



FY 2005

# Annual Report of Investigations

*of the United States Postal Inspection Service*



*Safety, Security, Integrity*





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# A Message from the Chief Postal Inspector

June 2006

I am pleased to present this 2005 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. The report is intended to address our key stakeholders: the United States Postal Service, the Postal Service Board of Governors, members of Congress, and the American public.

The Postal Inspection Service's role in assuring the safety of postal employees and the security of mail and postal assets reached new heights when Hurricanes Katrina and Rita ravaged the Gulf Coast in August 2005. I am proud to report that nearly 300 Postal Inspectors and Postal Police Officers volunteered to assist in the aftermath of the storms.

Flooding and vandalism compromised many Postal Service facilities and left tens of thousands homeless and unable to receive mail. Postal Inspection Service personnel first worked to locate the thousands of postal employees who were unaccounted for in the chaos caused by the floodwaters. Postal Inspectors and Postal Police Officers were on hand to clear passages, so that trailers and resources could be routed to designated sites.

In the days that followed, Postal Inspectors completed 426 facility security assessments to determine damage to postal buildings and property. They labored alongside Postal Service teams to assess environmental conditions of facilities before allowing employees re-entry. They escorted fuel and other goods into affected areas, even helping to recover Veterans Administration files from a flooded site in New Orleans. Inspectors later assisted postal managers to expedite changes of address for displaced residents. Finally, armed Postal Inspectors provided 112 security escorts for Postal Service employees and contractors disbursing federal checks to needy citizens.

As an active member of the U.S. Department of Justice's Hurricane Katrina Fraud Task Force, the Postal



Inspection Service has continued its involvement in Hurricane Katrina activities. An educational campaign to warn citizens of fraud schemes related to relief efforts included full-page newspaper and magazine advertisements in major publications. Postal Inspectors arrested seven suspects in connection with such fraud, which included false claims filed with FEMA and other government agencies, fraudulent charities, and identity fraud schemes.

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 \$258.7 million in long-term and continuation-of-pay cost-avoidance savings for the Postal Service.

U.S. Postal Inspectors are stationed across the country. They safeguard more than 200 billion pieces of mail a year and protect postal employees, postal facilities, millions in postal assets, and millions of postal customers. In FY 2005, Postal Inspectors arrested more than 12,000 suspects for crimes involving the mail or against the U.S. Postal Service.

Nearly 56 percent of our arrests in FY 2005 related to mail theft—a total of 6,618 suspects. Mail fraud investigations also yielded significant results: Inspectors arrested 1,577 mail fraud suspects and responded to nearly 63,000 consumer fraud complaints.

Long regarded as international leaders in the fight against child pornography, Inspectors in FY 2005 arrested 342 suspects for child sexual exploitation and obscenity related to the mail, stopped 110 child molesters, and rescued 68 children from sexual abuse. To keep the mail free of dangerous and illegal drugs, Postal Inspectors arrested 1,855 suspects for drug trafficking and money laundering via the mail.

I am extraordinarily proud of our accomplishments this past year. I pledge to all of our stakeholders that we will continue our work to fulfill our mission: ensuring the safety, security, and integrity of the U.S. Postal Service, postal employees, and postal assets, and strengthening every American's confidence in the U.S. Mail.

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

L. R. Heath

# Introduction

**A**s 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. Postal Inspectors are stationed throughout the United States and enforce roughly 200 federal laws covering investigations of crimes that adversely affect or entail fraudulent use of the U.S. Mail and postal system.

To assist in carrying out its responsibilities, the Postal Inspection Service maintains a Security Force of 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 in cities 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 professional and technical



When a driver sped off after critically striking a New York woman with his van, an observer in a BMW followed him across two boroughs, trying frantically to nab him. He was joined in the pursuit by a U.S. Postal Inspector, who was finally able to stop the van in front of the main Farley Post Office (where, coincidentally, the Inspector worked). The Inspector made it clear to reporters that he was just doing his job and it was the BMW driver who should be praised, stating "He's really the hero, he's what you hope all New Yorkers would do in that situation." Photo ©2005 Newsday, Inc. Reprinted with permission.

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 technology infrastructure supports users at nearly 200 sites nationwide. Its offices are linked nationally 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.

The Internal Affairs Division's mission 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. Inspector-Attorneys of the Counsel's office are supported by an administrative staff that includes paralegals, information-disclosure specialists, a labor relations specialist, a program specialist, and an



Photo by Bob Frederick, Multimedia Training Specialist

administrative support specialist.

Charged with managing the Postal Inspection Service's internal and external communications, staff from the Liaison Group issue news and video releases covering investigations or events of national interest and consumer publications with preventive and informational tips related to mail fraud and other mail

crimes. Liaison Group personnel represent Inspection Service interests on Capitol Hill and in cooperative activities with other government, law enforcement, and consumer agencies. The Liaison Group's Internet Web site provides weekly investigative news and consumer-oriented tips. Postal customers may report suspected incidents of mail fraud and mail theft online at the site. 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 in joint task force investigations with other agencies aimed at curtailing widespread criminal acts of an organized nature.

For more information on the Postal Inspection Service, visit [www.usps.com/postalinspectors](http://www.usps.com/postalinspectors).



