



FY 2004

Annual Report of Investigations

of the United States Postal Inspection Service



Safety, Security, Integrity



Contents

A Message from the Chief Postal Inspector	1
Introduction	3
Fraud and Prohibited Mail	
Mail Fraud	5
Child Exploitation via the Mail	13
Obscenity in the Mail	15
Illegal Drugs and Trafficking	16
Money Laundering	18
Asset Forfeiture	19
Internal and External Investigations	
Mail Theft	21
Homicides, Assaults, and Threats	24
Robberies	25
Burglaries	26
Revenue Investigations	27
Financial Investigations	28
Workers' Compensation Fraud	29
Dangerous Mail and Homeland Security	
Biological or Chemical Hazards in the Mail	31
Explosive Devices in the Mail	31
Homeland Security	34
Security	
Facility Security	35
Natural Disasters	36
Personnel Security	37
Transportation Security	37
Observation of Mail Conditions	38
Intelligence	39
Consumer Education, Fraud Prevention, and Congressional Liaison	41
International Affairs	46
Forensic and Technical Services	49
Administrative Operations	52
Criminal Statistics for FY 2004	56

Cover: First photo by Postal Inspector Allen L. McHenry; second photo by Gerald Merna, U.S. Postal Service; second and third photos contributed by Postal Inspectors on case assignments.

A Message from the Chief Postal Inspector

April 2005

I am pleased to present this 2004 Annual Report of Investigations of the United States Postal Inspection Service, the law enforcement, crime prevention, and security arm of the U.S. Postal

Service, to our key stakeholders: the United States Postal Service, the Postal Service Board of Governors, members of Congress, and the American public.

Protecting the Postal Service's revenue and assets remains integral to the mission of the U.S. Postal Inspection Service. Postal Inspectors' investigations of workers' compensation fraud this past fiscal year resulted in \$166 million in long-term and continuation-of-pay cost-avoidance savings for the Postal Service.

The Postal Inspection Service's role in assuring the security of the mail has become more critical than ever. Postal Inspectors have been trained as hazwoper specialists, and a new security protocol introduced this past year ties Inspectors to every postal site, 24/7. When an Inspector responds to a call from a postal facility, a report is filed instantly with our new Critical Watch Desk in Washington, DC, and sent via wireless access to "need to know" execu-



tives—not just Inspection Service officials, but postal managers, other law enforcement agencies, and certain government agencies. More than ever, we must ensure that U.S. Mail is safe for all Americans.

The Postal Inspection Service has roughly 1,970 U.S. Postal Inspectors stationed across the country. It is their job to safeguard more than 200 billion pieces of mail a year and protect more than 700,000 postal employees, 38,000 postal facilities, 200,000 postal vehicles, millions in postal assets, and millions of postal customers. Yet in FY 2004, those 1,970 Inspectors, in their law enforcement capacity, arrested nearly 12,000 suspects for crimes involving the mail or against the Postal Service.

Nearly 56 percent of our arrests in FY 2004 related to mail theft—a total of 6,618 suspects. Mail fraud investigations also yielded significant results: Inspectors arrested 1,446 mail fraud suspects and responded to nearly 82,000 consumer fraud complaints. Since the White House named Inspectors to its Corporate Fraud Task Force, Postal Inspectors have investigated numerous high-profile cases, including a \$43 million embezzlement at Merrill Lynch and the conviction of executive Jamie Olis of Dynergy, Inc., who in 2004 received a 24-year jail term for defrauding stakeholders of \$105 million.

The Postal Inspection Service has long been an international leader in the fight against child pornography. In FY 2004, Inspectors arrested 338 suspects for child sexual exploitation and obscenity related to the mail, stopped 97 child molesters, and rescued 158 children from sexual abuse. To keep the mail free of dangerous and illegal drugs, Postal Inspectors arrested 1,724 suspects for drug trafficking and money laundering via the mail.

I have every reason to be proud of our accomplishments. I pledge to continue to build on our strengths and fulfill our mission: safeguarding the safety, security, and integrity of the U.S. Postal Service, postal employees, and postal assets, and ensuring the confidence of all Americans in the U.S. Mail.

A handwritten signature in black ink, appearing to read "L. R. Heath". The signature is fluid and cursive, written over a white background.

Lee R. Heath

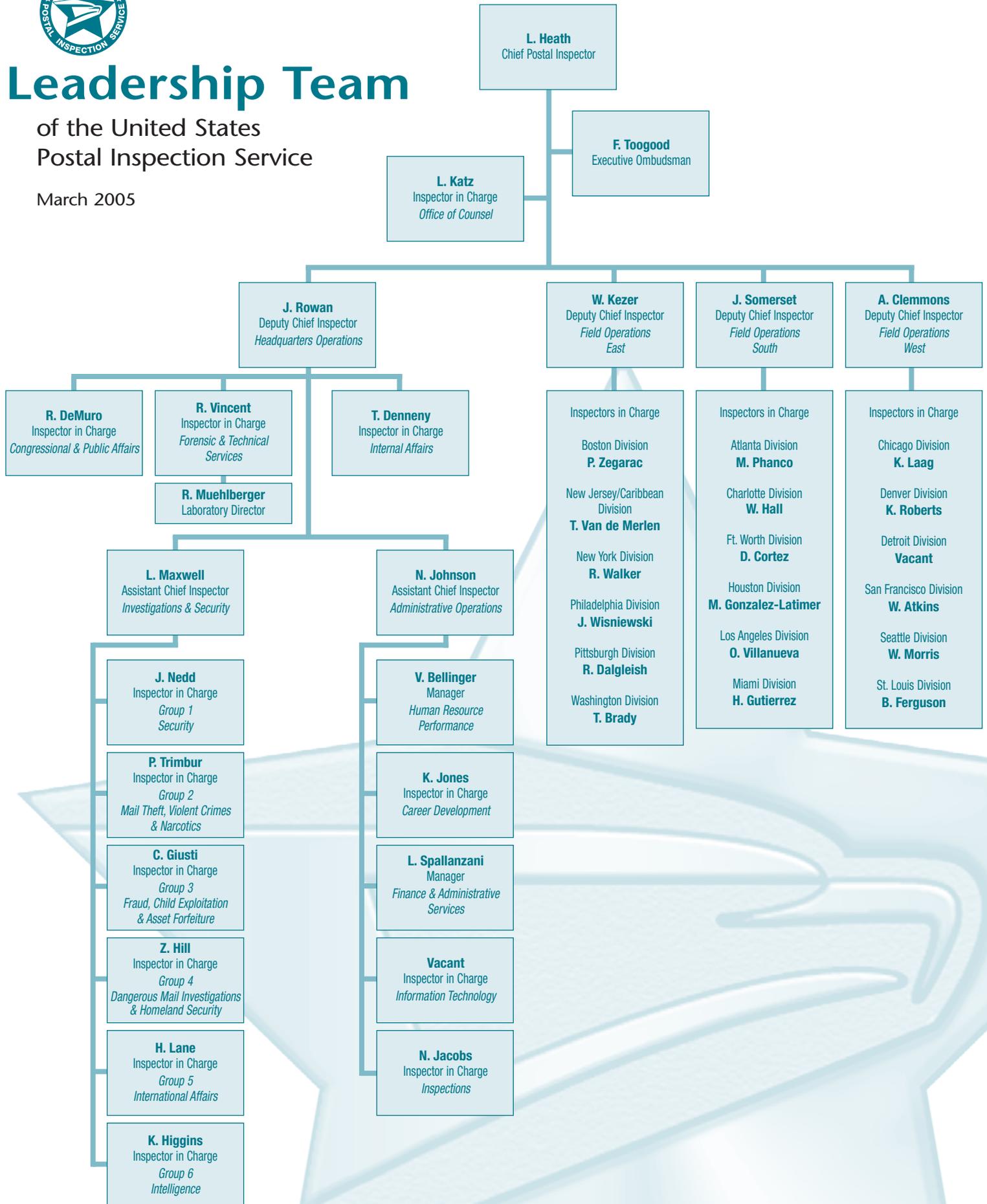
U.S. Postal Inspectors are assigned as liaison officers at the Department of Homeland Security's Operations Center, the Terrorist Screening Center, the National Joint Terrorism Task Force, and the National Counterterrorism Center (established by the executive order of President Bush in August 2004), which includes the Interagency Intelligence Committee on Terrorism. More than 70 Postal Inspectors work with 63 Joint Terrorism Task Forces across the country to investigate domestic and international terrorism, bombs, bomb threats, "suspicious powder" cases, and other incidents related to homeland security.



Leadership Team

of the United States
Postal Inspection Service

March 2005



Introduction

As one of our country's oldest federal law enforcement agencies, founded by Benjamin Franklin, the United States Postal Inspection Service has a long, proud, and successful history of fighting criminals who attack

our nation's postal system and misuse it to defraud, endanger, or otherwise threaten the American public. As the law enforcement, crime prevention, and security arm of the United States Postal Service, the U.S. Postal Inspection Service is a highly specialized, professional organization performing investigative and security functions essential to a stable and sound postal system.

Congress empowered the Postal Service "to investigate postal offenses and civil matters relating to the Postal Service." Through its security and enforcement functions, the Postal Inspection Service provides assurances to American businesses for the safe exchange of funds and securities through the U.S. Mail, to postal customers of the "sanctity of the seal" in transmitting correspondence and messages, and to postal employees of a safe work environment.

As fact-finding and investigative agents, Postal Inspectors are federal law enforcement officers who carry firearms, make arrests, execute federal search warrants, and serve subpoenas. Inspectors work closely with U.S. Attorneys, other law enforcement agencies, and local prosecutors to investigate postal cases and prepare them for court. Approximately 1,970 Postal Inspectors stationed throughout the United States enforce more than 200 federal laws related to crimes that adversely affect or fraudulently use the U.S. Mail and postal system.

To assist in carrying out its responsibilities, the Postal Inspection Service maintains a Security Force staffed by approximately 1,020 armed, uniformed Postal Police Officers who are assigned to critical postal facilities throughout the country. The officers provide perimeter

security, escort high-value mail shipments, and perform other essential protective functions.

The Postal Inspection Service operates four forensic crime laboratories strategically located across the country. The labs are staffed with forensic scientists and technical specialists who assist Inspectors in analyzing evidentiary material needed for identifying and tracking criminal suspects, and in providing expert testimony for cases going to trial.

The Inspection Service's approximately 800 professional and technical employees, who include forensic specialists, information technology experts, financial analysts, and others, play a vital role in supporting the criminal investigative and security functions of the Postal Inspection Service. They perform a wide variety of tasks, including developing and upgrading information systems, providing forensic examinations of evidence, deploying electronic

security and surveillance equipment, publishing policy handbooks and consumer-awareness guides, supplying photography and video services, and facilitating direct communications with Congress and the public.

The National Headquarters offices of the Postal Inspection Service are organized in functional groups that report to the Deputy Chief Inspector for Headquarters Operations. The Postal Inspection Service has 18 field divisions, which report directly to three Deputy Chief Inspectors for field operations. Field offices are supported by four Inspection Service administrative service centers. The National Leadership Team includes four Deputy Chief Inspectors, two Assistant Chief Inspectors, Inspectors in Charge, and Postal Career Executive Service Managers.

The Postal Inspection Service's national information



Postal Inspector Allen L. McHenry

technology infrastructure supports about 4,000 users at approximately 200 sites nationwide. Its offices are linked via a private law enforcement network, with online connections to the Postal Service, the Department of Justice, the Department of Treasury, the National Crime Information Center, the National Law Enforcement Telecommunications System, and the Internet.

In FY 2004, the Postal Inspection Service began consolidating 29 of its security Command Centers, staffed by Postal Police Officers, into two National Law Enforcement Control Centers (NLECCs). The new, high-tech sites are designed to centrally manage radio and alarm monitoring for about 12,000 Postal Service facilities, provide after-hours emergency phone coverage for all Postal Inspection Service offices, and give Postal Inspectors access to law enforcement and intelligence information databases. About 10,000 postal facilities are now monitored by NLECCs, and an additional 2,000 will be added in the next fiscal year. Other security measures for Postal Service facilities will be coordinated by NLECCs on completion, enhancing security for all postal employees and facilities.

The mission of the Internal Affairs Division is to promote integrity and excellence in the Postal Inspection Service through independent internal investigations of its employees, and to protect the safety of postal employees and customers by providing security and preventative services at National Headquarters.

The Office of Counsel provides legal advice and services in support of Postal Inspection Service investigations, programs, and goals; processes requests for access to Inspection Service records; and provides legal training to Inspection Service personnel. The Counsel's office comprises 18 Inspector-Attorneys supported by an administrative staff that includes paralegals, information disclosure specialists, a labor relations specialist, a program specialist, and an administrative support specialist.

Charged with managing the Postal Inspection Service's internal and external communications, staff from Congressional and Public Affairs (C&PA) issue news and



video releases covering investigations or events of national interest, and publications with preventive and informational tips related to mail fraud and other mail crimes for postal employees and the public. C&PA personnel represent Inspection Service interests on Capitol Hill and in liaison activities with other government, law enforcement, and consumer agencies. Its Internet Web site provides weekly investigative news and consumer-oriented tips. An Intranet Web site, maintained by the Information Technology Division, facilitates confidential employee communications nationwide.

The U.S. Postal

Inspection Service extends full cooperation to all federal, state, and local investigative and prosecutive authorities in law enforcement matters to ensure greater protection to the public.

Postal Inspectors regularly participate with other agencies in joint task force investigations aimed at curtailing widespread criminal acts of an organized nature.

For more information on the Postal Inspection Service, visit www.usps.com/postalinspectors.





Fraud and Prohibited Mail

Mail Fraud

The Mail Fraud Statute is the oldest and the most effective consumer protection law, and the U.S. Postal Inspection Service is the federal law enforcement agency mandated to enforce it.

To increase their efficiency in investigating suspected mail fraud, Postal Inspectors lead and participate in numerous joint law enforcement and consumer group initiatives aimed at safeguarding the public's confidence in the U.S. Mail. Educating the public about fraud schemes that involve the mail is an essential component of this goal.

Postal Inspectors investigated 3,242 fraud cases in FY 2004, and Inspection Service analysts prepared nearly 82,000 letters in response to mail fraud complaints. Inspectors arrested 1,446 mail fraud offenders, and 1,245 were convicted as a result of investigations conducted during FY 2004 and prior fiscal years.

Postal Inspectors work cooperatively on joint task force investigations with other law enforcement agencies to take advantage of the expertise of each agency and to leverage resources.

Operation Pushing the Envelope

In December 2003, the Postal Inspection Service and the Federal Trade Commission announced a joint federal and state law enforcement sweep, Operation Pushing the Envelope, to crack down on purveyors of fraudulent business scams. The sweep targeted sellers of work-at-home schemes who steal money from consumers through their deceptive practices. The Postal Inspection Service reported five criminal and 22 civil cases.

Operation Web Snare

The results of Operation Web Snare, a nationwide enforcement operation directed at large-scale, computer-related crimes, was announced in August 2004 when Chief Postal Inspector Lee R. Heath participated in a press event with Attorney General John Ashcroft, Assistant Attorney General Christopher A. Wray, FBI Assistant Director Jana Monroe, and Federal Trade Commission Chairman Deborah Platt Majoras. The arrests and convictions of more than 150 suspects, as well as 117 criminal complaints, indictments, and "informations," were reported by Inspectors from 13 divisions.

Operation Roaming Charge

On October 5, 2004, Chief Postal Inspector Heath joined Attorney General John Ashcroft, Assistant Attorney General Christopher A. Wray, FBI Assistant Director Chris Swecker, and Chief Superintendent and Director General Peter German of the Royal Canadian Mounted Police's Financial Crime Division to announce the arrest of more than 135 suspects in a multinational enforcement endeavor titled Operation Roaming Charge. Beginning January 1, 2004, federal and international agencies coordinated operations to combat telemarketing fraud around the globe. Postal Inspectors contributed to the round-up of fraudsters with 75 investigations, 43 of which were domestic and 32 of which resulted from a cross-border initiative with Canadian authorities. Investigations by Postal Inspectors yielded 64 arrests and 64 convictions, and sentences of five months to more than 12 years in prison. Nearly one million victims suffered losses exceeding \$650 million.

Fraud Prevention Honor

Postal Inspector Michele Culp, former Program Manager of Child Exploitation and Prevention, was one of 28 Service to America finalists announced in June 2004 by the Partnership for Public Service and Atlantic Media Company at a luncheon held at the Russell Senate Office Building in Washington, DC. Inspector Culp was selected as a finalist for the Justice and Law Enforcement Medal from nearly 500 contenders based in part on her contribu-

tions to the National Fraud Against Senior Citizens Awareness campaign.

Mail Fraud Investigations

Mail Fraud Against Businesses

Postal Inspectors devote considerable resources to protecting the business community from mail fraud. At year end, Inspectors reported 494 arrests and 505 convictions. Following are examples of Inspectors' efforts in the past fiscal year.

- John Richard Jamieson, Jr., the former director of viatical settlement company Liberte Capital Group in Toledo, Ohio, was sentenced in October 2003 to 20 years in prison. Jamieson was also ordered to pay \$92.1 million to nearly 3,000 investors who lost money after Liberte purchased life insurance policies from terminally ill people for less than face value, and then sold the policies to investors. Postal Inspectors and agents from the FBI, IRS, and Ohio Department of Insurance found that hundreds of the policies had been obtained fraudulently by policyholders who hid the fact that they had HIV or AIDS. Insurance companies rescinded many of the policies after discovering applicants had lied, causing huge losses to investors, most of whom were elderly citizens.

- An investigation by Postal Inspectors on the U.S. Attorney's Bankruptcy Fraud Task Force in Newark, New Jersey, resulted in a nine-year prison sentence in April 2004 for Ali Qaraeen, who was also ordered to pay \$6.8 million in restitution. Qaraeen recruited people to join a credit card "bust-out" scheme by promising they could charge hundreds of thousands of dollars in cash, jewelry, and other valuables to their credit cards, then wipe out the debt by filing bankruptcy. He used proceeds from the scheme to pay for his children's college tuition and to purchase real estate in Jordan and Israel.

- Postal Inspectors arrested Katherine Rider of Nebraska after finding she had submitted fraudulent loan requests, via the U.S. Mail, against her clients' life insurance policies without their knowledge or consent. Stolen funds totaling more than \$1 million were deposited into several bank accounts controlled by Rider. She was sentenced on June 9, 2004, to three years in prison and two years' probation, and was ordered to pay \$726,333 in restitution for her scheme, which defrauded several insurance companies and numerous policyholders in the Lincoln area over the past 20 years.

- Tandy Hairston pled guilty to wire fraud and conspiracy and was sentenced in July 2004 to five years and four months in prison and three years' probation, and was

ordered to pay more than \$2.4 million in restitution to mortgage companies. Hairston owned and operated Mid-Town Mortgage, also known as The Loan Store, in St. Louis, Missouri. She solicited clients via telemarketing calls and then mailed false applications on their behalf to mortgage companies. Hairston and Mid-Town often inflated property values and pulled money out after the properties closed. Postal Inspectors worked with agents of the FBI, Housing and Urban Development's Office of Inspector General, and IRS to stop Hairston's scheme.

- Rosaline Beverly Ledgister, a former pension administrator for MetLife in Tampa, Florida, was sentenced in August 2004 to three years and 10 months in prison and three years' supervised release, and was ordered to pay \$2.1 million in restitution. Postal Inspectors found that Ledgister used her authority at MetLife to direct 11 checks, totaling \$2.1 million, to be mailed to addresses belonging to her mother or to institutions where her mother had bank accounts. Ledgister used the money for real estate, cars, and vacations.

Mail Fraud Against Consumers

Consumers may be targeted by criminals via fraudulent sweepstakes, telemarketing fraud, work-at-home schemes, merchandise misrepresentations, vacation or real estate scams, and investment schemes. Postal Inspectors conducted 1,545 investigations of mail fraud against consumers, arrested 501 suspects, and reported 437 convictions in FY 2004.

Examples of consumer fraud investigations from the past fiscal year follow.

- A lengthy Inspection Service investigation of Robert Gomez, James Randall Nichols, Gwen Baker, and Corinne Conway resulted in prison sentences for the group, which had defrauded at least 4,000 people of more than \$21 million. Inspectors learned that Gomez and Nichols initiated a scheme in 1996 to defraud church members by offering to sell them vintage cars at thousands of dollars below market value. Nichols and Gomez recruited Baker in 1999. Baker brought in Conway, who had contacts with churches in the United States via her Virtuous Women's International Ministry, helping expand the scheme nationwide. Proceeds passed from victims to Conway in Missouri, Baker in Memphis, and Nichols in Lakewood, California. Once the funds arrived in California, Nichols withdrew them from the account by check or wire transfer. Gomez spent most of the money at casinos in California. The defendants received sentences ranging from 14 months to 24 years in prison, and were ordered to pay between \$4.9 million and \$12.5 million in restitution.

- Ronald Pellar was sentenced in April 2004 to six



Gun List Scam

AUTHORITIES SAY A TEXAS MAN DEFRAUDED UP TO 100 GUN LIST ADVERTISERS. NOW, HE FACES FEDERAL PRISON. FURTHER, THE SCAM WAS NOTHING NEW.

years and five months in prison and three years' supervised release, and was ordered to pay more than \$45,000 in restitution for running Columbia State University, a diploma mill that offered college degrees in as few as 27 days. Postal Inspectors disrupted Pellar's activities in 1998 after learning that, between July 1996 and July 1998, the school received in excess of \$20 million from people around the world. Pellar claimed the school was an accredited university in Louisiana, but, instead of a campus, Inspectors found only a warehouse in California.

■ Kenneth B. MacQueen of Orland Park, Illinois, was sentenced in January 2004 to more than 11 years in prison and was ordered to pay \$5.2 million in victim restitution for defrauding nearly 100 investors. Postal Inspectors learned that MacQueen had told clients their money would go to dividend reinvestments and similar plans to earn high rates of return—more than 20 percent. Instead, MacQueen spent investors' funds on real estate, school tuition, and luxury cars.

■ Brian Pasqualini, a former broker and account manager at Evergreen International Spot Trading, Inc., was sentenced in September 2004 to five years' probation for his role as a salesperson in a \$110 million currency-trading scheme. Pasqualini and other Evergreen brokers made false representations to more than 1,000 investors about brokers' professional qualifications, the availability of investors' funds, and the use of legitimate banks to trade investors' funds. Several Evergreen brokers and managers, including Pasqualini, were indicted in New York in May 2002 on mail fraud, wire fraud, and money laundering charges. Polina Sirotina, former managing director and chief financial officer of Evergreen, was sentenced in May

2004 to nearly 13 years in prison and two years' probation, and was ordered to pay \$25 million in restitution. In June 2004, two former Evergreen executives were sentenced to prison terms of six years and seven years, respectively, with three years' probation each, plus an order for each to pay \$25 million in restitution. The case was investigated by Postal Inspectors and FBI agents.

