

# **BORDERLINE SECURITY:**

## **A chronicle of reprisal, cronyism and corruption in the U.S. Customs Service**

### **CHAPTER 9**

#### **Firestorm**

**S**teve Shelly claims that the battle to ferret out law-enforcement corruption along the U.S./Mexico border cost him his job.

Shelly, a former U.S. Customs Service agent, served as a member of a multi-agency task force called Firestorm that was created to target public corruption in Arizona.

The task force was dismantled suddenly in late December 1990. About a month and a half later, Shelly's boss and the task-force founder, John William Juhasz, was removed from his post as the head of Internal Affairs for the U.S. Customs Service in Arizona and transferred out of state without explanation.

Some three years later, in July 1994, Shelly was out of a job — forced, he claims, into involuntary retirement after suffering years of harassment from an abusive boss.

The perpetrator of that hostile work environment, Shelly claims, was James “Breck” Ellis — the same person who oversaw the initial Customs investigation that cleared Allan Sperling of any responsibility in the death of Gary Friedli.

After Juhasz was removed from his post in early 1991, Ellis stepped in to fill his shoes as top gun for Internal Affairs in Arizona. Ellis had served previously under Juhasz as a group supervisor and as a task-force member.

Shelly alleges that he has uncovered evidence that shows Ellis committed perjury in sworn testimony in a Merit Systems Protection Board (MSPB) legal proceeding.

Shelly sought to get his Customs job back by bringing suit in 1995 through the MSPB, a quasi-judicial review body set up for federal employees.

In his MSPB proceedings, Shelly alleged that he was the victim of a hostile work environment and that he was retaliated against because of his whistleblowing activity — which included cooperating with a congressional investigation into the demise of the Firestorm task force.

Shelly claims his supervisor, Ellis, allegedly engaged in a pattern of abusive behavior in an effort to drive him out of his job in the wake of the task force being busted up.

Shelly's psychologist — who testified in a workers' compensation hearing on Shelly's behalf — in a letter dated March 2, 1994, stated that Shelly was subjected to "constant and unrelenting disparagement and belittlement,,by his supervisors." The psychologist added that "the criticism appeared to be deliberate for the purpose of engendering constant anxiety.

"In short, exposure to these conditions ground down Mr. Shelly's morale and coping resources to the point where he became so significantly depressed that he could no longer function," the psychologist's letter concludes.

Shelly — an 11-year veteran of the Customs Service — ultimately had little choice but to resign from his job, due to the psychological duress, he says.

Customs, on the other hand, claims Shelly left his job in July 1994 of his own free will due to "personal factors," which included concern for the health of his parents and other family-related problems. The judge in Shelly's 1995 MSPB case agreed with Customs.

Shelly appealed, and in 1996 lost again.

"What the evidence does reveal in this case,,is that at or about the time preceding (Shelly's) resignation, he was undergoing significant personal stress," states the judge's ruling in Shelly's MSPB appeal. "The evidence of record does not support any findings that any agency officials engaged in any reprisals against (Shelly) for any whistleblowing."

However, in 2001, Shelly says he came across evidence that Ellis committed perjury during a 1996 MSPB hearing. The alleged perjury, Shelly claims, played a critical role in the judge's ruling against him.

Prior to resigning in 1994 at the age of 45, Shelly says he attempted to get transferred out of the Office of Internal Affairs in Tucson, Ariz., which Ellis oversaw. Shelly claims Customs approved that transfer in 1991, agreeing to move him to the Office of Enforcement (OE) — which was later renamed the Office of Investigations.

In testimony from the 1996 MSPB hearing, Ellis denied, under oath, that he had knowledge of any such transfer being approved.

"I never knew that OE had,,,had accepted," Ellis states in the testimony — in response to a question about Shelly's transfer. "This sounds like an issue that never occurred."

Shelly counters, though, that he has obtained a signed statement indicating that Ellis in fact had a conversation with a senior special agent in Customs about that very transfer.

"I recall speaking with,,,Ellis regarding,,,Shelly's release date (for his transfer)," states senior Special Agent Louie R. Garcia in a signed statement dated March 29, 2001. "... Ellis provided me with the release date (for the transfer),,,and instructed me to call,,,Shelly,,,and confirm the suggested release date recommended by Ellis."

Ellis stepped down unexpectedly from his Customs post in the spring of 2001, according to Shelly and other sources within Customs. Ellis could not be reached for comment.

Shelly sent off a series of letters during the last half of 2001 to the U.S. Attorney's Office, the U.S. Office of Special Counsel, the Department of Treasury's Office of Inspector General, Customs Internal Affairs as well as to members of Congress attempting to get someone to investigate the perjury charge.

"Mr. Ashcroft, is perjury by a high level U.S. Customs manager not a crime?" states Shelly in a letter dated August 1, 2001, that was sent to U.S. Attorney General John Ashcroft. "I am

not seeking vengeance, nor am I trying to retaliate. I am simply seeking justice.

“... However, in order to protect my family and my integrity and my honor, I will not cease in my quest to right this wrong.”

No one in the government did anything about his case, Shelly says.

As a result, Shelly decided to go public with his story, to shine a light on a sordid tale of alleged law-enforcement corruption, cover-ups, drug trafficking and suspected murder.

### **Rerun**

Shelly’s story sounds like a bad rerun of history — a repeat of the rampant police corruption that wracked gangland Chicago during the height of Prohibition. This time, though, the location was the U.S./Mexican border, and the backdrop for the corruption was the so-called war on drugs.

Shelly traces his troubles to his involvement in a task force whose members were dubbed by its founder as modern-day “Untouchables.”

In Shelly’s version of the story, though, it is the G-men, not the crooks, who take it on the chin. The Customs Internal Affairs special agent in charge (SAC) who spearheaded the formation of the task force, John William Juhasz, claims that it was shut down abruptly because it got too close to the truth. The task force, called Firestorm, included members of the U.S. Customs Service, the Department of Justice’s Office of Inspector General, the IRS, the FBI and the U.S. Attorney’s Office.

Firestorm, prior to being dismantled, was actively investigating some 19 cases of alleged law-enforcement corruption in Arizona, according to public records.

Juhasz asserts in a statement made under oath during a legal proceeding that all of the key players in the torpedoed Firestorm task force were subsequently targeted by the government for retaliation and had their careers ruined — including Shelly.

Shelly's story begins in early 1990 in Arizona, with the creation of the Firestorm task force. Although rooted in history, the tale has an edge to it that cuts a direct path into the present.

Shelly claims that the type of corruption uncovered by the Tucson, Ariz.-based task force poses a real threat to our national security in the wake of the 9/11 terror attacks.

Shelly also alleges that Ellis committed the perjury as part of the effort to silence him in the wake of Firestorm's demise in late 1990.

Documents provided by Shelly show that the Firestorm task force had unearthed evidence linking two Customs inspectors working along the Arizona border to drug traffickers. The documents also allege that a supervisor with the Department of Justice's Office of Inspector General (OIG) — who was suspected of having ties to drug traffickers — worked to derail the investigation into the inspectors' activities.