# Fraud and Prohibited Mail

## Mail Fraud

**T**he 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 that uses it to maximum effect.

To increase their efficiency in investigating suspected mail fraud, Postal Inspectors lead and participate in several 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 3,502 fraud cases this past fiscal year, and Inspection Service analysts prepared more than 63,000 letters in response to mail fraud complaints. Inspectors arrested 1,577 mail fraud suspects, and 1,264 were convicted as a result of investigations conducted during FY 2005 and in 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.

### **Project Biz Opp Flop**

The U.S. Postal Inspection Service, the Federal Trade Commission, and the Department of Justice announced the results of a joint initiative on February 22, 2005, that generated more than 200 arrests and other enforcement actions against scam artists who turned the American dream of running a small business into a costly nightmare for some.

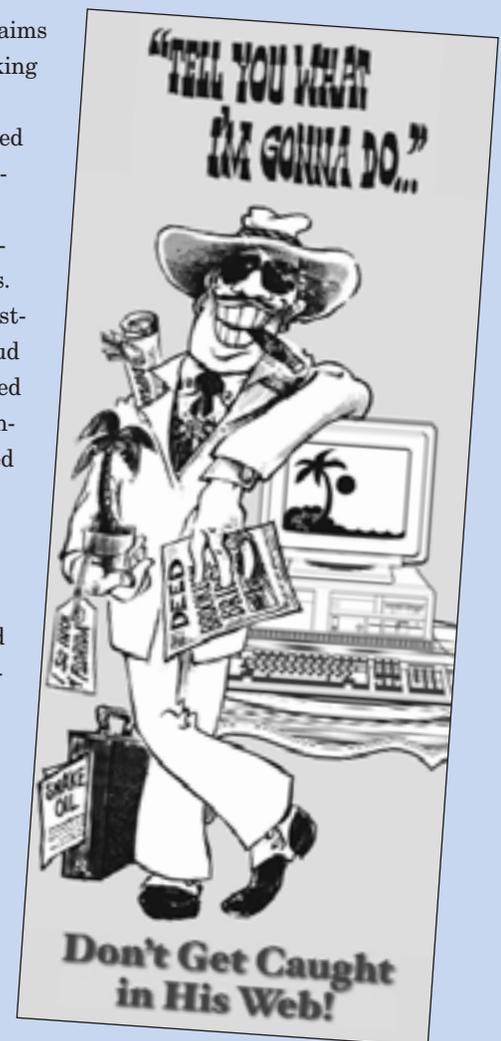
Project Biz Opp Flop involved federal agents, police officers, and staff from U.S. Attorney's Offices in 13 states

battling misleading claims and bogus money-making schemes. In Florida, Postal Inspectors served arrest and search warrants on more than a dozen fraudulent business-scheme operators. Postal Inspectors arrested 28 suspects for fraud schemes that victimized more than 140,000 consumers, with estimated losses exceeding \$73 million. Postal Inspectors also obtained 53 civil actions that prevented criminals from collecting additional profits, thus protecting more consumers from becoming victims of fraud.

### **Hurricane Katrina Task Force**

As a member of the Department of Justice's Hurricane Katrina Task Force, the U.S. Postal Inspection Service launched a consumer-education campaign with other task force members to apprise the public of fraud schemes related to Hurricane Katrina relief efforts. Full-page advertisements were placed in 13 newspapers and five magazines nationwide, with a combined readership of more than 21.4 million.

In addition to their consumer-protection work, Postal Inspectors across the country aggressively pursued tips and leads provided by partnering agencies, as well as consumers, related to bogus charities, identity theft, and government



## Mail Fraud Investigations

### Mail Fraud Against Businesses

Postal Inspectors devote considerable resources to protecting the business community from mail fraud and are currently conducting 1,166 such investigations. At year end, Inspectors reported 573 arrests and 463 convictions. Following are examples of Inspectors' efforts to disrupt mail fraud schemes against businesses in FY 2005.

■ Marc Cooper and Robin Nesti of Strategic Technologies, Inc. (STI), a freight-billing company in Iselin, NJ, were sentenced in November 2004 to prison terms of six years and two months, and one year and two months, respectively, and were ordered to pay more than \$78 million in restitution after pleading guilty to mail fraud and tax evasion. STI's former CEO, Cooper embezzled more than \$78 million received from STI customers for the purpose of paying their freight bills and concealed the crime via a fictitious invoice scheme. Nesti, who was the former office manager, helped by transferring funds to inappropriate bank accounts and altering the company's financial statements. Cooper used the embezzled funds to pay for personal expenses, such as charter-



Postal Inspectors joined the Sugar Crisp Task Force in March 2004 with agents from DOL, INS, ICE, and the Social Security Administration to investigate Sugar Bear, Inc. on suspicion of mail fraud, alien smuggling, money laundering, tax evasion, and racketeering. Sugar Bear, which comprised gas stations and convenience stores in Atlanta, was owned by Mansoor Karimi and his sons, Ramzan and Malik. Investigators alleged that the Karimis hired illegal aliens to work at their stores, but paid them substandard wages and forced them to work overtime without pay—which the workers were scarcely in a position to contest. Further, the Karimis mailed fraudulent papers to DOL and the INS, drastically understating employee workhours and serving to falsely secure U.S. citizenship and immigration benefits. Once employees became citi-

zens, the Karimis pressured them to buy other gas or convenience stores and continue their tactics of hiring illegal aliens, underpaying them, and overstating their workhours to DOL. In fact, the stores were owned by former employees on paper only, as the Karimis controlled the entire network of 60 businesses, effectively running a monopoly, as legal businesses in the area could not compete. Losses to the federal government from underpaid taxes were estimated at \$6.4 million. ICE agents led the forfeiture of the Karimi's property, which included bank accounts, brokerage accounts, and proceeds from the sale of real property, which totaled \$26.9 million. If all of the property is forfeited and the requested shares approved, the Postal Inspection Service's share could total approximately \$13.4 million.

benefit fraud that surfaced following Hurricane Katrina.

