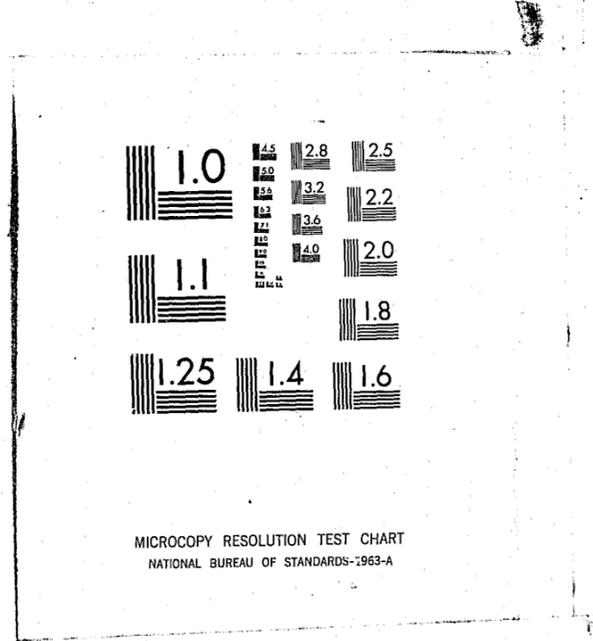


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8/06/81

Bureau of
Narcotic Enforcement

Annual Report

FISCAL YEAR 1979-80

California Department of Justice
George Deukmejian, Attorney General

77352



Bureau of
Narcotic Enforcement

Annual Report

FISCAL YEAR 1979-80

U.S. Department of Justice
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California Department of Justice
George Deukmejian, Attorney General

Division of Law Enforcement
William J. Anthony, Director

November 1980

BUREAU OF NARCOTIC ENFORCEMENT

ANNUAL REPORT

FY 1979-80

EXECUTIVE SUMMARY

- During the Fiscal Year of 1979-80 the Bureau of Narcotic Enforcement arrested 2,269 drug violators, up 40.4% from FY 1978-79.
- Bureau seizures of controlled substances of major concern rose from 7,297,228 grams in FY 1978-79 to 26,664,798, an increase of 365%. This increase reflects large individual increases in marijuana, up 370%, cocaine up 280% and PCP up 149%.
- During the course of the year, Bureau agents seized \$4,331,876 in cash and \$621,000 in property.
- As a result of redirection of Departmental resources, 15 new agent positions were added to the Bureau at the close of the fiscal year.
- Two narcotic task forces were implemented during the fiscal year and are now in full operation. Each of these task forces, one in Yuba-Sutter Counties, and one in Placer County, are under the direction of a Bureau supervisor.



INTRODUCTION

The Department of Justice is charged with the responsibility for state-level drug enforcement. The Department's authority is derived from those sections of the Health and Safety and Penal Codes which direct the Attorney General to enforce laws relating to drug trafficking and abuse.

Within the Department the enforcement program necessary to discharge the Attorney General's responsibilities in this area resides with the Bureau of Narcotic Enforcement.

The Bureau of Narcotic Enforcement is housed within the Division of Law Enforcement in the Department of Justice and reports to the Investigation and Enforcement Branch of that Division. As of June 30, 1980, the Bureau had an authorized strength of 100 peace officer personnel and 30 administrative and clerical staff.

Bureau field personnel are stationed in offices throughout the state in the following locations:

Sacramento	Los Angeles
San Francisco	Orange
San Jose	San Diego
Fresno	

Bureau Headquarters staff are also located in Sacramento, but are housed separately for administrative convenience.

It is the objective of the Bureau of Narcotic Enforcement to bring its statewide jurisdictional capabilities and expertise to bear upon the complex problems of multijurisdictional narcotic dealers, clandestine drug manufacturers and dispensing violators in the medical and pharmaceutical professions. This is accomplished through appropriate major investigations, coordination of local narcotic enforcement resources, the monitoring and investigation of professionals licensed to dispense drugs, research, analysis and training.

This report will reflect the annual activities of the Bureau for the fiscal year of 1979-80. Where appropriate, the data will be compared to fiscal year of 1978-79.

ANNUAL STATISTICS

A presentation of the comparative data for FY 1978-79 and FY 1979-80 for the total number of investigations undertaken by the Bureau of Narcotic Enforcement and the arrests resulting therefrom will be found in Fig. 1.

