years.

During 2016, one investigation involving a Mexican DTO trafficking methamphetamine and cocaine reflected one seizure of alleged multi-kilogram quantities of cocaine that tested positive for fentanyl. The seizure was distinguished by this sizeable shipment of drugs traveling by mail to a destination on the southeast coast. Last year, one investigation reflected at least one seizure of alleged methamphetamine that later tested positive for

[51] "THMG086 – Fentanyl, Part III: Interview with Dr. Christina Baxter" The Hazmat Guys July 2017

[52] "Overdose deaths surge as highly-potent synthetic fentanyl grows in popularity" ABC 13 March 2018

fentanyl. This multi-kilogram shipment crossed the border and continued to travel in an automobile, but the final destination for all or part of the drug shipment was unknown.

Two separate fentanyl related investigations during 2017 were highlighted by initial reporting identifying the drugs as 'china white'. The first example occurred in Northern Nevada, where investigators believed they were dealing with a combination of heroin and fentanyl. The drug mixture was suspected to be linked to a recent rise in drug overdose deaths in Washoe County, Nevada; however, laboratory analysis from a sample of the 'china white' tested positive for fentanyl/U-47700, a deadly fentanyl analogue. In November of the previous year, DEA placed U-47700 onto Schedule I of the Controlled Substances Act.[53]

The second example involved a highway interdiction stop in Southern Nevada. During April of 2017, the Southern Nevada Interdiction Task Force (SNITF) seized a multi-kilogram quantity of suspected 'china white' heroin from a vehicle traveling northbound on I-15. The drugs later tested positive for fentanyl.

During 2017, the Nevada HIDTA reported a total of 6 seizures of fentanyl confirmed by laboratory testing. (Although it is important to note many seized drugs are not routinely tested by the state labs-LVMPD and Washoe Co.)These seizures occurred during investigations targeting other drug types or through other law enforcement activity. Three of the seizures included multi-kilogram quantities of fentanyl hydrochloride transported by automobile and thought to be either methamphetamine or heroin, and Mexican DTOs were the source for each of these seizures. One of the 3 seizures occurred in Nevada during transit to another state, while the other 2 occurred outside of Nevada. Fentanyl was identified in pill form in two other seizures taken from individuals arrested in Clark County. Commonalities from these two seizures include: green colored pills cut with Acetaminophen.

In previous years, the Nevada HIDTA has encountered fentanyl in conjunction with the fraudulent manufacture of Xanax pills. Intelligence shows that at least one DTO was involved with the local manufacture of Xanax pills via the use of a pill press shipped from China. Some of the finished product contained fentanyl. A separate investigation produced a seizure of fentanyl in excess of 2 pounds at the Greyhound Bus Station. Post seizure information showed the fentanyl originated in Mexico and was destined for New York City.

While there has been more law enforcement attention to fentanyl including seizures and reporting, the state of the overall market is unstable and still emerging. The indiscriminate, consistent testing of drug seizures is needed to determine just how much fentanyl is available in the region, otherwise, seizures of some of the previously referenced drugs may be incorrectly classified.

[53] DEA Bulletin January 2017

Exhibits

The National Forensic Laboratory Information System (NFLIS) is a comprehensive information system that includes data from forensic laboratories that handle the nation's drug analysis cases. The NFLIS participation rate, defined as the percentage of the national drug caseload represented by laboratories that have joined NFLIS, is currently over 98%. NFLIS includes 50 state systems and 101 local or municipal laboratories/laboratory systems, representing a total of 277 individual laboratories. The NFLIS database also includes federal data from DEA and U.S. Customs and Border Protection (CBP) laboratories.[54] In Nevada, local laboratories from Washoe and Clark County report to the NFLIS. The following table is a breakdown of NFLIS fentanyl submissions over the last 4 years in Nevada:

Source: NFLIS	2015	2016	2017
acetyl fentanyl	2	-	-
furanyl fentanyl	-	-	2
fentanyl	10	6	6

Use

Over the last 5 years, the Clark County Coroner's Office has reported over 90 fentanyl related overdose deaths with the highest total recorded in 2017, and the highest recorded totals have occurred over the last 3 years from 2015-2017. [55]

The use of fentanyl is often done so unknowingly by drug abusers, who believe they are using their preferred drug of choice to include heroin, cocaine, methamphetamine or pharmaceuticals such as Xanax or oxycodone. But other times, anecdotal reporting suggests that some drug addicts may seek out the dealer who supplies the drugs that lead to overdose. This is done so under the apparent, troubling belief that those drugs are the most potent or the 'best'.