In one instance, Postal Inspectors arrested a Napa County, CA, man on September 29, 2005, on state charges of mail fraud, impersonating a medical doctor, and identity theft. Claiming he was a doctor, the man solicited victims via the Internet for tax-deductible contributions of money and medical supplies for victims of Hurricane Katrina. Inspectors determined that he was impersonating a retired medical physician and surgeon from Pennsylvania (who had the same name). The investigation was led by the Postal Inspection Service, with assistance from the Napa County Sheriff's Department. The U.S. Attorney's Office in the Northern District of California was contacted, and federal prosecution is anticipated.

ing a private jet, traveling on the Concord, and purchasing a minority interest in the National Hockey League's New Jersey Devils. This investigation was conducted by the U.S. Postal Inspection Service and the Internal Revenue Service.

■ Fred A. Comunale Sr., former executive vice president and chief financial officer for the Pittsburgh Parks Conservancy, was sentenced in May 2005 to two years and three months in prison and five years' supervised release, and was ordered to pay more than \$312,000 in restitution after pleading guilty to embezzling some \$300,000 in donations made to the non-profit for which he worked. He used company checks and credit cards to embezzle donations received via the mail. The case was investigated solely by

the U.S. Postal Inspection Service at the request of the U.S. Attorney's Office.

■ Co-founder of DCA Associates Michael Hanakis was convicted in May 2005 after a two-week trial in New York for conspiring with his business partner and others to submit fraudulent documents to three lenders between April 1999 and February 2004. The documents related to DCA's application and receipt of loans totaling more than \$18 million. One lender suffered losses of about \$8 million.

Hanakis used loan proceeds for personal expenses and for other shell companies he controlled. Checks drawn on bank accounts held by DCA customers were mailed to lenders as loan payments. Four others were convicted in connection with the scheme.

■ Claude E. Lefebvre was sentenced on July 22, 2005, to 20 years in prison and three years' supervised release, and was ordered to pay more than \$3.9 million in restitution for defrauding members of a wealthy Denver family who operate a well-established business. Lefebvre co-conspirator Dennis Herula was sentenced on February 15, 2005, to more than 15 years in prison and was ordered to pay more than \$14 million in restitution to three victims, one in Colorado and two in Rhode Island. Lefebvre and Herula told victims that their money would be invested in high-yield "financial institution instruments" in a trading program that would generate profits of at least 75 percent per week, but said the opportunity was available only to those who could invest at least \$10 million. The men mailed confirmations of securities transactions and account statements from a Texas firm to addresses in California. The case was investigated by Postal Inspectors, agents from the FBI and IRS, and the U.S. Bankruptcy Trustee.

### 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, Internet fraud, and investment schemes.

Postal Inspectors conducted 1,845 investigations of mail fraud against consumers, arrested 651 suspects, and reported 444 convictions in FY 2005. Case examples follow.

■ William Thomas Jr. was sentenced in Ohio in November 2004 to six years and eight months in prison, and was ordered to pay more than \$3 million in restitution for defrauding hundreds of victims in an investment scheme. Thomas and his co-conspirators claimed to have a secret business relationship with a wealthy Middle Eastern

man known as "The VIP." Investors were told they could earn 100 times their initial investment via this ultra-secret opportunity. Thomas used several aliases and fictitious businesses with U.S. and foreign addresses to further the scheme. Victims mailed him in excess of \$3 million, which he spent on luxury items. The case was investigated by the U.S. Postal Inspection Service, IRS, FBI, and the Bureau of U.S. Immigration and Customs Enforcement (ICE).

■ Gary and Sandra Reeder of Ft. Worth, TX, were sentenced in February 2005 to 20 years and 14 years in prison, respectively, for an investment scheme that bilked victims of nearly \$15 million. The Securities & Exchange Commission (SEC) also recovered assets worth more than \$6 million. The Reederes solicited investments for Cornerstone Prodigy Group, Inc. (CPG), claiming that customers' funds would be used to generate profits from multi-level marketing companies with which CPG purportedly associated. The couple then started an associated investment firm, the Affiliate Program, which required a minimum \$7,500 investment and bilked about 800 investors. CPG told investors they would receive a 40 percent return on their money over four months and would have the option to reinvest. Instead, the couple operated a Ponzi scheme using funds from later investors to make alleged "profit-sharing" payments to earlier investors via the U.S. Mail. The case was investigated by Postal Inspectors and agents of the FBI, IRS, and SEC.

■ Kent Stryker was sentenced in Los Angeles, CA, in March 2005 to four

**Crime Watch**

**Don't Take A Chance On Foreign Lottery**

(NAPS)—Is it illegal to play foreign lottery through the mail? You bet.

Under federal law, it is generally unlawful to send lottery material through the mail. This material includes, among other things, letters or circulars concerning a lottery.