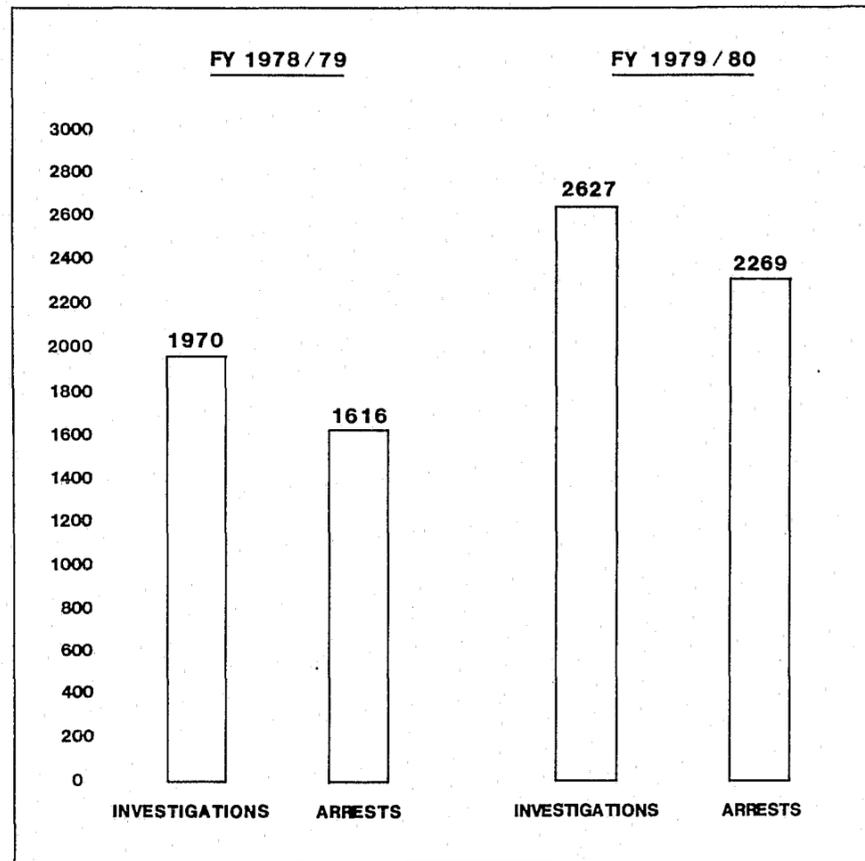


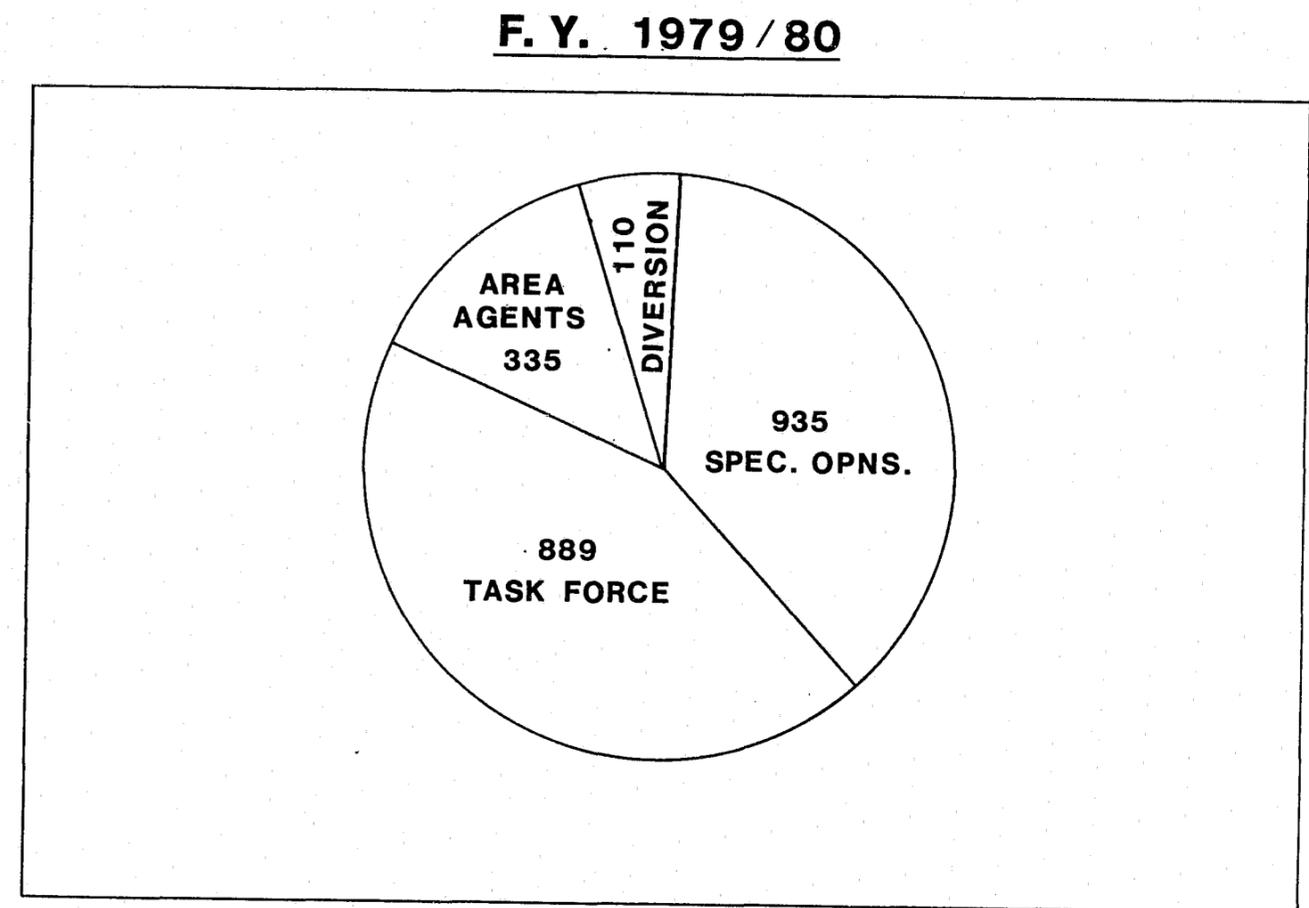
FIG. 1 INVESTIGATIONS AND ARRESTS

Arrests for FY 1979-80 exceed those for FY 1978-79 by 40.4%. This is explained, in part, by the Bureau's greater responsiveness to local needs during the later period and, in part, to an increase in average field agent strength, from 84 to 87 in FY 1979-80.

The field activities of the Bureau are grouped for program purposes into four programs. These are:

1. Special Operations
2. Task Forces
3. Area Agents
4. Diversion

Arrest data for each of these programs for FY 1979-80 is presented in Fig. 2.



ARRESTS BY PROGRAM

FIG. 2

Total seizures of controlled substances for the 1979-80 fiscal year compared to the 1978-79 fiscal year, for selected drugs of major concern, are as follows. All quantities are expressed in grams.

	<u>1978-79</u>	<u>1979-80</u>
Heroin	22,994	10,138
Marijuana	7,153,151	26,513,676
Cocaine	13,753	38,604
PCP	30,785	45,999
LSD	12,544	20,810
Amphetamines	21,954	16,808
Methaqualone	42,047	18,763

Note: The heroin and cocaine seizures listed do not reflect the unusually large seizure associated with the Araujo investigation reported later. The inclusion of this data in these figures would give a distorted perspective of Bureau production. The seizure included 100 pounds of heroin (45,400 grams), 49 pounds of morphine base (22,265 grams) and 30 pounds of cocaine (13,632 grams).