The OIG supervisor still worked for the government as of late 2001, according to Shelly and other sources. After that date, his whereabouts could not be confirmed. The two Customs inspectors were still stationed on the U.S./Mexican border in 2005, Shelly adds.

Also outlined in the documents are the details of the task force's investigation into the mysterious death of a former Customs supervisor in Douglas, Ariz., who Juhasz suspected might have been "involved in a circle of corruption in Douglas," according to an affidavit Juhasz submitted to the Department of Treasury's OIG.

The documents include testimony, notes and records provided to the House Commerce, Consumer and Monetary Affairs Subcommittee in 1992. Other documents include workers' compensation hearing testimony, Merit Systems Protection Board depositions, internal reports of investigation, various legal affidavits, statements and Customs Service memoranda.

The account that follows is based on those documents, which total hundreds of pages, as well as interviews with numerous former and current Customs agents.

### **Looking inward**

Among the initial cases on the Firestorm task force's agenda centered on one of its own: Javier Dibene, special agent in charge of Arizona for the Department of Justice's OIG — which is charged with investigating cases of alleged mismanagement and corruption within the Justice Department's ranks.

Dibene, who was based in the Tucson office, was being eyed due to his alleged links to drug trafficking operations.

"I suspect that,,,Javier Dibene,,, (is) involved in narcotics activities," states Juhasz in a 1991 affidavit provided to a Treasury-OIG investigator.

The FBI had investigated Javier Dibene in 1990 and cleared him. However, the FBI agent on the case admitted, according to congressional records, that he had been given such narrow case parameters by his supervisors that the "investigation had no chance of success."

As a result, nagging questions remained as to Dibene's activities. Stephen McSpadden, senior counsel to the House Commerce, Consumer and Monetary Affairs Subcommittee, draws out some of those concerns in testimony he submitted to the congressional body in July 1992.

"There was another incident of Dibene quashing or not pursuing an investigation. Rudy Molina is a Douglas, Ariz., INS inspector who is suspected of money laundering and drug trafficking. Dibene takes his resignation and closes the case against Molina. This was before the (Firestorm) task force came into existence.

"...(Juhasz) suspects that Dibene was looking for an easy way to get rid of this matter, and obtaining Molina's resignation was the way to do it. There is no further investigation of Molina until the Firestorm task force opens another case on Molina....

"The task force becomes aware that Molina had become involved with Customs Inspector (Donald) Simpson and that they are actually importing narcotics into the country. Molina was involved in trying to import and deliver 500 pounds of cocaine.

Molina was eventually convicted in this new case, together with Simpson. Molina was sentenced to 30 years and Simpson to life in prison.”

Further suspicion was drawn to Dibene when tapes surfaced fingering two Customs inspectors in Nogales for allegedly allowing loads of dope to pass across the border through an arrangement with a drug trafficker.

The tapes, which were in Spanish, were provided to the DEA initially through an attorney for a criminal defendant. The attorney was seeking to cut a deal for his client using the tapes as leverage.

“The (two audio) tapes were made during the kidnapping by a major drug trafficker of small-time drug trafficker,” states McSpadden in 1992 congressional testimony. “Once this individual was kidnapped, the major trafficker put a gun to the kidnappee’s head, who was then ordered to tell everything he knew. He agreed to do so for obvious reasons.”

Congressional testimony from Milan Tesanovich, the assistant U.S. attorney who served as coordinator for the Firestorm task force, indicates that Dibene — who speaks Spanish — was provided with copies of the tapes for review in the fall of 1990. However, a few days later, DEA Agent Alejandro Vasquez was told that Dibene had found nothing of value on the tapes.

Vasquez, who also had listened to the tapes, became suspicious as “he realized the tapes referred to large-scale narcotics trafficking...,” congressional records state.

Several days after turning copies of the tapes over to Dibene’s office, Vasquez passed the original tapes on to Customs Agent Shelly, who also speaks Spanish. Shelly then brought the tapes to Juhasz’s attention.

“The tapes contained the unequivocal identification and implication of Customs border inspectors, by name, in corruption that involved the deliberate ‘passing’ of large (600 pounds) and numerous periodic (alleged to be weekly) loads of cocaine by the inspectors ...,” Juhasz states in a letter sent to the Commissioner of Customs in 1991.

Dibene's lack of interest in the tapes also led Juhasz to begin to suspect that Dibene was obstructing the investigation.

"To fully and properly evaluate Javier Dibene's actions and statements in this matter, it is important to know that he was born in Mexico, moved to Douglas, Ariz., at age 10, and later moved to Nogales, Ariz., where he grew up with the Customs inspectors named in the tapes, and therefore arguably knew them intimately," Juhasz writes in the letter. "For him to state that there was nothing of value on the tapes was at best ludicrous, and more probably criminally obstructive. I feel that Javier Dibene's actions concerning the audio tapes serve to confirm my nagging fear that he was actively suppressing corruption investigations."

### **Border politics**

In the drug trafficking game, death is not a random card, explains one Customs agent who did his time on the border. In the wake of one seizure of drug-cartel assets in Arizona, the agent recalls, 18 people were murdered; 13 of the bodies were discovered at the bottom of a shaft — some with a finger missing.

"They (the drug traffickers) were trying to find the informants," the agent explains. A missing finger is a sign of a snitch.

The investigators on the case also received death threats, the agent says. "These people play for real," the agent stresses.

One source who claimed to have first-hand knowledge of the 13 bodies discovered at the bottom of the shaft offered the following gruesome details of the murders via an e-mail correspondence:

"First, the finger was (taken) off by torture. ...Then one of the bodies was a woman with a hole in (her) stomach. That is because she was pregnant and they cut it open and took it out, in order to get back (at) the father of the baby who snitched."

In that context, it is not surprising that Juhasz and the Firestorm task force would cross paths with a case involving a suspicious death in 1990 in Douglas, Ariz. — the same small



border town where Customs Agent Gary Friedli would be killed in a car accident some eight years later.

The case centered on Jake Price, a well-known and well-connected public figure who had lived in Douglas for more than a decade. He served as the resident agent in charge (RAC) of the U.S. Customs Office of Enforcement in Douglas before retiring in the late 1980s to become a city magistrate.

Among Price's connections was real-estate speculator and Douglas Justice of the Peace Ronald J. (Joe) Borane, according to documents provided to the congressional subcommittee.

In February 1990, Price unexpectedly became ill. He was transported to Tucson Medical Center after falling into a coma, congressional records state.

James "Breck" Ellis, who at the time was a Customs Internal Affairs group supervisor and a member of the Firestorm task force, was dispatched by Juhasz to investigate the situation.

Ellis had worked in the Douglas Customs office with Price prior to becoming a Customs Internal Affairs agent in Tucson. Ellis would later go on to head Customs Internal Affairs office in Arizona, a post he held during the Gary Friedli accident investigation.

Ellis found Price at the hospital that winter day in 1990 under the watch of "two to three Douglas police officers" who appeared to be guarding him and who had "apparently traveled with him," congressional records state. Price's son, Justin "Clay" Price, also was at the hospital.