■ Maria Garza, Enrique Elizondo, and Maria Bautista were sentenced in Texas on July 6, 2004, for defrauding undocumented, alien immigrants seeking work permits from the U.S. Immigration and Naturalization Service (INS). After an investigation by Postal Inspectors and agents of the

Bureau of Immigration and Customs Enforcement (ICE), mastermind of the scheme Maria Garza was sentenced to eight years and one month in prison and was ordered to be deported after her release. Her son, Enrique Elizondo, and sister, Maria Bautista, received sentences of more than three years and nearly four years in prison, respectively. Each was ordered to pay more than \$172,000 in restitution. The three were convicted of mail fraud, conspiracy, and impersonating a federal immigration employee to solicit fees from unsuspecting immigrants. Victims paid Garza \$200 to prepare and file immigration benefit applications. Garza mailed them fraudulent INS forms confirming the applications were approved and demanding "penalty fees" to finalize the deal.

Corporate Fraud

Since the White House named the Postal Inspection Service a member of its Corporate Fraud Task Force in July 2002, Postal Inspectors have been increasingly involved in corporate fraud investigations, which, according to former United States Attorney General John Ashcroft are "...among the most significant issues facing our nation and our economy." Postal Inspectors are aggressively pursuing and stopping those responsible for such fraud, as shown in the examples that follow.

■ Timothy Kramer, Todd Reid, and Brian Lavielle, all former employees of Duke Energy Corporation in Houston, Texas, were indicted in April 2004 on 18 counts, including racketeering and wire and mail fraud related to manipulating the records of a Duke subsidiary. U.S. Postal Inspectors on the President's Corporate Fraud Task Force arrested the three after an investigation determined the men tried to

create the appearance of profitable trading in order to collect large company bonuses.

Kramer was vice president of the subsidiary company's Financial Portfolio Management, and Reid was senior vice president of natural gas and electricity trading. Lavielle was a trader in the group and reported directly to Kramer and through a New York broker, who executed many of the trades named in the indictment. Kramer and Reid controlled more than 400 trades, representing approximately \$50 million in fraudulent profits. The Duke subsidiary based the size of employee bonuses on the performance of its trading activities, so Reid collected a \$5 million bonus, Kramer got \$4 million, and Lavielle received \$340,000. Postal Inspectors worked with FBI agents and attorneys from the Atlanta District Office of the Securities and Exchange Commission and the Washington, DC, Office of the Commodity Futures Trading Commission.

■ A case investigated by Postal Inspectors and other agents on the President's Corporate Fraud Task Force concluded on March 25, 2004, with the sentencing of former executive Jamie Olis of Dynege, Incorporated, in Houston, Texas, to 24 years in prison, without parole, and a \$25,000 fine for conspiracy, securities fraud, mail fraud, and wire fraud. Olis concealed a \$300 million loan from investors, and his sentencing was influenced by his victims' extensive losses, totaling \$105 million.

■ Thomas Giacomaro, the de facto president of the now-defunct Wellesley Services, Inc., of Montvale, New Jersey, was sentenced in February 2004 to 14 years in prison and was ordered to pay \$70 million in restitution. Giacomaro pled guilty to mail fraud and conspiracy to commit mail and tax fraud. Postal Inspectors determined that Wellesley Services was founded by Giacomaro in 1995, and that he and others enlisted investors by issuing private placements and promissory notes that guaranteed a 15 percent annual return, plus a 50 percent "kicker" on repayment. Lulling letters mailed to investors misrepresented the health of the company and requested that the notes be rolled over for increased amounts. More than 200 people invested a total of \$80 million in Wellesley, but, instead of using the money legitimately, Giacomaro and his co-con-

spirators systematically looted the company. Giacomaro took nearly \$30 million via a sham consulting agreement and used company funds to cover personal expenses. Giacomaro, who was previously convicted on fraud charges, hid his involvement by installing others as officers of record.

■ Seven senior executives and the general counsel of a large, publicly traded technology firm in Holtsville, New York, were indicted in June 2004 on charges of mail, wire, and securities fraud. Postal Inspectors determined the defendants and others manipulated accounting data, generated false entries, and reported inflated revenues of more than \$200 million in a three-year scheme to hide financial results from Wall Street analysts. Three defendants pled guilty when the indictment was unsealed. The company previously entered into an agreement with the government to admit guilt, cooperate with the investigation, adopt significant reforms, and pay \$138 million to compensate victim shareholders.

■ The former chairman, chief executive officer, and president of Enterasys Network Systems Inc. pled guilty in Concord, New Hampshire, in September 2004 to one count of conspiracy to commit mail, wire, and securities fraud. Postal Inspectors found the defendant and three others inflated the company's reported revenue by altering documents, making secret side deals, and issuing false and misleading statements to the Securities and Exchange Commission (SEC) in company press releases and to outside auditors. News reports of revenue problems and an SEC investigation dropped Enterasys' market value by \$1.3 billion. The case was investigated by the U.S. Postal Inspection Service and the FBI in coordination with a civil investigation by the SEC.

"In partnership with the U.S. Postal Inspection

Service and the Department of Justice, the FBI will continue to prioritize corporate fraud and will remain resolute in its pursuit of these corporate criminals."

—Federal Bureau of Investigation

Mail Fraud Against Federal, State, and Local Government

The U.S. Mail has been used to commit fraud against government agencies at all levels, including Medicare or Medicaid fraud, false claims for tax refunds, and false claims for benefits related to education, housing, and welfare. Inspectors arrested 451 suspects and reported 303 convictions for such fraud in FY 2004. Summaries of cases follow.

■ A grand jury returned a 22-count indictment in December 2004 against former Illinois Governor George Ryan for mail fraud, racketeering, tax fraud, and making false statements during his tenure as Illinois secretary of state from 1991 to 1999 and as governor from 1999 to 2003. An investigation by Postal Inspectors and agents from the FBI, IRS, and the Department of Transportation found the defendant and his family illegally received cash payments,

gifts, vacations, and personal services totaling nearly \$167,000. He allegedly directed payments of more than \$300,000 to another defendant. The former governor is the 66th defendant in a case that has identified numerous other former state employees and officials as potential co-conspirators.

■ On June 21, 2004, former Baltimore Police Commissioner Edward T. Norris and his former Chief of Staff John Stendrini were sentenced for using funds from a police department account to finance affairs with women, on whom they spent thousands of dollars for luxury hotels, expensive meals, clothing, and gifts from Victoria's Secret, Coach, and other stores. Norris and Stendrini were each ordered to pay a \$10,000 fine and perform 500 and 300 hours of community service, respectively. Norris was sentenced to six months in prison, and both will serve home detention with electronic monitoring for six months, plus three months' probation. Norris and Stendrini will pay \$12,000 in restitution to the city of Baltimore. At sentencing, the judge expressed outrage that two "stars" of law enforcement began spending city monies almost immediately after their swearing in, used an executive-protection detail as personal staff, and violated the trust of the people of Baltimore.

■ Operation Headwaters, led by Postal Inspectors and other federal agents, resulted in the May 2004 guilty plea of a medical products manufacturer in St. Louis, Missouri, for conspiracy to commit Medicare fraud. The company encouraged customers to use miscellaneous billing codes to disguise products that were ineligible for payment under Medicare. In addition to the guilty plea, the company will pay the government a civil settlement and criminal fines exceeding \$12 million, and will be permanently barred from doing business with Medicare.

■ Schering Sales Corporation, a Kenilworth, New Jersey, subsidiary of drug manufacturer Schering-Plough Corporation, pled guilty in July 2004 to criminal charges and agreed to pay a \$52.5 million fine for violating the Anti-Kickback Act when it paid a client to get preferred treatment for its blockbuster-selling drug, Claritin. Postal Inspectors showed that Schering offered incentives to two of its largest managed-care customers when they threatened to discontinue Claritin sales due to its high price. The incentives indirectly lowered the price of Claritin for managed-care groups, but not for Medicaid and the Public Health Service, as required by law. Schering-Plough agreed to pay the United States, the 50 state Medicaid programs, and public health entities more than \$292 million for failing to disclose pricing data. The company must also correct its pricing to conform with the Department of Health and Human Services and fix Medicaid rebate reporting failures.

Deceptive Mail

The Postal Inspection Service examined questionable promotions during FY 2004 and reviewed consumer complaints for compliance with the Deceptive Mail Prevention and Enforcement Act. Postal Inspectors stopped 60 deceptive mail operations. Examples of Inspectors' work during the past fiscal year follow.

■ On March 8, 2004, Gabriel Sanchez and Timothy Lyons of California were each sentenced to 15 years in prison and three years' supervised release for operating commercial fundraisers for fake charities, such as U.S. Firefighters, the Police and Sheriffs' Support Fund, and the Disabled Children's Charity. Postal Inspectors learned that Sanchez, Lyons, and others solicited customers through a telemarketing scheme. They collected more than \$8 million via the mail, but used the money for their own gain rather than for any charity. Two others in the scheme, Steven Delatorre and Roger Lane, were each sentenced to three years and three months in prison and three years' supervised release.

■ The operator of a nationwide envelope-stuffing scheme was found guilty of 11 counts of mail fraud and one count of conspiracy on September 17, 2004, in Oklahoma City. Postal Inspectors found the operator ran classified ads under various bogus business names, offering to pay people to work at home stuffing envelopes. Respondents received promotional material and a request to mail back \$25 to participate. Those who mailed in the fee received instructions to mail the same misleading solicitations to others, using their own names and at their own expense. About 100,000 victims lost more than \$3 million.

Confidence in the Mail

The Postal Inspection Service takes a lead role in partnering with the mailing industry to reduce fraud and theft that target the business community via the mail. Formed to increase customers' confidence in the mail, task force initiatives, such as the Business Mail Industry Task Force and the Financial Industry Mail Security Initiative, include representatives of the Postal Inspection Service, major commercial mailers, suppliers from targeted industries, and postal representatives. In addition to reducing fraud and theft, task force members work to decrease processing problems by identifying and exchanging information on "best practices," fraud trends, and loss-prevention strategies, as well as by developing improved processes and procedures. Both initiatives focus on facilitating criminal investigations and prosecutions where warranted.

During FY 2004, Postal Inspectors investigated 19 cases of rebate fraud. Actions resulted in agreements by

five operators to voluntarily discontinue fraudulent rebate activity. Examples of investigations in the past fiscal year follow.

■ A Cease and Desist Order was issued on October 15, 2003, against a San Antonio, Texas, man after Postal Inspectors found he used the Internet and U.S. Mail to defraud Bristol-Meyers Squibb. The man designed a computer program that allowed him to enroll his family 7,900 times in a rebate-coupon program on the Internet, entitled “Enfamil: Family Beginnings For You.” The Bristol-Meyers Squibb program was meant to assist families with newborns by providing them with merchandise and rebate checks. The man’s family received about \$12,000 in rebate checks and \$10,000 in merchandise via the mail. He signed a Consent Order to cease and desist his actions and make restitution to Bristol-Meyers Squibb.

■ A West Virginia convenience store owner and a tobacco company salesperson were sentenced in May 2004 to 37 months and 13 months in prison, respectively, for defrauding a tobacco company of approximately \$1 million via the fraudulent redemption of cigarette coupons. Inspectors discovered that the tobacco company salesperson supplied the coupons to the convenience store owner in return for a kickback equal to one third of the coupons’ face value. The owner redeemed the coupons via the U.S. Mail. Both defendants were ordered to pay more than \$950,000 in restitution to the tobacco company.

Postal Inspection Service investigations of fraud targeting the business industry via the mail in FY 2004 resulted in 22 arrests, 10 Withholding Mail Orders, and 25 Voluntary Discontinuances. Samples of Inspectors’ cases in the past fiscal year follow.

■ Scott W. Collins was sentenced in Newark, New Jersey, in October 2003 to one year and one day in prison and two years’ supervised release, and was ordered to pay more than \$84,000 in restitution to BMG and Columbia House Music, as well as a \$5,000 fine. Postal Inspectors learned Collins and others fraudulently opened hundreds of BMG and Columbia House accounts under false names and addresses. Collins received about 48,198 CDs by using addresses of family members, at least 50 Post Office boxes, and commercial mail receiving agency boxes.

■ Christopher G. Mace of Missouri was sentenced in May 2004 to six months in prison, two months of home confinement with electronic monitoring, and three years’ supervised release, and was ordered to pay more than \$25,000 in restitution to DirecTV for defrauding the company of subscription and pay-per-view services. Postal Inspectors learned that Mace bought access-card programmers over the Internet and held Internet “chats” to discuss how to illegally obtain satellite TV services.

Reshipping Fraud

Reshipping fraud is a relatively new type of mail fraud that targets not only businesses, but credit card owners and people seeking work-at-home jobs. It is a favorite of criminals primarily operating from Russia and the Ukraine, and involves bogus job postings, fraudulent credit card orders, and the reshipping of illegally obtained merchandise to hide the identities of the crooks. Reshippers are promised substantial amounts of money to receive, repackage, and then mail merchandise to other addresses. The recruits get their jobs by responding to work-at-home ads and are often unaware the items were stolen and that they are participating in a crime.

Reshipping fraud relies on various tactics to succeed. Criminals may use stolen credit cards to order high-dollar items, such as computers, cameras, and electronic equipment, from Internet merchants, such as Amazon, Gateway, or eBay. They have the items shipped to addresses in the United States—addresses of people recruited to repackage and reship the orders to Russia, the Ukraine, Estonia, Lithuania, Romania, and Germany.

■ Postal Inspectors tracked down and arrested Brandon Boring, ringleader of a reshipping cell in Pennsylvania, as well as his Romanian conspirator, who was indicted in December 2003. Inspectors alleged the Romanian suspect bought computer parts by hacking into a wholesaler’s ordering system. Boring and others in the United States received shipments of the illegally obtained merchandise, repackaged it, and reshipped it to Romania. The wholesaler lost more than \$4 million, and Inspectors to date have arrested 18 others in the scheme. Boring was convicted and sentenced on December 18, 2003, to six months’ home confinement and five years’ probation, and was ordered to pay more than \$96,000 in restitution.

■ A company in Delaware notified Inspectors in early 2003 that several of its customers’ credit card numbers (later found to total about 1,500) were stolen and used to fraudulently order items, such as expensive computers and electronics, via the Internet. The billing addresses of the true cardholders had been changed to the addresses of people recruited to take “work-at-home” jobs as reshippers. Inspectors tracked down hundreds of the reshippers, many of whom got their jobs from ads at Internet job sites. At first, the reshippers were told to mail items to addresses of other reshippers in California, but were later instructed to send items to a commercial mail receiving agency or to addresses in Russia, Ukraine, and other Eastern European countries. Some reshippers mailed as many as 750 packages of stolen items in about six months. The investigation is continuing.

continued on p.12

Financial Whiz Kid Meets His Match: U.S. Postal Inspectors Uncover \$43 Million Embezzlement at Merrill Lynch

Executives from an energy services company in New York contacted the U.S. Attorney's Office in late 2001 about allegedly fraudulent financial transactions conducted by one of its employees, Daniel L. Gordon. The U.S. Attorney's Office turned to local Postal Inspectors to investigate the case. During their investigation, Inspectors uncovered a completely unrelated scheme—one that totally eclipsed the original case.

As a result of exhaustive work conducted by the Postal Inspection Service's New York Fraud Team, Dan Gordon, a 27-year-old so-called "financial whiz kid" and one-time president of Merrill Lynch's Global Energy Markets (GEM) trading desk in New York, pled guilty in December 2003 to an "information" that included charges of wire fraud, money laundering, and conspiracy to falsify books and records. An information is a formal accusation of a crime issued by a prosecutor, in lieu of an indictment by a grand jury.

Gordon, who received a master's degree in economics from Yale University when he was just 22 years old, admitted to stealing \$43 million from Merrill Lynch by masking the transaction as an energy trade. It is the largest embezzlement reported by a major U.S. financial institution in the past 10 years, and Merrill Lynch is the world's largest securities firm.

Gordon created his own company, Falcon Energy Holdings, S.A., which he incorporated in Anguilla, part of the British Virgin Islands. He convinced Merrill Lynch to pay a \$43 million premium to Falcon for a bogus energy supply insurance contract. Gordon hid his ownership of



Falcon and told Merrill Lynch the company was affiliated with a French conglomerate that would supply energy insurance. Per Gordon's instructions, Merrill Lynch transferred \$43 million to Falcon's account—actually Gordon's account—in Zurich, Switzerland, in August 2000.

In October 2000, Gordon wired \$30 million from his Swiss account to one in New York and used the money to buy a 70 percent ownership in Daticon, Inc., a Connecticut firm. Gordon became Daticon's chairman of the board, collecting a salary, bonuses, commissions, and other income over a three-year period. Daticon gave Gordon another venue for hiding the money he had stolen from Merrill Lynch.

In December 2000, Merrill Lynch sold the GEM trading desk to Allegheny Energy Services (AES), a Maryland firm with New York offices. Gordon became president of the AES energy trading desk when it acquired GEM from Merrill Lynch in 2001. He terminated the \$43 million insurance contract with Falcon, supposedly in exchange for Falcon's payment to Allegheny of \$550,000, and then transferred that amount from his own account to pay Allegheny. Throughout the scheme, Gordon used the mail to exchange a variety of fraudulent documents in support of his bogus claims.

Gordon is free on a \$500,000 personal recognizance bond, pending sentencing, and has agreed to forfeit \$43 million of all real and personal property related to the money laundering charge. Postal Inspectors to date have seized assets from Gordon valued at about \$33.5 million, and he faces a maximum of 55 years in prison. The U.S. Postal Inspection Service is the sole investigative agency in the case.

Fraud on the Internet

The Internet is teeming with fraudulent schemes, and swindlers use a variety of methods to exploit people online. Fraud on the Internet often results in mail fraud, as “cyberscammers” use the mail to receive victims’ payments and ship stolen items. The Postal Inspection Service actively participates in the Internet Crime Complaint Center, a project established by the FBI and a nonprofit group, the National White Collar Crime Center. The cases that follow were investigated by Postal Inspectors in FY 2004.

■ Ten Illinois and two Wisconsin residents were indicted on November 20, 2003, for mail fraud, wire fraud, interstate transportation of stolen merchandise, and other offenses stemming from a theft ring that moved more than \$2 million in stolen goods. The suspects allegedly auctioned items over the Internet that had been stolen from home improvement stores and mailed them to customers in at least 11 states. The investigation was conducted by the Postal Inspection Service and other agencies as part of a Department of Justice crackdown on computer crime, dubbed Operation Cyber Sweep.

■ On June 18, 2004, Rolland Eddy was sentenced in New York to nearly four years in prison and three years’ supervised release, and was ordered to pay more than \$214,500 in restitution for an Internet auction scam that defrauded nearly 100 people. Postal Inspectors found that Eddy was doing business as Executive Travel Limousine Sales & Buses and Executive Sale/Advantage Limousines. From May 2000 through April 2002, he offered limos for sale via the Internet and in trade magazines. Eddy issued contracts for the limos through faxes and e-mails transmitted across interstate lines, and accepted deposits via the U.S. Mail and wire transfers. However, Postal Inspectors found he did not have any limousines. Eddy also listed items for sale online at eBay under the name Payalotless. He told bidders to send payments by U.S. Mail or electronic transfer, but winning bidders never received a thing.

■ An investigation by Postal Inspectors, FBI agents, and Newport News police identified three suspects in Virginia who had defrauded consumers, software makers, and multimedia manufacturers by selling bootlegged or pirated items on eBay and Yahoo. Victims lost more than \$500,000. Sean C. Fitzgerald was sentenced in July 2004 to four years and three months in prison and three years’ supervised release, and was ordered to pay more than \$29,000 in restitution. Barry Wilklow was sentenced in June 2004 to three months in prison, three months’ home detention, and three years’ supervised release, and was

ordered to pay \$2,191 in restitution. Michael Truong was sentenced in May 2004 to five years’ probation.

Telemarketing Fraud

A priority for Postal Inspectors in FY 2004 was to disrupt telemarketing scams that target large numbers of victims. In fact, Inspectors reported 202 such investigations, 73 arrests, and 85 convictions. Case examples follow.

■ Victor Wilcox, Belinda Sweeney, Troy Kisling, and Lee Churchill were sentenced in January 2004 on charges of mail fraud and money laundering. Postal Inspectors found the four published ads across the country as Approved Credit Alliance, offering a Visa or MasterCard for \$59 to \$129 each. The group not only sold the cards, but asked for customers’ bank account information “so that Approved Credit Alliance could electronically debit their accounts.” None of their customers received a credit card; instead, they got a kit in the mail with a list of banks that offered credit cards. The scheme defrauded about 60,000 people of \$8 million. Wilcox was sentenced to eight years and four months in prison and was ordered to pay \$1.9 million in restitution. Kisling was sentenced to two years and six months in prison, and the others received probation.

■ An investigation by Postal Inspectors in Philadelphia and New Jersey resulted in the sentencing of Mark Kleinman on April 16, 2004, to two years and six months in prison and an order to pay more than \$795,000 in restitution for two fraud schemes. Kleinman ran a telemarketing scam in which he bribed employees at businesses to buy overpriced maintenance products in exchange for kickbacks. He also ran a false-billing scheme in which he mailed bills to hospitals for items they had not ordered. The restitution relates to the two largest victims of the bribery scheme, Bell & Howell Postal Systems of Chicago, Illinois, and Sodexo Marriot of Atlanta, Georgia. Former company employees were convicted of accepting bribes.

■ Postal Inspectors working with FBI and IRS agents investigated Mediatech, a company that employed telemarketers to sell partnerships in “900” pay-per-use phone numbers, Internet-based malls, and Internet service providers. Although the offers were advertised as low-risk investments, respondents received back only 15 percent of their money, along with the names of people who allegedly would assist them with the promised “project.” The remaining 85 percent of investors’ money was used as commissions for promoters, Independent Sales Office (ISO) owners, and telemarketers. Roughly 3,000 investors lost \$49 million. Robert Hart, co-owner of a Mediatech ISO in Florida, was sentenced in May 2004 to two years in prison and three years’ probation, and was ordered to pay \$9 million in restitution. Rodney Shehyn, manager of a Las Vegas ISO,

was sentenced in April 2004 to three years and one month in prison and three years' probation, and was ordered to pay \$3 million in restitution.

■ CSC company owner Larry Harber and employees Michael Sees, Carlos Cruz, and Randi Lyons Wassmer were sentenced in June and July 2004 in Camden, New Jersey, for conspiracy, money laundering, and mail and wire fraud. Postal Inspectors found the group defrauded about 10,000 victims of more than \$12 million when they sold maintenance products via the mail to employees at targeted companies, urging them to buy the products at inflated prices in return for kickbacks. Harber was sentenced to nearly four years in prison and three years' supervised release, and was ordered to pay a \$2.9 million forfeiture and \$100,000 in fines. His co-conspirators received lesser sentences.

