

A report to congressional committees

For more information, contact: Michael E. Clements clementsm@gao.gov or Triana McNeil mcneilt@gao.gov

What GAO Found

Mexican transnational criminal organizations are a major supplier of the top two illicit synthetic drugs involved in overdose deaths in the U.S.—fentanyl and methamphetamine. To supply these drugs to U.S. users, these organizations

- source and purchase precursor chemicals primarily from China, using payment methods such as electronic funds transfers and virtual currency;
- produce or oversee the production of fentanyl and methamphetamine in clandestine labs in Mexico; and
- smuggle the drugs across the U.S.-Mexico border and supply them to U.S.-based drug trafficking groups.

Local drug trafficking groups sell these drugs to users through e-commerce platforms, online marketplaces, mobile applications, and social media using payment methods such as cash, peer-to-peer payment applications, and virtual currency, according to Financial Crimes Enforcement Network (FinCEN) and Drug Enforcement Administration (DEA) reports.

Transnational criminal organizations launder the illicit proceeds from synthetic drug sales using methods such as

- bulk cash smuggling (moving physical currency across international borders),
- funnel accounts (bank accounts that collect deposits from members of the criminal network in multiple locations),
- trade-based money laundering (using goods in trade transactions to disguise the movement of illicit funds),
- virtual currency (exchanging bulk cash for virtual currency), and
- Chinese money laundering networks.

Chinese money laundering networks are largely decentralized and use both underground-banking mechanisms (which bypass formal banking channels) and other laundering methods within banking systems to convert, move, and obscure illicit proceeds for a fee. Mexican transnational criminal organizations are increasingly using these networks in part because their laundering schemes have lower costs than other organizations, according to law enforcement officials.

To combat drug trafficking and related money laundering, federal agencies coordinate and share information with each other and with state, local, and international partners through task forces, working and advisory groups, colocation, and other information-sharing channels. These mechanisms help agencies share resources and expertise, prevent overlapping investigations, and combine unique authorities. In addition, starting on January 20, 2025, the administration began instituting a variety of new policies, including some aimed at combating the flow of synthetic drugs into the U.S. For example, Executive Order 14159 requires the Departments of Justice and Homeland Security to jointly establish Homeland Security Task Forces in all 50 states to end the presence of cartels and transnational criminal organizations in the U.S. Agencies reported that it is too early to assess the full impact of these policies.

Why GAO Did This Study

Mexican transnational criminal organizations have fueled the U.S. synthetic drug crisis, contributing to hundreds of thousands of overdose deaths over the last 5 years, according to the Centers for Disease Control and Prevention. These organizations dictate the flow of nearly all illicit drugs into the U.S. They generate billions of dollars in profits from the sale of synthetic drugs and must launder those profits, often with the help of professional criminal money launders.

Since 2019, FinCEN and other federal agencies have intensified efforts to combat illicit finance related to synthetic drug trafficking. Additionally, within the Department of Justice, the DEA, Federal Bureau of Investigation, and United States Attorneys' Offices have investigated and prosecuted cases related to these activities. GAO added drug misuse to its High-Risk List in 2021; the list highlights vulnerable areas across the federal government.

The Preventing the Financing of Illegal Synthetic Drugs Act contains a provision for GAO to study the trafficking of synthetic drugs into the U.S. and related illicit financing activity. This report describes (1) how Mexican transnational criminal organizations source, produce, and distribute synthetic drugs; (2) how these organizations launder their proceeds; and (3) information-sharing and coordination efforts by federal agencies to combat synthetic drug trafficking and related money laundering.

GAO reviewed federal agency documents and reports, recent executive orders, and recent court cases involving synthetic drug trafficking. GAO also interviewed federal agency officials, industry representatives, and other stakeholders with relevant expertise.