Assessments indicate traffickers have experienced with secreting fentanyl in counterfeit opioid medications and will likely result in the emergence of fentanyl in a variety of other counterfeit prescription drugs.

In addition to the illegally produced forms of fentanyl and the counterfeit opioid medications containing fentanyl, there are the legal, medical forms of fentanyl used primarily in the treatment of pain. Some of the brand names include: Sublimaze, Actiq, Durogesic, Duragesic, Fentora, Matrifen, Haldid, Onsolis, Instanyl, Abstral, Lazanda, Subsys and others. Subsys is a sublingual spray of fentanyl manufactured by Insys Therapeutics.[56]

[54] NFLIS 2016 Annual Report
[55] Clark County Coroner's Office
[56] Wikipedia

Coroner Rules Death of Henderson Judge an Accident

CBS Las Vegas April 25, 2016

The coroner in Las Vegas says a 50-year-old Henderson municipal court judge had the powerful painkiller fentanyl in her system when she died of a severe arm infection. Clark County Coroner John Fudenberg said Monday that Diana Dawn Hampton's death March 13 has been ruled an accident. Fudenberg says Hampton died of severe sepsis due to necrotizing cellulitis of the lower right arm. She also had a lung disease called granulomatous. The coroner says the fentanyl in Hampton's system contributed to her death, but he says the amount isn't public record. He didn't call it an overdose. Hampton was Henderson's city's first elected female judge.

Insys, which is based in Arizona, has come under intense scrutiny over its aggressive marketing of Subsys, a form of fentanyl approved in 2012. Subsys is sprayed under the tongue and approved for use only in patients who have cancer and who experience pain even though they are already on round-the-clock painkillers.

Fentanyl can be deadly if it is prescribed in large doses to someone who has not already become tolerant to opioids, yet the drug has been widely sold to a variety of patients. An analysis in 2014 for The New York Times by the research firm Symphony Health, for example, found that just 1 percent of prescriptions for Subsys were from oncologists.[57] There has been at least one recent investigation in Nevada involving the overprescribing and/or diversion of Subsys.

Transportation

NHDTS respondents report that fentanyl is imported in to the Nevada HIDTA primarily in vehicles but also by way of the postal services from China and Mexico. DEA also reports that fentanyl and fentanyl related compounds are sold and distributed through illicit drug markets on the dark web. Purchasers can use anonymizing internet web browsers to make the order and have it shipped directly to a residence.[58] The Nevada HIDTA encountered at least one example of this type of fentanyl operation during 2017.

As reported over the past two years, Nevada HIDTA sponsored investigations have encountered fentanyl transported to other cities and states through the mail services, including kilogram quantities in one instance. More recently, investigations have shown large quantities of fentanyl transported in automobiles under the guise of being a different, illicit drug type. Presumably, as Mexican DTOs continue to import fentanyl, many of the same methods used to transport methamphetamine, heroin and cocaine will also be used to transport fentanyl.

[57] "5 doctors are charged with taking kickbacks for fentanyl prescriptions" The New York Times March 2018

[58] "National Drug Threat Assessment" DEA 2017

Synthetic Marijuana

Synthetic marijuana or 'Spice' has been prevalent in Southern Nevada in past years, but Nevada HIDTA sponsored investigations and seizures have dramatically declined. The LVMPD reports that Spice seizures dropped by over 70% from 2016 to 2017.[59]

Previous 'Spice' investigations over the past 5 years identified the Las Vegas area as a regional source of supply to other states including: Utah, Florida and Virginia. Reporting from at least one of these investigations showed a DTO was shipping hundreds of pounds of Spice on a weekly basis at least in part through the use of parcel services.

Production

Spice production has been well documented in years past, but clandestine laboratory seizures dropped to zero last year after a steady decline over the past 5 years. In 2016, a Southern Nevada investigation led to the discovery of a Spice laboratory. Upon the execution of search warrants, officers discovered a Spice laboratory, several pounds of finished product and approximately 200 pounds of leaf. The lab operator was supplying Spice to local smoke shops as well as locations across the country by way of the internet.