Administrative Actions

The following chart provides statistics on administrative actions taken during FY 2004 as the result of investigations conducted by Postal Inspectors.

Administrative Actions	FY 2004
Complaints filed by USPS Law Department	48
Consent Agreements signed	27
Temporary Restraining Orders issued	3
Civil Injunctions	2
False Representation Orders issued	29
Cease and Desist Orders issued	41
Withholding Mail Orders issued	47
Voluntary Discontinuance Agreements signed	68

■ A Cease and Desist Order was issued against Lee Burch, doing business as Legit Mailing and Ideal Publishing in Royston, Georgia, on October 23, 2003, after Postal Inspectors learned he had scammed people via the U.S. Mail. Burch allegedly mailed promotional materials advertising an envelope-stuffing scheme, although his customers complained they never received anything after mailing him their money. Burch signed a Voluntary Discontinuance on October 9, 2002, agreeing to close his business, but then opened another Post Office box and continued the scam. Following another visit with Postal Inspectors, Burch again agreed to shut down the envelope-stuffing business and signed a settlement agreement on September 17, 2003, to cease and desist.

■ A Cease and Desist Order was issued in February 2004 against the New Hampshire Firefighters Dependent Fund, Advance Marketing Consultants, Inc., Charles S.

Holmes, Susan Friese, and Alma J. Senn. Inspectors began receiving reports in October 2001 of solicitations mailed to residents in New Hampshire and Maine, advertising a charity for the New Hampshire Firefighters Dependent Fund (purportedly related to the September 2001 terrorist attacks). The solicitations falsely claimed that donations would go to dependents of deceased and disabled firefighters in New Hampshire. About 500 people responded, mailing in more than \$330,000. The operators and related entities entered into a Consent Agreement with the U.S. Postal Service to cease and desist the bogus promotions.

■ A False Representation Order and a Cease and Desist Order were issued in May 2004 after Postal Inspectors found that Morris James, operating the National Resource Information Center, Inc., in Montezuma, Georgia, tried to obtain money or property via the mail, using false representations. Postal Inspectors and IRS agents learned that James solicited African Americans via the mail, alleging they were entitled to a federal tax refund as a reparation for slavery. In fact, no provision for such reparations was ever passed, or even initiated, by Congress. James also alleged that every African American was entitled to \$50,000 to \$62,500 as the result of a class action lawsuit filed on behalf of African-American farmers. Inspectors found that James had no connection with the lawsuit and no means of obtaining money for anyone not named in the lawsuit. Roughly 6,000 people lost \$2 million to the schemes.

Child Exploitation via the Mail

Postal Inspectors arrested 329 suspects and identified and stopped 97 child molesters in FY 2004 as part of the U.S. Postal Inspection Service's work to rid the U.S. Mail of child pornography. Inspectors also rescued 158 children

from incidents of sexual abuse and exploitation. During the past fiscal year, Inspectors initiated 431 new investigations involving child sexual exploitation, and 793 other investigations are ongoing.

Postal Inspector Martin Vega, in Wallingford, Connecti-

cut, and Detective James Smith of the Connecticut State Police's Internet Crimes Against Children Task Force each received an award from NCMEC for halting a child pornography ring in Hartford and rescuing numerous child victims. Critical to the success of the case was the tremendous work of NCMEC's Exploited Children's Unit, which identified clues from a child pornography videotape that led to Hartford and, finally, the arrest of ringleader Ismael Cohen.

Other examples of child exploitation investigations in FY 2004 follow.

■ Steven Prentice of Hillsborough, North Carolina, was sentenced in October 2003 to 32 years in state prison. A jury had deliberated only 38 minutes before finding him guilty of raping a three-year-old girl. The crime was recorded on videotape and occurred at Prentice's home between October 1999 and September 2000. Postal Inspectors discovered the

videotape while serving a search warrant when Prentice received child pornography in the mail. Prentice previously served a 17-year sentence for child pornography violations.

■ Postal Inspectors arrested a former Catholic priest at a church-sponsored rehabilitation facility in Robertsville, Missouri, in November 2003. A grand jury had indicted him two days earlier for receiving child pornography via the U.S. Mail. Postal Inspectors identified the man when his name surfaced during another investigation in Clovis, California. He was arrested and incarcerated in 1993 for molesting a child from his parish. Following his release from prison, he resided at the rehabilitation facility, but continued to correspond with other pedophiles and traffic in child pornography.

■ In April 2004, John Paul Brown of Tucson, Arizona, was sentenced to 450 years in prison after a jury found him

guilty of 45 counts of sexual exploitation of a minor less than 15 years old. In March 2002, Postal Inspectors and FBI agents executed a search warrant on Brown's home after he mailed a tape of child pornography. Brown was not arrested at that time. Later that month, Brown entered a Denny's restaurant, killed a patron, and seriously wounded another man. He was convicted of first-degree murder, but did not plead guilty to the child pornography charges, saying he wanted his day in court "to speak out for oppressed pedophiles."

■ Ronald Johnson of Redding, California, was sentenced on March 12, 2004, to three years in prison and was ordered to register as a lifetime sexual offender. In January 2003, Johnson was arrested on charges of child pornography after he responded to an Internet posting concerning sex videos of young boys. Postal Inspectors found he provided access to a collection of child pornography, including photos that appeared to be taken at his home. Johnson identified several of the boys during questioning. At the time of his arrest, he was employed as a counselor at a coun-



In May 2004, Postal Inspector Steven Sadowitz (right) and Senior Special Agent Perry Woo (center) of the Bureau of Immigration and Customs Enforcement (ICE), with former Attorney General John Ashcroft, each received the prestigious Officer of the Year award from the National Center for Missing and Exploited Children (NCMEC) for uncovering a child-sex tourism business, based in Dyer, Indiana, that preyed on homeless children in Mexico. The investigators' extraordinary work not only dismantled the illicit, international sex enterprise, but resulted in the rescue of more than 30 children from further sexual abuse and exploitation.

Investigators spent several years on the case, traveling throughout the United States and Mexico to find and interview child victims and gather critical evidence. As the investigation unfolded, they identified numerous co-conspirators and child molesters. To date, one man was sentenced to 27 years in prison, and another to 60 years in prison.

ty grade-school camping program, as a registered mentor for “at risk” boys, and as a volunteer teacher’s aide at two elementary schools.

■ Prolific child pornography producer and mail order distributor Angel Rafael



Child pornographer Angel Rafael Mariscal, who is HIV positive, was sentenced to 100 years in prison in September 2004 after pleading guilty to recording his sex acts with at least 120 children, some as young as seven years old, in Cuba and Ecuador, and distributing the videos and CDs to at least 300 U.S. customers.

Mariscal was sentenced in September 2004 to 100 years in prison after pleading guilty to all seven counts of an indictment against him. Operation Lost Innocence, a two-year undercover operation by Postal Inspectors, dismantled an international child pornography ring and netted 45 child pornographers and molesters in 35 states, Puerto Rico, Cuba, and Ecuador. Five co-conspirators—four in Cuba and one in Ecuador—were prosecuted based on information developed by Inspectors in Miami. Mariscal produced child pornography videos in Ecuador and Cuba and imported them to Florida for U.S. customers. Some customers sent Mariscal fantasy scripts for child pornography movies. He filmed the movies and sold them for about \$1,000 apiece, sexually abusing 150 children in the process. Mariscal, who is HIV positive, pleaded to the judge, “I’m not a freak of nature. I’m just an average guy.” He asked for leniency, admitting he did the “unthinkable,” but did not want to die in prison. The judge was unmoved and imposed the maximum sentence allowable.

■ On May 5, 2004, Postal Inspectors, ICE agents, and local law enforcement officials executed a search warrant at the home of a Maryland man following allegations of sexual activities with a 13-year-old boy. Inspectors seized videotapes from the man’s home that depicted him in sexually explicit conduct with minor males. The investigation identified 10 other victims between nine and 16 years of age, as well as about 200 other children featured in his collection of more than 96,000 computer-generated movies. On May 6, the man contacted a lawyer and turned himself in to the custody of police. The child molestation investigation continues, and federal charges are pending related to the production of child pornography. The suspect was held on a \$1 million bond.

■ A multi-agency task force of Postal Inspectors, ICE agents, and IRS agents arrested eight suspects for violating federal money laundering statutes. The case began with a child pornography investigation, when task force members made undercover purchases of child pornography at Web sites hosted by a New Jersey company and other U.S. firms. They traced the payments to the distributor’s bank accounts in Latvia and found the suspects had mailed about \$32,000 worth of money orders to a California company to pay for child pornography tapes. The money was

laundered through a shell company operating from an attorney’s office in Encino, California, then wired to the distributor’s accounts. Inspectors and agents seized \$1.1 million from a Florida credit card-processing company involved in the scheme. Three suspects accused of processing financial transactions for a child pornography distributor in Belarus pled guilty in January and October 2004 to charges of money laundering and failing to report criminal activity. Two principals of the distributor company are in custody in Europe awaiting extradition, another is at large, and the fourth is facing trial in New Jersey.

Obscenity in the Mail

The U.S. Postal Inspection Service has been charged with investigating the mailing of obscene matter for more than a century. Today, the Internet is perhaps the most most-used venue for advertising obscene material

and introducing it into American homes. From the Internet, it can easily reach young children, exposing them to graphic, sexually oriented matter.

While obscenity is advertised on the Internet, obscenity dealers may use the U.S. Mail to deliver the product to their customers, in violation of federal law. The U.S. Department of Justice has called for a renewed focus on obscenity prosecutions to deter individuals from producing and distributing obscene material. Examples of significant investigations by Postal Inspectors in FY 2004 follow.

■ A West Virginia man pled guilty in May 2004 to charges of mailing obscene material. Postal Inspectors, FBI agents, IRS agents, and local police determined the man

netted more than \$300,000 in a year and a half by selling obscene matter at three Web sites he operated. The obscene material was distributed to his customers via the U.S. Mail.

■ Garry and Tamara Ragsdale of Ft. Worth, Texas, were sentenced on March 5, 2004, to 33 months and 30 months in prison, respectively, for using the Internet and the U.S. Mail to distribute obscene material. Postal Inspectors found that former Texas Police Officer Garry Ragsdale and his wife owned and operated a Web site to advertise and distribute obscene videotapes depicting rape, bondage, and torture. The couple mailed the tapes, known as the “Real Rape” and “Brutally Raped” series, to customers worldwide.

■ Two Web site operators in Ohio pled guilty in July 2004 to seven counts of mailing and transporting obscene material. Postal Inspectors executed a search warrant at the suspects’ home, where they ran a mail order business via a Web site. Inspectors seized more than 340 videotapes and DVDs of sexually explicit conduct, including sado-masochism and bestiality.

Illegal Drugs and Trafficking

The U.S. Postal Inspection Service interdicts mailings of illegal drugs and drug proceeds to protect postal employees from the violence related to drug trafficking and to preserve the integrity of the U.S. Mail. Postal Inspectors,

often working with other law enforcement officials, arrested 1,724 suspects for drug trafficking and 139 for money laundering via the U.S. Mail during FY 2004. Inspectors’ investigations also resulted in the seizure of more than eight tons of illegal narcotics and 178,613 units of steroids from the mail, as well as more than \$6.4 million in cash and monetary instruments, 26 firearms, and 16 vehicles.

The Organized Crime Drug Enforcement Task Force (OCDETF) selected Postal Inspector Bryan Witt as the 2004 recipient of its national award for his outstanding work as a member of Operation Yankee Clipper. The operation targeted a ring that distributed pseudoephedrine from Canada to



Postal Inspectors in Phoenix and Los Angeles ran a drug interdiction program, dubbed Operation March Madness, targeting suspicious Express and Priority Mail over a one-week period in March 2004. The operation was deemed a success: Inspectors seized more than half a million dollars in cash and money orders (for illegal drug payments) and roughly 257 pounds of marijuana. Inspectors also arrested seven suspects who accepted mail containing illegal drugs.

methamphetamine manufacturers in Missouri, Nevada, and Oklahoma. Inspector Witt and other task force members seized more than 4 million pseudoephedrine pills during the investigation, which also resulted in the forfeiture of more than \$1 million and the indictment of seven suspects in Missouri. Operation Yankee Clipper comprised 15 state and local law enforcement agencies, two law enforcement agencies in Canada, and one in England.

Postal Inspector Kenneth Wiloch was the recipient of the 2004 National Award for Outstanding OCDETF Investigation for his work in Operation Counter Strike. The investigation dismantled an international drug-trafficking ring that distributed in excess of 1 million ecstasy pills to the Netherlands, Canada, Pennsylvania, Maryland, New Hampshire, New York, Maine, and Ohio. The drug was manufactured in the Netherlands, secreted in large mirror frames, and shipped to addresses in the United States. Inspector Wiloch and other task force members arrested 17 suspects and seized more than 73,000 ecstasy tablets and three luxury vehicles. The investigation was coordinated through the U.S. Attorney’s Office for the Western District of Pennsylvania and involved the collaboration of the U.S. Postal Inspection Service, Drug Enforcement Administra-

tion (DEA), U.S. Bureau of Immigration and Customs Enforcement (ICE), Pennsylvania State Police, Internal Revenue Service, Dutch Kennemerland Police, Dutch Customs Service, Toronto Metro Police Department, and German Customs Service.

Other examples of Inspectors' casework during FY 2004 follow.

- A task force comprising more than 300 law enforcement personnel from the U.S. Postal Inspection Service, DEA, FBI, and other federal and state law enforcement agencies executed 23 search warrants and arrested 24 suspects in October 2003 related to the large-scale distribution of methamphetamine and marijuana in Houston, Texas, and surrounding areas. The two-year investigation identified shipments of methamphetamine that originated in Asia and entered the country in California. The drugs were transported to Houston via the U.S. Mail, UPS, FedEx, and other carriers. Investigators seized three houses, 100 firearms, more than \$600,000 in cash, 16 vehicles, three motorcycles, and illegal drugs.

- Postal Inspectors and DEA agents in San Diego, California, and Honolulu, Hawaii, arrested 30 suspects on April 1, 2004, for distributing cocaine, marijuana, and methamphetamine via the U.S. Mail. Inspectors and DEA agents seized approximately \$600,000 in U.S. currency, several pounds of marijuana, a quantity of methamphetamine, and weapons.

- Postal Inspectors, DEA agents, and ICE agents arrested a suspect in June 2004 following a controlled delivery of five liters of sassafras oil to a Post Office box in Buffalo, New York. Sassafras oil contains high concentrations of safrole, a precursor for the illegal drug ecstasy, and the single shipment was enough to make an estimated 20,000 units of the drug. Inspectors and agents searched the suspect's home and seized significant quantities of chemicals used to manufacture ecstasy, including an estimated \$10,000 worth of precursor chemicals, \$50,000 worth of lab equipment, \$27,000 in cash, and evidence leading to a storage facility in Lockport, New York, with chemicals, lab equipment, and ecstasy tablets.

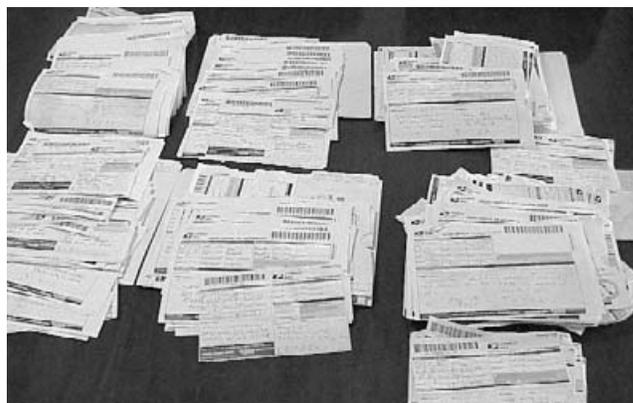
- New York Postal Inspectors and members of the New York City Police Department's Bronx Narcotics Unit arrested two Colombian nationals in July 2004 following the delivery of an Express Mail parcel of clothes containing approximately two kilos of heroin. The suspects extracted the heroin by soaking the clothes in an alcohol solution. As the solution dried, it converted back to solid form. The heroin originated in Colombia and was brought into the country by U.S. Mail, private couriers, and human smugglers.

- Postal Inspectors arrested nine Web site operators in Arizona, Georgia, California, Virginia, and Nevada in July

2004 for conspiracy to distribute controlled substances. Inspectors linked drugs sold on the Web sites to two fatal, and 14 non-fatal, overdoses. One suspect deposited more than \$1.2 million to a business account between April 1999 and May 2003. Web site customers received the drugs through the U.S. Mail. Additional arrests are anticipated.

- In March 2004, Postal Inspectors arrested the operator of a Web site and three co-conspirators offering pharmaceutical drugs for sale without a prescription. Web site customers completed an on-line questionnaire, allegedly reviewed by a doctor, to purchase the drugs, and were offered links to sites offering other pharmaceuticals. The group manufactured, smuggled, and distributed controlled substances, prescription medications, and counterfeit drugs to customers around the world. Inspectors identified about 100,000 Express Mail, Priority Mail, and Global Express parcels containing illegal pharmaceutical drugs en route to about 60,000 customers.

- Postal Inspectors arrested 16 suspects in November



Postal Inspectors arrested a Mexican man on drug charges in El Cajon, California, in August 2004 related to an investigation of a pharmaceutical drug-trafficking ring. Inspectors began tracking activities of the Seattle Pharmacy in Tijuana, Mexico, after learning the company rented mailboxes at commercial mail receiving agencies (CMRAs) to anonymously receive drug payments and drug orders, as well as mail drugs. The man Inspectors arrested was paid about \$150 a week for picking up drug packages at the CMRAs, plus \$15 for each order he shipped. In January 2004, Inspectors and DEA agents seized thousands of pills from a storage facility, and subsequent laboratory analysis disclosed the pills were a Schedule III controlled substance. Shown here are some of the hundreds of Express Mail labels used by the ring.

2003 for distributing hundreds of pounds of methamphetamine and marijuana in Iowa. By fiscal year end, 13 of the suspects were convicted. Inspectors intercepted an Iowa-bound parcel containing marijuana after receiving a tip about the mailing. Inspectors and other members of OCDETF identified a ring believed responsible for the mailings, for possessing and distributing illegal drugs, and for using minors to violate drug laws. Inspectors coordinated the arrest of the ringleaders in Laredo, Texas, and task force members found a meth lab at a suspect's home.

■ Seven members of a Chicago drug ring were indicted in September 2004 for mailing approximately 60,000 ecstasy tablets from Spain and the Netherlands via dozens of International Registered Mail and private courier parcels. Inspectors and other investigators found the tablets secreted in ceramic windmills and picture frames. Ring members bought the drugs from a supplier in Spain for \$5 to \$12 a tablet and sold them to club goers in Chicago for \$25 to \$30 a tablet. The indictments were the result of a four-year OCDETF investigation named Operation Crazy Horse and conducted by Postal Inspectors, ICE agents, DEA agents, and Chicago police.

Money Laundering

The U.S. Postal Inspection Service investigates criminals who use postal money orders to launder illicit funds and avoid federal reporting requirements in violation of the Money Laundering Control Act and the Bank

Secrecy Act. Illicit proceeds may include money gained through narcotic sales, smuggling illegal aliens, tax evasion, or selling counterfeit merchandise.

During FY 2004, Postal Inspectors arrested 139 suspects on charges related to money laundering, and 61 convictions were reported during the same period. Following are examples of cases in FY 2004.

■ Postal Inspectors and other investigators arrested four suspects between January 6 and January 8, 2004, related to a heroin distribution and money laundering network in New York, New Jersey, and Washington, DC. Investigators determined that couriers posed as musicians to smuggle

heroin from Nigeria to the United States, and used postal money orders to buy the drugs. Between 1997 and 2004, one defendant deposited more than \$57,000 worth of money orders into business bank accounts to launder drug proceeds. The U.S. Postal Inspection Service, DEA, Department of State Diplomatic Security Service, and the Montgomery County and Prince George's County, Maryland, Sheriff's Departments assisted with the investigation.

■ A Postal Inspection Service investigation identified more than \$311,000 in postal money orders that had been purchased in structured transactions at Post Offices in Los Angeles between June and December 1999. Inspectors found the money orders, plus several thousand dollars' worth of travelers' checks purchased in structured amounts, in one suspect's bank account. The man used cashier's checks from the account to buy three properties and a business. A settlement reached on February 19, 2004, ordered that \$480,000 of the money be forfeited to the Postal Inspection Service.

■ New York Postal Inspectors executed nine search warrants and arrested 12 suspects, including 10 West Africans, in June 2004 for conspiracy to commit money laundering and unlicensed money remitting in five states. The case began in July 2002 when Inspectors determined that approximately \$500,000 worth of postal money orders purchased in New York had been deposited into a Columbus, Ohio, bank account. The suspects were allegedly part of a ring that trafficked counterfeit goods, produced and distributed false IDs, and laundered the proceeds through postal money orders. Ring members deposited more than \$1 million a month and transferred the money out of the United States illegally via Express Mail or wire transfer to cohorts in China, Hong Kong, Vietnam, Russia, India, Thailand, Belgium, and the United Arab Emirates. Postal Inspectors seized approximately \$150,000, along with a substantial inventory of counterfeit merchandise.

■ Postal Inspectors and other members of the El Dorado Money Laundering Task Force in New York executed search warrants in August 2004 and arrested the owners of a Woodside, New York, company following a year-long investigation of a Colombian money laundering ring. The owners allegedly laundered narcotics proceeds and produced and trafficked counterfeit alien green cards. The ring operated a licensed money-remitting and real estate business, and used various methods to move the illicit drug proceeds to Colombia, including structured purchases of postal money orders, structured wire transfers, and couriers who ingested currency.

■ An employee of a DVD and CD distributor in West Orange, New Jersey, pled guilty on September 23, 2004, to structuring financial transactions to evade reporting



Retired law enforcement officer Lee Cantrell (right) was presented with a \$10,000 reward check by Postal Inspector William A. Bonney after leading Inspectors to Bobby Frank Shamburger, suspected of buying insurance companies over a five-year period and then stripping the companies of their assets. More than 16,000 policyholders lost about \$200 million. While watching “America’s Most Wanted” in May 2001, Cantrell recognized Shamburger to be a man he knew as James Tyler. Cantrell notified officials, and Postal Inspectors arrested Shamburger five days later. Shamburger fled to avoid prosecution, but he was captured and pled guilty in New Orleans, Louisiana, in August 2003 to conspiracy and money laundering. Shamburger is now serving 10 and one-half years in prison and was ordered to pay \$70 million in restitution to his victims. Inspectors also arrested 15 of Shamburger’s associates, who are also serving jail time. Under the Postal Inspection Service Reward Program, eligible claimants may receive up to \$10,000 under the Money Laundering Offense.

requirements. The employee structured the purchase of more than \$150,000 worth of postal money orders at Post Offices in central New Jersey. She deposited most of the money orders into her employer’s business account. Postal Inspectors and agents with the IRS and the FBI identified other employees who had deposited more than \$3 million from structured transactions into the company’s business accounts at banks in northern New Jersey.