Money Seized

During 1979-80 fiscal year, Bureau agents seized \$4,331,876 in cash during the course of their investigations. Of these monies the following amounts were turned over to the Franchise Tax Board or to the Internal Revenue Service.

Franchise Tax	\$ 75,951
Internal Revenue Service	<u>4,199,189</u>
Total	\$4,285,140

The remaining \$46,736 were returned to the subjects from whom they were seized, or to their attorneys.

PROGRAMS AND ACTIVITIES

The following are the enforcement programs of the Bureau of Narcotic Enforcement, including investigative highlights of their activities during FY 1979-80.

Special Operations

During fiscal year 1979-80 there were 9 Special Operations Units which were assigned to the various field offices. The addition of 15 agent positions to the Bureau as of 7-1-80 has made it possible to increase the number of units from 9 to 11 and to bring each of these to full strength. Each full strength unit is composed of a team leader and 6 subordinate agents who work on assigned investigations under his direction and control. In turn the team leader reports to the agent in charge of the office, who is responsible for all Bureau programs in his area. Of the 11 Special Operations Units, one such team is assigned to the San Jose, Fresno and San Diego offices; each of the remaining offices is assigned two Special Operations Units.

The duties of the Special Operations Units include the following tasks and responsibilities:

1. Conduct major investigations, often multijurisdictional in nature, of complex narcotic enforcement problems such as clandestine laboratories and large conspiracy cases.
2. Provide short-term assistance to local enforcement agencies in special aspects of enforcement demanding expertise and resources beyond existing limitations.
3. Form short-term strike forces to concentrate on solving visible, immediate narcotic enforcement problems demanding expertise and resources beyond existing limitations.
4. Implement the narcotic enforcement training element of the Bureau of Narcotic Enforcement program.
5. Assess the narcotic enforcement problem.

Special Operations Investigative Highlights

Martinez Organization

In February 1979, Los Angeles BNE agents developed information that cocaine was being smuggled into the United States in picture tubes of television sets. An extensive surveillance resulted in the identification of Frank Martinez and his associates. Martinez was shipping TV sets to Peru where the cocaine was placed into the picture tubes of TV sets and then the TV sets were returned to the United States where the cocaine was removed. An informant was moved into a room in the hotel next to Martinez and was able to gain his confidence and ultimately introduce two undercover officers to Martinez. Martinez however refused to deal with the undercover officers. In October 1979 Martinez had \$470,000 in cash seized by U.S. Customs when he tried to convert the money to a cashiers check for a real estate transaction in Peru. After this loss Martinez contacted the undercover officers and offered to sell eight kilograms of cocaine for \$530,000. Martinez subsequently sold 20 pounds of cocaine to the undercover officers, at which time he was arrested. As a result of additional investigation, two certificates of deposit in the amount of \$518,000 each were seized from his

bank in Miami, Florida. Bank records found in the possession of Martinez and his wife reflected deposits and withdrawals in excess of \$3 million from banks in the Bahamas. Bail was set on Martinez at \$2.5 million. His wife and attorneys produced that amount in cash but it was refused by the court until a showing could be made that the money was received through legitimate sources. Martinez subsequently was sentenced to 20 years in prison and fined \$525,000.

Beltran Organization

In March 1980 Fresno BNE agents developed information that Beltran brothers and other members of their organization were responsible for the distribution of heroin from Mexicali to as far north as Fresno. An investigation was initiated with participation from BNE, Fresno Police Department, Drug Enforcement Administration and the Los Angeles NIN Task Force. A series of purchases were made by an undercover BNE agent from Beltran and his associates. In April 1980 Beltran and four other members of the organization were arrested after they sold over two pounds of heroin to the undercover agent for \$50,000 in State funds. An additional three pounds of heroin were seized from a residence in Maywood. The Special Prosecutions Unit is pursuing the investigation and prosecution.

Flores PCP Laboratory Investigation

In March 1980 San Francisco BNE agents developed information that Steven Flores was manufacturing PCP in the City of Newark. Flores had been released from State prison in October 1979 after a conviction in 1977 where he had been responsible for a clandestine laboratory operating in the Lake Tahoe area where an explosion had critically burned one of his associates. Flores was also on 10 years probation in the State of Texas for a narcotics conviction. Flores' activities came to light as a result of information developed through the California chemical precursor reporting law. San Francisco BNE agents coordinated an investigation involving the Alameda County Task Force, Oakland, Fremont and Newark Police Departments and the Department of Corrections. A search warrant was served which resulted in the seizure of one pound of an intermediary to PCP and precursors capable of manufacturing eight pounds of PCP. Flores has been convicted as a result of his arrest and sentenced to State prison.

Martinez/Garcia Cocaine Investigation

In March 1980 an investigation was initiated by Sacramento BNE agents into the activities of a multi-county cocaine organization. An undercover BNE agent made four purchases of cocaine from Fernando Martinez in Sacramento. During a fifth purchase, Martinez and two of his associates, one of whom was armed, were arrested when they delivered 10 ounces of cocaine to a BNE agent for \$20,000 in State funds. During the investigation, as a result of coordination between the Sacramento and San Francisco offices of BNE, San Bruno Police Department and the Sacramento HIP Task Force, a residence was

identified in the San Francisco area that was believed to be the "stash pad" for cocaine. A search warrant was obtained by San Francisco BNE agents which resulted in the seizure of an additional 9 pounds of cocaine, the seizure of \$25,630 in cash and the arrest of one defendant. The defendants are awaiting trial in Superior Court.

Riverside PCP Laboratory

In November 1979, Los Angeles BNE agents initiated an investigation into the activities of John Miles. Miles was operating a PCP laboratory in the Perris area of Riverside County. An undercover BNE agent was introduced to Miles and as a result of a two month investigation by BNE, Riverside Police Department and Riverside County Sheriff's Department, Miles and two other suspects were arrested at the lab site with five gallons of PCP. Search warrants were served on the suspects' homes and these warrants resulted in the seizure of an additional six gallons of PCP and three pounds of PCC. PCC is the last stage of the manufacturing process before conversion to PCP. Additional investigation resulted in the arrest of 15 more suspects for sale and possession of PCP. The laboratory was producing approximately two to three gallons of PCP per week. Three generations of the Miles family were involved in the investigation. John Miles, who is 61 years old, is the father of 15 children. Four of his sons and a 14 year old grandson were also arrested. The defendants are awaiting trial.