- ***Intelligence Gap***

1.) *Availability within the drug market in the Nevada HIDTA designated area resulting from comprehensive drug testing of seizures, undercover purchases and overdose deaths.*
2.) *The illicit drug market impact on Spice in the Nevada HIDTA designated area resulting from the legalization of recreational marijuana use.*

VII. Drug-Trafficking Organizations

a. Overview

Mexican DTOs supply the majority of available methamphetamine, heroin and cocaine to the Nevada HIDTA by way of the southwest border. Over the past two years, some of the most prominent Nevada HIDTA task force investigations have had links to Mexican cartels, whose command and control are located south of the U.S. border in Mexico. Furthermore, U.S. based DTO leadership maintains operational communications with other DTO members in Mexico, who are either members of or affiliated with well-established cartels or splinter groups.

[59] LVMPD

b. International & Regional DTOs

Mexican DTOs have been the predominant source of supply for some of the major drug types available within the Nevada HIDTA for many years. These organizations are active in both Nevada HIDTA counties and appear to maintain a steady supply of drugs to the region even after specific organizations have been either disrupted or dismantled at the local level. Moreover, the methamphetamine market is as threatening to Nevada as ever, and the prevalence of the heroin market over the past two years reflects the resiliency of the Mexican drug trade despite significant disruption to DTOs in Nevada and cartels in Mexico.

International DTOs Identified by the NV HIDTA

Characteristics	
Total International DTOs	7
-Mexican	4
-Hispanic (non-Mexican)	1
-Asian	2
Total Members (Leaders)	103 (15)
Average DTO Size	14.7
Multi-Ethnic	0
Gang Related	0
Violent	0
Polydrug	3
Money Laundering Activities	0
Federal Case Designations	
OCDETF	2
CPOT	1
RPOT	0
PTO	3

In Clark County, Mexican DTOs supplying methamphetamine to the area sometimes import the product directly from Mexico for distribution locally as well as transshipment to

other cities and states across the country. Most of these DTOs are also capable of supplying other drug types such as heroin, cocaine, marijuana, and some fentanyl as well. According to federal authorities, 70 percent of the fentanyl coming into the country is being smuggled through the San Ysidro Port of Entry just south of San Diego, CA. They expect the numbers to continue to jump as the cartels increase production.[60]

Mexican DTOs operate in a similar fashion in Northern Nevada; however, most DTOs are local followed by regional with links to Mexico. Most Mexican DTOs in the north have ties to Northern, Central and Southern California, while Mexican DTOs in the south are most often associated with Southern California followed by Arizona. Mexican DTO cells that are linked in Northern and Southern Nevada are encountered on a limited basis and most often distribute heroin.

[60] "Mexican drug cartels taking over fentanyl market, fueling a rise in overdose deaths" Fox News August 2017

Affiliations and Membership

Methamphetamine, heroin and cocaine DTO leadership is often composed of Mexican nationals who have the ability to communicate with DTO command and control in Mexico. Many of these DTO leaders and members are regional to certain states in Mexico and may also rely upon family members and extended family. The ascent of Mexican DTO members into leadership often occurs through attrition of other members either by death or incarceration.

Other types of regional DTOs responsible for trafficking drug types not exclusive to Mexican DTOs, such as CPDs and marijuana, often make affiliations through networks of drug abusers, family members and social media. Many regional CPD DTO members and leaders have either established local networks of abusers, who also distribute drugs or have lived in other areas and maintain some type of distribution network in place before establishing operations in Nevada.

In reference to regional marijuana DTOs, investigations show many dealers have access to illegal indoor grow operations or illegal THC laboratories and have previous experience with marijuana trafficking in California. Their distribution network is often enhanced through known marijuana associates, family members and social media and/or internet advertising.