Playing a foreign lottery by mail could be your ticket to trouble.

A lottery is a promotion which has three elements: for payment of a fee, it offers a prize whose winning is dependent in whole, or in part, on chance. If a promotion has those three elements—a fee, a prize and chance—then it cannot be sent through the U.S. Mail. The federal law does allow state-conducted lotteries to mail material.

The best reason not to play a foreign lottery through the mail is you are pretty much guaranteed to lose.

Most foreign operators take your money and don't even buy tickets, or worse yet, try to charge you a fee to collect nonexistent winnings.

To learn more, visit the Postal Inspection Service Web site at [www.usps.com/postalinspectors](http://www.usps.com/postalinspectors).



Photos by Postal Inspector Yvonne Guentoro.



## Disruption of Illegal Foreign Lottery Mailing

U.S. Customs and Border Protection agents intercepted and examined inbound mail in June 2005 suspected of containing illegal foreign-lottery matter, pursuant to their border search authority. Postal Inspectors working with the agents in the Los Angeles area reviewed the mail and determined it was foreign lottery material. Approximately 1,532 mail pieces offered a prize in the American Powerball Lottery for a \$15 fee, payable to Haplin Data Services at PO Box 1313, Runaway Bay, Queensland, Australia 4216. Postal Inspectors sent a Declaration of Non-Mailability to the Postal Service's Law Department and, on July 13, 2005, the U.S. Postal Service's Chief Counsel for Customer Protection issued a Determination of Non-Mailability. A mail-destruction order in September 2005 directed that the mail be destroyed after the mailer failed to respond within the specified 45-day period. Postal Inspectors anticipated that more than 227,000 additional pieces of seized mail, on hold at the Carson International Mail Center, would also be destroyed. The amount of illegal lottery mail seized and held in Los Angeles in FY 2005 totaled approximately 358,000 pieces.

years and three months in prison and three years' supervised release for running a charity scam. Following a two-week trial, Stryker and a co-defendant were convicted on 22 counts of mail fraud for soliciting donations for bogus charities with more than 1,100 names and an "800" number. The names misled callers looking for nationally known charities, such as the National Heart Foundation and National Diabetes Association. Stryker and his cohort took in \$400,000 in donations over two years. The co-defendant has not yet been sentenced.

■ The U.S. Postal Inspection Service, an FBI legal attaché assigned to the U.S. Embassy in Madrid, two FBI agents, and a Spanish inspector of the Cuelpo Nacional de Policia de Espana (CNP) joined forces to investigate fraudulent Spanish lottery letters. From July 18 through July 20, 2005, the CNP organized 20 search and arrest teams, executed 176 search warrants, and arrested 310 suspects at homes and businesses in Malaga, Spain. The illegal letters were continually mailed from or faxed to potential victims, and investigators seized 150,000 letters destined to addresses worldwide, predominantly in the United States. The Spanish judiciary ordered the letters destroyed, and the Spanish

government is detaining a number of suspects pending proof of probable cause to support their extradition to the United States for criminal prosecution.

## Corporate Fraud

Since the White House named the U.S. Postal Inspection Service a member of its Corporate Fraud Task Force in July 2002, Postal Inspectors have been increasingly involved in corporate investigations, noted by former U.S. Attorney General John Ashcroft as "...among the most significant issues facing our nation and our economy." Postal Inspectors aggressively pursue and stop those



responsible for corporate fraud, as shown in the examples that follow from FY 2005.

■ Former board chairman and chief executive officer of U.S. Technologies, Inc. C. Gregory Earls was sentenced in February 2005 in a Manhattan federal court to more than 10 years in prison and ordered to pay more than \$21 million in restitution to victim investors of his two schemes. In April 2004, Earls was convicted on charges that he bilked investors of USV Partners LLC, a company he controlled, by claiming he would use investor funds to purchase U.S. Technologies securities. From June 1998 through March 2003, Earls misappropriated nearly \$13.8 million of the approximately \$20 million entrusted to him by clients. In another scheme, Earls embezzled \$1.3 million from Fresh Direct, Inc., an online grocery store, by taking money raised during a round of financing the company conducted in mid-2001. In both schemes, Earls used the mail for fraudulent transactions. The Postal Inspection Service was the sole investigative agency.

■ John J. Rigas and son Timothy J. Rigas were sentenced on June 20, 2005, following their convictions on charges of bank fraud, securities fraud, and conspiracy. The men failed to disclose billions of dollars worth of debt for which their company, Adelphia Communications Corporation, was liable, thus inflating the company's operating and financial statistics. The two also used the company's assets for personal benefit. John Rigas was sentenced to 15 years in prison and six months' supervised release, and Timothy Rigas was sentenced to 20 years in prison and two years' supervised release. In addition, a victim restitution fund was established by the Rigas family, Adelphia, the Department of Justice, and the SEC. The Rigas family will turn over assets to Adelphia, which will pay \$715 million in cash and stock to a victim-restitution fund for investors who lost billions of dollars when the company collapsed in 2002. As the first restitution fund established to compensate victims of a post-Enron corporate fraud, the agreement represented a significant achievement for the President's Corporate Fraud Task Force. The U.S. Postal Inspection Service was the sole investigative agency.