Special Enforcement Projects

Special Operations Units are frequently involved in special enforcement projects which transcend local jurisdictions and which, because of their nature and their statewide impact, become of major importance. Two examples are the Bureau's responses to the Sinsemilla cultivation problem and to frequent requests received from local enforcement agencies for the conduct of buy programs which are short term but intensive programs involving the purchase of drugs from local suspects.

Sinsemilla

The most often abused drug in California is beyond question marijuana. National surveys show that one in nine high school seniors use it daily - an increase of 80% in three years. The use of the drug is common among our youth and children as young as 8 years of age are known to have used marijuana.

The traditional source for California has always been Mexico, due to its proximity and low prices. In the past five years, however, spurred by reported defoliant contamination of Mexican marijuana and the high prices charged for that of more exotic origin such as Colombian and Hawaiian varieties, the California northwest has witnessed the growth of domestic marijuana in remote areas. This clandestine cultivation was encouraged by the high price of Colombian and by the development of new cultivation techniques reportedly yielding a product with a phenomenal THC content, as high as 8% compared to perhaps 1% for conventionally grown marijuana.

The new techniques, primarily methods of forced growth induced by preventing the pollination of the female plant, results in a plant that does not produce seeds but instead continues to exude THC laden resin long past the point of seed production normally brought about by pollination. It is, indeed, referred to as "sinsemilla", a Spanish word meaning literally "without seeds".

Due to its domestic availability and great potency, sinsemilla has quickly become highly sought after, and now commands a price equaling or exceeding Colombian material. So high has the price become that it is possible for one plant to yield marijuana that can be sold for \$2,000 during the course of a single year's growing season, generally from March to November. Because of the lure of high untaxed profits, large areas of California's northwest, principally the counties of Mendocino, Humboldt, Del Norte and Lake, have witnessed the rapid development of marijuana agriculture from a few scattered patches to a local "cottage industry" to the present level of multi-ton production. Some of these areas now claim marijuana as one of their largest agricultural resources.

In 1978, alarmed by spreading marijuana cultivation, the sheriffs of Mendocino, Humboldt, Del Norte and Lake Counties met, and with the assistance of the Bureau of Narcotic Enforcement, formed a four county task force for the purpose of fighting the problem of marijuana cultivation by locating and eradicating fields within their jurisdiction. Funds for this limited operation were provided by the Bureau and by the local agencies involved. Encouraged by the success of the 1978 operation, the Department obtained a Federal grant for the purpose of funding a similar but expanded task force in 1979. This program identified some 868 fields or "gardens" where marijuana was being commercially cultivated. Of these it was possible to physically inspect and destroy only 254 due to limits of available resources. Nonetheless, these 254 fields yielded nearly 30,000 marijuana plants with a total weight in excess of 52,000 pounds - 26 tons! The estimated value of this marijuana was \$59 million on the street!

As an index of the growth of the sinsemilla cultivation problem in California, an analysis of those 17 counties in which 1,000 plants were seized in either 1978 or 1979 shows seizures more than doubling in 1979 over 1978.

At the close of 1979, as plans were made for 1980, the clandestine growing of marijuana was found to have spread from the northwest to many other areas of the state. The pressures of the successful 1978 and 1979 programs contributed to this decentralization of the marijuana/sinsemilla industry, for such it had become. In total, cultivation was reported in at least 20 counties, from Shasta and Trinity to Marin and Monterey to San Bernardino and San Diego - literally from border to border.

It was therefore felt to be appropriate for the Department, besides coordinating a 1980 eradication program, to provide training in the techniques of aerial marijuana identification. Three 2-week training courses were presented for officers from counties which had reported commercially significant seizures in 1979. In addition, a 1-day public awareness course was prepared and presented in six locations throughout the state to raise the level of public concern and encourage the reporting of

marijuana cultivation. There were 172 law enforcement officers in attendance at the public awareness classes. After the 1-day programs were given, the course outline and accompanying audio-visual materials were given to local agencies in order that their own training divisions could use the course with local service clubs and similar organizations.

In 1980 the Bureau continues to participate in the original four-county task force. Bureau agents are also assisting other jurisdictions in a number of short-term strike forces aimed at marijuana cultivation.

Buy Programs

An integral part of the Bureau's Special Operations Program is the provision of short term support to local agencies which have need of special expertise and resources. Typical of this type of need is the local "Buy Program". Many local agencies, especially in rural and remote areas, request Bureau assistance in conducting an investigation into local sources of controlled substances for their community. Local officers are often well known and thus unable to make drug purchases to obtain evidence of drug peddling activities or to provide effective surveillance of illegal activities. Additionally, the agencies often do not have the fiscal resources to conduct a series of investigations in a manner that will effectively control this type of community problem.

During the course of such a buy program, a Bureau agent, or a reliable operator working under his direction and control, will penetrate the local drug traffic by using whatever technique is appropriate to the investigation at hand. Having established his credentials in his chosen role or identity he will make purchases of controlled substances from local traffickers. When this task has been completed, arrest and search warrants are obtained and a coordinated series of arrests will be made on a simultaneous basis to avoid the flight of those to be arrested. Such a group of arrests will terminate the buy program and the resultant cases will be prosecuted in the local courts.

In fiscal year 1979-80 the Bureau conducted investigations in 25 counties which resulted in the arrest of 292 subjects on charges of drug sales. A total of 12,348 agent hours were expended in these buy programs; each program resulted in an average of 10 to 15 arrests, with some in excess of 20 arrests. Fig. 3 displays the locations of these buy programs on a statewide basis.