Asset Forfeiture

The U.S. Postal Inspection Service uses asset forfeiture laws and regulations to target the financial incentive that criminals gain from postal-related crime. When Postal Inspectors investigate drug trafficking, identity theft, and other financial crimes, they may subsequently uncover money and assets obtained from this activity. In FY 2004, the Postal Inspection Service provided training to 42 Forfeiture Specialists and support staff, and 137 Postal Inspectors.

During FY 2004, Postal Inspectors seized 706 assets

and secured 589 forfeitures. U.S. Postal Inspection Service forfeiture activity during FY 2004 netted \$3.7 million. As a result of successful asset forfeiture cases, the Inspection Service was able to share \$2.2 million with other federal, state, and local law enforcement agencies. Postal Inspectors were also successful in seizing assets identified in criminal cases and using the proceeds to pay victim restitution.

Postal Inspector Stephen Hofheins was the recipient of the National Award for an Outstanding Asset Forfeiture Case at the OCDETF National Leadership Conference at Washington, DC, on July 20, 2004. Inspector Hofheins was a member of Operation Headhunter, which targeted companies selling drug paraphernalia. Some of the companies operated near colleges and universities and enlisted “student reps” to promote products at social functions and “raves.” The investigation dismantled eight Iowa distributors and 14 national distributors or manufacturers. Twenty suspects were arrested, with fines imposed in excess of \$520,000. Hofheins and others seized drug paraphernalia worth more than \$4 million, and property and cash worth more than \$650,000 were forfeited. The investigation required extensive coordination with numerous law enforcement agencies and the U.S. Attorney’s Office.

Inspector-Attorney Terrence Finley of the Chicago Division received an award for Sustained Exceptional Service to the Asset Forfeiture Program. Inspector Finley was recognized for his extensive assistance and guidance to other Postal Inspectors, Forfeiture Specialists, and staff from the U.S. Attorney’s Office. Through his legal knowledge, leadership qualities, and high ethical standards, Inspector Finley greatly improved the quality of Postal

Inspection Service asset forfeiture cases.

Postal Inspectors Dennis Berger, Dana Kimbrough, and Ron Redus; Forfeiture Specialist Charlotte Kimbrough; and Operations Technician Valerie Hinton received awards for their roles in the Clyde Hood case. A retired electrician from Mattoon, Illinois, Hood created a fictitious investment business he called Omega Trust and Trading Limited. He presented himself as one of eight people in the world who could conduct secret, multimillion-dollar trades in debentures and prime bank notes with foreign banks, and ingratiated himself with victims by exploiting their Christian beliefs. Omega investors were promised a 50 to 1 return on their investments in under a year. Instead, Hood and his cohorts enriched themselves with investors' money. Postal Inspectors tracked Hood's expenditures, resulting in the successful prosecution of Hood and others in the scam. Following an order for the forfeiture and liquidation of more than \$3 million in assets, combined with the use of the Department of Justice's victim restoration policy, Hood's victims received the full restitution of \$1.7 million from the sale of the forfeited properties.

The following paragraphs highlight other Inspection Service asset forfeiture cases from FY 2004.

- Postal Inspectors executed search warrants on April 2, 2004, at the home and business of a Maryland podiatrist suspected of submitting false claims to the District of Columbia (DC) Medicaid program, beginning in 1999. Inspectors determined the woman billed Medicaid for services provided to dead recipients, a DC resident who was out of the country at the time, and an excessively large number of people in a single day, among other anomalies. Losses totaled about \$1.2 million. During a search of her home, Inspectors seized \$6,900 in cash and identified several personal and business accounts they suspected the woman had used to launder the proceeds of her scheme. On April 5, Postal Inspectors served warrants on two of her accounts and seized about \$407,220. The money and bank accounts were administratively forfeited on September 23, 2004.

- Postal Inspectors investigated a New Jersey man who bought \$600,000 worth of postal money orders, many of which were "structured" purchases from Post Offices in Vermont, New York, and New Jersey. He was suspected of laundering proceeds from an international bookmaking scheme. On June 3, 2004, Inspectors executed federal seizure warrants on two of his annuity accounts and seized more than \$739,210. The forfeiture of the funds will be handled through the civil judicial forfeiture process. The disposition of the forfeiture case is pending.

- Four defendants were sentenced in New York in November 2003 for an insider trading scheme. From 1997 through 1999, two of the defendants paid employees of a

business magazine to give them information on publicly held companies before it was made public. They used the information to buy and sell securities of covered companies. The trades exceeded \$40 million, and their profits exceeded \$1.8 million. Postal Inspectors seized 13 assets valued at about \$888,000. A final order of forfeiture was issued in February 2004 on four of the seized assets valued at approximately \$607,000. As the sole investigative agency, the U.S. Postal Inspection Service applied for an 80 percent share of the forfeited proceeds.

- Subsequent to a narcotics-detecting canine alert, Inspectors executed a federal search warrant in May 2003 on an Express Mail parcel mailed from Michigan to Phoenix, Arizona, containing more than \$205,000 in cash. Inspectors and other agents located and arrested five suspects in Arizona and Detroit for possessing controlled substances with the intent to deliver them. In November 2003, a 28-count indictment was issued against 16 suspects in Detroit, Phoenix, and California. Charges included controlled substance violations, money laundering, and forfeiture. Inspectors seized about \$1.5 million in assets, and the Postal Inspection Service has successfully forfeited more than \$313,000 worth of assets to date.

- At the request of the Department of Labor's Office of Inspector General, Postal Inspectors investigated allegations of fraudulent unemployment insurance. Inspectors found that, between February 1998 and April 2003, 24 suspects defrauded the state of California and unemployment agencies by filing false claims via the U.S. Mail to receive millions of dollars in unemployment insurance benefits. Benefit checks were sent to Post Office boxes controlled by the suspects and deposited into their bank accounts. The suspects filed fraudulent claims in the names of more than 1,000 victims, and losses to the government were estimated at more than \$8 million. Of the 14 suspects convicted of conspiracy, four were sentenced between March and June 2004 to terms ranging from six months to five years in prison and three years' probation. One man was ordered to be deported, and another was ordered to pay more than \$58.7 million in restitution. Approximately \$1.5 million in currency and financial investments were forfeited to date.



Internal and External Investigations

Mail Theft

The American public has the right to expect its mail to be delivered on time and intact. As mandated by law, U.S. Mail should arrive unopened and in the mail receptacle for which it was intended. When the process is interrupted

by theft, rifling, obstruction, or destruction of the mail, investigative responsibility comes under the jurisdiction of U.S. Postal Inspectors, who are charged with preserving the “sanctity of the seal.”

Mail thieves have a number of opportunities to steal mail. Every day, more than 690 million letters travel across the country. The mail is delivered to about 150 million addresses six days of every week (with 1.8 million new addresses added every year). Every day, those millions of mailpieces—First-Class letters, parcels, magazines, financial documents, business correspondence, Express and Priority Mail, registered mail, international mail and much more—are moved to their destinations by plane, ship, rail, truck, automobile, and human beings.

More than 200 billion pieces of U.S. Mail are delivered yearly to mailboxes, collection boxes, apartment mailbox panels, relay boxes, co-op mailing racks, Post Office boxes, neighborhood delivery and collection box units, as well as countless versions of ingenious, homemade mailboxes crafted to meet federal standards set by the U.S. Postal Service, under the counsel of U.S. Postal Inspectors.

Postal Inspectors know all this. They also know that, because mail can contain any number of valuables—not just jewelry or other expensive items, but personal and financial information, credit card applications, and the like—criminals will always try to steal it. Mail thieves employ an endless number of schemes that Postal

Inspectors work hard to thwart.

U.S. Postal Inspectors deploy the best security available. They also use preventive tactics to help protect and educate postal employees and the public about mail theft.

Volume Attacks

The Postal Inspection Service devotes significant resources to preventing and investigating mail theft. Mail theft rings are its biggest concern. Postal vehicles, collection and relay boxes, apartment mailbox panels, and neighborhood delivery and collection box units (NDCBUs) are commonly targeted by thieves in volume mail attacks. The attacks constitute a threat to postal employees and postal customers, and the Postal Inspection Service must devote considerable resources to protecting them and securing the U.S. Mail.

Americans everywhere depend on Postal Inspectors to keep mail thieves off the streets and, in fact, identifying and arresting these criminals are essential to Inspectors’ duties. In FY 2004, Postal Inspectors arrested 6,618 suspects for mail theft, and in the same period 5,351 suspects were convicted on such charges. But criminals never cease looking for new strategies to attack the nation’s mail, and Inspectors must respond with ever-more formidable counterattacks to ward off their advances.

Postal Inspectors and staff from the Postal Service’s Engineering, Delivery, and Retail offices cooperated on a major project over the past two years that yielded huge benefits in the mail theft arena. New security features for collection boxes were researched and tested and, as of FY 2004, 5,716 high-security CBUs were deployed nationwide at a cost of \$12 million. In recent years, the Phoenix, Arizona, Postal District suffered exceedingly high rates of attacks, attributed to a steep rise in methamphetamine addicts in the area. Accordingly, numerous NDCBUs in that district were replaced with high-security CBUs.

Postal customers can be pleased with the results. To date, not a single high-security CBU has been compromised, though Inspectors have received several reports of attempts to pry open the units. The Arizona District saw a

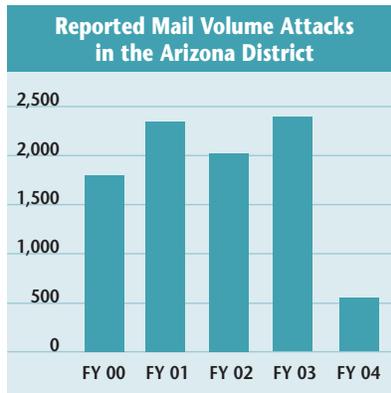
phenomenal 70 percent drop in mail volume attacks over the past several years.

Following are case examples from FY 2004.

■ A task force of Postal Inspectors, Kissimmee police, Osceola County sheriffs, and investigators from the Florida Attorney General's Office conducted a seven-month investigation of volume mail attacks, identity theft, a \$100,000 theft, and fraud. At least seven national merchants and financial institutions suffered high-dollar losses. Task force members arrested two suspects in April 2004 on charges of racketeering and fraud, and arrest warrants were issued against two co-conspirators.

■ Postal Inspectors arrested two suspects in March 2004 who tried to "fish" mail from collection boxes outside a San Antonio, Texas, postal station. A criminal complaint against the two was filed on March 18 for mail theft. On March 20, Postal Inspectors arrested two other suspects for possessing stolen mail. During a consent search of the suspects' home, Inspectors seized stolen mail, "washed" (altered) money orders, chemicals used to wash the money orders, and related items. The investigation is continuing.

■ Postal Inspectors in San Jose, California, arrested six suspects in June 2004 on charges of forgery and identity theft after receiving numerous complaints from customers about stolen mail. Inspectors and San Jose fraud detectives executed two search warrants and three probation searches (searches of a parolee's home) and recovered a large quantity of stolen mail. The suspects were meth addicts who would get high and steal mail from collection boxes outside Post Offices. Most of the thefts occurred on



Sunday night or early Monday morning, because the thieves knew mail was not collected on Sundays. Postal Inspectors brought the issue to the attention of Postal Service managers, and recommended they add Sunday mail collection and use larger collection boxes at problem locations.

■ In February and March 2004, Postal Inspectors in San Antonio, Texas, arrested four men on charges of mail theft, forgery, bank fraud, and possession of stolen mail. Inspectors and Secret Service agents executed search warrants at motel rooms rented by one suspect and seized more than 500 personal and corporate checks totaling about \$500,000, three postal tubs containing more than 150 pieces of stolen First-Class Mail, three laptops, and a scanner that still contained a counterfeit check.

Identity Theft

Identity theft occurs when a thief steals key pieces of someone's identifying information, such as name, date of birth, and Social Security number, and uses the information to fraudulently apply for credit or to take over a victim's credit or bank accounts. When identity theft involves the U.S. Mail, Postal Inspectors have investigative jurisdiction.

Prevention remains a key component in combating identity theft. Inspectors team with bank and credit card issuers, financial institutions, industry investigators, retail merchants, credit bureaus, and government agencies to educate merchants and consumers about identity theft and provide guidance to victims.



Postal Inspectors determined that a Nigerian man employed by Southwest Airlines at the Baltimore-Washington Airport was regularly mailing Express Mail packages bearing fictitious return addresses to Brooklyn, New York, and other locations. Inspectors intercepted a package and learned the employee was mailing stolen credit cards. They served search warrants at the man's home in Maryland and at the Brooklyn addresses and recovered more than 150 stolen credit cards and 450 stolen checks (pictured at left). Known losses to date conservatively exceed \$10 million, and Inspectors have identified more than 1,000 victims, many of whom had their identities stolen; about 100 financial institutions also were victimized. Inspectors have arrested three other Nigerian men in the case, and a fifth remains a fugitive. Three of the four arrested were denied bail until trial and, if convicted, face sentences of up to 30 years in prison.

Examples of cases from FY 2004 follow.

■ An investigation by the Postal Inspection Service, Denver District Attorney's Office, Colorado State Patrol, Colorado Bureau of Investigation, and the Louisville, Colorado, Police Department resulted in a guilty plea by a mail theft suspect, who was sentenced in December 2003 to five years in prison. Eight of nine other ring members pled guilty to related charges and received terms ranging from 32 months to three years in prison. Ring members stole checks from mailboxes, counterfeited the checks, and negotiated approximately \$130,000 worth of them at financial institutions and businesses.

■ In January 2004, the Los Angeles Division's Identity Theft and Economic Crimes Task Force arrested a man and executed 10 search warrants related to access-device fraud. The case was initiated in October 2003 after a suspect fraudulently applied for credit cards, then used them to get cash and buy gold bars and coins from businesses and the U.S. Mint. Inspectors have identified about \$450,000 in losses, but the total could exceed \$1 million. The suspect rented 11 apartments and used addresses at seven commercial mail receiving agencies (CMRAs) to conduct the scheme. Inspectors seized 240 one-ounce gold coins (valued at more than \$84,000), jewelry, \$25,000 in cash, emeralds, sapphires, rubies, pearls, a two-carat diamond, Rolex watches, 30 one-ounce platinum coins, and 422 gold coins.

■ Two identity theft suspects were arrested by Postal Inspectors in California for embezzlement, counterfeit securities, bank fraud, and the improper use of Social Security numbers. The suspects deposited counterfeit checks into accounts at four banks. Each worked at a bank and had access to customers' personal accounts. Using stolen account numbers, the two applied for and received cashier's checks through the mail. One suspect was sentenced in June 2004 to 15 months in prison and three years' probation, and was ordered to pay \$210,994 in restitution. The second was sentenced in February 2004 to five months in prison, five months of home monitoring, and three years' supervised probation, and was ordered to pay \$21,000 in restitution.

■ After a four-day trial in August 2004, a Missouri man was found guilty of three counts of bank fraud, three counts of misusing a Social Security number, and one count of computer-related fraud. Postal Inspectors and other agents on the Eastern District of Missouri's Identity Theft Task Force arrested the man in January 2004 after finding he had defrauded Dell Computer Corporation of more than \$107,000. He paid a Southwestern Bell employee for lists of customers' personal identifiers, which he used to open fraudulent Dell credit accounts. The man bought computers and other electronics with the fraudulent cards and had

them shipped via the U.S. Mail to addresses in St. Louis.

■ Inspectors in San Francisco investigated a case involving 135 stolen and forged convenience checks. The checks were taken from curbside mailboxes in the San Francisco and East Bay areas, washed with chemicals, forged with victims' names, and deposited into bank accounts. They ranged in value from \$1,500 to \$7,200. Inspectors identified six main suspects and 43 co-conspirators, and estimated losses at more than \$100,000. Eighteen suspects were arrested in April and May 2004, and 16 others indicted.

Mail Theft by Employees and Contractors

U.S. Postal Service employees work conscientiously to move the nation's mail to its proper destination. They take their responsibilities seriously. Unfortunately, a small number of employees abuse the public's trust. It is the job of the Postal Inspection Service to identify dishonest employees and take steps to have them prosecuted and removed from the Postal Service. Following are examples of mail theft cases from FY 2004.

■ Postal Inspectors investigated a part-time, flexible letter carrier from the Waycross, Georgia, Post Office in March 2004 after receiving a tip that she was stealing mail from her route. When Inspectors observed the carrier place a mail tub in the back of her personal vehicle, they performed a consent search of her car and found numerous pieces of stolen mail. The carrier was indicted in May 2004 on 10 counts of mail theft by an employee and one count of resisting an officer. She resigned from the Postal Service.

■ Postal Inspectors arrested a clerk in Atlanta in February 2002 for stealing more than 100 U.S. Treasury checks worth more than \$100,000. The clerk was sentenced to more than four years in prison and three years' supervised release, and was ordered to pay restitution of \$89,908 to his victims.

■ Postal Inspectors proved that, between March and August 2002, a former postal clerk and union steward in Chicago with access to various mail processing operations had stolen 96 checks from the mail. He gave them to five co-conspirators to negotiate at various banks. In May 2004, the clerk was sentenced to 30 months in prison and three years' supervised release, and was ordered, with the five co-defendants, to pay restitution of \$85,222. U.S. Secret Service agents assisted with the investigation.

■ Postal Inspectors arrested an aviation services manager in February 2004 at the Philadelphia International Airport for rifling and stealing First-Class Mail. A few months earlier, Inspectors had arrested a co-conspirator for

stealing greeting cards at the same location. The first arrest revealed the cards were lifted from the mail and used at stores in Philadelphia. The manager admitted he had rifled at least 50 greeting cards and had stolen about \$200 that day.

■ Postal Inspectors investigated two temporary postal workers at the Main Post Office in Columbus, Ohio, suspected of stealing bank statements and smuggling them from the office. The women and seven others allegedly printed counterfeit checks with stolen account numbers on a home computer. They cashed the checks and bought clothing, gift cards, and groceries. Once the group had run up \$2,000 to \$3,000 on an account, they moved on to another one. The ring reportedly stole \$74,000 in cash and purchases, using the accounts of 38 victims. Members of the ring, many of whom are related, used the counterfeit checks at stores in Columbus, Cincinnati, and Dayton, Ohio, from June 2001 to December 2002. Four women admitted involvement in the scheme, and the remaining five suspects were indicted in September 2004.



the state of Washington in March 2004 and pled guilty to fraud and conspiracy in June. He was sentenced to 41 months in prison and five years' supervised release, and was ordered to pay \$230,060 in restitution.

■ A Louisiana mother and her two daughters were charged in April 2004 with conspiracy to possess and negotiate counterfeit postal money orders. The trio cashed two counterfeit postal money orders worth \$1,500 at Ace America and Cash Express in Lake Charles. When Postal Inspectors and local police interviewed the mother, she stated that she had paid \$50 in California for four postal money orders worth \$2,550.

■ Inspectors in Houston arrested a suspect who had used a cut-and-paste technique to alter the face value of postal money orders. In April 2004, he altered 19 money orders to a total value of \$7,319. The postal money orders were negotiated in Shreveport, Louisiana. Inspectors believe he recruited as many as 10 others to buy money orders in low-dollar amounts and cash them for him. More arrests are anticipated.

Miscellaneous Crime

Miscellaneous crime may include counterfeit postal money orders, "raised" postal money orders (when the dollar amount is altered), vandalism of postal property, and theft of postal property. In FY 2004, Postal Inspectors saw a dramatic increase in the number of counterfeit postal money orders, the result of increasingly more sophisticated scanning and digital reproduction technology.

In FY 2004, Postal Inspectors reported 3,733 illegally cashed counterfeit money orders, compared to 1,419 in FY 2003. Another 3,539 raised money orders were cashed in FY 2004, compared to 435 in FY 2003. The dollar value of counterfeit postal money orders rose from \$1.5 million in FY 2003 to \$6.5 million in FY 2004. Inspectors are working with the Postal Service and the financial industry to design new security measures for postal money orders.

Following are examples of miscellaneous crime investigated by Postal Inspectors in FY 2004.

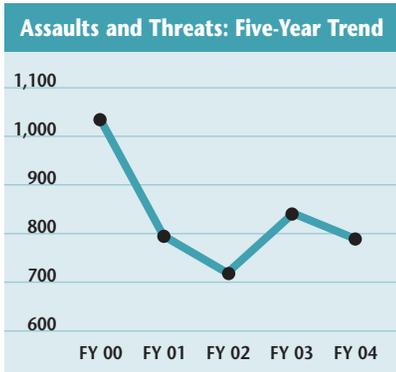
■ Postal Inspectors arrested the leader of a major counterfeit money order ring in Inglewood, California, on April 21, 2004. He was believed responsible for manufacturing and distributing more than 900 counterfeit postal money orders in California, Washington, Oregon, Louisiana, North Carolina, and Georgia. He was indicted in

Homicides, Assaults, and Threats

The U.S. Postal Inspection Service is committed to ensuring employee safety in the workplace. Postal Inspectors investigated 796 postal-related assaults and credible threats during FY 2004 and made 359 arrests. Inspectors seek prosecution in assault cases when appropriate.

Following are examples of case activity by Inspectors in FY 2004.

■ On January 27, 2003, a man driving a pick-up truck in South Amboy, New Jersey, followed a letter carrier down



the block after the carrier had delivered mail to his home. He accused the carrier of walking on his lawn and threatened to kill him, then struck the carrier in the face twice, knocking

him to the ground. Local police initially arrested the attacker on state assault charges, and he was held at the Middlesex County Correctional Facility in North Brunswick in lieu of a \$50,000 bail. Postal Inspectors obtained a federal indictment against the man for assaulting a gov-



Postal Inspectors in Pittsburgh obtained an indictment in April 2004 against a convicted felon who illegally owned a .380 Bryco handgun, which was used in the homicide of full-time Letter Carrier Clayton Smith. The woman was arraigned on April 14 and released on her own recognizance with several conditions. The homicide occurred when she left her eight-year-old daughter and nine-year-old son alone in the house, and the children discovered the gun in her bedroom closet. The boy later retrieved the weapon and aimed it out of a kitchen window at a wooded area. Letter Carrier Clayton Smith, who was standing outside his postal vehicle, sustained a fatal gunshot wound. Above, Pittsburgh Division Inspector A. Richards (left) and U.S. Attorney M. Buchanan announced the resolution of the homicide at a press conference in Pennsylvania.

ernment employee. He pled guilty and was sentenced in August 2004 to 37 months in prison.

■ A man entered the lobby of the Lakeside, California, Post Office on May 28, 2003, and took four employees hostage. Postal Inspectors and San Diego County Sheriff’s deputies responded to the scene. Hostage negotiators from the sheriff’s office spoke with the suspect via cell phone and eventually convinced him to release the employees. The incident lasted about four hours, and there were no physical injuries. On February 4, 2004, the man was sentenced to 13 years in prison for the kidnapping and for using a firearm in the commission of a crime.