Multi-State DTOs Identified by the NV HIDTA

Characteristics	
Total Multi-State DTOs	17
-Mexican	14
-Caucasian	2
-African-American	1
Total Members (Leaders)	179 (29)
Average DTO Size	10.5
Multi-Ethnic	0
Gang Related	2
Violent	2
Polydrug	6
Money Laundering Activities	0
Federal Case Designations	
OCDETF	3
CPOT	0
RPOT	0
PTO	4

Activities and Methods

Assessments show most DTOs must use some form of communications to facilitate their drug trafficking activities. Some of the most common devices and software applications identified by Nevada HIDTA law enforcement officers include: cellular phones, “Burner” phones, BBM, WhatsApp or similar encryption, and social media. Some task forces are still encountering organizations that maintain dispatch type operations that are typically characterized by a very high call volume to the “dispatch” phone. Black Berry Mobiles, encryption and social media appear to be favored by certain DTOs that believe these types of communications provide more protection against law enforcement exploitation.

Mexican DTOs often use the interstate system to move large quantities of methamphetamine, heroin, cocaine and marijuana into and through the state north/south via I-15 and US-95 and east/west via I-80. The drug shipments originate in Mexico and enter

the Nevada HIDTA primarily through Southern California and Arizona into Clark County and Central/Northern California into Washoe County. Many types of vehicles are used, and sometimes the drug shipments arrive directly from Mexico. Frequently, the drug shipments are moved to secondary vehicles including some rental vehicles. The Northern Nevada Interdiction Task Force (NNITF) reported on an instance during 2017 of a courier who was instructed by a DTO to utilize the phone application Turo 2 to arrange a private party rental vehicle for the transportation of illicit currency.

Private party rental vehicle and car sharing services, such as Turo**,** may offer an opportunity for criminals to transport contraband nationwide.

c. Local DTOs

Overview

Assessments demonstrate street gang members are often involved at the retail level of distribution, and there has been some nexus between street gang members and Mexican drug traffickers at the wholesale level. The Nevada HIDTA reported on one example last year where a known member of a local Hispanic street gang in Las Vegas was identified as the driver of a vehicle used to transport multiple pounds of methamphetamine. African-Americans and some Asian street gangs are also active in the distribution of drugs in the Nevada HIDTA.

Meth sold as MDMA

Over half of the respondents to the NHDTS in 2017 report that street gang related crime is increasing, while over 60% believe drug distribution comprises a significant portion of street gang related criminal activity. Additionally, some respondents reported Outlaw Motorcycle Gang (OMG) involvement in the distribution of drugs, particularly methamphetamine.

Affiliations and Membership

For several years, Mexican traffickers have utilized street gang members to distribute methamphetamine, heroin, cocaine and marijuana on a wider scale. Separate and apart from their connection with Mexican DTOs, some street gang members also engage in pharmaceutical and MDMA distribution. As previously stated, during 2017, a Nevada HIDTA task force seized over 10,000 pills of alleged MDMA packaged for sale at the EDC, but the drugs later tested positive for methamphetamine mixed with caffeine. The drug traffickers were also documented 76 East Coast Crip gang members out of California.

According to the LVMPD, there are more than 12,000 street gang members plus over 2,000 affiliates in Clark County, with the majority composed of Blacks and Hispanics, followed by White and Asian members and affiliates. In reference to street gangs and violent crime, a

gang member was involved in 30% of all murders and 31% of drug related murders in Clark County during 2017.[61] [62]

Based on associated events in 2017, the LVMPD considers the following street gangs to be among the most violent in the area: Gerson Park Kingsmen, Sureno, Bounty Hunter Bloods, Peckerwood, Kingsgate Mafia, Southside, Bounty Hunter Bloods and West Coast Bloods.

Additionally, the Nevada HIDTA Fugitive Strike Team investigated over 100 fugitive street gang members during 2017, including some who re-located to the Las Vegas area after being designated as a fugitive in some other city and/or state.

Local DTOs Identified by the NV HIDTA

Characteristics	
Total Local DTOs	21
-Mexican	14
-Caucasian	1
-Asian	1
-African-American	2
-Street Gang	3
Total Members (Leaders)	149 (24)
Average DTO Size	7.1
Multi-Ethnic	3
Gang Related	3
Violent	4
Polydrug	7
Money Laundering Activities	0
Federal Case Designations	
OCDETF	1
CPOT	0
RPOT	0
PTO	3

Local DTOs can also be led by individuals who are not affiliated with other types of criminal groups already described. One example includes the illicit market for controlled prescription drugs (CPDs), which may be led by a rogue physician or someone who also distributes other illicit drug types. These types of DTOs can be very difficult to quantify, because of the number of individual distributors who may be loosely affiliated and far removed from the DTO leadership.