Siskiyou Buy Program

In January 1980, Sacramento BNE was contacted by the District Attorney of Siskiyou County, who requested assistance in conducting an undercover buy program. BNE assigned agents and buys were made of heroin and cocaine, as well as other drugs, from 14 suspects. The investigation was terminated in April with the arrest of 21 suspects on a variety of charges. This program required the coordination of six police agencies, including officers from Klamath Falls, Oregon who provided a dog trained in marijuana detection.

**BUREAU OF NARCOTIC ENFORCEMENT
BUY PROGRAM ACTIVITY
FY 79/80**

 **25 COUNTIES**
292 ARRESTS
12,348.5 AGENT HOURS

● **BNE FIELD OFFICES**

SACRAMENTO
SAN FRANCISCO
SAN JOSE
FRESNO
LOS ANGELES
ORANGE
SAN DIEGO

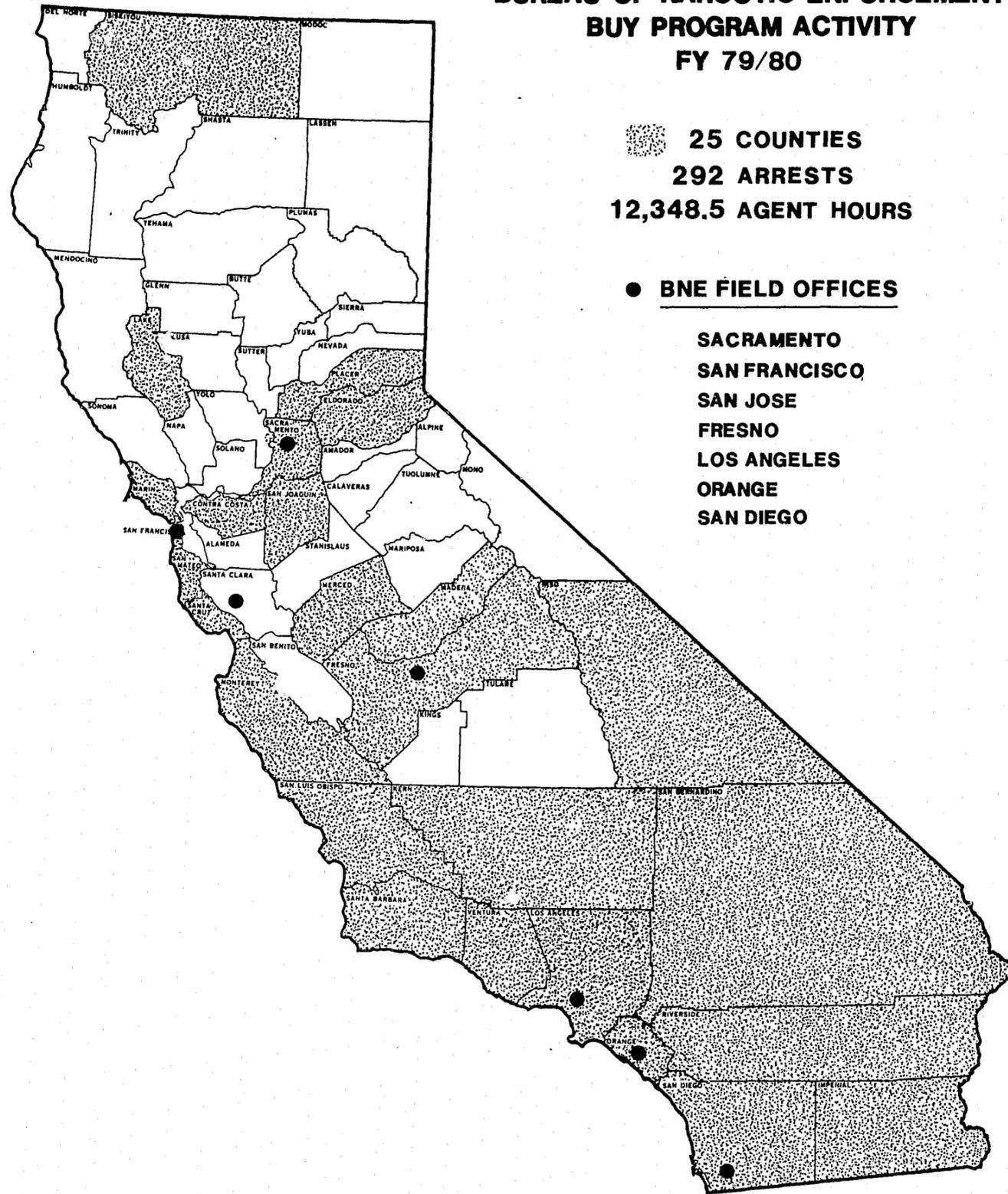


FIG. 3

Salinas Buy Program

In August 1979, BNE's San Jose office was contacted by the Salinas Chief of Police. The City of Salinas was experiencing a difficult problem with heroin trafficking and with the resources available to the Chief, his department could not properly address the problem. A BNE agent was assigned and made 23 undercover purchases of heroin from 16 suspects. In November 1979, 19 arrests were made for sale of heroin and other narcotic law violations.

Task Forces

The Bureau has 10 Special Agents assigned to the Task Force Program at the present time. Our participation and leadership in appropriate task forces is designed to bring together city, county, state and federal resources on a long term basis to:

1. Coordinate major, multijurisdictional investigations undertaken by the task forces;
2. Assess training needs and develop plans for needed onsite and classroom training;
3. Assess the need for additional state-level support to the task force;
4. Coordinate information exchange between task forces and their members;
5. Assess the narcotic enforcement problem.

The Bureau of Narcotic Enforcement role in these task forces ranges from participation to management of the unit. In all cases, Bureau personnel are responsible for communication with the Bureau and with other task forces; assessing the need for additional resources and for providing specific investigational expertise.