■ Capital murder charges were brought against a man in September 2003 suspected in the murder of an employee of Earl’s True Value Hardware store in Fredericksburg, Virginia. The woman was found dead on July 14, 2003, in a contract postal unit in the store. She was completing “close-out” duties when she was attacked, but there were no eyewitnesses to the crime. Postal Inspectors and other members of the Homicide Task Force identified the man from evidence gathered at the crime scene and arrested him after executing a search warrant at his home. If convicted of capital murder, he will face the death penalty. The judge postponed the trial until May 2005.

Robberies

Robberies pose a threat to postal employees, jeopardize the public’s trust in the mail, and attack the financial integrity of the Postal Service.

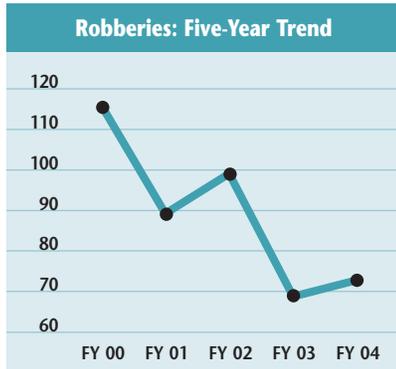
Postal Inspectors in all parts of the country receive expert training on how to

safeguard employees and facilities against criminals, but the U.S. Mail and Post Offices will likely remain compelling targets for larceny.

Thieves who attack letter carriers seek mail containing valuables—such as jewelry, checks, or financial information—or keys to mail receptacles that give them greater access to even more mail. Those who target postal facilities are usually after cash and money orders.

Inspectors aggressively and thoroughly investigate all postal robberies and attempted robberies. Following are

	Facility		Carrier		Other		TOTAL	
	FY 03	FY 04						
Robberies								
with physical injury	7	1	3	3	1	4	11	8
with death	2	0	0	0	0	0	2	0
without physical injury	28	39	9	10	19	15	56	64
TOTAL	37	40	12	13	20	19	69	72



examples of cases from FY 2004.

■ A former postal employee in Texas was sentenced to 46 years in prison for the 2003 and 2004 armed robberies of the South Oak Cliff, Joe Pool, Juanita Craft, and Parkdale postal stations. The suspect's wife was sentenced to nearly 10 years in prison and five years' supervised release for her role in the crimes. The robberies were solved by Ft. Worth Division Postal Inspectors, who arrested the couple as they were attempting to flee the scene of the Parkdale Station robbery. The former employee received 14 years for each of the four armed robberies, seven years for using a firearm in the commission of a violent crime, and a mandatory 25 years for a second firearm count. He was also ordered to pay \$48,767 in restitution to the Postal Service.

■ Two men were sentenced in June 2004 to 33 years and four months in prison, and 30 years in prison, respectively, for the armed robbery of the Kinards, South Carolina, Post Office on October 7, 2003. The men took about \$1,200 in cash and ordered the postmaster to imprint 10 postal money orders at \$700 each and another 10 at \$1,000 each. During the robbery, they bound the postmaster in duct tape and threatened to kill her if she revealed any information about them. On October 22, Postal Inspectors from the Charlotte Division were notified by Newberry County and Laurens County Sheriffs that the men had visited a bail bondsman, who alerted the deputies about the fugitives' presence. Inspectors arrested the suspects after a high-speed chase when they crashed their Cadillac, which was bought with the stolen money orders.

■ In March 2004, a juvenile from Amelia Courthouse, Virginia, was indicted on state charges of attempted capital murder, felony abduction, aggravated malicious wounding, and robbery of a rural carrier. The 15-year-old attacker severely injured the carrier, who was delivering mail when

the incident occurred. The carrier required extensive surgery as a result of multiple stab wounds sustained during the attack. Washington Division Postal Inspectors and deputies from the Amelia County Sheriff's Office immediately identified the juvenile, who lived on the route. Evidence from the scene matched latent prints on the victim's

vehicle to the suspect. The case was scheduled for trial on November 30, 2004.

■ Chicago Division Inspectors arrested three suspects, including a letter carrier from the Grand Crossing Postal Annex, for the armed robbery of a motor vehicle services operator in August 2003. The robbery occurred at the postal annex and was carried out by two non-employees, who stole registered remittances worth about \$19,000. One of the non-employees was identified from fingerprints left at the scene. After his arrest, he identified two co-conspirators. He stated that the carrier was the "brains" behind the robbery and drove the getaway vehicle. In March 2004, the three men were indicted for conspiracy and the armed robbery of a Post Office.

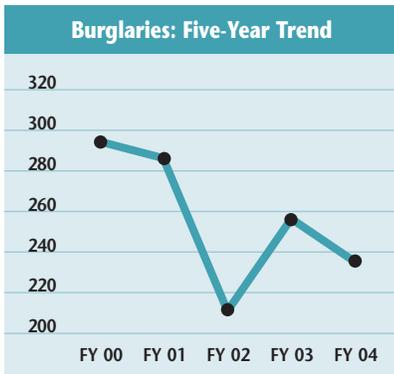
Burglaries

The rate of postal-related burglaries remained relatively stable in FY 2004, although Inspectors reported that break-ins persisted in rural areas of the country. About 86 percent of the burglaries in the past fiscal year

resulted in losses of less than \$1,000, or the theft of fewer than 100 postal money orders. The graph on the next page depicts postal burglary trends over the past five years.

Following are case examples from FY 2004.

■ Postal Inspectors in Puerto Rico arrested a man in August 2004 for burglarizing three Post Offices in San Juan. The suspect entered the Cabo Rojo Post Office by removing an exterior grill that led to the postmaster's office. Once inside, he disconnected the closed-circuit TV, cable, and telephone line. After rifling mail and rummaging through the window services area, he took 160 blank postal



money orders. He later solicited others to cash the money orders at local establishments. Similar methods had been used in an attempted burglary at the Guanica Post Office on

September 30, 2003, and in burglaries at the Villalba, Guayanilla, and Penuelas Post Offices one month later. The suspect was held without bond, and the investigation is continuing.

■ A year-long investigation by San Francisco Division Postal Inspectors resulted in the arrest of a fugitive burglary suspect and two associates in June 2004. The fugitive's backpack, which Inspectors recovered during a search of a residence, contained a stack of stolen postal money orders. Inspectors also seized stolen and forged checks and a MAC-10 automatic weapon from the home. The case began in July 2003 when a money order imprinter, 433 money orders, stamp stock, and the station remittance were stolen from the Salinas, California, Postal Contract Station. One suspect cooperated in the investigation and was sentenced to 150 days in jail and ordered to pay the Postal Service \$6,896 in restitution. His co-conspirator became a fugitive when he failed to appear for a hearing in December 2003. While on the run, the fugitive had associates negotiate stolen money orders in Monterey County. In August 2004 he was sentenced to 92 months in prison and ordered to complete drug rehabilitation. One associate pled guilty and was sentenced to six months in prison and three years' probation, and the other pled guilty.

■ Postal Inspectors and Ft. Bend County Sheriff's deputies arrested two men in May 2004 in connection with the burglary of the Simonton, Texas, Post Office. The Post Office was burglarized on or about May 1, 2004, when a 2,200 pound safe containing 753 blank postal money orders, a money order imprinter, \$4,284 worth of stamp stock, and other valuables were hauled off. Inspectors determined that a local man, suspected of three other burglaries, had attempted to cash postal money orders at a country store. Bloodhounds from the sheriff's office, brought in to determine whether the suspect had been in the Post Office, alerted on the suspect and trailed to him when presented with scent pads taken from the entry to the office. In June 2004, a Texas grand jury indicted the man on state burglary charges. Federal charges are pending.

Revenue Investigations

Postal Inspectors determine which products and sources of revenue pose the highest financial risks to the Postal Service and target their investigations accordingly.

Inspectors measure the effectiveness

of their revenue investigations by the number of postage fraud schemes they identify and successfully resolve. In addition to stopping a scheme, the "resolution" may involve sending the perpetrator to jail, recouping lost funds if possible and, as appropriate, collecting fines and penalties from the perpetrators.

Revenue Investigation Results in FY 2004

Criminal cases	114
Criminal convictions*	78
Civil cases resolved*	3
Amount ordered or agreed to be paid as a result of a civil prosecutive action*	\$13.4 million
Voluntary restitution*	\$171.6 thousand
Court-ordered restitution—criminal*	\$2.5 million

* May be related to cases from prior reporting periods.

U.S. Postal Inspectors concluded three major investigations in FY 2004 involving the underpayment of postage by large-scale, commercial mailers. Postage fraud schemes are generally complex due to the many postal operations and postage rate structures, and can pose a problem for prosecutors trying to present the case to a jury. Examples of Inspectors' cases in FY 2004 follow.

■ The owner of a mailing house in Salem, Utah, was sentenced in November 2004 to 60 months of supervised release and was ordered to pay more than \$94,000 in restitution for meter fraud. Postal Inspectors found that, although the owner had reported a lost postage meter in December 1996, he had instead manipulated the meter and continued to print postage until August 1998. Losses to the Postal Service were based on the company's business records.

■ A man in Pasadena, California, pled guilty in March 2004 to bank fraud, money laundering, and conspiracy. He was the ring leader of a \$1.6 million counterfeit-check scheme affecting Post Offices in six western states. The suspect and his co-conspirators called Post Offices to request large numbers of stamps in the name of a business. A private courier picked up the checks from the business and used counterfeit checks at Post Offices to pay for the stamps. The stamps were later sold to commercial stamp and coin shops in Los Angeles. Prosecution is pending for four co-conspirators.

Civil Prosecutions

Affirmative Civil Enforcement (ACE) is an effective tool used by investigative agencies and criminal prosecutors to ensure the fullest recovery of losses for the government. ACE allows the government to fashion settlements addressing unique law enforcement issues that can arise in complicated fraud cases. ACE also grants triple damages and penalties for false claims, as shown in the cases that follow.

■ An \$8.4 million civil false claims settlement was signed by Cushman & Wakefield, Inc., Interior Systems, Inc. (ISI), and Vice President William Marcellino in August 2004 in Dallas, Texas. Postal Inspectors found that ISI employees withheld postage statements from the mail unit clerk and did not properly presort mail to earn discount postage rates as claimed. Revenue losses from more than 25 million pieces of mail, presented to the Postal Service between 1998 and 2000, totaled nearly \$6.2 million.

■ A \$4.5 million civil false claims settlement was signed by The Vantage Group, two of its subsidiaries, and its chief executive officer and chief financial officer in October 2003. Postal Inspectors found that the Boston firms had improperly claimed millions of pieces of mail at a reduced, non-profit mail rate, although they knew the mailings were ineligible for the discount. The firms also made false statements to cover up their actions.

■ Medco Health Solutions signed a \$540,511 settlement under the Program Fraud Civil Remedies Act in May 2004. Postal Inspectors discovered that the mail-service pharmacy provided two types of window envelopes and preprinted inserts to customers. Business reply mail (BRM) envelopes were provided for prescription orders, and courtesy envelopes were provided for bill payments. When customers instead used BRM envelopes for payments, the mail went to a Post Office Box and bypassed the Postage Due Unit, where payments are collected. Medco failed to make the requisite changes to its envelopes or cease distributing the two envelopes. Postal losses were incurred in Pennsylvania, New Jersey, Florida, Nevada, Texas, Washington, and Ohio.

Financial Investigations

The majority of financial investigations conducted by the U.S. Postal Inspection Service comprise employee embezzlements. Postal Inspectors have uncovered a range of embezzlement schemes used by postal

employees: failing to report postal retail sales and using the cash for personal expenses; delaying the reporting of postal sales to fund personal, short-term loans; stealing postal stamps, retail products, or packaging products; and covering shortages in postal funds by submitting bogus reimbursements for bogus or inflated business expenses.

Postal Inspectors conducted 543 embezzlement investigations in FY 2004 and identified more than \$3.1 million in postal losses. Examples of Inspectors' casework follow.

■ A former window clerk in Park City, Utah, was sentenced in November 2003 to one year in prison and was ordered to pay more than \$166,000 in restitution for embezzling postal funds. Postal Inspectors found the clerk concealed the theft for six months by misreporting stamp stock shipments and falsifying reporting documents. She was removed from her position with the U.S. Postal Service.

■ Inspectors found that a former postmaster in Arnett, Oklahoma, had falsified account book and quarterly statement entries. She underreported postal sales and bulk mail revenue, posted negative balances to various accounts, and overreported money order sales. She was sentenced to six months in prison and was ordered to pay \$144,092 in restitution in February 2004 for her crimes.

■ Postal Inspectors determined that a vending technician in Youngstown, Ohio, had been stealing money over a four-year period from machines he serviced at six Post Offices. He got away with the theft because his managers failed to properly audit the stamp stock. The technician lost his job and was sentenced in November 2003 to six months' home detention and three years' probation, and was ordered to pay more than \$101,000 in restitution for embezzling postal funds.

■ Postal Inspectors identified a sales and services associate (SSA) at a Philadelphia, Pennsylvania, postal station and a co-conspirator who had bought stamps with

checks drawn on a closed bank account. The stamps were transferred to the SSA, who sold them to postal customers at the station. Rather than recording the sales, he took the money for personal use. The SSA lost his job and was sentenced in December 2003 to six months of house arrest and five years of probation, and was ordered to pay about \$65,000 in restitution for stealing government property.

■ Postal Inspectors determined that a clerk at the El Paso, Illinois, Post Office stole more than \$17,800 by failing to report stamp sales, Post Office box rental fees, and COD funds. She took the money in the form of postal money orders that she issued in her own name. The clerk lost her position with the Postal Service and was sentenced in July 2004 to three years of probation for misappropriating postal funds.

Workers' Compensation Fraud

Monetary compensation and medical benefits paid to postal employees who sustain injuries while on duty are a major expense to the Postal Service, which is responsible for funding workers' compensation benefits.

The Postal Service has accrued approximately \$7.5 billion in future liability for workers' compensation claims since its reorganization in 1971.

The Postal Service fully supports the Office of Workers' Compensation Program; however, a small percentage of postal employees and medical providers abuse the system, causing the Postal Service to incur millions of dollars each year in chargebacks from the U.S. Department of Labor (DOL) for fraudulent claims and administrative costs.

As a proactive measure to identify and eliminate fraudulent claims early in the claims process, Postal Inspectors' efforts this past fiscal year emphasized continuation-of-pay (COP) investigations. COP compensation is provided to injured employees, who continue to receive paychecks from the Postal Service for up to 45 days following a claim. U.S.

Postal Inspection Service investigations in FY 2004 resulted in \$146.2 million in long-term, cost-avoidance savings and another \$19.8 million in COP cost savings, totaling \$166 million in cost savings for the Postal Service.

The Postal Inspection Service initiates criminal investigations when it suspects individuals of defrauding the Federal Employees' Compensation Act (FECA) and refers to the Postal Service matters that may require administrative action. Inspectors work closely with the Postal Service's Injury Compensation offices to flag potentially fraudulent claims. The Postal Inspection Service also has oversight and responsibility for the Contract Fraud Analyst Program, which provides analysts to assist Inspectors in investigating suspect claims.

During investigations this past fiscal year, Postal Inspectors identified 760 individuals for defrauding the workers' compensation program and arrested 41 employees for workers' compensation fraud.

Employment Fraud

Postal Inspectors primarily seek criminal prosecution in workers' compensation fraud cases, as it is the best deterrent and prevents the resumption of benefit payments. By law, future payments are barred to anyone convicted of workers' compensation fraud.

Prosecution is generally based on showing that the claimant is receiving outside earnings and concealing them from DOL and the Postal Service. The following are examples of court actions resulting from Inspection Service investigations in FY 2004.

■ A full-time garnishment clerk in the Southern Maryland Processing and Distribution Center was sentenced to 40 months in prison after a jury convicted him for workers' compensation fraud and aiding and assisting in the preparation of false tax returns. He was also ordered to pay \$144,443 in restitution to DOL's Office of Workers' Compensation Program and the Internal Revenue Service. Postal Inspectors and IRS agents conducted a two-year investigation of the man after he began collecting workers' compensation for an on-the-job injury in the early 1990s. In order to continue receiving disability benefits, he was required to notify DOL of any change in his work status. He falsely certified that he was not working, but Postal Inspectors determined he was, in fact, running a tax preparation and accounting business and was preparing fraudulent tax returns.

■ A custodian at the George W. Young General Mail Facility in Detroit, Michigan, pled guilty in September 2004 to making false statements to obtain workers' compensation. Postal Inspectors arrested him while he was working

at the Detroit Police Department in April 2004. The custodian had claimed he was disabled and could not perform even limited-duty work for the Postal Service due to constant pain. Inspectors, however, observed him on the job as a reserve police officer, playing on a bowling league, doing yard work, and visiting a local amusement park. As a result of the investigation, DOL terminated the man's benefits, and the Postal Service realized a future cost savings of \$479,133. Administrative action is pending, and sentencing was set for January 2005.

Misrepresentations of Physical Limitations

Another form of fraud that Postal Inspectors investigate in the workers' compensation program involves employees who misrepresent the extent of their physical limitations. The efforts of Postal Inspectors in obtaining prosecution in these cases have been increasingly successful, as seen in these summaries.

■ A Bronx, New York, window clerk was convicted after a four-day trial of making false statements to obtain federal employees' compensation and committing mail fraud. Postal Inspectors learned the clerk had tripped over a hand-truck at the Post Office and claimed he injured his knee, elbow, shoulder, and back. Inspectors conducted a surveillance of the clerk and observed him sitting, walking, squatting, standing, and sprinting effortlessly. When interviewed by Inspectors, however, he remained standing and held his arm rigidly, stating that if he sat it would take him an hour to get moving again. He alleged he was unable to move his arm, sit, stand, or walk without tremendous pain. The clerk was sentenced in December 2003 to 15 months in prison and three years' supervised release, and was ordered to pay restitution to the Postal Service of \$83,017, with a \$2,000 special assessment. As a result of the investigation, the Postal Service achieved a future cost savings of \$56,794. The former employee was permanently barred from receiving workers' compensation benefits.

■ A letter carrier in Chicago, Illinois, filed a COP claim, alleging she was injured when a cart fell on her arm. DOL accepted the claim. After three days' absence from work, she submitted a doctor's note, condoning her absence



A letter carrier in Fort Myers, Florida, had his duties modified after he reported being injured on the job, but he called in sick on his first night in the new assignment. Postal Inspectors began a surveillance of the carrier and found him at a local bowling alley with his league. The carrier showed no difficulty or discomfort while playing in 77 games from September 2003 through May 2004. Inspectors informed postal managers of the carrier's activities, and he lost his job with the Postal Service on July 30, 2004.

and injury. When Postal Inspectors checked the claim and discovered the doctor was unaware of the note, the carrier admitted she had written it. The clerk was removed from the Postal Service and is barred from receiving workers' compensation benefits.

■ A full-time custodian in Aspen, Colorado, filed a COP claim after injuring her back while mopping the floor. She was initially placed off duty, but returned to limited duty for two hours a day, based on her doctor's orders. Postal Inspectors, however, found that she and her husband ran a cleaning service, and Inspectors saw her vacuuming and dusting a client's place of business. When confronted by Inspectors, the woman denied working and claimed that she only supervised others, but the doctor changed her orders to allow eight hours of full duty with only minor restrictions. She was terminated from her job on December 5, 2003, and the case was accepted for federal prosecution.

Dangerous Mail and Homeland Security

Biological or Chemical Hazards in the Mail

It is unlikely that anyone in the United States will receive a harmful biological or chemical agent through the mail.

Poison has been sent by mail only a few times in the past several decades, typically in candy or other food and meant to target

a particular person. In fact, Postal Inspectors report that only twice in the history of the U.S. Postal Service have terrorists attempted to use the mail to deliver a biological or chemical weapon.

The Postal Service delivers approximately 203 billion pieces of mail each year. In the past three years, that translates to odds of one in 100 billion that an item of mail contains a biological or chemical weapon. Keeping the mail free of hazards is one of the highest priorities of Postal Inspectors.

Since October 2001, when letters contaminated with anthrax were mailed to media and congressional representatives, through FY 2004, reports of suspected hazards in the mail have ballooned, reaching a total of more than 20,000 incidents. Inspectors take every report seriously, as they relate directly to the safety of postal employees and customers.

Despite the fact that a scarce 99.9 percent of all suspicious mail incidents in FY 2004 were false alarms or hoaxes, they caused 133 evacuations of postal facilities and more than 18,745 lost workhours. Harmless substances—sugar or baby powder found in or around mail—were the main culprit, and most mailers were unaware the items

could create problems.

In a few instances, the harmless substances found in mail were intended to be misconstrued as threats. Such mailings are federal offenses, and Inspectors aggressively pursue anyone who attempts to use the mail to threaten, harass, or disrupt. Inspectors' investigations of these incidents in FY 2004 resulted in 28 arrests, and 25 convictions were reported during the same period.

Explosive Devices in the Mail

Dangerous mail investigations include explosive devices, such as bombs, found in the mail. Cases involving mail bombs are often complex, particularly if evidence is destroyed when a device explodes. Postal Inspectors

investigated 26 incidents of explosive devices sent via the U.S. Mail in FY 2004. That includes a case from September 2004, when 21 incendiary letters were mailed from a Nevada correctional facility to a long list of state officials. During the same period, Inspection Service investigations resulted in four arrests and three convictions.

If a mail bomb detonates, Postal Inspectors first tend to anyone injured in the blast and then secure the crime scene. Inspectors intensively comb the area for clues and submit the evidence to the Postal Inspection Service's National Forensic Laboratory for analysis. Document and forensic experts examine postmarks, postage, handwriting, fingerprints, and any other evidence that might yield investigative leads for Inspectors. In one notable bomb case,

Forensic Analysts were able to lift only a partial fingerprint from the back of a stamp, yet still managed to identify the bomber.

The chart below provides statistics on mail bombs over the past five years.

Mail Bomb Incidents: Five-Year Trend					
	FY 00	FY 01	FY 02	FY 03	FY 04
Incidents	7	3	0	2	26
Explosions	4	3	0	1	6
Injuries	2	2	0	0	4
Deaths	0	1	0	0	0

In FY 2004, Postal Inspectors responded to 1,013 incidents of explosive devices placed in private mail receptacles, hoax bomb devices, and suspicious items found in postal facilities or equipment. The investigations resulted in 81 arrests, and 55 convictions were reported during the same period. Most of the incidents involved juveniles who were targeting mailboxes with homemade explosives or common fireworks. The majority of suspicious material turned out to be hoaxes, false alarms, or items inadvertently left behind by customers.

The U.S. Postal Inspection Service has greatly expanded training for Inspectors who investigate

dangerous mail. Because their work may be conducted in contaminated areas, these Inspectors have been given hazardous material training and are equipped to respond to chemical, biological, or radiological attacks affecting postal employees, postal customers, the U.S. Mail, and postal facilities.