A second example of an unconventional, local DTO is often related to illegal marijuana trafficking. Assessments indicate the product is very prevalent and with legalization, diverted marijuana has created more opportunities for new DTOs to enter the illicit market. While outdoor grow cultivation operations are typically owned and operated by Mexican DTOs, local production is not and is often characterized by quasi-individual traffickers, who may be a part of a loosely defined DTO.

Activities and Methods

While not all violent crime is associated with drug trafficking and/or DTOs, drug trafficking and distribution have historically had a major impact on violent crime including violent crime through the use of a firearm. In Clark County, there is a strong nexus between violent crime and firearms. A firearm was identified as the murder weapon in 67% of all murders in Clark

[61] LVMPD

[62] 2017 Homicide Annual Report SNCTC Crime Analysis

County during 2017 and in 100% of all drug related homicides.[63] Last year, Nevada HIDTA firearms seizures reached another 3 year high, an increase of over 30% against last year's record number.

Several NHDTS respondents believe that a majority of firearms seized during 2017 investigations were purchased illegally. According to reporting from the Nevada HIDTA Firearms and Narcotics Group, the majority of firearms seized in Nevada HIDTA sponsored investigations were likely first purchased legally. Many of the guns later made their way to convicted felons, who unlawfully purchased them from private party sales and unlicensed dealers. Two additional examples of illegal gun purchases in Nevada include:

- A convicted felon who uses a 'straw purchaser' to buy several guns from a gun store
- A convicted felon who purchases a gun with the aid of a stolen identity.

One of the most common techniques used to facilitate the transfer of firearms to criminal organizations is through the use of unlicensed gun dealers - someone who typically purchases from gun stores directly and later resells the firearms to anyone. Additional reporting shows that Nevada is also a source area for weapons trafficking to the cartels in Mexico; however, the volume of firearms is not as high in comparison to other states such as California, Arizona or Texas.

- ***Intelligence Gap***

1.) *The extent of interaction between Mexican DTO members and gang members in the Nevada HIDTA designated area.*
2.) *Why do Mexican DTOs who traffic methamphetamine use Las Vegas as a staging area for other cities and states across the country?*

VIII. Money-Laundering Organizations

Overview

Many of the DTO's identified in Nevada HIDTA sponsored investigations engage in some type of money facilitation or basic laundering of illicit proceeds, but the identification of organizations whose primary function is money laundering remains infrequent. One example of such an MLO resulted in the identification of an international operation responsible for laundering millions of dollars on behalf of several Mexican cartels.

Historically, Nevada HIDTA task forces have been a part of several investigations of money laundering organizations (MLOs) that have yielded millions of dollars in currency and assets. These investigations have often centered on organizations exploiting Nevada gaming by co-mingling legitimate funds with illicit proceeds or using the gaming system and financial sector

[63] 2017 Homicide Annual Report SNCTC Crime Analysis

together to facilitate large quantities of illicit proceeds to both domestic and foreign destinations.

Assessments consistently show Mexican DTOs transport illicit proceeds in bulk south of the border often in the same vehicles used to import drugs. Businesses such as auto shops, restaurants and store fronts have also been linked to Mexican DTOs, and money remitters are also used by some Mexican drug traffickers to send proceeds back to Mexico. Additionally, large amounts of U.S. currency continue to make their way through the McCarran Airport in Las Vegas, Nevada. According to airport authorities, last year's currency totals traveling with passengers surpassed totals from 2016. While most of the currency is likely associated with gaming, some passengers may be inclined to move large amounts of drug related proceeds through the Las Vegas and Reno airports.

Money Laundering Organizations Identified by the NV HIDTA			
Total Identified	International	Multi-State/Regional	Local
3	2	1	0

Affiliations and Membership

The most effective MLO's encountered by law enforcement within the Nevada HIDTA maintain a certain level of compartmentalization away from overt cartel or DTO activity. A member of an MLO may not be distinct by nationality or origin and will often maintain some type of legitimate business enterprise that makes it more difficult for law enforcement to determine the potential for illegal activity. Store fronts that launder money on behalf of DTOs may not function like typical business members within a local community, and normal customer activity may not always be apparent. Additionally, some DTO investigations have also shown a nexus with Asian money couriers, who are active in both Southern California and Nevada.