Each task force is unique as a result of the differences between participating agencies, differences in the narcotic enforcement problems in the various areas and considerations arising from the founding, development, success and general history of the operation. The most effective Bureau participation is based upon an awareness of these characteristics and is designed to achieve the overall goal of the narcotic enforcement program; to maximize and organize available resources to improve narcotic enforcement throughout California.

Within the past fiscal year the Bureau has participated in the formation of two additional task forces, one in Placer County and the other in Yuba and Sutter Counties. In both of these task forces the Bureau's participation is at the management level; a Special Agent serves in each case as the unit commander and is responsible for directing the operations of the task force and for the achievement of the goals and objectives of the unit.

At the present time the Bureau participates in 8 task forces located throughout the state as presented in Fig. 4.

As example of the synergistic effect which can be brought about as a result of state level presence and commitment is the nine man Imperial County Narcotic Task Force. In 1978 the Bureau called together representatives of local and federal enforcement agencies in Imperial County with responsibilities for drug enforcement and presented them with a proposal for a joint task force to more effectively deal with the border drug problem. This proposal was met with enthusiasm and support by the participating agencies. Mutual commitments of resources and manpower have made possible a successful and coordinated enforcement effort with a far greater impact than would have been possible with the participants continuing as independent agencies.

Task Force Investigative Highlights

Araujo Investigation - Los Angeles

In August 1979, the Los Angeles NIN Task Force culminated an extensive investigation into the illegal narcotic trafficking activities of Jesus Manuel Araujo Avilla organization which operated out of Mexico and Southern California. This investigation resulted in the indictment of Araujo Avilla and 21 members of his organization. The investigation determined that approximately \$32 million derived from narcotic trafficking activities had been deposited into bank accounts in Mexico and the United States. In November 1979, Araujo Avilla was sentenced to 35 years in prison and fined \$1.2 million. After his sentence, NIN Task Force members discovered 100 pounds of heroin, 49 pounds of morphine base and 30 pounds of cocaine in a "stash pad" that had been maintained by Araujo's organization in Fullerton.

Placer County Copper Wire Theft

In February 1980, the Placer Narcotic Task Force received information from the Riverside Police Department that James Clark and Bradley Larson intended to travel from Riverside to Auburn to commit a burglary of an electrical distributor. The Placer Narcotic Task Force coordinated an extensive surveillance which involved the Riverside Police Department, Auburn Police Department and the Department of Corrections. Clark and Larson were arrested after they removed \$22,000 in copper wire from the electrical distributor's warehouse.

PCP Laboratory - Kings County

In June 1980, Kings County Narcotic Task Force received information from a citizen who reported odd smells emanating from a nearby home. The BNE special agent who supervises the task force walked by the house and identified the smell as ether. A surveillance was initiated which resulted in identifying the occupants of the house as known sellers of PCP. A search warrant was