■ Former president of Premier Holidays International, Inc. Daniel Delpiano was sentenced in August 2005 to five years in prison and three years' probation, and was ordered to pay about \$12.6 million in restitution to MicroFinancial, Inc. Inspectors found that Delpiano and his co-conspirators used misrepresentations to induce the Massachusetts company, which handled commercial finances, into providing Premier with a revolving loan that began at \$500,000 but was extended several times until the line of credit reached \$12 million. Delpiano pled guilty in February 2005 to conspiracy to commit wire fraud. Although pay-



ments were made by wire transfer, most of his solicitations were sent via the U.S. Mail.

■ Carlos H. Soto Cruz, a former Morgan Stanley financial advisor and stock broker, pled guilty in August 2005 to 22 counts—20 of which were mail fraud—for a \$57 million fraud scheme. Postal Inspectors and agents from the FBI and SEC learned that Soto Cruz, a MSDW broker for 15 years, convinced 18 domestic and foreign clients to invest in low-risk, mortgage-backed securities by promising seven to eight percent returns on maturity. Soto Cruz mailed numerous fraudulent documents to clients. He was sentenced in August 2005 to 12 years in prison and five years' probation, and was ordered to forfeit \$51 million that he admittedly embezzled. About \$30 million of the money was recovered from five phantom companies and bank accounts and will be distributed to victims: 70 percent to Occident International Bank, 1.5 percent to independent victims, and 28.5 percent to victims at Morgan Stanley, Inc.



Berkeley Premium Nutraceuticals (BPN), a Cincinnati maker of herbal supplements, marketed and sold its product via the U.S. Mail. Inspectors alleged that BPN shipped products if customers simply failed to decline them, and then billed their credit cards. BPN also failed to honor its return policy and product guarantees. More than 39,000 pieces of mail were returned to senders by Inspectors, who sought to protect customers from fraud.

### **Mail Fraud Against Local, State, and Federal Government**

The U.S. Mail has been used to commit fraud against government agencies at all levels, including false claims for tax refunds and false claims for benefits related to education, housing, and welfare. Inspectors arrested 353 suspects and reported 357 convictions for fraud against the government in FY 2005. Summaries of cases from the past fiscal year follow.

■ Postal Inspectors and other members of the Metro East Public Corruption Task Force arrested the East St. Louis police chief, the director of the Department of Regulatory Affairs, a police department secretary, and a former East St. Louis auxiliary police officer in January 2005 for voter fraud, tax fraud, and public corruption. The defendants were charged in separate indictments of viola-

tions in which the U.S. Mail was used to provide fraudulent votes and to file a false income-tax return.

■ Between June and September 2005, 13 suspects were sentenced for a Chicago public-corruption scheme that netted officials at least \$500,000 in cash, campaign contributions, and gifts in return for preferential treatment for trucking companies. The defendants received sentences of five years' probation to seven years in prison, and were ordered to pay fines up to \$100,000 and restitution up to \$36,000. The defendants were charged with racketeering, mail fraud, the intangible right to honest services, and aiding and abetting. The department hired trucking services for construction projects and daily operations. Water management officials, including the former first deputy commissioner, conducted department affairs as a racketeering enterprise by engaging in fraud, extortion,

bribery, and obstruction of justice so they could divert and use city resources for their own benefit. The case was investigated by Postal Inspectors working with the FBI and Department of Labor's Office of Inspector General.

### **Deceptive Mail**

The Postal Inspection Service examines questionable promotions and reviews consumer complaints for compliance with the Deceptive Mail Prevention and Enforcement Act. In FY 2005, Postal Inspectors stopped 112 deceptive mail operations. Examples of Inspectors' work in the past fiscal year follow.

■ A Cease and Desist Order was issued against a New Jersey man in March 2005 for operating the Tsunami Relief Fund of America. The man falsely represented the fund as a non-profit charity affiliated with other charities seeking to aid victims of the tsunami that devastated Southeast Asia and India. Acting on a referral from the Internet Crime Complaint Center ([www.ic3.gov](http://www.ic3.gov)), Postal

Inspectors initiated an investigation revealing that, just after the disaster, the man established a Web site via Yahoo.com to solicit contributions that he directed be sent to a Post Office box in Howell, NJ. His Web site was active for only a few days before it was shut down, and he received only one donation (which he returned to the sender). Although he denied setting up the site for fraudulent purposes, Inspectors learned he was convicted in New Jersey for theft by deception.

■ An investigation of a Ft. Worth, TX, company led to the issuance of a Temporary Restraining Order by a district judge and resulted in a July 2005 settlement between the company and the U.S. Postal Service. Postal Inspectors found the company solicited consumers nationwide via the mail, offering “pre-approved Platinum Card” memberships. Applicants signed an activation form and returned it with \$37. Instead of a credit card, they received a membership packet, and the \$10,000 credit limit was valid only on

## Nine Indicted in ChoicePoint Investigation

Nine suspects were indicted in Nevada in April 2005 on identity fraud charges related to ChoicePoint, a national provider of ID and background credential services. Postal Inspectors recovered about 600 credit reports from Nigerian national Kamaludeen Adeboye Giwa incident to the execution of a federal search warrant at his home. About 300 of the seized reports were from ChoicePoint. One of Giwa’s cohorts worked as a travel agent and provided him with more than 300 profiles that included names, addresses, Social Security numbers, dates of birth, and credit card numbers. Another co-conspirator worked at various mortgage companies, where he accessed more than 900 credit reports without the victims’ consent and provided them to Giwa to facilitate the scheme. Other suspects rented mailboxes for Giwa at commercial mail receiving agencies,

incarcerated with the Bureau of Prisons since his arrest by the Identity Theft and Economic Crimes Task Force (which is funded by the Inspection Service) in October 2004 for violations of his federal supervised release. The investigation is continuing.