Activities and Methods

With the exception of money laundering schemes developed to exploit the gaming industry, methods used by DTOs and MLOs may not be unique to Nevada, but some current techniques may illustrate those favored by cartels in Mexico and other DTO/MLOs operating within the Nevada HIDTA.

Current investigations of Nevada DTOs with a money laundering component show funnel account activity, where deposits are made from other locations into bank accounts in Las Vegas. Additionally, Mexican DTOs are known to collect large amounts of drug proceeds for delivery to Los Angeles and money laundering through trade based businesses. Over the past 3 years, the Nevada HIDTA has reported that some small businesses, such as restaurants, may 'hire' employees to launder drug proceeds. The employees, who exist on paper only, bring drug proceeds into the business and then receive a 'pay check' that goes back to the DTO.

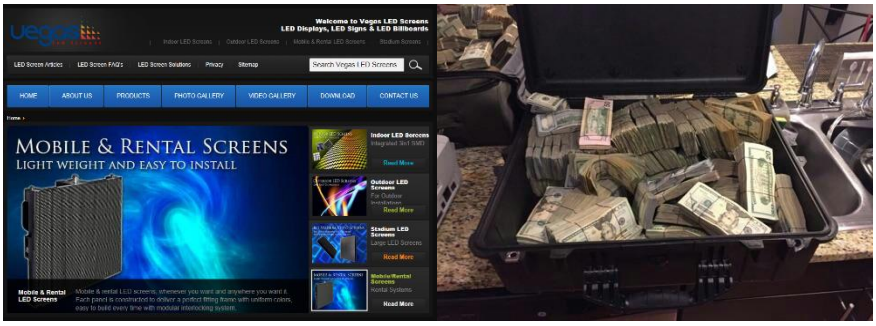
As reported by the Nevada HIDTA last year, another specific example of an MLO method illustrates a money laundering scheme used on behalf of Mexican cartels that also impacted

the Nevada HIDTA. This international MLO, which was also active in Europe, established a front business in Las Vegas, Nevada, that advertised the sale of high-cost LED screens as a cover to funnel illicit drug proceeds through the business. In order to communicate with each other and their customers, members of the MLO utilized two primary methods of communications:

- an encrypted messaging service called Telegram
- an email tactic known as "drafting"

Telegram is a free, cloud-based text messaging application offering end to end encryption for its users. The company estimates it currently has 100 million active users, sending 15 billion messages daily.

The MLO also utilized drafting, a tactic where several people share the same password to an email account. Users of the account store emails in the draft folder, so the next person can log in and view the message without sending email and creating a trail. The MLO members would arrange money pick-ups and relay bank account information to associates in the conspiracy utilizing these communication techniques.



Some criminals attempt to use the gaming industry for illicit purposes by probing perceived areas of vulnerability within various gaming operations. Casinos can encounter money laundering suspects who use methods that may be somewhat unique to the gaming industry.

According to assessments by the Nevada Gaming and Control Board, the following methods are some of the most frequently encountered schemes used to launder or move illicit proceeds through the gaming industry potentially by DTO members or other criminal operatives.

Occasionally, the introduction of counterfeit money at the dealer tables has been prevalent in recent years. The gambler has the ability to go directly to the gaming table and provide cash to the dealer, who converts the cash to chips. The gambler then plays at his or her discretion, and then cashes the chips out at the money cage. To a lesser degree, counterfeit money is also introduced at the slot machines. However, this requires a higher quality of counterfeit bill in order for the machine to accept the fake cash. Investigative information indicates that at least some of the counterfeit money has been produced locally, but the level

of organization and scope of criminal activity are mostly undefined.

The use of wire transfers to legitimize illicit proceeds is another money laundering method encountered at Nevada casinos. This method may be used by both domestic and foreign-based patrons. For example, an individual may wire money to the casino, gamble a portion of this transfer, 'cash out' the remaining amount and convert it to United States Currency (U.S.C.).

Nevada Gaming also reports some foreign nationals, often from China, may use 'hosts' to establish credit at the casinos for potentially anonymous players, who often bring large sums of money into the casinos. The money can be wired into the casinos from foreign accounts, and the players have the ability to cash out and leave with the money.