**BUREAU OF NARCOTIC ENFORCEMENT
TASK FORCE PROGRAM
FY 79/80**

PRESENT PARTICIPATION

- 1. YUBA SUTTER
- 2. PLACER
- 3. SACRAMENTO
- 4. MADERA
- 5. KINGS
- 6. LOS ANGELES
- 7. SAN DIEGO
- 8. IMPERIAL

UNDER CONSIDERATION

- ALAMEDA AND NAPA
- LOS ANGELES & S.F. INTERNAT. AIRPORTS

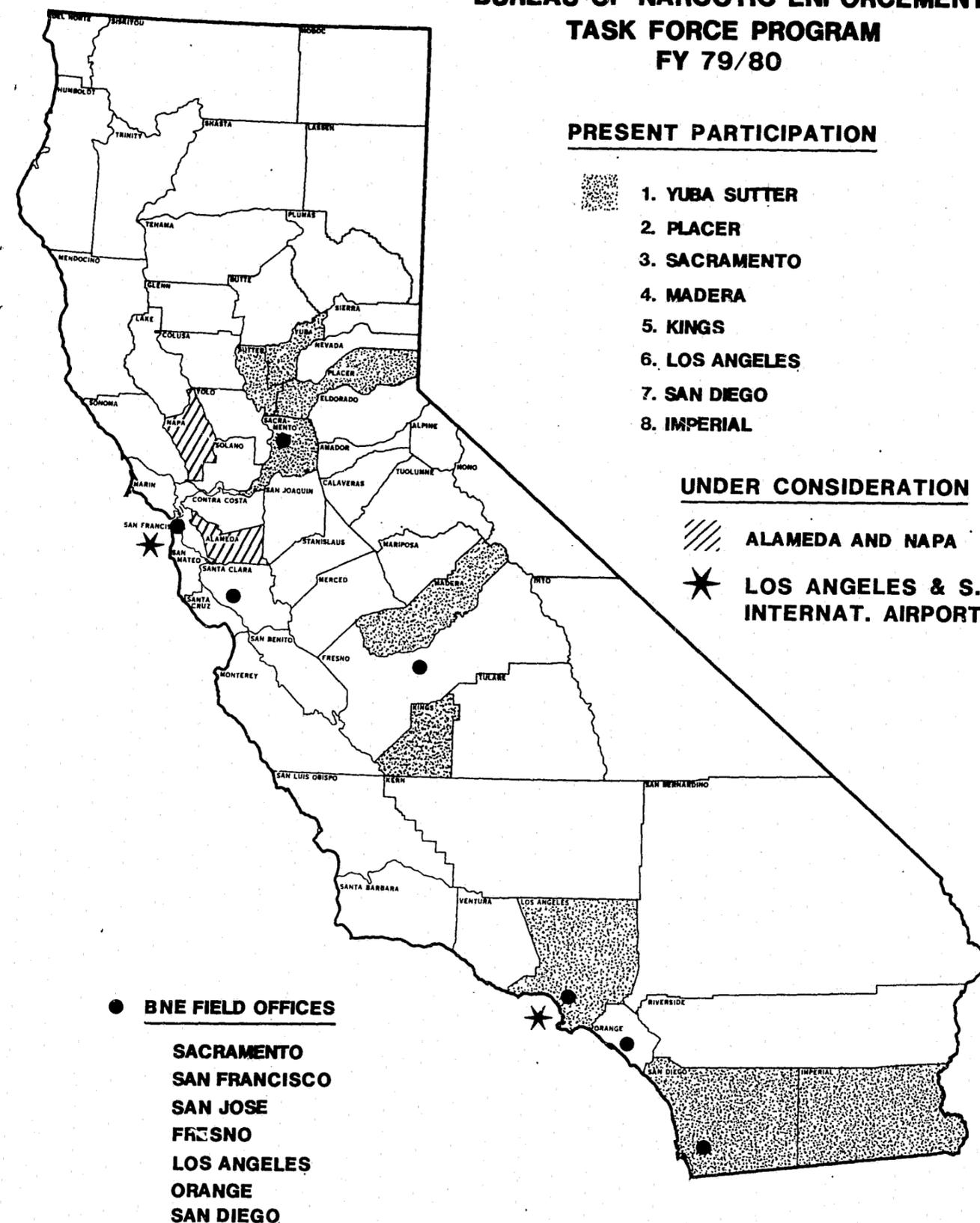


FIG. 4

obtained and served which resulted in the location of a small amount of PCP buried in the backyard and a sufficient amount of precursors and lab equipment to produce 100 pounds of PCP. Also seized were firearms and stolen property.

Future Task Forces

The Bureau has been contacted by representatives of Napa and Alameda County law enforcement agencies concerning BNE's potential participation in narcotic task forces in those counties. BNE is also assessing the potential for task forces at San Francisco and Los Angeles International Airports. These units would investigate interstate violators who were identified as a result of enforcement activities at these airports. BNE currently has an agent assigned to the San Diego Airport as a member of the transportation crew with the San Diego County Integrated Narcotic Task Force. The agents assigned to these locations should be better able to respond to the problems of drug smuggling and distribution peculiar to commercial aviation.

Area Agents

In the Area Agent Program Special Agents of the Bureau are assigned on an ongoing basis to certain areas of the state not covered or serviced by a task force. It is the goal of the program that the Area Agent bring to his area appropriate State resources which will serve as a catalyst in increasing the impact of the area's drug enforcement resources. Specific activities which will result in the accomplishment of this objective are:

1. Coordination of local enforcement efforts.
2. Development of local task forces where appropriate.
3. Provision of short term State level assistance, either directly or with Special Operations Unit aid.
4. Provision of local training, both formal and informal.
5. Collection and dissemination of narcotic information and intelligence.

Each Area Agent assignment is carefully assessed to insure that local conditions which will enable the attainment of program goals exist and that the probability of success is high. The Bureau has at the present time assigned Area Agents in the following locations:

1. Humboldt-Mendocino-Lake-De1 Norte
2. Contra Costa-Solano-Napa
3. Marin-San Francisco-Alameda

4. Monterey-San Benito-Santa Cruz
5. Santa Clara-San Mateo
6. San Luis Obispo-North Santa Barbara
7. Tulare-Kern

The San Luis Obispo assignment exemplifies the effectiveness of the program. Although no formal arrangements exist, through the presence of the Area Agent it has been possible to encourage the assignment of additional local officers to drug enforcement duty and to increase the coordination and cooperation between the local agencies through common housing for local narcotics officers and common training provided by the Department's training resources.

Area Agent Investigative Highlights

An example of the level of investigations brought about by the Area Agent presence is a joint case with the San Luis Obispo Police Department in March of 1980 which resulted in the arrest of three subjects for sale and possession for sale, the seizure of 125 pounds of marijuana, 150 pounds of hashish and four ounces of cocaine. In addition, this investigation aborted the establishment of a clandestine laboratory intended for the conversion of marijuana into hashish and potent hashish oil in wholesale quantities. Thirty thousand dollars in cash were seized at the residence of one of the subjects and turned over to tax authorities.

Cocaine/Marijuana - San Luis Obispo

In March 1980, as a result of a joint investigation by the BNE Area Agent in San Luis Obispo and the San Luis Obispo Police Department, three suspects were arrested after Sharon Sellers, 22, sold two ounces of cocaine to an undercover officer for \$4,600. Search warrants were obtained for two other suspects' homes and these warrants resulted in the seizure of \$30,000 in cash, 125 pounds of marijuana, two ounces of cocaine, 150 pounds of hashish and one-half pint of hashish oil. Also seized was laboratory and processing equipment which was intended to convert the hashish to the more potent hashish oil.

Buy Program Proposal - Marin County

In April 1980 the BNE Area Agent assigned to Marin met with the Sheriff and Chiefs of Police and presented a proposal for an undercover buy program. This meeting resulted in the local departments contributing five officers and \$9,000 in undercover funds for a three month program. Purchases were made of LSD, cocaine, methaqualone, methamphetamine and heroin; 22 arrests were made, a number of which were very significant violators.

Diversion

This Bureau program has as its objective the control of the distribution of legitimate controlled substances by medical, paramedical and pharmaceutical professionals and the prevention of the diversion of these drugs into the illicit traffic.

Although the Bureau has historically been active in this field, the program was brought together formally in 1975 when the availability of federal funds from the Law Enforcement Assistance Administration made it possible for the Department to participate in the formation of a Diversion Investigation Unit (DIU) in California. The LEAA program, directed and monitored through the Drug Enforcement Administration, resulted in the creation of Diversion Investigation Units at the state level in a number of states throughout the nation. These units were intended to assist the states meeting their responsibility for diversion control at the local or retail level, freeing federal resources for the task of monitoring and preventing diversion at the importing and manufacturing level. In California the Department of Justice was designated as the lead agency and was responsible for the management and direction of the California DIU. This unit was composed of, in addition to Department agents, personnel contributed by the Drug Enforcement Administration, the California Board of Pharmacy, and from time to time, officers from selected local agencies.

During its period of operation, the California DIU was very successful in achieving its goals and objectives, as attested to by rigid federal evaluations and inspections. One of the major factors contributing to this success was the coordination and cooperation of those agencies directly involved as well as those licensing boards involved, principally the Board of Medical Quality Assurance.