"Jake Price was still suspected of being involved in a circle of corruption in Douglas, Az.," states Juhasz in his 1991 Treasury-OIG affidavit. "Tucson Internal Affairs Group Supervisor Ellis met with Justin Clay Price (Jake's son), a DEA agent from New York, at the hospital in Tucson where Jake Price was in a coma and not expected to live.

"An agreement was made between Justin Clay Price and Group Supervisor Ellis that Tucson Internal Affairs would have access to Jake Price's personal papers at such time as Jake should die. ..."

Then things got stranger.

“...In February 1990, the former RAC in Douglas, Az. (Jake Price) died under mysterious circumstances,” Juhasz states in the Treasury-OIG affidavit.

Even though Price’s son, Clay, allegedly promised Customs Agent Ellis access to his father’s papers, Clay later hooked up with a Douglas Customs officer, and together the two burned Jake Price’s papers in the furnace at the Douglas Port of Entry, congressional records state.

Congressional documents also indicate that those papers, “including probable bank records, would have helped expose (words blacked out) involvement in the drug trafficking and public corruption in Douglas.”

When interviewed by DEA Internal Affairs about the destroyed papers, Clay Price “reportedly told them that he just destroyed some of his father’s personal records, like checks, but nothing that was relevant to Customs,” documents submitted to the congressional subcommittee state.

The records were not the only disappearing act associated with Jake Price’s death. His body was shipped to Texas, according to congressional documents. No autopsy was performed.

The strange circumstances surrounding Jake Price’s death, though, led Juhasz to a dark conclusion.

“I believe, that the former agent in charge of the Douglas office was murdered by — by political figures in the Douglas area.,,,” Juhasz opined when queried about Price’s death in a legal deposition related to a workers’ compensation case filed by Shelly.

### **Underground economy**

The trail of coincidences didn’t end with Price. About three months after Price died in February 1990, Customs investigators unearthed an underground tunnel stretching from Agua Prieta in Mexico, to Douglas, Ariz. The tunnel, it was ultimately discovered, connected a suspected drug trafficker’s house in Mexico to his warehouse in Douglas.

According to Arizona Assistant Attorney General John R. Evans, Joe Borane sold the land where the warehouse was located to the suspected drug trafficker: Mexican businessman Francisco Rafael Camarena-Macias. Evans adds that Borane also is the godfather of one of Camarena's children — a fact Borane confirmed as well.

In addition, Borane rented space to Customs for its Douglas office while Price was the resident agent in charge, according to congressional documents.

"No corruption investigation in (the) Douglas area would be able to avoid Price, former resident agent in charge of the Customs Office of Enforcement (OE) office in Douglas,,who retired and was given a job as a magistrate by Joe Borane," state notes prepared by prosecutors in the Tucson U.S. Attorney's Office in February 1990 and submitted to the congressional subcommittee investigating Firestorm's demise.

"Long history between Price and Borane," the notes continue. "Price leased the OE office from Borane under questionable circumstances. Price recently died, perhaps under suspicious circumstances. When he left Customs, he (Price) took a lot of government records with him, including, it is believed, the Douglas informant registry. ,,Price was buried without an autopsy."

Borane confirmed that he knew Price, when interviewed. However, Borane said he had never heard anything about Price's death being "mysterious."

Borane also explained that he owns a lot of real estate in Douglas. He added that it was a real estate agency in town that actually handled the sale of the land to Camarena.

"I owned the land and leased it to a ready-mix plant, and I think they had a trailer on it," Borane said. "Later on, the warehouse was built, if I recall."

In addition to the land he acquired in Douglas, Camarena also owned a residence in Agua Prieta. The tunnel connected his home in Mexico to the warehouse on his Douglas property.

According to a statement released by Customs, Camarena is believed to have hired an architect to design the tunnel.

Sources within Customs confirm that the investigation into the drug-running tunnel was launched in November 1989. The concrete-lined, air-conditioned 200-foot-long tunnel, which was used to smuggle tons of cocaine from Mexico into the United States, was finally found and shut down in May 1990.

However, what happened after the hunt to find the tunnel was launched in late fall of 1989 plays out like an episode of the *Keystone Cops* — although with much darker overtones.

The resident agent in charge of the Douglas field office at the time was Stephan Mercado. Mercado's office was the first to discover evidence of the tunnel's existence. Mercado even contacted Customs' Tucson office in the fall of 1989 to get information about where to find equipment that could be used to locate hidden tunnels.

The following is extracted from testimony provided to the House Commerce, Consumer and Monetary Affairs Subcommittee in July 1992 as part of hearings examining alleged misconduct and mismanagement within the Customs Service. The testimony was submitted by the subcommittee's senior counsel, Stephen McSpadden:

"According to John Juhasz (JJ), 'This is one of the most amazing stories of mismanagement that he has ever seen.' On a couple of occasions, Mercado passed information to Special Agent in Charge (Tom) McDermott's office about an alleged tunnel under the Mexican border to Douglas, Az. McDermott ignores this information and does not respond to Mercado's request for technical equipment [sounding equipment to look for the tunnel]. So nothing happens. Then (William) Gately (resident agent in charge, or RAC, of the Phoenix Customs field office) starts passing on the same information, but it is inaccurate; it relates to the wrong location of the tunnel. Because Gately is close with McDermott, McDermott begins to take it seriously."

(Gately would later go on to spearhead the major money laundering sting targeting Mexican banks: Operation Casablanca — which he alleged was shut down prematurely in 1998.)

McSpadden's testimony continues:

“Even though McDermott (in Tucson) is the Office of Enforcement (OE) special agent in charge for the entire state, (David) Hayes is the Nogales RAC for OE, and Gately is the Phoenix RAC — all with supervisory responsibilities for their own offices, which they now disregard, they take over the (tunnel) investigation. They travel to Douglas (in the spring of 1990), obtain the equipment which Mercado had requested months before, then literally physically take over the RAC offices and usurp the chain of command, and treat the rest of the (Douglas) staff very poorly.

“Mercado is unofficially demoted and made a wire-room translator in Tucson. Mercado was talented and had good people. Mercado felt that OE management in Tucson never supported his operations in Douglas. JJ believes that it was because of discrimination towards Hispanics, which Hayes had been previously investigated for [the civil rights violations]. Mercado alleged this in a complaint with the Customs EEO officer.”

(Customs Special Agent Mercado — who years later became a group supervisor in the Office of Investigation in El Centro, Calif — is also a named plaintiff in the class-action lawsuit filed by Hispanic Customs agents in May of 2002.)

House subcommittee Senior Counsel McSpadden goes on to detail in his testimony, which is based on an interview with Juhasz, how the drug traffickers behind the Douglas tunnel essentially escaped under the watch of Arizona's top Customs cops.

#### **More McSpadden testimony**

Mercado took a downgrade and went back to his home in Yuma. „According to sources, these individuals, McDermott, Gately and Hayes, took over the surveillance of the load vehicle leaving the tunnel warehouse in Douglas; they followed the vehicle, a

large flatbed truck, in which the drugs were stored in a hidden compartment in the bed. They followed the vehicle, which was being escorted by one or two other trafficker vehicles, all the way to a Phoenix suburb. The receivers and distributors of the drugs, several people, approached the vehicle location.

