



TESTIMONY OF

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DIRECTOR OF ORGANIZED RETAIL CRIME  
AND CORPORATE INVESTIGATIONS  
CVS HEALTH**

BEFORE THE SENATE COMMITTEE ON THE JUDICIARY

HEARING ON

**“CLEANING UP ONLINE MARKETPLACES: PROTECTING AGAINST  
STOLEN, COUNTERFEIT, AND UNSAFE GOODS”**

NOVEMBER 2, 2021

Chairman Durbin, Ranking Member Grassley and members of the Committee, thank you for the opportunity today to testify on the massive growth of organized retail crime and its impact on consumers, retail colleagues, and community retailers.

My name is Ben Dugan, and I am the Director of Organized Retail Crime and Corporate Investigations at CVS Health. In addition to our role as a retailer in thousands of communities across America, CVS Health is the leading health solutions company, delivering care and improving the health of communities across America through our local presence, digital channels, and 300,000 dedicated colleagues. Where and when people need us, we help them with their health by improving access, lowering costs and being a trusted partner for every meaningful moment of health.

I am certified as an expert in Organized Retail Crime and Diversion by the U.S. Department of Justice and hold additional certifications as a Law Enforcement Instructor, a Certified Forensic Interviewer (CFI), and in E-Commerce Investigative Methodologies. I have over 30 years of retail loss prevention experience in investigating organized retail crime offenders for large retail chains, catalog-based sellers, pharmacy, and specialty retailers.

I also currently serve as President of the National Coalition of Law Enforcement and Retail (CLEAR), a non-profit, non-partisan national association founded in 2008 by law enforcement and retail loss prevention professionals who saw the need for greater collaboration in the face of increased organized retail crime. The Coalition provides a forum for public and private sector members, with experience in a wide variety of public safety initiatives, to support collaborative efforts to improve the safety of our communities and advance retail loss prevention.

Over my 30 years of investigating organized retail crime and assisting prosecutors, I have provided expert testimony in dozens of high-profile criminal cases and led efforts to dismantle some of the largest organized retail criminal organizations ever apprehended in the United States. My job every day is to prevent organized retail crime in our stores to create a safe environment for our colleagues and customers.

In my testimony today, I will focus on key themes related to the size, scope, and impact of organized retail crime. I will provide some examples of how organized retail crime affects CVS Health and our efforts with law enforcement to curtail this activity. Finally, I will speak to actions Congress can take to assist retailers in our work to protect our colleagues and customers.

**The sale of stolen goods via online marketplaces is increasing rapidly, representing a serious threat to legitimate businesses of all sizes and subjecting our colleagues and in person and online shoppers to real harm.** Organized retail crime has been on the rise for more than a decade and has grown enormously in the last year and a half. Criminal networks have taken advantage of the COVID-19 pandemic and the steep rise in online purchases to prey on

unsuspecting consumers by peddling counterfeit, stolen, defective, harmful, and potentially dangerous products.

CVS Health alone has experienced a 300 percent increase in retail theft from our stores since the pandemic began. The ease with which online sellers can open and close their sites, essentially undetected, is directly related to this increase in criminal activity in our stores.

**An organized retail crime-related event is reported in one of our nearly 10,000 CVS Pharmacy stores every three minutes.** CVS Pharmacy alone loses more than **\$200 million each year** due to organized retail crime. The average professional thief targeting a CVS Pharmacy steals **\$2,000 in just 2 minutes.**

CLEAR estimates that organized retail crime accounts for \$45 billion in annual losses for retailers. It is estimated that more than \$500 billion in illicit stolen and counterfeit goods are sold on third-party marketplaces like Amazon each year.

**These crimes have become more sophisticated and highly dangerous.** The threat begins when a “booster” targets a retail store for theft. Boosters are the field operation for organized retail crime, and either commit the theft themselves or recruit others to steal for them. In recent years, boosters have become increasingly brazen and violent, placing retail colleagues and customers in danger.

**The use of a weapon or physical violence during an organized retail crime theft has more than doubled in the last year and a half.** As these crimes grow increasingly common, they pose a serious threat to the safety and well-being of our customers and colleagues, subjecting them to potential harm and distress.

Once a theft is completed, the booster turns in their haul to a nearby waiting “fence” who pays the booster in either in cash or drugs, usually 25 percent of the product’s true retail value. It is not unusual for a booster to hit multiple stores and even to hit the same store more than once a day. Higher level boosters connected to large scale criminal organizations travel across multiple states and ship the stolen product to a fence.

Fences typically have responsibility for collecting and transporting the stolen goods. They are involved in recruitment and usually are collecting stolen goods from several boosters a day. Fences may direct boosters on what goods to steal and set the payout based on the type and number of goods stolen.

The fence also may make multiple trips a day to a central site where the goods are sorted and cleaned. The cleaning of stolen retail product involves the removal of the retailer’s anti-theft devices and markings to make the merchandise look legitimate and disguise its origin. The central, or bundling, site may be a warehouse, but, depending on the scale, these organizations also operate out of residential homes. Fences are paid in cash, usually by a wire transfer from the larger criminal element that ultimately resells the product through an online marketplace.

**From the consolidation site, the stolen goods can be sold directly online to unsuspecting customers, to other third-party sellers (some of whom know the goods are stolen or counterfeit) or distributed to the marketplaces themselves to fulfill orders.** We also have tracked instances where goods stolen from our stores were shipped to other regions. For example, in a recent case, we identified a trade route for moving goods stolen in Chicago and sold to criminal organizations in New York City. In its simplest form, organized retail crime is a syndicate of sophisticated criminal networks consisting of professional thieves, fences, and illicit online sellers. The anonymity provided by internet marketplaces allows the movement of stolen goods to go virtually undetected by law enforcement.