where he had replacement cards sent in victims’ names. An eight-count forfeiture allegation is pending and involves high-end jewelry and electronics, \$30,000 in cash, a

2004 Range Rover, and a 2003 Mercedes. Giwa was previously arrested by Postal Inspectors in 1999 and was deported following a federal conviction. He has been



orders from the company's catalog. The company agreed to stop falsely representing its offer, return mail from respondents for the next six months, explain the problem to customers, return customers' money, and pay a \$50,000 civil monetary penalty to the Postal Service.

### **Confidence in the Mail**

The U.S. Postal Inspection Service takes a lead role in partnering with the mailing industry to reduce fraud and theft that targets the business community via the mail. Formed to increase customers' confidence in the mail, the Financial Industry Mail Security Initiative comprises representatives of the Postal Inspection Service, major commercial mailers, and suppliers from targeted industries such as banks and credit card companies. 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 that will facilitate criminal investigations and prosecutions where warranted.

During FY 2005, Postal Inspectors investigated 19 cases of rebate fraud. Actions in FY 2005 resulted in agreements by 50 operators to voluntarily discontinue fraudulent rebate activity. In one case, Abdel Rahim Jebara was sentenced in June 2005 to eight years in prison and three years' supervised release, and was ordered to pay more than \$1.7 million in restitution for his involvement, with 14 others, in coupon-redemption fraud. As principal recruiter of more than 300 store merchants in 14 states, Jebara's scheme resulted in more than \$5 million in losses to victim manufacturers. However, total losses associated with the broader conspiracy he masterminded were estimated to exceed \$50 million.

Postal Inspection Service investigations of fraud targeting the business industry in FY 2005 resulted in 13 arrests, six Withholding Mail Orders, and four Voluntary Discontinuances. Examples of cases investigated by Postal Inspectors in the past fiscal year follow.

- David H. Posey was sentenced in Virginia in January 2005 to five years in prison and three years' supervised release, and was ordered to pay restitution of \$42,775 to victimized coin, currency, and stamp dealers. Inspectors learned that, between February 2002 and April 2004, Posey mailed dealers checks and financial statements that he knew were false, or backed by insufficient funds, to induce them to send merchandise to addresses he controlled in Washington, DC. Posey used aliases and false IDs to conceal his true identity. The investigation identified more than 50 victim dealers, with losses exceeding \$118,000.

- Nathan and Natasha Moore were sentenced in

Illinois in July 2005 for conspiracy to commit mail fraud after Inspectors determined they had used fraudulent credit to obtain DVDs, books, and office supplies via U.S. Mail and other interstate carriers. Nathan Moore was sentenced to three years and five months' imprisonment, and Natasha Moore was sentenced to two years and nine months' imprisonment. They were ordered to pay restitution jointly in the amount of \$132,425 and will be required to undergo three years of supervised release following their prison terms. The Moores never paid for merchandise and even resold items to online buyers and local stores. At least 35 victims suffered losses of more than \$293,000.

### **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 payments and ship items. The Postal Inspection Service actively participates in the Internet Crime Complaint Center ([www.ifcc.gov](http://www.ifcc.gov)), a project established by the FBI and the nonprofit National White Collar Crime Center. The cases that follow were investigated by Postal Inspectors in FY 2005.

- Anastasios Katzopoulos was sentenced in Tennessee in November 2004 to two years and nine months' imprisonment and three years' supervised release, and was ordered to pay approximately \$85,000 in restitution to victims of his Internet auction scheme. He was also ordered to forfeit a 1999 Corvette and 120 Gold Maple Leaf coins he had purchased with proceeds of his crime. Doing business as Surplus of Nashville, Katzopoulos offered computers, cameras, and electronic devices for sale on eBay and at trade shows. Customers paid him through PayPal, credit cards, or personal checks sent in the mail. Inspectors found he received about \$273,030 for items that he failed to provide to customers.

- Terrence Owen O'Brien II was sentenced in Dallas, TX, in May 2005 to one year and three months in prison and three years' supervised release, and was ordered to pay \$5,481 in restitution to the eBay sellers and mail order merchants who were his victims. O'Brien was indicted on six counts of mail fraud for using checks written on closed accounts to pay for merchandise. Postal Inspectors learned he mailed more than 500 worthless checks, which should have covered about \$321,000 in payments.

- Christopher W. Smith was indicted in Minnesota in August 2005 on 11 counts, including mail and wire fraud, unlawfully distributing controlled substances, money laundering, and offering misbranded drugs by interstate commerce. Dr. Philip Mach of New Jersey and Bruce

Lieberman of New York were charged with aiding Smith and his company, Xpress Pharmacy Direct, with filling illegal prescriptions and money laundering. Postal Inspectors learned that Smith operated the business over the Internet and ran a telemarketing operation with call centers in Minnesota, the Dominican Republic, Montreal, and Quebec. Smith did not have a valid DEA license or state license to distribute prescription drugs. He often failed to deliver drug orders or filled prescriptions with non-FDA-approved drugs, which he mailed to consumers via the Postal Service or FedEx. Inspectors also found that Smith often doubled and tripled customers' bills. Dr. Mach received \$7 from Smith for each prescription he wrote. Lieberman kept the company's books. Documents seized by Inspectors during searches in May 2005 included about 60,000 orders with an average price of \$300 per order, totaling sales of about \$18 million. Case assistance was provided by the IRS, Food and Drug Administration, DEA, and FBI.