The (Customs) OE sources told JJ (Juhasz) that some people at the site were ultimately arrested, but they had to be released because there was insufficient evidence to hold them. Once the vehicle was safely at the drop site, the main players — the major trafficker — is stopped by the police, asked for identification, and then allowed on instructions from McDermott to leave the area.

The main target was a Mexican national and presumably returned to Mexico. And as the major players left the area where the truck was situated, Customs moved in on the minor players, who are subsequently released. These three Customs officials are directing the investigation, and the local police are providing some support by asking for IDs.

It was highly unusual for these managers (McDermott, Gately and Hayes) to be directly involved. But they know they would get the glory. They manipulated the media to make the operation look like a real success. McDermott made the press release himself, failing to follow the instructions of his chain of command. The U.S. Attorney's office for Arizona "regarded Operation Catacomb (as it was dubbed) as more of a media event than an investigation." At the very least, this was gross mismanagement.

JJ's (Juhasz's) final comments, "Why the hell were these senior officials running this investigation?" This incident made Ralph Garcia, the Treasury Office of Inspector General official (who investigated the demise of Firestorm) very suspicious of McDermott.

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### **More dots**

In the 1991 affidavit provided by Juhasz to the Treasury OIG investigator, another familiar name surfaces: John Hensley, the same person who allegedly worked to shut down Operation Casablanca and former Customs Agent Darlene Fitzgerald's railcar investigation. At the time of Firestorm, Hensley was the assistant commissioner for Customs' Office of Enforcement (OE) in Washington, D.C.

"It should be noted that Hensley had McDermott transferred to OE headquarters in the fall of 1990," Juhasz states in his affidavit. "Hensley made McDermott one of his key deputies and gave him an SES (Senior Executive Service rank). McDermott then took Hayes to Washington OE headquarters. ..."

A Customs insider, who asked not to be named, claims, though, that serious questions concerning the handling of the tunnel investigation did not surface until after McDermott was moved to headquarters.

In his Treasury OIG affidavit, Juhasz also describes a case that the Firestorm task force was working in Yuma in which most of the OE field office there, including its top gun, Rick Ashby, were under investigation for embezzling money from a fund used to pay informants. That investigation eventually imploded.

"The Yuma scandal was going to involve embezzlement and conspiracy among agents in the OE office and forgery of over a hundred informant payment documents," states McSpadden in his congressional testimony. "Juhasz now strongly suspects that high-level Customs and Treasury management made a deliberate and calculated decision to cover up the Ashby/Yuma scandal."

After Juhasz was removed as special agent in charge of Internal Affairs in Arizona in early 1991, according to his affidavit, he discovered Gately, McDermott, Hensley and others had been "added to the grand jury list" for the Yuma case.

"I asked the case agent, Steven Gintz, who was putting these people on the grand jury list for the Yuma case," Juhasz states in the Treasury OIG affidavit. "He said he didn't know. I

asked him if he felt that the Office of Enforcement (OE) was trying to obstruct the Internal Affairs investigation (in the case). Gintz said yes.

“... It is now quite apparent that Customs OE has the power in Arizona to do as they wish ...,” Juhasz concludes in the affidavit.

The alleged trafficking kingpin behind the Douglas tunnel, Camarena, was eventually indicted in 1995 — some five years after the tunnel was discovered in the spring of 1990 — but he disappeared in Mexico, according to U.S. Customs. The long arm of the law finally caught up with him in the summer of 2001, when he was turned over to U.S. authorities by the Mexican government to face conspiracy and cocaine trafficking charges.

In February 2003, as part of a plea agreement, a U.S. District judge in Arizona handed down a 10-year prison sentence to Camarena. A year later, the man suspected of designing the Douglas tunnel, Felipe de Jesus Corona-Verbera, was arrested in Mexico and sent back to the United States to stand trial, according to a press report in the Arizona Daily Star.

Although law enforcement officials did investigate the property transaction between Borane and Camarena after the tunnel was discovered, no charges were ever brought against Borane, according to Arizona Assistant Attorney General Evans and other sources.

However, Borane was arrested years later, in 1999, on drug-running, money laundering and traffic-ticket-fixing charges. Evans, who coordinated that prosecution, says Borane was ultimately convicted of two felonies related to the ticket-fixing charges and served 90 days in jail.

“He (Borane) is,,no longer a justice of the peace,” Evans adds.

Although Borane was forced to step down as justice of the peace in Douglas, he said in an interview that he still owns a significant amount of real estate in the area.

When asked why he was subjected to so much law-enforcement scrutiny, Borane said, “When you’re in a small



community and you're considered politically active, which I was, and you own a lot of real-estate holdings, they (the authorities) tend to look at you."

## **CHAPTER 10**

### **Swept Under the Rug**

**J**ohn William Juhasz's efforts to expose law-enforcement corruption through the Firestorm task force sparked a major turf war among the federal agencies involved with the task force.

Juhasz, who founded Firestorm while head of Customs Internal Affairs in Arizona, was labeled "a loose cannon who was only trying to build an empire," by the FBI special agent in charge in Phoenix, congressional documents state.

Juhasz retired from Customs in 1994, some four years after Firestorm was dismantled. He could not be located for comment on the fate of the task force. His statements have been drawn from public records.

Although Juhasz has his detractors, he is a bit of a legend in some corners of the Customs Service. One federal agent who knows him pointed to his handling of the Charlie Jordan case as evidence of Juhasz's daring and brains.

Jordan was a Customs agent in South Florida who was allegedly corrupted by drug traffickers. When Jordan discovered he had been found out, he went on the lam, threatening never to be taken alive, according to the agent, who asked to remain anonymous.

Juhasz recounts the Jordan case in testimony he provided in former Customs agent Steve Shelly's 1994 workers' compensation hearing:

"I traveled to Colorado (in the summer of 1989) and conducted a manhunt that covered five Rocky Mountain states involving dozens of law enforcement from various agencies, and captured Charlie Jordan, one of America's Most Wanted on Fox Television."

According to the anonymous agent, Juhasz found Jordan in Wyoming.

“Juhasz taped a machine gun to his arm under his coat and knocked on the door,” the agent says. “He told Jordan he was having battery trouble with his car and asked him for help.

“Juhasz let Jordan get in front of him and then said, ‘I have a machine gun taped to my arm. If you don’t do exactly what I say, I’ll cut you in half.’

“Jordan surrendered,” the agent says.

Other former federal agents interviewed who know Juhasz describe him as an excellent agent of impeccable integrity who has no tolerance for corruption or political games — kind of like the Eliot Ness of Customs.

And it appears the comparison to Eliot Ness is not out of bounds, based on statements Juhasz himself made during Shelly’s workers’ compensation deposition:

“As the depth and breadth of corruption (in Arizona) within the government agencies, and especially within Customs, was becoming in focus, being uncovered,,,I think that there were a lot of people that were very afraid of us — because we, in effect, were the untouchables.”

However, Juhasz would soon discover that he and the task force were far from “untouchable.”

The interagency tiff set off by the handling of the tapes exposing two Customs inspectors as being in league with drug traffickers, as well as other ongoing case-related tensions among the task force members, prompted the U.S. Attorney’s Office to withdraw from Firestorm in early December 1990, according to congressional documents. By the end of the month, the task force was dead in the water.