Following are dangerous mail investigations conducted in FY 2004.

- Postal customers in Lafayette, Louisiana, began receiving threatening letters in the mail in April 2002. Some of the letters contained a white powder, but all threatened that 25 bombs, strategically placed around the city, would be detonated. Postal Service managers immediately closed the Lafayette Processing and Distribution Center and 11 area Post Offices as a safety precaution. Besides inciting fear among postal employees and recipients of the letters, the incidents required costly on-the-scene responses by Postal Inspectors, local law enforcement



Photograph by Postal Inspector Jim Gill, Milwaukee Domicile.

Significant advances by the U.S. Postal Inspection Service in the areas of hazmat equipment, planning, and first-responder agency coordination mean the agency is well-prepared to fulfill its mission of protecting the U.S. Postal Service, its employees, and its customers from acts of terrorism and weapons of mass destruction.

Postal Inspectors at the Chicago Division responded to a biohazard detection system alert during a practice drill at the Milwaukee P&DC.

officers, and hazmat personnel. Inspectors compiled information on some 200 of the letters, which were addressed to a wide array of individuals and groups, including the U.S. Attorney's Office, U.S. Marshals Service, Senator John Breaux (Louisiana State Attorney General), local television stations, and several postmasters and Post Offices.

Inspectors worked with FBI agents and local law enforcement officers on the investigation, which eventually led them to Stephen Michael Long, who was arrested in June 2002. Postal Inspectors gathered critical evidence against Long, including a videotape of Long buying a selection of postage stamps matching those used on the letters. After a three-day trial with extensive testimony from Inspectors, Long was found guilty on January 9, 2004, and sentenced to 30 years in prison for mailing threatening communications. Long stated that his motive was, among other things, to improve society by exposing weaknesses in anti-terrorism efforts.

■ A customer in Leeper, Pennsylvania, believed a package he received in the mail on November 19, 2003, was suspicious because it lacked a return address and bore an excessive number of stamps. He called Postal Inspectors, who determined the package contained an explosive device. Inspectors conducted an investigation that led them, only days later, to Robert Ray Reichard, a local man who apparently had a "fatal attraction" for the intended victim's girlfriend. Inspectors arrested Reichard on November 22, and he was convicted in federal court in July 2004 for mailing an explosive device.

■ George Krushinski of Cynthiana, Kentucky, was sentenced in December 2003 to 41 years in prison for the attempted murder of a rural carrier associate. After Inspectors obtained evidence that Krushinski tried to kill the Postal Service employee, he was charged with using a destructive device in a crime of violence, making an explosive device, obstructing U.S. Mail, mailing threatening communications, and related crimes. Krushinski had filed baseless complaints about the Postal Service and his mail delivery for several years.

■ A jury in Pennsylvania found Clayton Lee Waagner guilty in December 2003 on 51 federal charges related to anthrax hoax letters he sent via Express Mail to women's health clinics across the country. An anti-abortion activist, Waagner mailed more than 500 threatening letters, claiming to be from the "Army of God" and containing a powder purported to be anthrax. Waagner initially sent flour in the letters, but later switched to a powder that falsely tested positive for anthrax. Postal Inspectors in several states investigated the case and responded to numerous reports of anthrax sent through the mail. The extensive investigation and manhunt involved several agencies and was featured

on the television program "America's Most Wanted."

■ On the morning of September 11, 2003, an anonymous caller phoned the Cape Canaveral, Florida, Post Office to report that a suspicious person seen at the office just after midnight had placed a package in the collection box outside. The caller provided the license number of the suspect's car. Postal employees found the package, addressed to the Sun Cruz Casino in Cape Canaveral, Florida, and notified Postal Inspectors, who X-rayed the parcel and determined it contained a pipe bomb. Later that day, a man called the Brevard County, Florida, Sheriff's Office to report finding three apparent pipe bombs under the seat of his car. His license number matched that supplied by the anonymous caller. Although evidence initially pointed to this man as a suspect, Postal Inspectors developed information that instead led them to Dawn Marie Jay and her husband Michael. When Postal Inspectors interviewed the Jays on November 13, 2003, they confessed to making the bombs, mailing one at the Cape Canaveral Post Office, and placing three others in the man's car. Their motive was revenge: The man had been their supervisor when they worked on a cruise line, and they had hoped he would be arrested for mailing the bomb. The Jays admitted they had broken into their ex-boss's car to obtain strands of his hair, which was stuck under tape used with the bombs. Inspectors arrested the Jays and later uncovered other crimes committed by the couple with various accomplices. In January 2004, Michael Jay pled guilty to making and possessing four explosive devices and was sentenced to two years in federal prison in return for his cooperation and testimony. Dawn Marie Jay also pled guilty, and her sentencing was scheduled for November 2004.

■ Postal Inspectors arrested Omar Daraz Mukhi in September 2004 on charges of forgery and the false use of passports. Inspectors and Customs agents had confronted Mukhi in June 2003 in Ridgewood, New York, based on information that several envelopes destined to his address contained illegal blank passports. During a consent search of Mukhi's home, Inspectors seized a number of passports from a duffel bag and an Afghani passport from the door of a vehicle. Mukhi also had counterfeit stamps used to make the passports appear valid. Other IDs, such as driver's licenses and Social Security cards, were allegedly obtained through collusive parties at the Social Security Administration and the Michigan State Department of Motor Vehicles. Mukhi admitted he had been involved in smuggling Middle Easterners in and out of the United States across the Canadian border. Postal Inspectors executed a consent search at his Baltimore home and recovered more fraudulent passports, passport photos, and passport-making equipment, including rubber stamps used for counter-

feit passports. Other members of the New York Joint Terrorism Task Force joined the case. On August 9, 2004, Mukhi was convicted in federal court.

Homeland Security

The Postal Service is a vital public entity that reaches every American household and business, and contributes enormously to the health and well-being of the country. Its national presence, however, also makes it a tempting target for terrorists.

In support of the Postal Service's emergency-preparedness initiatives, the Postal Inspection Service has implemented internal and external procedures to protect the Postal Service and the public from threats to homeland security. Postal Inspectors assist in the development and testing of continuity-of-operations plans to ensure the Postal Service can contribute to the continuation of government functions, even during times of crisis. In bearing the responsibility to ensure the safety of the mail and of postal systems, Inspectors work actively in a number of law enforcement, security, and intelligence functions crucial to meeting these goals.

The Postal Inspection Service continues to work with other government and law enforcement agencies as a contributing presence in homeland security initiatives. U.S. Postal Inspectors are assigned as liaison officers at the Department of Homeland Security's Operations Center, the Terrorist Screening Center, the National Joint Terrorism Task Force, and the National Counterterrorism Center (established by the executive order of President Bush in August 2004), which includes the Interagency Intelligence Committee on Terrorism. More than 70 Postal Inspectors work with 63 Joint Terrorism Task Forces across the country to investigate domestic and international terrorism, bombs, bomb threats, "suspicious powder" cases, and other incidents related to homeland security.

Inspectors gather and analyze intelligence information on a wide range of homeland security issues and participate in all aspects of related law enforcement functions. The Inspection Service's Intelligence Office is assigned to

liaison with the Terrorist Threat Integration Center, which merges and analyzes terrorist-related information collected domestically and abroad to form a comprehensive overview of threats to the nation. Another Inspector is assigned to liaison with the Terrorist Screening Center, which coordinates terrorist identification and related information.

Postal Inspectors helped implement training for Integrated Emergency Management Plans and Biohazard Detection Systems for the Postal Service. The training prepares postal employees on procedures for handling emergencies and activations of the biohazard detection system. Inspectors also trained postal employees at six major metropolitan areas and will help conduct additional training at other strategic locations.

To support its expanded involvement in homeland security initiatives, the Postal Inspection Service established a 24-hour Critical Watch Desk at National Headquarters. The Watch Desk receives and disseminates information on critical incidents involving the mail or the postal system, and further enables the Inspection Service to remain prepared to implement an immediate response to any crisis affecting the Postal Service.

Security

Facility Security

Postal Inspectors continued to review security conditions at postal facilities in FY 2004. They recommended improvements to security at nearly 200 locations, including 125 of the largest operations.

Some of the recommendations made by Inspectors were to install new fencing, improve indoor or outdoor lighting, upgrade security cameras, and enhance access-control features. Postal Inspectors completed risk models for 187 facilities in FY 2004, resulting in numeric scores that reflected the risks and countermeasures found at each postal location. After identifying 16 facilities with scores higher than 800 points, Inspectors were able to re-evaluate 10 of them during the past fiscal year and work with postal employees on improvements.

Nine postal facilities brought their scores below 800 in FY 2004, in large part by improving adherence to existing policies and procedures and adding new countermeasures to guard against risks. Since a new risk model was introduced in FY 2003, Inspectors have reviewed 389 facilities. Only 30 scored above 800 points, although 24 of those represented the Postal Service's largest operations.

To ensure that Postal Service security control officers have the knowledge and tools needed to evaluate security at their facilities, training was provided for more than 600 of the employees in FY 2004. The program allows Postal Inspectors to partner with postal employees assigned to handle collateral duties as security control officers, which results in improved security for employees and the mail.

As part of its Transformation Plan, the Postal Inspection Service hired another new cadre of security specialists. Physical Security Specialists now assist Inspec-

Hurricane Hero: Postal Inspector Edward R. Moffit, Orlando Domicile, Miami Division



When the Postal Service's Central Florida District was hit in FY 2004 with four major hurricanes, Postal Inspector Ed Moffit was assigned to the Emergency Operations Center. The center provided coverage 12 hours a day, seven days a week during Hurricane Charley—but when Hurricanes Frances, Ivan, and Jeanne followed soon after, it became a 24-hour operation. Inspector Moffit worked with Area Vice President Bill Brown to guide efforts in locating postal employees after the storms had passed, and solicited local law enforcement officials for help providing security during after-dark curfews so employees could return to work. District Manager Pete Captain named Postal Inspector Ed Moffit a "Hurricane Hero," and Postmaster General Jack Potter presented him with an achievement award and a plaque for the Inspector's outstanding assistance during the hurricanes. Inspector Moffit was again recognized by Vice President of Southeast Area Operations William J. Brown in another award presentation later that week. Left to right: Postmaster General Jack Potter, Postal Inspector Ed Moffitt, Central Florida District Manager Pete Captain, and Southeast Area Vice President Bill Brown.

tors with security reviews, monitor facility upgrades, conduct reviews of personnel-hiring procedures, and work with security control officers to identify and correct any security deficiencies. The first group of specialists met in Annapolis, Maryland, to learn how the positions support the Postal Inspection Service's Security Plan.

Security Force

The U.S. Postal Inspection Service maintains an armed, uniformed Security Force to provide ongoing protection for postal employees, mail, and property. Officers are assigned to facilities considered most at risk for crime. The presence of officers serves as a deterrent to criminal activity and provides an environment conducive to the safety of postal employees and customers.

The Postal Service's Transformation Plan continued to affect the Security Force in FY 2004. Training for new Postal Police Officers (PPOs) was transferred to the Career Development Division at the William F. Bolger Center for Leadership Development in Potomac, Maryland, from the Federal Law Enforcement Training Center in Glynco, Georgia. Providing PPO training in-house guarantees that new officers receive more specific, job-related instruction for their positions. In FY 2004, 38 new PPOs graduated from the program.

A new addition to the physical security provided by the Postal Inspection Service are unarmed, contract Security Guards that were deployed to facilities across the country. The contract officers replaced PPOs at fixed post locations, such as employee and vehicle entrances, to increase flexibility and mobility for PPOs, who must promptly respond to serious incidents.

Natural Disasters

Postal Inspectors must respond to a wide variety of man-made and natural disasters that can affect postal operations across the country. The disasters range from truck or train accidents, which may expose mail to security

hazards, to raging floods or tropical storms that can destroy mail, close postal facilities, and endanger employees. Postal Inspectors respond immediately to the scene of the incident and provide security guidance to postal managers, ensuring

that infrastructures are secure and operational, and that postal employees are safe from harm.

An extraordinary succession of hurricanes—Charley, Frances, Ivan, and Jeanne—struck Florida between August and September 2004, disrupting mail processing and transporta-



Florida's Highway 10 was wiped out during Hurricane Ivan, resulting in a three-hour trek each way for Postal Inspectors trying to respond to emergencies in the Panhandle region. To improve response times to facilities in the area, Inspectors used an RV at the Pensacola P&DC as a base of operations and as lodging for about a week until all postal locations were secured and all employees accounted for.



tion throughout the region and causing blackouts and damage to almost all postal facilities. Postal Inspectors worked alongside postal employees to keep the mail moving, and were sent to each facility to evaluate the safety and security of employees, the U.S. Mail, and postal assets during recovery operations.

In the aftermath of Hurricane Charley, Postal Inspectors and Postal Police Officers provided 24-hour security for more than six weeks at the severely damaged Punta Gorda postal facility. Following Hurricane Frances, Inspectors provided 24-hour security for a one-week period at the much-damaged Avon Park Post Office. Postal Inspectors traveled to every Post Office, station, and branch in the Central, Suncoast, and North Florida Districts, minus the few offices reported to be operational, and were able to account for every postal employee—some of whom had to be tracked down after they fled the area. No postal employees suffered injuries related to the hurricanes, and Postal Inspectors maintained liaison with local law enforcement officials to facilitate the transit of mail during curfews.

During Hurricane Ivan, all hotels and gas stations within a three-hour radius of facilities in Pensacola were closed due to the lack of electricity, and it took hours for Inspectors to travel back and forth through flooded areas to reach postal sites. Using a lesson learned from previous hurricane recovery efforts, postal managers leased high-capacity gasoline tankers for set-up at the largest facilities, such as the Pensacola Processing and Distribution Center, so that letter and rural route carriers could gas up postal vehicles and Postal Inspectors could quickly traverse the region to respond to emergencies.

Personnel Security

Postal Inspectors continued to evaluate personnel hiring offices in FY 2004, reviewing all 80 postal districts to ensure compliance with regulations, such as employment eligibility, drug screening, interviews, criminal history checks, and management oversight. Of the 265 deficiencies identified by Inspectors, postal managers had corrected 261 by the end of the fiscal year. In one instance, Inspectors

found that postal managers had hired a man who had an unverified gap in his employment history. He lost his job after Postal Inspectors determined he was an undocumented alien and ineligible for employment.

Postal Inspectors conducted personnel-screening reviews of commercial airlines and ground-handling suppliers responsible for transporting mail via the airlines. Inspectors identified 41 deficiencies at commercial airline contract sites and six deficiencies at terminal-handling supplier sites. The deficiencies ranged from non-compliance with required documentation to allowing unscreened personnel access to the mail. Postal Inspectors worked closely with postal managers and suppliers to ensure corrective action was taken.

Staff at the Postal Inspection Service's Security Investigation Service Center at Memphis, Tennessee, is responsible for granting clearances after background investigations are completed. In FY 2004, the Memphis office issued 43,750 security clearances and granted 185 updates to postal, airline, terminal-handling suppliers, and FedEx employees who handle mail, as well as highway contract route drivers. Clearances were denied for 388 individuals.

Transportation Security

Postal Inspectors conducted security reviews at 20 airports in the past fiscal year to ensure that only authorized personnel have access to restricted areas and proper procedures are in place to minimize risks to postal

employees and the public. Inspectors reported deficiencies to postal managers and airline authorities for correction.

Another Postal Inspection Service goal in FY 2004 was to identify security controls at facilities of the Postal Service's largest commercial mailers (those with national or premier accounts). The goal was formed in response to recommendations made in the Postal Service's 2002 Emergency Preparedness Plan, and 200 randomly selected mailers consented to the reviews. Postal Inspectors report-

ed that commercial mailers used security controls similar to those at postal facilities, and the controls were satisfactory.

Observation of Mail Conditions

For the sixth consecutive year, Postal Inspectors conducted Observation of Mail Condition (OMC) reviews at the request of the Postal Service's chief operating officer. The OMCs were intended to evaluate security, verify the integrity

of the Mail Condition Report System and the Customer Service Daily Reporting System, observe mail processing volumes and workhours, and identify any areas of concern for corrective action.

Postal Inspectors issued 15 weekly reports and two special reports from September 8 through December 23, 2003. Inspectors visited 1,489 postal sites across the country and identified 1,236 security issues for corrective action. Inspectors also reported finding 331 operational problems. Recurring findings included weak security for registered mail, deficiencies in controlling building access, and noncompliance with policies for various postal IDs.

Postal Inspectors continued to emphasize to postal managers the importance of complying with policies and procedures. Employee IDs, postal keys, and registered mail handling topped the list of security problems, and recurring issues included the high number of personal items found on the workroom floor. Inspectors' concerns prompted the Postal Service's Chief Operating Officer to issue a national directive on the subject.



Intelligence

Marking its first year of operation with the close of FY 2004, the Intelligence Group quickly proved its value as an important new resource for the U.S. Postal Inspection Service. Staff members revealed innovative and efficient methods of analyzing, evaluating, and disseminating information impacting the U.S. Postal Service, its employees, and its customers. The group took a proactive approach in forming assessments of emerging threats and in offering investigative assistance to Postal Inspectors.

Strategic intelligence, another form of assistance provided by group members, yields information that may be useful in making long-range decisions about resource allocations. The Intelligence Group disseminates to critical Inspection Service and Postal Service managers weekly Intelligence Bulletins of ongoing national and international events affecting the U.S. Mail, Known Mailing Bulletins of suspicious mail to help avoid facility shut-downs, and periodic risk assessments.

FY 2004 contributions included research conducted by staff members on a suspected identity theft ring in San Francisco, which led Inspectors to the identification and arrest of a key suspect. The Intelligence Group's data-mining techniques also aided Postal Inspectors in identifying several postal employees who were defrauding the workers' compensation program.

The Intelligence Group provided valuable input to investigations of money laundering related to the use of postal money orders, in one instance locating nearly \$11 million in illicit financial transactions and 11 bank accounts for Atlanta Division Inspectors. A visual chart developed by Intelligence Group staff helped in presenting the myriad financial transactions to the Assistant U.S. Attorney for prosecution.

Over the past fiscal year, the Intelligence Group acquired access to a multitude of commercial and federal

agency databases and information resources. Inspectors who lack access to information, due to limited local resources, may now direct a Request For Information to the Intelligence Group, a system that ensures timely responses and efficient tracking.

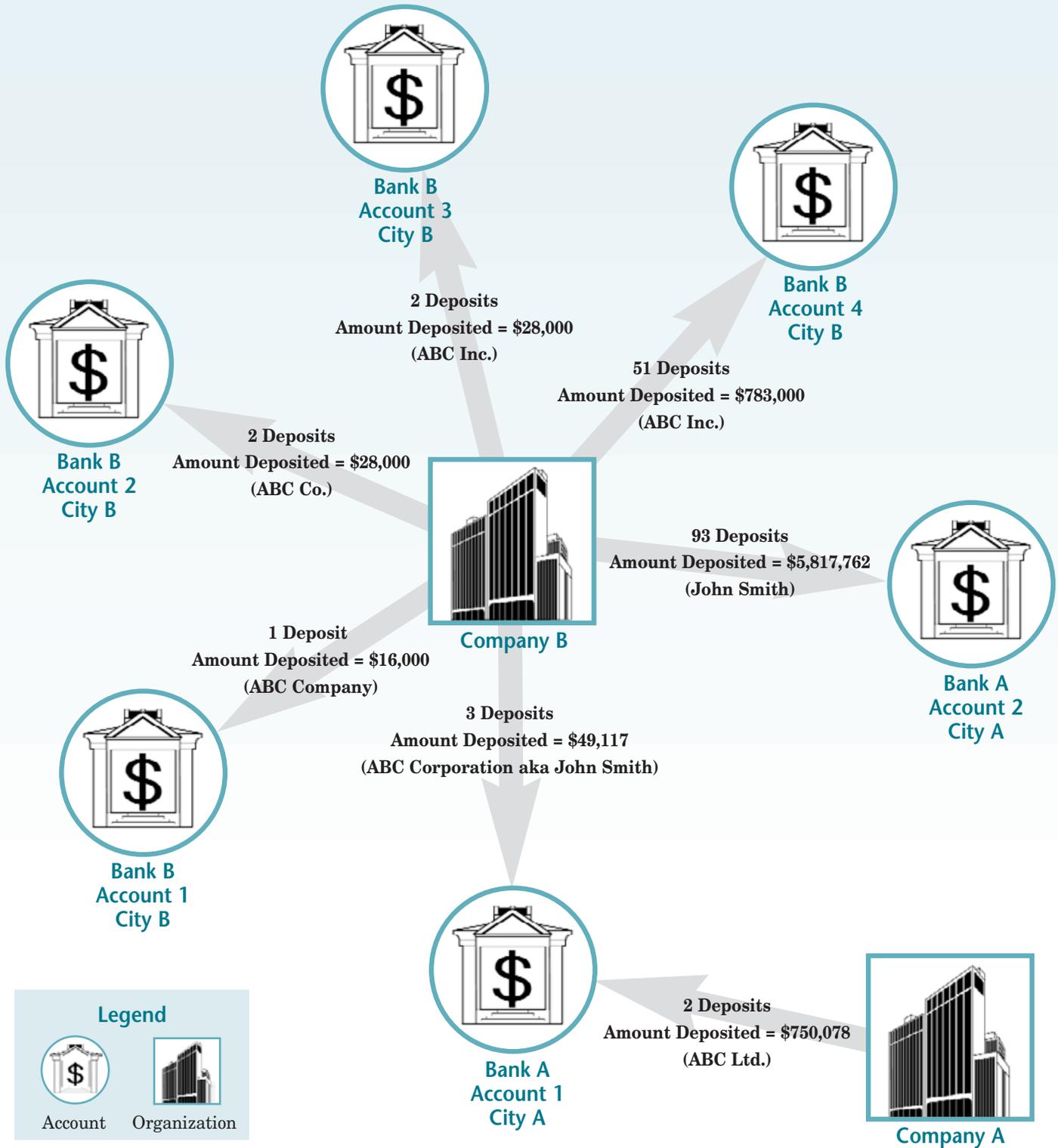
Intelligence Group staff form liaisons with other law enforcement agencies, consumer protection groups, and business mailers to share intelligence products and analyses of current trends and threats, and to coordinate efforts to ensure efficiency in all investigations. Overall, the accurate, relevant, and timely assessments of data provided by the Intelligence Group in FY 2004 strengthened strategic, operational, and tactical decision-making for the U.S. Postal Service.

Link analysis software gives investigators a visual "map" that allows them to see ties between suspects, places, and events using information from various databases. A link chart may reveal gaps in information that require further investigation, can help determine a sequence of events, is easily altered to reflect different perspectives, and can depict complex findings. Investigators often use link charts as a visual aid when making presentations to Assistant U.S. Attorneys.