### Telemarketing Fraud

A priority for Postal Inspectors in FY 2005 was to disrupt major telemarketing scams that target large numbers of victims. In fact, Inspectors reported 211 such investigations, 99 arrests, and 86 convictions. Case examples from the past fiscal year follow.

- Members of Project Colt, a cross-border telemarketing task force that includes Postal Inspectors, executed search warrants in Montreal and Quebec on February 3, 2005, at two boiler rooms and three homes. Two operators of a company named First Choice were suspected of scamming Americans out of more than \$30 million in fraudulent promotions offering credit cards for loans or government grants. Consumers were asked to provide checking account and bank routing numbers and then had money withdrawn for payment. However, they never received credit or loans and instead were sent literature describing available credit cards, loans, and grants and how to apply for them. The U.S. Mail was used to target victims.

- Former Georgia politician Morris James was sentenced in Mississippi in March 2005 to six years and six months in prison and three years' probation after he was convicted on 23 counts of mail fraud for defrauding about 6,300 African Americans. Morris lured victims to invest in a scheme promising \$62,500 tax-free from the U.S. government to redress prior discrimination against black farmers, plus \$43,209 in the form of an alleged Black Heritage Tax Credit from the IRS. No such tax credit existed, and a federal lawsuit by black farmers, *Pigford v. Glickman*, was closed in 2000. Co-defendant Pathenia Hines pled guilty to impersonating an IRS agent and was sentenced to five years' probation. The U.S. Postal Inspection Service and the

Inspector General's Office for Tax Administration handled the case.

- Postal Inspectors and others on the Toronto Strategic Partnership arrested father and son Aleksandra and Oleg Oks in September 2005 and executed search warrants at their Toronto telemarketing boiler room and on their homes and vehicles. The Okses ran an advance-fee telemarketing scam under the names of Pacific Liberty, Atlantic One, Liberty Wide, and Liberty Sun. Postal Inspectors took the case at the request of the Delaware Attorney General's Office. They found the pair offered customers a Visa or MasterCard, regardless of credit history, for a fee of \$279 to \$319 and persuaded them to provide bank information to authorize fee withdrawals. Inspectors found that no one received a credit card, and Visa and MasterCard confirmed they had nothing to do with the companies. The Okses sent and received applications via the U.S. Mail, requesting victims' personal information. Inspectors identified about 1,500 victims in the United States, with losses exceeding \$600,000. The Toronto Strategic Partnership is a joint venture of law enforcement and regulatory agencies in the United States, Canada, and the United Kingdom.

### Administrative Actions

The chart below provides statistics on administrative actions taken during FY 2005 as the result of investigations conducted by Postal Inspectors, and the paragraphs that follow highlight cases from FY 2005.

Administrative Actions	FY 2005
Complaints filed by USPS Law Department	80
Consent Agreements signed	43
Temporary Restraining Orders issued	5
Civil Injunctions	2
False Representation Orders issued	24
Cease and Desist Orders issued	63
Withholding Mail Orders issued	39
Voluntary Discontinuance Agreements signed	31

- A Temporary Restraining Order was executed in January 2005 on World Traders Association, Inc., of Burbank, CA. Postal Inspectors working with the Federal Trade Commission found that three suspects began operating work-at-home scams in 1996 under such names as United Traders Association, World Traders Association, International Merchandise Group, Trans-Global Connections, and others. More than 12 boiler rooms and mailing houses around Nevada, California, Arizona, and Colorado offered six-figure incomes to "surplus merchant-

dise brokers” via magazine, newspaper, and postcard ads. The ads promised individualized training by experienced mentors and a network of warehouses nationwide that would supply surplus goods. Victims mailed \$7,000 to \$9,000 to join and another \$35 per month for access to an Internet site listing surplus goods. Victims said training was inadequate, trainers were unknowledgeable or unavailable, the buyers’ network was non-existent or uninterested, and the goods were not available or as advertised. A few victims reported earning more than a few hundred dollars, but only because of their own persistence and dedication. An initial estimate of victim losses exceeds \$32 million.

■ A Withholding Mail Order was issued in February 2005 against First Union Credit for failing to make good on offers of MasterCards or Visas with a credit limit of \$1,500 to \$3,500. Most respondents had bad credit histories and allowed the company to debit their bank accounts from \$296 to \$398 to get the card, which never arrived, although some people received applications for credit cards. First Union Credit did a mass mailing from a commercial mail receiving agency (CMRA) in 2004, and victim responses were forwarded from the CMRA to a business in Canada. More than 170 people were victimized.

## Child Exploitation via the Mail

**P**ostal Inspectors arrested 342 suspects and identified and stopped 110 child molesters in FY 2005 as part of the U.S. Postal Inspection Service’s continuing efforts to rid the U.S. Mail of child pornography. Inspectors also rescued

68 children from incidents of sexual abuse and exploitation. In the past fiscal year, Inspectors initiated 495 new investigations involving child sexual exploitation, and 850 other investigations are ongoing.