In February 1991, Juhasz was relieved of his duty as special agent in charge of the Customs Internal Affairs office in Tucson and subsequently transferred out of Arizona without explanation.

“It became quite evident that it was purely political (the task force being shut down), that we were too effective, that we were getting too close,” Juhasz states in the workers’ compensation deposition. “We’d already toppled the Justice Department’s Inspector General’s office for covering up drug trafficking by

Customs Inspectors. And I think that they were terrified as to what we were going to find.”

According to the commissioner of Customs at the time, Carol Hallett, Juhasz was not removed from his position in Arizona, but rather reassigned “on a lateral basis.”

“Although there may be a question only of terminology, we would like to clarify the fact that Mr. Juhasz was not ‘removed’ from his position,” Hallett states in a 1992 letter to U.S. Rep. Doug Barnard Jr., D-Ga., chairman of the House subcommittee on Commerce, Consumer and Monetary Affairs. “His reassignment (to San Diego) was on a lateral basis [i.e., a transfer] from one position to another without a break in services. „The decision to reassign Mr. Juhasz was made by (then) Assistant Commissioner for Internal Affairs, Mr. George Heavey.

“...We would also like to point out that during the first nine months of calendar year 1991, Mr. Heavey initiated numerous actions similar to the reassignment of Mr. Juhasz in order to realign and strengthen the staffing of Internal Affairs.”

But Juhasz was not the only Firestorm task force member to get his wings clipped. In addition to Juhasz, others on the task force also were subjected to retaliation by their employers in the wake of Firestorm’s demise, according to congressional documents. Those individuals included Steve Shelly, his wife (also a Customs agent and task force member), DEA Agent Vasquez, an unnamed FBI agent, a special agent with the Department of Justice’s Office of Inspector General (OIG) in Tucson, and the assistant U.S. attorney who served as coordinator for the Firestorm task force.

“The careers of all the people on the task force have been either damaged or destroyed,” Juhasz states in the workers’ compensation deposition.

As for Javier Dibene — the man in charge for Justice OIG in Arizona who was suspected of complicity with drug traffickers — he, too, was transferred out of state. Dibene ultimately took a job with the Immigration and Naturalization Service (INS) in California, according to congressional records. As of late 2001, he

still worked for the federal government in the investigations division of the San Diego District of INS. After that time, his whereabouts could not be confirmed.

And what happened to the two Customs inspectors fingered on tape-recordings for allegedly allowing loads of dope to cross the border on their watch? According to Shelly, as of 2005, they were still on the job, patrolling the same stretch of border in Arizona. The irony of that fact is not lost on Shelly, who considers the inability or unwillingness of the government to address the issues of alleged corruption uncovered by Firestorm as a serious threat to national security.

“If I wanted to sneak some kind of bioterror or other weapon into the country, I’d go to the dope smugglers to get it across the border, because they have the connections,” Shelly explains. “The individuals involved in the smuggling don’t know what’s in those cars or packages, and they don’t care.”

### **The fallout**

With the demise of the Firestorm task force in December 1990 and the jettison of Juhasz about a month and a half later, Group Supervisor James “Breck” Ellis took on the lead role in the Customs Office of Internal Affairs in Tucson. At that point, Shelly says, the cases opened by Firestorm were allowed to go cold.

Juhasz claims that Ellis used his new-found power to undermine investigations that had been launched by the task force.

“Now from the point — the time that I left, no significant investigation was conducted. And I believe, based on what I’m aware of, that it was sabotaged from within and principally — starting with Breck Ellis,” Juhasz states in the workers’ compensation deposition provided in Shelly’s case.

Ellis, who could not be reached for comment, reportedly retired from Customs in 2001.

Customs insiders familiar with the task force’s operations in Arizona in 1990 say the whole affair was effectively buried by the agencies involved.

Juhasz did file complaints through Treasury Department channels. They went nowhere. Juhasz even testified in 1992 before the House Subcommittee on Commerce, Consumer and Monetary Affairs about the circumstances surrounding the demise of the task force.

But the congressional investigation was never crystallized into a final report for the full House committee.

A letter signed by the chairman of the House subcommittee was delivered in November 1992 to Warren Christopher, head of President Bill Clinton's transition team. The letter — also co-signed by Charlie Rose, D-N.C., of the House Committee on Agriculture — urged that a special prosecutor be appointed to look into alleged law-enforcement corruption within Customs and Treasury.

An investigation never occurred because the enabling legislation for special prosecutors had already lapsed when Clinton took office.

An agent with Treasury OIG did attempt to probe the Arizona corruption charges, but “his investigation was shut down by the U.S. Attorney's office in Phoenix, as well as the (Treasury) Inspector General's Office in Washington,” Juhasz states in testimony at Shelly's 1994 workers' compensation hearing.

Juhasz adds in the same testimony that President Bill Clinton did, as requested by the House subcommittee, remove the Commissioner of Customs, the Assistant Secretary of Treasury and the Inspector General for the Department of Treasury.

“The day he took office, they left,” Juhasz states in the workers' compensation testimony.

Following is the text of the Nov. 18, 1992, letter sent by congressmen Rose and Barnard to Warren Christopher and Susan Brophy — who was assistant director for congressional relations for then President-elect Bill Clinton's transition board.

#### **The letter**

Dear Mr. Christopher and Ms. Brophy,

We are writing to direct the Transition Board's attention to serious problems which have arisen in the Customs Service and Treasury's Office of the Inspector General during the previous Administration and to urge that your team docket the Service and the OIG as a high priority area for corrective treatment. Our reasons for pressing such action are as follows.

First, in September and August of this year, the General Accounting Office [GAO] issued two reports which were highly critical of the (Customs) Service's ability both to collect duties due to the U.S. and to find violations of various import laws relating to unfair trade practices and unsafe goods.

Second, the Commerce, Consumer and Monetary Affairs Subcommittee [CC&MA] — chaired by one co-signatory of this letter, Congressman Doug Barnard of Georgia — has conducted a two-year investigation of serious misconduct and mismanagement by officials and employees of the (Customs) Service, and, in relation to that investigation, officials in its parent, the Department of Treasury. While the allegations, which we believe are supported by credible evidence, arising out of the investigation center around difficulties along the U.S.-Mexico border and have serious negative implications for the war on drugs, they also concern other parts of the country and non-drug related areas. As discussed in more detail at various points below, the misconduct and mismanagement have not been isolated to political appointees and encompasses senior career personnel.

Third, the Chairman of the Subcommittee on Department Operations, Research and Foreign Agriculture of the Committee on Agriculture [DORFA], Congressman Charlie Rose of North Carolina — the other co-signatory of this letter — has been extremely concerned about recent plans for moving certain Customs (Office of) Enforcement management at Washington Headquarters to field positions which have been recently upgraded to Senior Executive Service positions. Some of these

personnel have been implicated in misconduct situations. Both signatories have reason to believe some such promotions may be a reward for “stonewalling” the Congress in connection with the Banca Nazionale del Lavoro [BNL] case. In review of recent developments concerning misleading information supplied by the CIA and the Justice Department to the court trying the BNL case in Atlanta, the allegations of a role by the Customs Service in this whole affair require some immediate probing.