Various betting schemes are also established by individuals and groups within casino sports books, because they create the potential for suspects to launder significant amounts of money while incurring relatively small losses in the process. This operation often involves some type of loss, but the loss is marginalized by the prospect of a second winning bet and the recovery of the majority of illegitimate funds – a potentially small loss for criminals and groups to conceal illicit proceeds.

Other potential money laundering schemes encountered over the last 3 years include:

- Bookmakers using online gaming accounts
- Cash to chips and then back to cash
- Credit card fraud

The Nevada HIDTA has previously reported that bookmakers use online gaming accounts to move money from offshore bank accounts to other bookmakers in order to pay off a 'gambling' debt. The origin of the funds is unknown, and the transaction has little to no oversight.

The use of funneling money through gaming by purchasing chips and then cashing out continues. Gamblers who are considered to be 'known' gamblers can even purchase chips at one casino and cash them at another. The purchaser of the chips and the 'known' player may not be one and the same.

Lastly, there have been some instances of credit card fraud, where an individual will use a stolen credit card at a global ATM machine to purchase a ticket, then exchange the ticket for cash at the cash cage.

The gaming industry's cash intensive environment makes it appealing for many criminals but specifically for those intent on providing cover for illicit proceeds. While misperceptions exist about the magnitude and ease for criminals to establish and maintain money laundering operations through gaming, it is also clearly evident that criminals can and do exploit the industry for money laundering purposes. The scope and frequency are difficult to determine

primarily due to the vastness of the industry in comparison with available law enforcement personnel to investigate potential crimes. Consequently, effective regulations, laws and cooperation from within the casino industry are critical components toward managing potential threats from domestic and international criminal exploitation.

- ***Intelligence Gap***

1.) *The scope in the Nevada HIDTA designated area from members or associates of Mexican DTOs who exploit the gaming industry for money laundering purposes.*
2.) *The impact within the Nevada HIDTA designated area of DTOs and MLOs that can use crypto-currencies to facilitate money laundering.*

IX. Outlook

Methamphetamine will remain as the primary drug threat in the Nevada HIDTA into the near future. Availability, price, purity levels, seizures and abuse continue to reflect a drug that is in high demand, widely available and abused by many. The majority of all the methamphetamine sold in the Nevada HIDTA region will continue to be supplied by Mexican DTOs, who routinely import multi-pound quantities of the drug into Clark and Washoe counties.

Though the heroin market may not have been on the rise during 2017, heroin's availability, lethality and tendency to be sold in conjunction with synthetic opioids makes it a top level threat. Additionally, the user market for heroin that is largely made up of transitioning pharmaceutical opioid abusers may be somewhat self-sustaining unless new strategies impact illicit pharmaceuticals as well. Heroin's profitability for Mexican DTOs will mean that a steady supply of heroin from Mexico via California and Arizona into the Nevada HIDTA will continue.

New federal and state strategies to combat the persistent threat from prescription opioids will likely be implemented during 2018, but the impact may not begin to take effect during the reporting period. Nevada continues to be among the top prescribers for the most widely abused prescription drugs such as oxycodone and hydrocodone, and Clark County in particular is a source area for other cities and states. Northern Nevada is affected as well, and the extent should become clearer with more available data and reporting throughout the year.

With Nevada's drug users' current preference for methamphetamine, the market for cocaine will likely remain moderate into the near future. This is despite increasing cultivation in South America, importation from Mexico, and one of Nevada's major domestic source areas, Los Angeles, reporting that cocaine availability is at a high level. Cocaine seizures will likely remain stable or possibly increase as large amounts of the product transit the region destined for other cities and states across the country. Cocaine related overdose deaths are likely to remain high in Clark County or even increase if traffickers and distributors continue to sell the drug mixed with fentanyl.

Marijuana most likely will remain as the drug of choice in Nevada. Marijuana for recreational use became legal in California too, potentially adding to the flow of illegal marijuana already exported from California into Nevada in the coming year.