Available federal funding was terminated in 1979 as of September 30. The Bureau has been able to retain diversion as a separate program and in this way provide direction and monitoring of its work product and achievements. Because of this, the DEA has continued its commitment of manpower to the program and the other agencies have continued their cooperation and coordination. Thus this successful program is still intact under Bureau direction and control.

Diversion Investigative Highlights

Some of the diversion investigations completed during fiscal year 1979-80 which were of interest are noted briefly here.

Krugerands for Drugs - Santa Barbara

In July 1979 information was developed that Alexander Raul Monroy, a Santa Barbara pharmacist, was diverting Morphine Sulfate, Dilaudid, Biphedamine and Quaalude from his pharmacy. Through undercover negotiations it was

ascertained that Monroy was interested in gold coins in trade for the narcotics and other drugs. Four gold Krugerands were purchased and traded to him in exchange for Dilaudid and Biphedamine. At Monroy's arrest, the Krugerands were recovered, plus prescription pads and pharmaceutical preparations from his residence. During the course of the investigation the gold market had risen and the Bureau was able to realize a profit from the resale of the recovered coins.

Stolen Prescription Blanks - San Diego

An investigation concerning 39 passed and forged prescriptions for the drug Dexamyl (a Schedule II stimulant drug) resulted in the identification and arrest of Frances Ann Perkins, a former executive medical secretary employed at Scripps Research Clinic and Foundation of La Jolla, as the perpetrator. Subsequent to her arrest it was learned that she had devised a method of stealing the blank prescriptions from the clinic and they were advised of procedures designed to prevent such losses in the future.

Psychiatrist Divertor

Ervin H. Markus, M.D., a psychiatrist from Oakland, was arrested in January 1980 as a result of a 30 count federal indictment. Markus was charged with illegal distribution of controlled substances resulting from an investigation in which special agents purchased prescriptions for Ritalin, Quaalude and other Schedule II stimulants and depressant drugs without giving medical indication. Agents determined that Markus prescribed in excess of 50,000 dosage units per month and he constructed an iron gate around his office for crowd control. Markus had billed Medi-Cal for over \$150,000 a year for four years. Before Markus could be brought to trial, he died of a coronary occlusion.

Legislation Affecting the Future of Diversion - AB 1250

California is unique among the states in having conceived and implemented the nation's first triplicate prescription system in 1939. This system, which provides for a copy of certain controlled substance prescriptions to be forwarded to the State on a monthly basis for evaluation and investigative action where indicated, has been extremely successful in controlling diversion of drugs through false, fictitious or forged prescriptions. It most effectively complements the similar federal triplicate order system for the control of these drugs at the wholesale level. The responsibility for the operation of the triplicate system is vested in the Bureau of Narcotic Enforcement by statute.

Since its inception the triplicate prescription has been limited to those drugs of high abuse potential defined by California statute as "narcotics". With experience and with the introduction by modern medicine of new drugs capable of abuse, it became apparent that a number of drugs in current use, though not within the California classification of "narcotic" nor highly placed in the Federal drug schedules, possessed as high a potential for abuse and consequence of abuse, if not more so, than the so-called "narcotics" or the Federal Schedule II. These drugs included principally the amphetamines and the fast acting barbiturates as well as certain other drugs such as phenmetrazine and methylphenidate. These substances were moved into Federal Schedule II, which contains drugs of the highest abuse potential which may be prescribed legally. As they became more popular on the street, their diversion, principally through over-prescription, became increasingly frequent. A greater and greater percentage of Bureau resources have been devoted to these drugs. It was soon realized, not only by law enforcement agencies, but by the medical and pharmaceutical professions as well as that the extension of the triplicate prescription control to all drugs in Schedule II would be an appropriate action.

In 1979, AB 1250 was introduced in the State Legislature by Assemblyman McCarthy to accomplish this extension of the triplicate. Although delayed by the passage of Prop. 13, AB 1250 has continued its journey through the Legislature and has received the support of both law enforcement and the professions alike. AB 1250 has been signed by the Governor and will become effective 1-1-81.

The Bureau of Narcotic Enforcement has projected a three to four fold increase in triplicate volume under AB 1250. A management study of the implications of AB 1250 has been completed and contains recommendations which will allow the Bureau to more effectively manage the triplicate system with a lesser dedication of resources through better and more selective computerization. With computerization and the extension of the triplicate process to all Schedule II drugs, better control of the present diversion problem, especially through the identification of greater numbers of major sources of diverted drugs and more efficient use of Bureau resources will result.

Enforcement Emphasis for FY 1980-81

In the future the need for the services of the Bureau of Narcotic Enforcement as a state-level agency with the responsibility and authority for major investigations and the capability to provide expert support to local agencies will be more keenly felt than it is today. During fiscal year 1978-79 the availability of illicit drugs from both overseas and domestic sources has increased dramatically, while at the same time the number of local officers assigned to drug enforcement has declined by more than 10%. There is no reason to believe that these trends will reverse themselves. Indeed, it is expected that they will continue.

In view of this forecast, it is essential that the Bureau continue to direct its limited resources to those programs and activities which will afford the greatest impact. The efforts of the Bureau can coordinate and potentiate available resources at all levels, whether local, state or federal.

To this end it is the intention of the Bureau to give increased emphasis to the pursuit of major interjurisdictional traffickers and clandestine laboratory investigations and will coordinate its activities in these cases with the Special Prosecutions Unit of the Attorney General's Office. The Bureau will also give increased attention to the needs of local enforcement by means of undercover buy programs and through the Sinsemilla Eradication Program.

Finally, in recognition of the Bureau's unique state-level role and responsibility in the prevention and control of diversion, further efforts will be directed towards the identification and apprehension of those who are diverting large quantities of legal drugs into illicit channels.

In the achievement of these objectives the addition of 15 Special Agents to the Bureau in July of 1980 will allow each of its Special Operations Units to function at full strength and will materially add to its ability to meet the challenges with which it must deal in the coming months.

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