(Note: BNL was an Italian bank that was accused of providing Iraq with billions of dollars in illicit financing in the 1980s. The Department of Agriculture, through an export credit program, had issued guarantees for a portion of the loans extended by BNL to Iraq. Just prior to the start of the 1990 Gulf War, Iraq defaulted on its foreign debt, triggering the U.S. guarantees — and giving the first Bush administration a bit of a political black eye. In 1995, according to the U.S. Department of Justice, the U.S. government agreed to pay BNL \$400 million to settle the claims. BNL’s branch manager in Atlanta also pled guilty in 1993 to improperly lending to Iraq billions of dollars — most not guaranteed by the U.S. government — and was sentenced to 37 months in prison.)

#### **Continuing the letter**

Some special comment is warranted concerning CC&MA’s (the House subcommittee’s) aforementioned two-year investigation. Because of Chairman Barnard’s ill-health just prior to adjournment of the 102nd Congress and other extenuating circumstances at that time, the subcommittee was not able to perfect and consider a draft report prepared by the subcommittee’s staff. In turn, the Government Operations Committee was unable to vote on a report for presentation to the Committee of the Whole House. However, a lengthy hearing transcript on the subject of misconduct and mismanagement in the (Customs) Service has been printed. That transcript and appendixes of documents and other material [including a sworn statement by a Customs inspector indicating corruption] set forth



a large body of evidence. This information in varying degrees substantiates serious mismanagement and misconduct within the Customs Service, the Treasury Inspector General's Office and the Office of the Assistant Secretary for Enforcement of the Treasury Department. [CC&MA Subcommittee staff would be glad to make available to you or other transition board members this public transcript or any other relevant information in our possession.] This documentation and material discloses the following examples.

The evidence seems to indicate that Commissioner Carol Hallett has allowed officials in the Office of Enforcement — some of whom are implicated in gross mismanagement or misconduct — to interfere in Customs Office of Internal Affairs (IA). Further, there are strong indications the Commissioner's office has allowed violations of Treasury and other regulations to occur without bringing to bear appropriate disciplinary measures. A significant factor in this lack of disciplinary action might well be laid to the existence of an "old-boy" network which a recent Customs

Blue Ribbon panel found to exist, but which has proven remarkably resilient to effective control dissolution. We are concerned that this indicates a shortcoming of necessary management skills and the lack of an aggressive commitment to replacing or disciplining responsible individuals by the Commissioner.

Preliminary evidence also indicates that Treasury Inspector General Donald Kirkendall and his former Assistant Inspector General for Investigations, Charles Fowler, prematurely killed uncompleted investigations of senior Customs officials. OIG also refused CC&MA Subcommittee requests for timely investigation of a senior Customs official in Texas and then provided highly inaccurate information about that investigative activity during a subcommittee hearing. OIG allowed others, including an Assistant Treasury Secretary, named below, to improperly obtain

information on one of its investigations. Further, the OIG has refused to adequately staff its investigative unit by staying below authorized levels. In sum, investigations of Customs officials have been given low priority. One informant within the OIG told the Subcommittee that the Treasury Office Inspector General is repeatedly made “subservient” to the wishes of Treasury officials as to whom and what to investigate.

On another front, the CC&MA Subcommittee has amassed information, some of it by sworn statements and agency documentation, indicating that Assistant Secretary of the Treasury [Enforcement] Peter Nunez and/or his staff have interfered in one grand jury investigation of a senior Customs official [in Arizona] and improperly obtained information in another investigation in Chicago. There are also indications he used Government funds to travel to Chicago where Customs personnel and cars were employed to escort him to at least three sporting events in Chicago — which Treasury OIG refused to investigate until pressed by the CC&MA Subcommittee. Assistant Secretary Nunez may have unsuccessfully attempted to interfere in another grand jury investigation in Florida — which interference was partly prevented by the U.S. Attorney. He also apparently directed Customs Internal Affairs to cede some of its investigative jurisdiction in Customs corruption cases to Customs’ Office of Enforcement, even if Customs Enforcement agents might be involved, directly violating recommendations in a Treasury OIG audit report and the August 1991 Blue Ribbon Panel Committee Report concerning integrity of criminal investigations of Customs personnel.

If the subcommittee draft report had been considered and voted out of subcommittee and the full committee, it would have likely recommended further investigation by an independent counsel or, alternatively, a special prosecutor, to fully examine much of the preceding information.

Given all the foregoing, we believe there is a very serious situation in the Customs Service and Treasury OIG which needs early rectification in the new Administration. In a limited respect, we are writing this letter simply because of the importance of taking all appropriate corrective action with respect to the above named senior individuals as soon as possible. While persons at the assistant secretary level will undoubtedly terminate by Jan. 22, 1993, caretaker status for others should not, in our opinion, be permitted.

However, more importantly, the Customs Service as a whole is in bad need of attention. Not only is it a key component of the drug war, it is also the second most important revenue-raising unit for a strapped government.

In order to preserve the Customs Service's integrity and effectiveness, President-elect Clinton needs to choose a new Commissioner of Customs capable of carrying out the dramatic internal reforms which are required and of holding individuals accountable....

Sincerely,

Charlie Rose, Chairman, Subcommittee on Department  
Operations, Research and Foreign Agriculture of the Committee  
on Agriculture

Doug Barnard Jr., Chairman, Subcommittee on Commerce,  
Consumer and Monetary Affairs of the Committee on  
Government Operations

## **CHAPTER 11**

### **Politically Connected**

**A**lthough the Firestorm task force and its work in ferreting out law-enforcement corruption may have been effectively swept under the rug of history, the controversy surrounding Customs' operations in Arizona did not go away.

In early 2002, former Customs agent and Firestorm task-force member Steven Shelly — as well as other sources — advanced information alleging that a former U.S. Senator was a target of the task force.

Firestorm, which was composed of agents from several federal agencies, was shut down abruptly in late 1990 because it was getting too close to the truth, according to members of the Arizona-based task force.

“The ‘Firestorm’ task force that was shut down overnight, was shut down as a result of one phone call, because the list of suspects included a former United States Senator...,” claims Shelly. He makes that claim in a letter sent in March 2002 to several U.S. senators and a congressman.

Several other sources familiar with Firestorm's operations also confirm that the former senator was in the task force's investigative sights.

The former senator says he knew of the task force, but stresses he was not aware that he was being targeted for investigation by the G-man unit. He adds that any such probe would have been politically motivated, not based on any credible evidence.

Shelly says Firestorm's “target” was former U.S. Senator Dennis DeConcini, D-Ariz. — who, at the time of the task force, was still serving in the Senate.

Shelly concedes that he does not know the specifics of why DeConcini was a Firestorm target. DeConcini served in the U.S. Senate for three terms, from 1977 to 1995 — when he retired after

choosing not to seek re-election. As of 2005, he was working in Washington, D.C., as an attorney and a lobbyist.