Boosters are the most likely to be arrested for organized retail crime, but these arrests do little to impact or hinder the rest of the organization. A booster is easily replaced. A cooperative booster usually can only provide information one step up about the larger criminal organization. **To gain the most traction in curtailing the thefts and reselling, CVS Health works with law enforcement to focus on dismantling the larger organized retail crime organization behind the booster and the fence.**

**When stolen goods make their way online, the unsuspecting customer has no idea the product they just purchased was stolen.** The customer has no warning that the product may have been tampered with, had its integrity jeopardized through improper storage or other means, or that the product may be faulty. And, because sellers are not required to provide contact information to the buyer, the seller may be left with no recourse should they be harmed by or wish to return the product.

**Criminal organizations responsible for organized retail crime thrive in the anonymity of online marketplaces to resell goods stolen from retail stores.** Sellers operate fully knowing that most online marketplaces will protect them against law enforcement. Even when subpoenaed, some of the largest marketplaces refuse to disclose financial and other records that would strengthen the ability of prosecutors to bring cases to court and hold criminals accountable.

Let me just be clear about what organized retail crime is **not**. It is not everyday shoplifting. It is not individuals committing singular opportunistic thefts for personal reasons. It is organized, it is sophisticated, and it is massive in scale.

**Last year, my team identified and resolved over \$40 million in e-commerce fraud across all online marketplaces.** Our biggest case last year involved a business named *D-Luxe* that sold over-the-counter drugs on Amazon. *D-Luxe* was listed as one of Amazon's "Top Rated Sellers." The company was owned by a man named Danny Drago. He was known by boosters and fences as "The Medicine Man." CVS Health investigators were led to Mr. Drago after weeks of surveilling booster activity in the San Francisco area brought them to a warehouse in nearby Concord, California.

When CVS Health approached Amazon to assist with the investigation, Amazon refused to do so without a subpoena. When the San Mateo County Sheriff's Department issued a subpoena,

Amazon claimed to not possess any of the requested information. **It was only after the Sheriff's Department issued search warrants to banks associated with Mr. Drago that it became apparent the *D-Luxe* operation was much larger than initially thought and depended on Amazon.**

Mr. Drago and his wife were involved in a nearly \$40 million operation which operated at least two Amazon accounts, selling more than \$5 million a year in stolen goods on Amazon and through multiple other Amazon sellers. **Amazon suspended one of their accounts in 2019, but did not close the other accounts operated by Mr. Drago or the associated sellers until weeks after the CVS Health investigation resulted in his arrest and seizure of the stolen goods.**

This year we are on target to resolve more than 70 cases involving approximately \$104 million in fraud related to the reselling of stolen goods on Amazon. At least one of these cases will be larger than the Drago operation.

The examples I have provided here are a small sample of what retailers face with regard to organized retail crime. **This activity is not specific to CVS Health or to a single category of products.** Speaking in my role as president of CLEAR, I can verify that this problem impacts businesses of all sizes and virtually every category of retailer: pharmacies, grocers, home improvement, health and beauty, clothing, and department stores. No retail business or product is immune.

Retailers spend billions collectively each year on security and loss prevention, but we are being overwhelmed by criminal networks who know they can quickly, easily, and anonymously sell stolen products online for a huge profit.

State and local governments also are recognizing the problems created in their communities by organized retail crime. As an example, the City of San Francisco formed a task force following the San Mateo case. CVS Health is working closely with the city's Board of Supervisors and local law enforcement to address organized retail crime in the area going forward.

**State Attorneys General have also come forward to discuss the link between organized retail crime and other criminal operations.** Several state Attorneys General have announced task forces to bring together state and local resources, including law enforcement, to increase awareness and tackle these issues.

**One example is Illinois where, in announcing the state task force, Illinois Attorney General Kwame Raoul stated, "Organized retail crime is a multibillion dollar per year industry, but more important than the financial cost is the danger organized retail crime poses to our communities. These brazen, violent crimes are committed by sophisticated criminal organizations that are involved in drug trafficking, human trafficking and other serious crimes."** Attorneys General of other states, including Arizona, Florida, Georgia, New Mexico, Pennsylvania and Utah are also leading on this issue, as well as the Attorney General Alliance.

The International Criminal Police Organization known as INTERPOL also recognizes the direct link between organized retail crime and human trafficking, drug trafficking, corruption, bribery, and money laundering with ties to global terrorism.

**The increase in the number of cases successfully prosecuted demonstrates that our collaboration with law enforcement is working. Our efforts are hampered by the lack of transparency and cooperation from the online marketplaces.**

Legitimate sellers – both big and small, brick-and mortar and online – and consumers would benefit from enactment of the bipartisan Integrity, Notification, and Fairness in Online Retail Marketplaces (INFORM) for Consumers Act (S. 936) championed by the leadership of this Committee and several of its members.

The INFORM Consumers Act would require online marketplaces to collect and verify third-party sellers' information and require post-transaction disclosure of contact information to consumers who buy from high-volume third-party sellers. These basic transparency and accountability measures will help protect consumers from illicit goods, aid law enforcement in efforts to track organized crime, and make it harder for criminals to profit by selling stolen or counterfeit merchandise.

By making it harder for criminals to easily dispose of stolen and counterfeit goods, the INFORM Consumers Act would directly and immediately curtail theft in retail stores and the proliferation of counterfeit goods available in online marketplaces. Importantly, by increasing confidence in the integrity and safety of the products purchased online, the INFORM Consumers Act would also enhance the ability of legitimate sellers of all sizes to connect with customers. CVS Health supports the INFORM Consumers Act and encourages its swift passage.

I thank the Committee for the opportunity to testify, and I would be glad to answer any questions about my testimony today.