In the example on the next page, a small portion of a chart produced by an Intelligence Analyst highlights important links between bank accounts in a money laundering investigation being conducted by Postal Inspectors. Company A and Company B deposited money to six accounts at two banks. The chart linked the companies by showing that A and B were depositing money into the same account, but under different names. Intelligence Analysts revealed the connection when they searched for variations on the company name and other identifiers used for deposits—ABC Company, ABC Ltd., ABC Co.—and in the names of account owners.

A link analysis chart may also reveal "structured" financial transactions—when \$3,000 postal money orders are purchased by different people at different Post Offices, and deposited into different accounts—with the same owner.

Sample of a Link Analysis Chart



Consumer Education, Fraud Prevention, and Congressional Liaison

The mission of the office of Congressional and Public Affairs is to communicate the law enforcement, security, and crime prevention achievements of the U.S. Postal Inspection Service to the public, Congress, the U.S. Postal Service, the law enforcement community, and the media. Through consumer-protection campaigns, educational publications, video productions, and congressional liaison, Postal Inspectors and support staff from



Congressional and Public Affairs work to increase public awareness, especially among older Americans, about how to protect themselves from fraud and avoid becoming victims.

Consumer Education and Fraud Prevention

Dialing for Dollars

The U.S. Postal Inspection Service unleashed a two-pronged attack in FY 2004 on fraudulent telemarketers, particularly those who target older Americans. Chief Postal Inspector Lee R. Heath announced the results of a law enforcement clamp-down on scammers, Operation Roaming Charge, and the unveiling of a new consumer-protection campaign, Dialing for Dollars, during a nationally televised press event.

Every year, thousands of consumers lose from a few dollars to their life savings in various types of swindles. In the past fiscal year, Postal Inspectors responded to nearly



Postal Inspector John Salanitro was interviewed in Kansas City, Missouri, by Anchor Elizabeth Allen of Channel 41, an NBC 21 Call for Action affiliate. The segment was aired to support the Postal Inspection Service's Dialing for Dollars Campaign, a promotion initiated in September 2004 to educate area viewers about telemarketing fraud. Postal Inspectors fielded calls from the public about how to avoid becoming a victim of investment fraud and similar scams, and what to do if you suspect you have been defrauded.

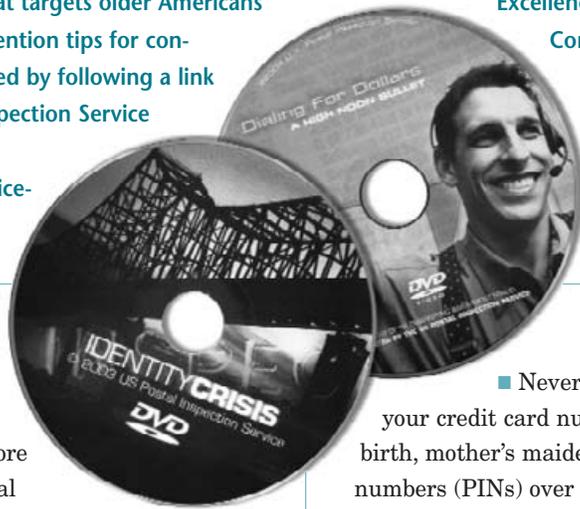
82,000 mail fraud complaints. But Chief Postal Inspector Heath said these two efforts will help to stem that trend, stating, "Swindlers who use the telephone, mail, and computer to defraud America's consumers are receiving their own wake-up call."

Postal Inspection Service contributions to Operation Roaming Charge resulted in 52 arrests and in sentences ranging from five months to 12½ years. More than 1.4 million victims suffered losses exceeding \$800 million.

The Postal Inspection Service's National Public Information Officer (PIO) issued a press release in conjunction with the event, and Inspector PIOs disseminated local releases in their states the same day. Postal Inspectors held 21 regional media events, including workshops and town hall meetings. Their combined consumer-protection efforts resulted in the publication of 76 articles in 10 states, reach-

The Postal Inspection Service offered a special educational tool for postal customers via a free DVD titled "Dialing for Dollars." Produced by the Inspection Service, the video dramatizes a typical investment fraud scheme that targets older Americans and concludes with a series of prevention tips for consumers. The free DVD can be ordered by following a link on the home page of the Postal Inspection Service Web site.

Another Postal Inspection Service-produced DVD about identity theft,



titled "Identity Crisis," was distributed in the past fiscal year and won a Crystal Award of Excellence in the video/film/multi-media category. Competition for the Crystal Award of Excellence is administered annually by The Communicator Awards, an international program that recognizes outstanding work in the communications field. "Identity Crisis" is also available at the Postal Inspection Service Web site.

ing an audience of more than 2.7 million people. Nearly 296 radio broadcasts in 37 states reached more than 16 million people, and a Postal Inspection Service video news release aired 17 times in various states, reaching another 1.7 million Americans. Magazines and newspapers featuring ads publicizing the campaign were distributed to some 54 million readers. In addition, several Members of Congress and representatives from U.S. Attorney's Offices participated in local events nationwide.

■ Never give personal information, such as your credit card number, Social Security number, date of birth, mother's maiden name, or personal identification numbers (PINs) over the phone, unless you initiated the phone call.

Consumers were encouraged to report suspected mail fraud incidents to the Postal Inspection Service's fraud hotline at 1-800-372-8347, or visit the Postal Inspection Service Web site to report fraud online at www.usps.com/postalinspectors.

The top five mail fraud scams of FY 2004

1. free-prize schemes
2. foreign lotteries
3. pyramid schemes
4. investment fraud
5. work-at-home scams

National Consumer Protection Week

Chief Postal Inspector Lee R. Heath and the Postal Service's consumer advocate released a list of the top five mail fraud scams in February 2004, just in time for National Consumer Protection Week. The message of

the campaign was "Get Rich Quick? Don't Count On It." As in past years, the campaign focused on educating consumers about how to protect themselves from becoming victims of fraud.

Postal Inspectors advised all Americans that, while it may be impossible to protect themselves from every swindler, they can substantially minimize the risk of falling victim to fraud by following these guidelines:

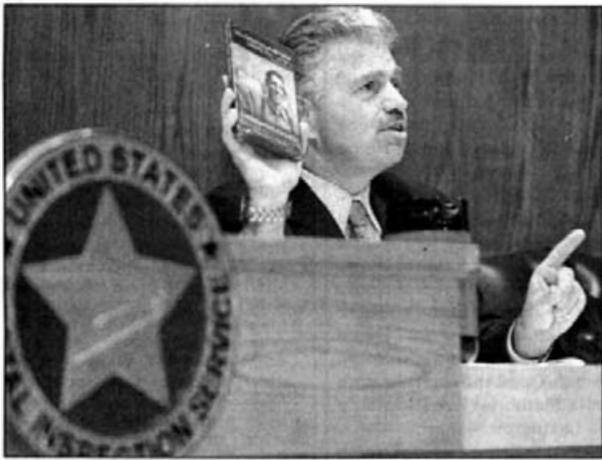
- Know who you are doing business with before you send money.
- Be skeptical of anything that sounds "too good to be true."
- Discard all foreign lottery solicitations—they are illegal.

Employee and Consumer-Awareness Publications

Congressional and Public Affairs staff produce and disseminate monthly activity updates to keep U.S. Postal Service executives informed of critical investigations, initiatives, and consumer crime issues. C&PA staff also wrote or updated a number of publications in FY 2004, which are available online for viewing and printing at its Web site under the "Publications" link:

- Publication 146, *Law Enforcement Guide to Postal Crime*
- Publication 162, *Because the Mail Matters*
- Publication 257, *Misleading Advertisements—Media Guidelines*
- Publication 266, *Blueprint for Facility Security*
- Publication 275, *Post Office Robbery*
- Publication 308, *Know Your Rights: A Guide for Victims and Witnesses of Crime*
- Poster 7, *Rules and Regulations Governing Conduct on Postal Property*
- Poster 296, *Notice of Reward*
- Poster 158, *Possession of Firearms*

An updated version of Publication 162, *Because the Mail Matters*, won a Crystal Award of Excellence in FY 2004 in the brochure/public relations category.



PETER MONSEES/STAFF PHOTOGRAPHER

Postal Inspector Tony Esposito speaking to seniors in Wayne during a seminar on how to avoid mail, telemarketing and Internet fraud.

Cons: Seniors beware

Congressional and Public Affairs staff maintain a Web site to provide the public with facts about fraud schemes, current fraud alerts, wanted persons, and access to informational brochures (www.usps.com/postalinspectors). For National Consumer Protection Week, staff members posted information at the site about financial scams and fraudulent telemarketers, helpful consumer tips for avoiding fraud, and frequently asked questions, along with numerous links to related law enforcement and consumer agency sites. More than 100,000 people visited the Web site during the campaign.

C&PA staff also provide content to the Postal Inspection Service Intranet Web site for agency employees.

Congressional Liaison

A Postal Inspector from Congressional and Public Affairs (C&PA) acts as liaison to the U.S. Senate and another acts as liaison to the U.S. House of Representatives to represent the interests of the Postal Inspection Service on Capitol Hill. The Inspectors attend congressional hearings, monitor legislative initiatives that could affect the Postal Inspection Service, and coordinate legislative proposals for the agency.

Congressional Liaison Inspectors also prepare *The Capitol Hill Monitor*, a newsletter for Inspection Service employees that summarizes hearings and legislative activities of interest at the close of each legislative session of Congress; coordinate the agency's participation at congressional hearings and other events on Capitol Hill; and liaison with the Postal Service's Government Relations and Public Policy groups.

C&PA staff and Chief Postal Inspector Lee R. Heath visited the Capitol Hill offices of U.S. Senator Larry Craig (R-Idaho), Chairman of the Senate Special Committee on Aging, in October 2004 to present plaques to the Senator and his staff in recognition of their work combating telemarketing fraud. Senator Craig, who chairs the Senate Special Committee on Aging, introduced Senate Resolution 10460, establishing October as "Protecting Older Americans from Fraud Month." The resolution was a significant step in responding to the seriousness of fraud that robs thousands of vulnerable, older citizens through deceptive offers and illegal business tactics.

Postal Inspectors from C&PA briefed an Ohio delegation of state lawmakers and mayors in June 2004 on the



Postal Inspection Service's role in combating identity theft. The 30-member delegation also learned about identity theft investigations conducted by Postal Inspectors in Columbus, Cleveland, and Cincinnati, Ohio, and were given tips on how to prevent identity theft and report suspected incidents of fraud.

Congressional Testimony

Deputy Chief Inspector Kevin Burke testified on behalf of the Postal Inspection Service before the Subcommittee on Financial Institutions and Consumer Credit, part of the House Financial Services Committee, in December 2003 during a field hearing in Pennsylvania, and Assistant Chief Inspector Larry Maxwell testified in March 2004 before the Social Security Subcommittee of the House Committee on Ways and Means at a hearing entitled, "Enhancing Social Security Number Privacy." Both testimonies related to the agency's approach of fighting identity theft by combining investigative, preventive, and educational strategies. Recent progress in combating this crime has been realized through collaborative efforts with postal partners in the mailing industry and with other law enforcement and regulatory agencies. House lawmakers held the hearings to consider additional legislation that could help combat identity theft.

Again in March 2004, Assistant Chief Inspector Larry Maxwell testified on Internet Fraud and the Elderly at a hearing before the Senate Special Committee on Aging. The first witness at the hearing was Jeffrey Groover, an inmate currently serving a 46-month sentence for identity theft, committed primarily via the Internet. Groover discussed the methods he used to commit his crimes and suggested how to reduce similar fraud. Miami Division Postal Inspector Johnny Niedzwiedzki and a Secret Service agent arrested Groover in 2002. Assistant Chief Inspector Maxwell also described how fraudsters have modified their schemes to exploit new technology.

Chief Postal Inspector Lee R. Heath testified before the Senate Permanent Subcommittee on Investigations in July 2004 on the dangers perpetrated by "rogue" or illicit online pharmacies. The hearing focused on efforts by the public and private sectors to prevent the illegal importation of drugs, and the Chief Postal Inspector cited the challenges faced by the Postal Inspection Service in protecting the public due to his agency's limited authority in the area of drug importation. In particular, the Postal Inspection Service has no authority to open mail at the border without a warrant. Chief Inspector Heath offered to seek the help of the Universal Postal Union in removing controlled substances from the international mailstream, suggesting the launching of a nationwide prevention campaign in partnership with other law enforcement and regulatory agencies to

increase public awareness about the dangers presented by illicit online pharmacies.

Legislation

Members of the House and Senate introduced several bills in FY 2004 related to anti-identity theft measures that would provide assistance to consumers if their credit were compromised; protect personal identifiers, such as Social Security numbers, from criminals; and establish penalties for aggravated incidents of identity theft.

The amended Fair Credit Reporting Act, known as the Fair and Accurate Credit Transaction Act of 2003, and the Enhanced Penalties for Aggravated Identity Theft Act,

were passed in FY 2004.

The Fair Credit Reporting Act names the Postal Inspection Service as the "go to" federal law enforcement agency for reporting identity theft. A press release issued by President Bush in July 2004, when the Identity Theft Penalty Enhancement Act was enacted, praised the work of U.S. Postal Inspectors in combating identity theft.

Fraud is one of the few crimes in which victims can actively decline to participate—if they recognize the warning signs. That's why the U.S. Postal Inspection Service regards consumer education as one of its top weapons in fighting fraudsters.

Postal Reform

Congressional and Public Affairs staff attended a number of hearings before the House Government

Reform Committee and the Senate Governmental Affairs Committee in FY 2004 related to pending postal reform legislation. The legislation would ensure that the Department of Treasury, rather than the Postal Service, pay employee pension benefits for military service. It would also allow the Postal Service to avoid rate hikes until 2006 and lower its debt from \$11.1 billion to \$7.3 billion. Unlike other agencies responsible for these payments, the Postal Service funds itself through revenue generated from the sale of mail services and products. The legislation would also streamline the agency's rate-setting process, allow the Postal Service to compete with the private sector for services such as Express Mail and Priority Mail, and enhance the role of the regulatory body that oversees postal activity. It would limit the agency's monopoly by requiring it to engage strictly in "postal services," which are time defined by statute for the first.

Other provisions of the proposed legislation would

revamp postal rate-setting by bringing it in line with annual changes in the Consumer Price Index, grant subpoena power to and increase the oversight of the Postal Rate Commission, and mandate several studies that could result in changes to postal operations. It contained new provisions for Postal Police Officers and for a presidentially appointed inspector general for the Postal Service. The 108th Congress ended before legislation for postal reform could be passed, although it will be reintroduced in the 109th Congress.

9/11 Commission Bolsters Law Enforcement

On August 19, 2004, the Senate Judiciary Committee held a hearing on the 9/11 Commission's recommendations for improving border security. Commission Vice Chairman Lee Hamilton testified that U.S. border security needed improvement. The commission recommended increasing the use of biometrics for identification, providing real-time passport verification, and changing border security to a network of screening points with nuclear reactors and other vital facilities, as well as within the nation's transportation system and ports of entry.

Biometric identifiers, such as fingerprint or retina scans, could be used for universal and standardized Postal Service employee-access badges. Biometrics could also be used to authenticate identities for credit card purchases and decrease the risk of loss associated with identity theft. Increased border security measures could affect mail operations at ports of entry or the carriage of mail on commercial transportation, especially if intrusive cargo-screening measures are employed. Long-standing mail security policies and regulations could be adversely affected.

Law Enforcement Officers' Safety Act

The Law Enforcement Officers' Safety Act became law on July 22, 2004. It exempts qualified, current and retired law enforcement officers from state laws that prohibit carrying concealed handguns. Retired law enforcement personnel must, at their own expense, meet their states' standards to carry a handgun, and must qualify every 12 months. Retired officers must possess their former agency's credentials, including a photo ID designating them as law enforcement officers, in order to carry a concealed firearm. State laws are not superseded by this legislation, which permits state and local governments, or persons or entities, to prohibit or restrict the possession of firearms on their property.

International Affairs

The International Affairs Group of the U.S. Postal Inspection Service undertook several initiatives in FY 2004 to improve the safety, security, and reliability of international mail products for the U.S. Postal Service. Formed in 1990, the group comprises Postal Inspectors assigned to the U.S. Postal Service's National Headquarters offices and Interpol's U.S. National Central Bureau in Washington, DC; at the Interpol General Secretariat in Lyon, France; at the International Bureau—Universal Postal Union (UPU) in Berne, Switzerland; and at the Miami International Airport Mail Center in Florida.

International Affairs staff are responsible for maintaining high-quality mail service and security for the 190 member countries of the UPU. Chaired by the Chief Postal Inspector, the Postal Security Action Group (PSAG) now comprises 65 member and 33 observer countries, as well as 10 international organizations concerned with postal and aviation security. The PSAG meets biannually in Berne to address such topics as aviation security, international mail theft, bioterrorism, revenue security, mail fraud, drugs or money laundering via the mail, eCommerce security, and strategies for preventing mail losses.

In February 2004, the Hellenic Post of Greece requested the Postal Inspection

Service to conduct security screenings of all mail destined to the U.S. delegation, including the U.S. Organizing Committee and the Olympic Team, during the 2004 Summer Olympic Games in Greece. Postal Inspectors from the International Affairs Group visited Greece to assess conditions, and ultimately agreed to provide mail screening for this high-profile world event.

Inspectors met with Department of State officials assigned to Athens, the head of security for the U.S. Olympic Committee, and the postmaster general of the Hellenic Post. It was determined that two operations would be needed to ensure the security of mail at Olympic sites: a team of Inspectors at the John F. Kennedy International Service Center for mail in Jamaica, New York, and another at Athens, Greece.

A Task Force leader and three Inspectors were assigned to Athens who could communicate effectively with Greek officials and were knowledgeable of local customs. The New York team screened Olympic mail originating in the United States, and the Athens team screened international mail addressed to the U.S. delegation.

No significant breaches in mail security were noted



Postmaster General Jack Potter (right), Chief Postal Inspector Lee R. Heath (back row), and International Affairs Inspector in Charge Buddy Lane (back row) hosted Security and Investigations personnel from the South Africa Post Office at the William F. Bolger Center for Leadership Development in Potomac, Maryland, for week-long training on mail theft investigations.

during the 2004 Olympics, and the Postal Inspection Service was commended for its diligence and expertise. All mail delivered to the U.S. delegation, Olympic venues, and high-risk delivery points was secured without incident.

Since 1997, the International Affairs Group has coordinated more than 49 mail quality assurance and airport security reviews in countries around the globe. The reviews evaluate security and operations at airports and international offices of exchange, and identify opportunities to improve the security of mail service worldwide. Review teams identify “best practices” in the industry and share their findings through the PSAG and UPU Restricted Unions. The reviews have enabled group members to establish a professional network of airport coordinators, operations personnel, and stakeholders at all major international airports.

International Affairs staff reviewed airport operations in FY 2004 at Mexico City and Teluca, Mexico; Johannesburg, South Africa; and Managua, Nicaragua. Postal Inspectors also helped conduct airport security reviews at U.S. gateway cities (where international mail transits), including Dallas, Los Angeles, and San Francisco.

The group continued its support of the U.S. Department of State’s Antiterrorism Assistance Program in FY 2004, in part by providing instructors to teach a Postal Chemical and Biological Incident Management Course that included handling and screening procedures for explosive and biochemical components in the mail. Inspectors also taught courses on law enforcement tactics and hazmat operations to postal officials in Lasaka, Zambia; Bamaka, Mali; Katmandu, Nepal; and Abuja, Nigeria. The program is the result of an interagency agreement between the U.S. Postal Inspection Service and the U.S. Department of State’s Bureau of Diplomatic Security.

International Affairs Inspectors coordinated the eMARIA program (International Mail Loss Reporting System) for the United States and four major regions of the world. The program quantifies and identifies losses of outbound, inbound, and transiting international mail, and supports Postal Inspection Service efforts to boost customer confidence by identifying international mail-loss trends, high-risk airports, and high-risk air travel routes for U.S. Mail.

In March 2004, the International Affairs Group hosted training in Memphis, Tennessee, on the eMARIA database for Postal Inspectors stationed at U.S. gateway cities. Staff members began work on a new “run-time” version of eMARIA that will allow countries worldwide to use this valuable software, and are assisting in developing a Web site for access by UPU-member countries.

In July 2004, as part of a UPU goal to assure that all restricted unions use eMARIA, the International Affairs

Group provided training for security personnel of the South African Post and four other countries. Regional coordinators from the Asia Pacific, European, and South American regions attended a testing and evaluation session, and the new version of eMARIA was presented at the UPU Congress at Bucharest in September 2004.

Based on an analysis of data from eMARIA in FY 2004, International Affairs staff performed security reviews at the Toussaint Louverture International Airport and the Haiti Mail Processing Center, as well as a security assess-

ment of the Schipol International Airport at Amsterdam, Netherlands. Inspectors also assisted postal administrations in Bolivia, Panama, and Uruguay in training employees on eMARIA.

A Postal Inspector from International Affairs coordinated the U.S. Postal Inspection Service’s contribution to a U.S. Postal Service–U.S. Customs initiative to implement and deploy radiation-detection equipment at gateway postal facilities. The equipment detects illicit shipments of nuclear weapons or related material, radiation-dispersal devices, and other illegal or illicit radioactive material that could be transported via international mail.

International Affairs staff worked with the Mexico’s postal officials (SEPOMEX) this past fiscal year to investigate U.S. Treasury checks stolen en route to Mexico City. U.S.

Postal Inspectors met with Mexican inspectors, U.S. Secret Service agents, and the U.S. Department of Justice attaché in Mexico City to coordinate the case. Following the shooting deaths of a SEPOMEX airport manager in Mexico City and a Mexican Customs airport supervisor, Postal Inspectors worked with the Postal Service’s International Network Office and Social Security Administration officials to develop short- and long-term security solutions for more than 30,000 U.S. Treasury

“We work on the assumption that, if U.S. Mail can be stolen before it enters or after it exits the United States, then it can be tampered with in other ways—such as by chemical or biological contamination. Postal administrations around the globe look to the U.S. Postal Inspection Service to teach them how to keep the mail safe. International mail security makes good business sense.”

—Inspector in Charge Harold Lane, International Affairs



The U.S. Department of State and Greece's Hellenic Post requested that the Postal Inspection Service provide security for all U.S. Mail destined to the U.S. Organizing Committee and Olympic Team in Athens during the 2004 Summer Olympics. Postal Inspectors organized a New York Task Force to screen Olympic mail originating in the United States, and an Athens Task Force to screen international mail addressed to the U.S. delegation. The New York Task Force (above) segregated mail destined for the Olympics and screened it for biological, radiological, and explosive residues. Postal Inspectors noted no breaches in mail security during the 2004 Olympics, and the Postal Inspection Service was commended for its diligence and expertise in assuring the security of mail during the Olympics.

checks dispatched to Mexico. As a result of the investigation and of security initiatives proposed by the Postal Inspection Service and SEPOMEX, a security protocol was signed by Mexican Postmaster General Alarcon and U.S. Chief Postal Inspector Lee R. Heath, affirming the need to develop new strategies to strengthen mail security.