Sources familiar with the Firestorm task force also point to an internal government document that likely put DeConcini on the task force's radar screen. That document is a written summary of an interview conducted with an "informant" over a two-day period in July 1990 by FBI Special Agent Bradley Doucette and Customs Internal Affairs Special Agent John W. Colledge III.

The document is referred to in the public record of the 1992 congressional hearings that explored the demise of Firestorm.

Following is an entry from a diary included in the congressional record. The diary was maintained by Milan Tesanovich, the assistant U.S. Attorney assigned to the Firestorm task force. The diary entry is dated "July 12 & 13, 1990."

"FBI S/A Doucette and Customs Internal Affairs S/A John W. Colledge, III, meet with an informant who provided detailed historical data concerning corruption in the Douglas, Arizona, area," the diary entry states.

Among the allegations made in the document summarizing the interview with the informant is that DeConcini used his position as a U.S. Senator to back federal agents off of investigating Douglas real-estate magnate and political power broker Ronald "Joe" Borane, according to sources. The identity of the informant was not disclosed.

When confronted with the claim that he was a target of the Firestorm task force, DeConcini characterized it as "a serious allegation" that runs counter to everything he worked to do while in the Senate.

DeConcini points out that as a senator he was a champion of the U.S. Customs Service and worked to bolster the agency's resources to better fight corruption and the war on drugs. While senator, he says he was often briefed on corruption issues related to the border.

"There were problems with Customs, such as inspectors allegedly waiving people through," he says. "I was made aware of those things because I was chair of the subcommittee that

appropriated money for Customs. And then I later served as chair of the Senate Intelligence Committee, so I would get weekly briefings on corruption issues related to the border and drugs — particularly along the Arizona border. So I was immersed in this issue while in office.”

DeConcini stresses that if the Firestorm task force was investigating him, it was politically motivated.

“If I was a target of Firestorm, it was done out of malice,” he stresses, “because as a senator I tried to get rid of corruption in Customs, that’s what I devoted my time to, to funding law enforcement and trying to make it more responsible.”

DeConcini may well have been drawn into the scope of Firestorm due to politics, according to some sources in law enforcement. In particular, the former senator’s political connections to controversial Douglas, Ariz., businessman Ronald “Joe” Borane could have triggered the task force’s interest, they explain.

### **Entering Arizona**

Sen. DeConcini says he made it a priority while in office to give Customs the muscle it needed to fight drug trafficking and the corruption it breeds.

Those efforts included ushering through legislation to expand the agency’s border presence and air-interdiction forces. As a result, DeConcini questions why the very same agency would make him the target of a task-force investigation.

What could have opened the door to Firestorm task-force excesses, according to DeConcini, is the internal problems at Customs during the early 1990s — which is when Firestorm came on line. He adds that efforts were made to reform Customs under the leadership of Raymond Kelly, who served as commissioner of Customs from 1998 until early 2001.

However, DeConcini concedes that even Kelly’s efforts may not have been successful, as some critics of Kelly’s Customs’ reign contend. “There may be some truth to the argument that the problems never really were completely fixed,” DeConcini adds.

The bottom line, according to some law enforcement sources familiar with Firestorm, is that it was Customs' internal problems — which included task-force information leaks — along with turf wars between federal agencies participating in Firestorm that led to the unit's demise.

"That task force (Firestorm) was shut down at a time when Customs was a very weak organization internally," DeConcini explains.

Officials with U.S. Customs headquarters in Washington, D.C., failed to provide a comment on why Firestorm was shut down.

Still, Shelly says the speed with which the task force was dismantled, the fact that its leader was stripped of his command and transferred out of state, and the contention that the unit's ongoing investigations were torpedoed and key task-force members targeted for retaliation lead him to believe there was more to the situation than bad management and agency egos.

Some clues as to what might have happened can be gleaned from an internal Customs memorandum, dated January 29, 1990. The memorandum was written by Juhasz and directed to Customs' Southwest Regional Director for Internal Affairs.

"At the present time, it is an accepted fact among federal law enforcement agencies and the U.S. Attorney's Office [Tucson] that law enforcement corruption in the border communities of Arizona has reached a crisis state," the memorandum states. "It is the opinion of the SAC/IA (special agent in charge of Internal Affairs) Tucson that attacking only the Customs corruption is like putting a Band-Aid on cancer.

"The solution is the establishment of a multi-agency task force, to be co-located with Customs Internal Affairs, Tucson, Ariz., to deal directly and immediately with all aspects of law enforcement corruption on the Arizona border."

The memorandum then goes on to identify some potential targets for the proposed task force.

"Current investigative information in this office indicates heavy involvement in the corruption of two Customs employees

by an organization in Cochise County (Arizona) which is believed to include law enforcement and court officials,” the memorandum states. “There are strong indications of the same type of activity in Santa Cruz County, which, like Cochise County, is adjacent to the Mexican border.

“Other Federal agencies in Arizona implicate the same organizations as being part of the drug smuggling problem. The members of these organizations include....”

Listed among the credits in the memorandum are a number of high-ranking police and judicial officers in Douglas and Nogales, Ariz. — including the Justice of the Peace in Douglas.

In 1990, that individual was Ronald “Joe” Borane.

“Borane was a target of the task force,” Shelly confirms.

“All this is nonsense, Arizona politics,” Borane asserted in an interview.

According to observers familiar with Arizona politics, Borane has a reputation as a major political player.

“Borane is an influential Democratic politician, and any statewide politician would be foolish not to develop a relationship with him,” says Clarence Dupnik, who as of 2005 served as the sheriff of Pima County, where Tucson is located.

And it is politics that connects Borane to DeConcini.

In fact, DeConcini describes Borane as a “friend.” He says his relationship with Borane dates back to the mid-1970s, when DeConcini first met him while working on the gubernatorial campaign of Raul Castro, who served as governor of Arizona from 1975 to 1977.

“I wrote a letter on his behalf to the judge at his sentencing,” DeConcini says, referring to Borane’s felony conviction on ticket-fixing charges. “... Joe (Borane) is one of the best politicians in southern Arizona.

“... He knows how to make friends and deals, but I never knew of anything he did that was illegal.”

As for the ticket-fixing conviction, DeConcini says Borane got caught up in a sting operation and was convicted. “The record speaks for itself,” DeConcini adds.



Some sources in law enforcement and observers of Arizona politics indicate that DeConcini's friendship with Borane, and the fact that Borane was a Firestorm target, may account, in part, for the Firestorm task force's interest in the former senator.

In addition, in 1990, when Firestorm was heating up, DeConcini also was under fire for his role in the multi-billion dollar collapse of Charles Keating's Lincoln Savings and Loan Association.

DeConcini, along with four other senators — dubbed the Keating Five — were accused of improperly intervening with federal regulators investigating the thrift's collapse. The five senators received more than \$1 million in campaign contributions from Keating.

In the summer of 1991, the Senate Ethics Committee cited DeConcini for questionable conduct. DeConcini, for his part, claimed at the time that he had done nothing wrong. Still, the scandal made him vulnerable politically and opened the door for further scrutiny, political observers contend.

DeConcini supporters stress, though, that any claim linking the former senator to illegal activities is way out of bounds and likely politically motivated.