With more reporting of Mexican DTOs producing and trafficking fentanyl, the synthetic opioid's availability will likely increase over the short term. The presence of fentanyl in Nevada has not been as widespread as many other states, and this could be due to some limitations within the existing heroin market. However, Mexican DTOs are also mixing fentanyl in counterfeit prescription pills along with shipments of cocaine and methamphetamine which together spreads into several of Nevada's major drug threats.

Regional and local DTOs, including street gangs, other gangs and semi-independent traffickers, will continue to have a significant impact on the Nevada HIDTA drug threat. Some of these DTOs have links to Mexican DTOs, and all of these DTOs distribute one or more drug types identified as threats to the region. Additionally, local DTOs may also become more involved in the distribution of synthetic opioids during the next reporting period.

Mexican DTOs will continue to use a variety of transportation methods in Nevada to facilitate drug proceeds to cartels in Mexico. Nevada's proximity to the Southwest border makes it a prime state for bulk cash in vehicles destined for the U.S./Mexico border. As reported over the last two years, large amounts of currency also move through the airports. All methods detailed in this report will continue to be used, and potential areas to watch in the future include virtual currencies and the dark web.

X. Methodology

The Nevada HIDTA 2017 Drug Threat Assessment consisted of an annual Drug Threat survey conducted by the Nevada HIDTA Investigative Support Center to solicit information from a significant number of law enforcement representatives from federal, state, and local agencies. The ISC uses this information along with PMP data to produce estimates of various aspects of drug trafficking activities to aid in the development of the Drug Threat Assessment.

In reference to other Source Considerations, the ISC uses several available law enforcement tools and open source data. The ISC collects data from investigations, Nevada HIDTA task force personnel and other federal, state and local partners, the 2017 DEA National Drug Threat Assessment and various open source news articles. All of this information is then comingled with results from the Nevada HIDTA Drug Threat Survey to produce a comprehensive report that reflects the drug threats from both Nevada HIDTA counties. This documented research and analysis combined with the National HIDTA Performance Management Program (PMP) data provide the Nevada HIDTA Executive Board and the Management Initiative a guide to explain the existing and emerging drug threats in Nevada.

XI. Appendix

Agencies participating in the Nevada HIDTA:

Local, State, and Regional	**Federal**
Boulder City Police Department	Amtrak
Clark County District Attorney's Office	Bureau of Alcohol, Tobacco, Firearms, and Explosives
Henderson Police Department	Drug Enforcement Administration-Las Vegas District Office
Las Vegas Metropolitan Police Department	Federal Bureau of Investigation
Mesquite Police Department	Homeland Security Investigations-Las Vegas Division
Nevada Department of Public Safety/Nevada Highway Patrol	U.S. Attorneys Offices-District of Nevada
Nevada National Guard/Counter Drug Task Force	U.S. Department of the Treasury-Internal Revenue Service
North Las Vegas Police Department	United States Forest Service
Reno Police Department	United States Marshals Service
Reno-Tahoe Airport Authority Police	
Sparks Police Department	
Washoe County Sheriff's Office	

XII. Endnotes

Associated Press
California HIDTA (Central Valley, Northern & San Diego)
Carson.org
CDC
Channel 8 Las Vegas
Channel 13 Las Vegas
Clark County Coroner's Office
CNN
CNS News
DEA – National Drug Threat Assessment 2017
DEA Las Vegas
DEA Reno
El Paso Intelligence Center
Fox News
Guardian
HIDTA Performance Management Process (PMP)
Inc.com
LA CLEAR
Las Vegas Metropolitan Police Department
Las Vegas Review Journal
Las Vegas Sun
Las Vegas Visitors Authority
National Emerging Threats Initiative (NETI)
National Institute on Drug Abuse

National Jewish Health
Nevada BLM
Nevada Gaming Control Board
Nevada HIDTA Drug Price List
Nevada HIDTA Threat Survey
Nevada MAT-PDOA
News Max
Newsweek
NPR
Pew Research Center
Quest Diagnostics
Reuters
Rocky Mountain HIDTA
Southern Nevada Counter Terrorism Center
State of Nevada
The Hazmat Guys
Time Magazine
Treatment Episode Data Set
U.S. Census Bureau
U.S. Forest Service
Wall Street Journal
Washoe County Sheriff's Office
West Care
Western States Information Network (WSIN)
Wikipedia

[i] "Nation Drug Threat Assessment" DEA