FY 2004 activities for the International Affairs Group culminated at Bucharest, Romania, with the Universal Postal Union's 23rd Postal Congress, which is held every four years. Postal administrations from around the world met to set new pricing guidelines for mail exchanged between countries and vote on proposed resolutions related to other postal business. As required at each Postal Congress, postal representatives also considered whether to again reinstate the Postal Security Action Group, and all countries voted unanimously to do. In fact, 10 new countries requested to join the group as the result of information it disseminated on postal security issues at its information booth.

Forensic and Technical Services

Solving cases and convicting criminals frequently depend on the unique support of scientific and technical personnel assigned to the Forensic and Technical Services Division.

Forensic Analysts at the Postal Inspection Service's National Forensic Laboratory in Dulles, Virginia, and three field laboratories provide expert examinations and testimony related to document, fingerprint, chemical, and physical evidence analysis. Lab personnel respond to the most critical and complex crime investigations and assist in processing and evaluating evidence. Postal Inspection Service chemists are on hand to provide scientific analyses of suspected controlled substances transported through the U.S. Mail.

Postal Inspection Service Forensic Analysts conducted 2,800 forensic examinations during FY 2004, identified 1,319 violators of postal statutes, and appeared in court on 38 occasions to provide expert testimony. The lab's continued use of Automated Fingerprint Identification System (AFIS) technology has proven to be a valuable tool in identifying suspects in the Postal Inspection Service's criminal investigations. Forensics staff queried the AFIS database more than 600 times in attempts to match latent fingerprints lifted from crime scenes, and identified nearly 200 previously unknown suspects.

Evidence submitted to the forensic laboratories and related units for examination and analysis included counterfeit U.S. postage stamps and postal money orders, stolen checks, illegal narcotics, suspicious powders, rifled U.S. Mail and parcels, explosive debris, and other material collected by Postal Inspectors at crime scenes.

Forensic and technical staff act as subject-matter experts at the Postal Inspection Service's Career Development Division and provide instruction during basic training sessions for new Postal Inspectors and in-service training for seasoned Inspectors in specialty areas.

Technical Services

Senior Technical Surveillance Specialists at five Technical Services Offices assist Postal Inspectors in complex surveillance and security endeavors. Staff members supply equipment, specialized training, and field responses to ensure personnel safety and help Inspectors follow proper evidence-gathering techniques. The offices support Inspectors on cases requiring communications intercepts, specialized tracking, and audio/video surveillance technology, as well as mail-screening operations designated by the Department of Homeland Security as National Special Security Events. Staff members from Technical Services Offices helped resolve almost every high-profile case discussed in this report.



Forensic Photographer Bryan Sundry, National Forensic Laboratory, U.S. Postal Inspection Service

A Forensic Document Examiner scrutinizes suspected altered and counterfeit postal money orders at the Postal Inspection Service's National Forensic Laboratory in Dulles, Virginia. Postal Inspectors reported a tremendous increase in counterfeit and altered postal money orders since the maximum purchase amount was raised from \$700 to \$1,000. Advances in printer technology, plus the wider availability of computer publishing devices and software, have increased even an average person's ability to counterfeit money orders. Inspectors and Document Examiners are studying several new measures to enhance money order security.

Communications Group

The Communications Group of the Forensic and Technical Services Division was mandated to replace the Postal Inspection Service's analog radio system, valued at \$50 million, with state-of-the-art, digital communications equipment. In FY 2004, Postal Inspectors and Postal Police Officers assigned to the Pittsburgh Division began to use the new systems, which feature the latest digital encryption technology. The equipment deployed for Pittsburgh Division Inspectors is compatible with digital radio systems already deployed at other divisions, as well as at the Postal Inspection Service's National Law Enforcement Control Centers.

The Communications Group obtained a new, high-tech vehicle in FY 2004 capable of connecting communications systems from multiple agencies. Housed in a four-wheel-drive truck suited for off-road conditions, the vehicle is supplied with computer network and radio communications equipment, a 40-foot hydraulic mast with night-vision camera, and other specialized technology. Communications Group staff will use the vehicle during natural disasters, acts of terrorism, and task force activities related to Postal Service operations.

Digital Evidence Unit

The Digital Evidence Unit (DEU) of the Forensic and Technical Services Division supports criminal investigations by assisting Postal Inspectors in collecting, preserving, recovering, and analyzing computer-based evidence.

Trained in computer forensics, DEU Inspectors and Analysts use state-of-the-art hardware and forensic software to assist Postal Inspectors in executing search warrants and analyzing digital media seized from suspects' computers, cell phones, personal digital assistants, and other communications devices. The fragile nature of digital evidence means that it can be easily lost or manipulated, and DEU staff must respond quickly to crime scenes in order to preserve and retrieve digital evidence for analysis.

In FY 2004, DEU staff members helped successfully resolve Postal Inspection Service investigations involving child exploitation, financial fraud, and identity takeovers



Forensic Photographer Bryan Sunday, National Forensic Laboratory, U.S. Postal Inspection Service

A Forensic Chemist at the National Forensic Laboratory analyzes suspected methamphetamine seized from the mail. As long as criminals continue to use the U.S. Mail to distribute controlled substances, identifying illegal drugs found in the mail remains crucial to the prosecution of drug dealers.

conducted via the mail. In the past fiscal year, DEU staff responded to 824 digital evidence requests received from Inspectors nationwide.

Polygraph Group

Polygraph Examiners conducted 1,189 polygraph exams for 243 cases in FY 2004 and contributed to the solution of numerous cases as a result of pre-test and post-test interviews conducted incident to the examinations. Examiners received new, state-of-the-art polygraph instruments in FY 2004 and began using the new Polygraph Examiner System to report and retain statistical information and data.

Polygraph Examiners were on hand for 50 recruitment sessions held at Postal Inspection Service assessment centers in FY 2004 to identify applicants who were unsuitable to become Postal Inspectors. Examiners obtained confessions from more than 70 applicants who were disqualified for such reasons as stealing U.S. Mail or other theft, crimes committed while a law enforcement officer, child pornography, violation of the agency's drug policy, or

falsifying personal information. Examiners conducted 750 polygraph exams of applicants seeking to be hired as new Postal Inspectors—an amount roughly equaling 61 percent of all polygraph exams they completed during the fiscal year.

Postal Inspector-Examiners played vital roles in the investigation of registered remittances totaling nearly half a million dollars that were reported as missing at Post Offices during FY 2004. Examiners were able to obtain confessions from nine suspects responsible for the thefts. Polygraph Examiners also continued their work on the Amerithrax Task Force, the investigation of anthrax in the mail.

NLECCs

The Postal Inspection Service monitors Inspector and Postal Police Officer radio traffic and postal facility intrusion detection systems at command centers located throughout the country. As part of the Postal Inspection Service Transformation Plan, these centers will be consoli-



Forensic Photographer Bryan Sunday, National Forensic Laboratory, U.S. Postal Inspection Service

A Forensic Document Examiner uses the VSC 5000 to analyze counterfeit U.S. Flag self-adhesive stamps. As a result of his analysis, Postal Inspectors located nearly 7 million booklets of counterfeit stamps worth \$51 million—and their source.

dated in two National Law Enforcement Control Centers (NLECCs). Both centers will provide centrally managed radio and alarm monitoring, after-hours emergency phone coverage, and biological detection system (BDS) alarm monitoring, and will have access to law enforcement and intelligence information databases. The consolidation will allow for more effective and efficient use of resources.

The NLECCs will take advantage of the Inspection Service's existing information technology infrastructure for transmission of radio signals across the country using Voice-Over Internet Protocol. Both centers will have the capacity to monitor the entire country in the event of the loss of one of the centers.

The two centers became operational in FY 2004 and are currently monitoring the majority of Postal Service burglar systems located throughout the county.

Administrative Operations

Career Development Division

The Career Development Division (CDD) fulfills the target set for employee development in the Postmaster General's five-point plan for the Postal Service. CDD provides basic training for candidate Postal Inspectors

and Postal Police Officers (PPOs), in-service refresher and specialized courses for all Inspection Service personnel, and certification for threat-management instructors. Located at the William F. Bolger Center for Leadership Development in Potomac, Maryland, the CDD campus offers the advanced features of an elite law enforcement training program with a dormitory, full dining amenities, classrooms, a fitness center, and firearms facilities.

Inspector candidates undergo 12 weeks of scenario-based training that covers investigative techniques, defensive tactics, firearms, legal instruction, search and seizure tactics, arrest techniques, court procedures, postal operations, and a detailed study of the federal laws over which the Postal Inspection Service has jurisdiction. Training focuses on problem-solving abilities, critical thinking, and cognitive skills. All candidate Inspectors must successfully complete academic, firearms, and practical exercises to graduate from the program. In FY 2004, CDD held seven Basic Inspector Training sessions and graduated 155 new Postal Inspectors.

Upon successful completion of the program, new Postal Inspectors participate in four to six months of formal, post-basic training that is designed and monitored by CDD and provided at an assigned Postal Inspection Service site. Post-basic training is administered by experienced Inspectors and includes at

least two weeks of assessed field training in each functional area, for a minimum of 400 hours. New Inspectors spend a minimum of 200 hours in their initial assignments under the direct supervision of a Team Leader or senior Inspector. In FY 2004, 120 Postal Inspectors completed post-basic training.

CDD conducted two, six-week-long Basic Training sessions for Postal Police Officers and graduated 38 new officers. Training on firearms and threat management includes defensive tactics and officer survival, and academic sessions cover report writing, laws of arrest, CPR procedures, the handling of blood-borne pathogens, critical incident response, and interviewing witnesses and victims of crime. Basic training for PPOs was previously held at the Federal Law Enforcement Training Center in Georgia, making 2004 the first year since 1992 that the training was held at CDD in Maryland.

CDD staff administered 66 in-service classes to 1,550 Postal Inspection Service employees. Topics included threat management training and the new Inspection Service Integrated Information System (ISIIS), along with a new addition to the roster: two- and five-day courses in Mail-



Chief Postal Inspector Lee R. Heath addresses a graduating class of Postal Police Officers.

Bob Frederick, Multimedia Training Specialist, U.S. Postal Inspection Service.

Flow Training for Postal Inspectors. Inspectors visited postal facilities during each of the three work “tours” (periods) to learn first-hand about mail processing and mail flow procedures. The training is essential for many postal-related investigations, including cases involving dangerous mail or mail suspected of containing biohazardous material. CDD also developed a course for Investigative Analysts to instruct them in effective analytic techniques. Analysts attended a week-long session on the Analyst Notebook spent and one week studying modules related to investigative support.

After the Postmaster General emphasized the importance of providing “training and developmental innovations” for employees, CDD staff altered a number of in-service programs to support these goals. “Blended” learning, which combines e-learning, online instruction, and classroom training, has proven to be a cost-effective and successful learning strategy. The sessions include practical exercises that are often more focused and less expensive than traditional classroom training. Online segments, such as the one used in the Supervisory Training Program, also provide strong resource materials. During FY 2004, 131 employees completed Phase 2 of the program.

CDD staff trained 380 participants on threat management, “train-the-trainer” programs, which include certification courses on defensive tactics, officer survival, MP-5 instruction, and executive-protection training.

All Assistant Inspectors in Charge and 12 Career Leadership Program candidates attended new leadership training developed and deployed by CDD staff in FY 2004. The training focused on the operations, administrative, and leadership skills needed for mid-level managers.

Recruitment

The Recruitment Unit of the Career Development Division oversees program management and national recruitment efforts. During FY 2004, staff members explored new tactics for improving recruiting efforts and, as a result, significantly reduced the time needed to process applicants.

The U.S. Postal Inspection Service received more than 2,250 applications in the past fiscal

year from qualified individuals interested in becoming Postal Inspectors. More than 1,150 Inspector candidates were evaluated through the assessment center, and approximately 130 new Inspectors were hired and began Basic Inspector Training.

In February 2004, CDD initiated a massive reengineering of the recruitment process. The first steps included an update of the occupational analysis for the Postal Inspector position and the development of a new recruitment brochure.

Human Resource Performance

The Human Resource Performance Group (HRPG) and staff at the Human Resource Service Center in Newark, New Jersey, provide information used in planning, implementing, and evaluating strategic human resource programs.



The group supports Postal Inspection Service goals to build and maintain a diverse, motivated, and skilled workforce by identifying staffing requirements

that support agency needs and promote an effective workforce.

HRPG was instrumental this past fiscal year in filling 150 critical agency positions in the areas of technical services, National Law Enforcement



Bob Frederick, Multimedia Training Specialist, U.S. Postal Inspection Service.

Control Center staffing, the victim-witness program, and investigative analysis. The new positions fulfill an imperative to redirect Postal Inspectors to core investigative work.

The Group also implemented a new Exit Survey process in FY 2004. Administered at the national level, the survey records, monitors, and evaluates data on employee attrition; identifies potential problems; and helps formulate retention strategies.

Information Technology

The Information Technology Division (ITD) provides solutions through technology for the U.S. Postal Inspection Service. The division maintains a secure information infrastructure and provides leadership and direction in the information technology field to support organizational imperatives. Staff members develop and maintain integrated investigative systems to improve Postal Inspection Service capabilities through the effective use of technology.

A significant group accomplishment of FY 2004 was the deployment of the new Inspection Service Integrated Information System (ISIIS), which comprises online programs for case management, vehicle tracking, resource management, and threat management. The older, main-frame-based Inspection Service Data Base Information System was retired in July 2004, saving the agency millions of dollars in annual software licensing fees. The integration of e-applications in ISIIS enhances data integrity and allows for the speedy retrieval of investigative data.

The ITD staff successfully combated high-risk computer viruses, worms, e-mail spam, and similar intrusions during FY 2004. ITD provided the Inspection Service with “defense-in-depth” information security protection, as well as frequent upgrades. As a result, most viruses and spam e-mail were eradicated.

To meet the demands imposed by technological change, ITD replaced obsolete servers and upgraded the operating system from Windows NT to Windows 2003 with Active Directory. The upgrade provided enhanced security, greater reliability, faster computing power, a higher quota for e-mail mailboxes, and increased disk storage. Teams of ITD personnel and contractors worked on the initiative throughout the past fiscal year.

ITD deployed nearly 1,700 desktop and laptop computers equipped with the new Inspection Service software toolkit, which includes the Microsoft Windows XP operating system and the Office 2003 Professional suite. All computers on the network have an approved software toolkit to allow staff to consistently manage and support the infrastructure. Roughly 175 high-performance network printers were also purchased.



Bob Frederick, Multimedia Training Specialist, U.S. Postal Inspection Service

ITD staff also deployed about 300 “Research in Motion” BlackBerry devices to Postal Inspection Service employees in FY 2004 as part of its emergency preparedness activities. The devices send and receive e-mail, and synchronize e-mail with users’ address books, calendars, and other functions. The BlackBerrys are programmed to receive notifications from biohazard detection systems and the Postal Emergency Management System, ensuring that Postal Inspectors are instantly mobilized should a crisis occur

ITD staff provided full information technology capabilities with no disruption in service during FY 2004, even when several hundred employees from Washington, DC, relocated to a new facility in Rosslyn, Virginia. The move required extensive renovations and the installation of new telecommunication circuits, servers, routers, related hardware, and access accounts.

Executive Resources and Leadership Development

Executive Resources and Leadership Development staff manages projects related to the design, development, implementation, administration, and evaluation of processes used by the Postal Inspection Service’s Executive and Leadership Development Team. The group ensures that processes are in place to promote effective leadership, while embracing agency goals and strategies.

Group staff updated the Postal Inspection Service’s Corporate Succession Planning Process in FY 2004 to provide online monitoring and tracking of employees qualified as agency “successors” to higher-level positions. Bringing the process online increased flexibility and accountability for ongoing executive development.

The Postal Inspection Service launched the Career Leadership Program (CLP) in FY 2004 for ISLE-13 and -14 Postal Inspectors with at least one year of experience and

who seek to advance their careers to ISLE-15 or higher positions. The program manager and five-member Review Board that administer the program processed 56 Inspector applications and accepted 44 new applicants. Board members tracked 62 developmental assignments during the past fiscal year and placed 41 trainees into the CLP course for Postal Inspection Service managers.

Also during the past fiscal year, 14 program participants worked to acquire the knowledge, skills, and abilities needed to apply for management positions, and 11 of the 14 were promoted to higher-level positions.

Inspections Group

The Inspections Group of the Postal Inspection Service was formed during FY 2004 to ensure, through regular reviews, that all Postal Inspection Service programs and processes are in compliance with organizational rules, regulations, policies, and applicable federal laws. Staff members oversee the Control Self-Assessment Checklist completed by each Inspection Service division to ensure that group goals are met.

Inspections Group staff is also responsible for conducting reviews that evaluate agency resources, programs, follow-up activities, service levels, and incident and security procedures. The reviews ensure the proper deployment and use of Postal Inspection Service resources and program effectiveness.

In the past fiscal year, Inspections Group staff conducted compliance reviews at nine field divisions and five Headquarters offices. Team members also completed 79 resource and utilization reviews and five follow-up reviews.

Finance and Administrative Services

The Finance and Administrative Services Group oversees planning and administration for the Postal Inspection Service and the reporting of its national and capital budgets. FAS members analyze financial data, develop data forecasts, construct cost-accounting reports, and assist in financial decision-making to ensure the overall stability of the agency. In FY 2004, the former Strategic Planning and Performance Management Group merged with the Finance and Adminis-



Postal Inspector Allen L. McHenry

trative Services Group. By integrating finance functions with strategic planning and performance management, the Postal Inspection Service can link costs with strategic goal-setting and performance-management processes.

FAS identified and procured Predictive Planning software to create activity-based costing, budgeting models, and performance-based management. Staff members also activated a new Postal

Inspection Service facility in Rosslyn, Virginia, which included implementing a business center, mail delivery services, and other office services. The group identified and scheduled training for employees who volunteered to participate on emergency planning and evacuation teams for the building.

Staff at the Procurement and Administrative Service Center at Bala Cynwyd, Pennsylvania, share responsibility for overseeing administrative duties and the national budget. Staff at this location support, review, and guide work in related program areas and manage the National Assets Tracking System, Firearms Program, Relocation Program, Vehicle Inventory System, Accountable Property System, Time and Attendance Collection System, eSystems, and other administrative programs.

FAS staff assist in developing the Postal Inspection Service's annual management cycle by formulating its fiscal year objectives, monitoring progress in achieving objectives by measuring and analyzing performance, and communicating results to senior managers to promote strategic, investigative, and transformational goals.

FAS staff worked with National Leadership Team members to set goals and objectives, prepare an annual performance plan for FY 2005, and prepare an annual performance report for FY 2003. Mail theft, mail fraud, and security were recognized as critical investigative areas for preserving the American public's continued trust in the U.S. Postal Service. The plan includes proactive goals and strategies to mitigate risks from, and vulnerabilities to, terrorist attacks, and enhances the Postal Inspection Service's ability to detect biological and chemical agents and conduct investigations of dangerous or suspicious mail.

FAS personnel supported the Postal Service's Transformation Plan in FY 2004 by implementing corresponding initiatives for the Postal Inspection Service. Staff tracked the Postal Inspection Service's progress in reaching goals and provided ongoing status reports to the Postal Service.



U.S. Postal Inspection Service Criminal Statistics for FY 2004

Type of Investigation	Arrests	Convictions*
Mail Theft <i>(includes theft and possession of stolen mail)</i>	6,618	5,351
Miscellaneous External Crimes <i>(includes counterfeit and contraband postage, money order offenses, vandalism, and arson)</i>	488	392
Miscellaneous Employee Crimes <i>(includes theft of postal property and sabotage of equipment)</i>	63	53
Hazardous Material <i>(includes biological, chemical, nuclear, and radiological material)</i>	28	25
Bombs, Threats, Hoaxes, and Explosive Devices	85	58
Dangerous Mail <i>(includes firearms and weapons, intoxicants, extortion, and false documents)</i>	142	98
Assaults and Threats <i>(includes threats and assaults against on-duty postal employees)</i>	359	262
Robbery	86	59
Burglary	119	121
Mailing of Controlled Substances <i>(includes narcotics, steroids, drug-related proceeds, and drug paraphernalia)</i>	1,724	1,272
Employee Narcotics Cases <i>(includes employees and non-employees selling narcotics on postal property)</i>	24	19
Mail Fraud	1,446	1,245
Child Exploitation, Mailing of Obscene Matter, and Sexually Oriented Advertisements	338	274
Financial and Expenditure Investigations	255	186
Workers' Compensation Fraud	41	34
Revenue Investigations	78	78
TOTAL	11,894	9,527

*Convictions may be related to cases from prior reporting periods.

For assistance with postal-related problems of a law enforcement nature, contact your nearest U.S. Postal Inspection Service division.

Atlanta Division

PO Box 16489
Atlanta GA 30321-0489
404-608-4500

Boston Division

495 Summer St Ste 600
Boston MA 02210-2114
617-556-4400

Charlotte Division

PO Box 3000
Charlotte NC 28228-3000
704-329-9120

Chicago Division

433 W Harrison St Rm 50190
Chicago IL 60669-2201
312-983-7900

Denver Division

1745 Stout St Ste 900
Denver CO 80299-3034
303-313-5320

Detroit Division

PO Box 330119
Detroit MI 48232-6119
313-226-8184

Ft Worth Division

14800 Trinity Blvd Ste 600
Ft Worth TX 76155-2657
817-317-3400

Houston Division

PO Box 1276
Houston TX 77251-1276
713-238-4400

Los Angeles Division

PO Box 2000
Pasadena CA 91102-2000
626-405-1200

Miami Division

3400 Lakeside Dr 6th Fl
Miramar FL 33027-3242
954-436-7200

New Jersey/Caribbean Division

PO Box 509
Newark NJ 07101-0509
973-693-5400

New York Division

PO Box 555
New York NY 10116-0555
212-330-3844

Philadelphia Division

PO Box 7500
Philadelphia PA 19101-9000
215-895-8450

Pittsburgh Division

1001 California Ave
Pittsburgh PA 15290-9000
412-359-7900

St. Louis Division

1106 Walnut St
St Louis MO 63199-2201
314-539-9300

San Francisco Division

PO Box 882528
San Francisco CA 94188-2528
415-778-5800

Seattle Division

PO Box 400
Seattle WA 98111-4000
206-442-6300

Washington Division

10500 Little Patuxent Pkwy 2nd Fl
Columbia MD 21044-3509
410-715-7700



Published by the
U.S. Postal Inspection Service
475 L'Enfant Plaza SW
Washington, DC 20260-2170

Lee R. Heath
Chief Postal Inspector

**Robert G. DeMuro, Inspector
in Charge**
Congressional and Public Affairs

Debbi Baer, Editor
Congressional and Public Affairs

Martin Communications, Inc.
Design

For more information on the
U.S. Postal Inspection Service,
go to our Web site at:
www.usps.com/postalinspectors