Sheriff Dupnik says he knows DeConcini well and finds it hard to believe he was being targeted by Firestorm. In fact, his initial reaction to the claim was that it was "absurd."

"There has never been the slightest inkling that he (DeConcini) has ever been involved in anything criminal," Dupnik adds.

Borane describes DeConcini as "a very honorable man."

"This whole thing is a political assassination," Borane said. "Someone (like DeConcini) becomes a politician with influence, and all of sudden people take after him. It's an unbelievable situation; it's a nightmare."

However, Shelly is unflinching in his claim that DeConcini was a target of Firestorm. He concedes that he does not know for a fact that DeConcini was responsible for pulling the plug on

Firestorm, but adds “if anyone had the power to shut it down so quickly and completely, he had that power.”

In the end, though, it is the unanswered questions, more than anything else, that have brought the Firestorm task force back from the ashes.

Juhasz puts some of those questions to the Commissioner of Customs in a letter he drafted in 1991, shortly after the demise of Firestorm:

“I was recently told that I cannot participate in any activities in Arizona. I was told that to do so would ‘violate the agreement,’” Juhasz states in the letter. “I ask: What agreement? Certainly none that I am a party to. The specter of some back-room, smoke-filled meeting that culminated in an agreement to ‘call off the bulldog Juhasz’ smacks of improprieties, unethical behavior and possibly illegal action.

“The final question is: Who can exert so much political pressure in Washington, D.C., that I am not only removed from my position as (Internal Affairs/special agent in charge) in Tucson, but prohibited from participating in any capacity in law enforcement activities in Arizona?”

Former Customs Agent Shelly characterizes the government’s efforts to battle corruption within its ranks as more show than go. In his March 2002 letter to the senators and congressman, he says “for the past 10 years, the corrupt employees have not had much to fear as far as being exposed and prosecuted.

“Our government is aware of and tolerates corruption...,” he adds in the letter.

In an interview, Shelly conceded that we may not be able to eliminate all corruption in law enforcement.

“But we can eliminate the corruption that we know about,” he stressed. “Those who know and refuse to act become just as culpable as the crooked cops. Politics aside, something has to be done.”

And, time is of the essence, particularly when it comes to corruption along the U.S./Mexican border. U.S. Rep. Bill

McCollum, R-Fla., made a chilling prediction in a December 13, 2000, statement before the House Subcommittee on Crime, which he chaired at the time.

“In Russia, organized crime groups have developed strategic alliances globally with drug traffickers,” McCollum stated. “What is alarming is that these strategic alliances may not be limited to narcotics. One especially disturbing, and not unrealistic, scenario is the possibility of a strategic alliance between Russian criminals and a terrorist group related to the supply and shipment of weapons to be used in an attack here in the United States.”

Far out? Unfortunately, no. Ralph Mutschke, assistant director of the criminal intelligence directorate of the International Criminal Police Organization (Interpol), told McCollum’s subcommittee on December 13, 2000, that, South American drug cartels have been forming alliances with Eastern European and Russian organized crime groups. These Russian and Eastern European mafia groups “have offered drug cartels access to sophisticated weapons that were previously not available,” Mutschke said.

He added, “Helicopters, surface-to-air missiles, rocket-propelled grenades, and even submarines are on the drug cartels’ shopping list.”

And the drug cartels are not the only bad guys with an interest in acquiring high-powered weapons. The publication *Money Laundering Alert* published a report in December 2002 detailing an alleged drugs-for-arms deal involving the Autodefensas Unidas de Colombia (AUC) — which is a Colombian paramilitary group that the United States considers a terrorist organization. The investigation resulted in the arrest of several individuals in Costa Rica.

“An undercover agent from the Ukraine recruited to help the U.S. FBI and DEA posed as a source of Russian-made weapons,” the *Money Laundering Alert* reports. “High-ranking AUC officials wanted to purchase ‘five shipping containers of

Warsaw Pact weapons' in exchange for \$25 million in cocaine and cash."

Information supplied by the U.S. Drug Enforcement Administration indicates that in 2000 alone, the AUC "conducted (during the first 10 months of the year) 804 assassinations, 203 kidnappings and 75 massacres with 507 victims, and is considered by international human rights groups and the U.S. Department of State to be responsible for 70 percent of the human rights violations in Colombia."

In yet another drugs-for-arms case, an indictment was unsealed in November 2002 in San Diego that accuses three individuals there of plotting to "exchange five metric tons of hashish and 600 kilograms of heroin for four 'Stinger' anti-aircraft missiles," the *Money Laundering Alert* reports in its December 2002 issue.

"... The three men met in mid-September 2002 with the U.S. (undercover) agents in Hong Kong, where they allegedly told the agents 'they intended to sell the missiles to the Taliban, an organization which the defendants indicated was the same as al-Qaeda,'" the *Money Laundering Alert* reports. "They are charged with conspiracy to provide material support and resources to a foreign terrorist organization."

That brings us back to former Customs agent Fitzgerald's allegations. Remember, she claims the Tijuana cartel controls a large rail yard in Guadalajara, Mexico. If true, then how much Afghan heroin would it take to convince the leaders of the cartel to open up the rail yard to al-Qaeda? How much heroin would it take to convince the Russian mafia to provide al-Qaeda with a shipment of Humvees and bazookas, or even a misplaced nuclear device from the fallen Soviet Empire?

The whole terror connection to the drug trade is complicated even further by the influence of U.S. intelligence agencies, which historically have played covert roles in propping up the narco- and arms-trafficking activities of parties deemed to be acting in the "interest" of the United States. Such covert activity

on the part of U.S. intelligence operatives has already backfired in the past, unleashing our own dragons on us – i.e. Osama Bin Laden.

Lok Thye Lau, a former FBI agent who drew national attention after revealing he spied on China for the Bureau, says organized crime, including drug trafficking, has corrupted the governments of many countries, such as China. Lau says the United States would be "stupid" not to take advantage of this fact in the intelligence game.

"I was dealing with life and death stuff on a pretty regular basis," Lau says, referring to his overseas intelligence assignment. "If I got killed, and they do kill people, the day I died they would not want my family to know. That way, my family would not be pulled in. Every day, intelligence operatives are killed, but the government is not going to say, 'Oh, that was one of ours.' It's all covert."

Although Lau is prohibited from discussing the specifics of his spying mission due to national security concerns, his assignment did provide him with the expertise to brief CIA agents on the topics of "Chinese alien smuggling, Asian organized crime and Asian cultural issues in general," according to government documents.

"Until 9/11, the government was saying the FBI can't conduct undercover work overseas and the CIA can't do domestic surveillance. Look at me and you know that it was not true," Lau says. "I'm like one of the first to do what I did for the FBI, and I assure you there have been a lot of people after me."

Lau, who claims the FBI discarded him after he had served his purpose, stresses that in the underworld of covert operations, the legal and moral norms of society often give way to the law of the jungle. If left unchecked, he warns that can lead to some dire consequences for the soul of the individual and society.

"They taught me to be ruthless, and for a while I was immersed in that," Lau says. "Thank God for a conscience, which is why I pulled back. But if you become a dragon slayer, you can't help becoming a dragon yourself."