The Wired Safety Group held its Fifth Annual Wired Kids Summit and Awards Luncheon on Capitol Hill on May 25, 2005. The Wired Safety Group is the largest online child safety and help group in the world, operating through thousands of volunteers in 76 countries. This year, Postal

Convicted child molester Gary Mitchell of Indiana will spend 15 years in prison and serve a lifetime sentence of probation and parole. Mitchell was arrested by Postal Inspectors in June 2004 when it was learned that, after serving a 15-year sentence for molesting children, he had violated Florida parole and was traveling across the country with a carnival. Inspectors learned that Mitchell mailed child pornography to other sex offenders who were receiving treatment in Ft. Myers, and Mitchell admitted he was planning to abduct and abuse a child in Indiana. When they arrested Mitchell, Inspectors found he was in possession of child pornography and, worse, they discovered Mitchell’s autobiography in which he admitted to molesting more than 60 children since 1989.



Inspector Tom Clinton of the Pittsburgh Division, an FBI special agent, a U.S. Attorney, and an Assistant U.S. Attorney received awards for their exceptional work in the investigation and prosecution of Scott Tyree, a 38-year-old child predator who lived in Virginia and initiated online contact with a 13-year-old girl in Pittsburgh, PA. Tyree convinced the girl to accompany him to Virginia, where he held her chained in a dungeon over three days. Tyree was prosecuted on numerous charges and sentenced in May 2005 to 20 years in prison.

The National Center for Missing and Exploited Children held its Tenth Annual Congressional Breakfast and Children’s Awards Ceremony on Capitol Hill on May 18, 2005. Postal Inspector Lisa Holman of the Charlotte Division, two special agents from the North Carolina State Bureau of Investigation, and an investigator from the Hickory, NC, Police Department each received a National Exploited Children’s Award for dismantling a major child pornography ring that had been abusing young boys by producing and mailing child pornography for years. Three offenders were convicted in federal and state courts, and several child victims and witnesses were taken into protective custody during the investigation.

Further examples of child exploitation investigated by Postal Inspectors in FY 2005 follow.

■ Thomas Seaton and his “online girlfriend” Jerra Lykins were sentenced in May 2005 in federal court in

Memphis, TN, for using the mail and Internet to distribute and receive child pornography. Seaton was sentenced to 15 years in prison and five years' supervised release, and Lykins was sentenced to five years in prison and two years' supervised release. Inspectors initiated the investigation when Seaton's estranged wife discovered CDs containing child pornography in Seaton's bedroom and a mailing envelope bearing Lykins' address. They executed a search warrant at Seaton's home in December 2003 and discovered tens of thousands of child pornography images on his computer. Several pornographic images of Seaton's neighbor's granddaughter were also found. Seaton pled guilty in January 2005 to producing the images. He and Lykins each pled guilty to conspiring to use the mail and the Internet to distribute and receive child pornography.

■ Jason Schankman of Kirkwood, Il, was indicted in July 2005 on charges of producing child pornography and receiving it via the mail. Schankman came to the attention

of Postal Inspectors during an undercover investigation. Inspectors found that the 31-year-old married father of a pre-school son was contacting minor-age females on the Internet and convincing them to meet him at parks to engage in sexual activity, or to mail him sexually explicit photographs of themselves. Inspectors identified three child victims after arresting Schankman on July 11, 2005.

■ Lafayette, LA, chiropractor Darrell Johnson pled guilty in August 2005 to receiving child pornography in the mail, attempting to produce child pornography, and possessing child pornography. When Postal Inspectors searched Johnson's home in March following an undercover investigation, they discovered a sophisticated hidden-camera system in his bedroom and bathroom. That discovery, along with other evidence, led to four more searches at offices where Johnson practiced as a chiropractor. Similar covert cameras were found at those sites. Johnson remains in federal custody pending sentencing.



U.S. Postal Inspectors Lisa Holman of the Charlotte Division (above, far left) and John Johnson of the Newark Division were honored in May 2005 with awards from the National Center for Missing and Exploited Children. Inspector Holman was recognized for helping to uncover a child-sex and pornography ring in late 2003 whose leader, Marvin Witherspoon, and others sexually abused untold numbers of young children and manufactured and trafficked in child pornography (via the U.S. Mail) for decades. He was sentenced to 32 years in prison on state charges and 10 years on federal charges; other ring members received terms of up to 10 years in prison. U.S. Postal Inspector John J. Johnson (inset, right) and other members of the Falcon Task Force were recognized for bringing down a company that processed credit card information for child pornography Web sites, allowing investigators to identify and bring to justice thousands of child pornography subscribers around the world. Both Inspectors and their colleagues were later invited to attend a private meeting at the White House with President George W. Bush, who thanked them personally for their work.

# Obscenity in the Mail

**T**he 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-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 and oftentimes violent, sexually oriented matter. While obscenity is advertised on the Internet, obscenity dealers frequently use the U.S. Mail to deliver the product to their customers in violation of federal law.

In May 2005 the Department of Justice announced the establishment of an Obscenity Prosecution Task Force in Washington, DC, dedicated to investigating and prosecuting obscenity cases. The task force comprises attorneys from the Department's Child Exploitation and Obscenity Section, Asset Forfeiture and Money Laundering Section, Organized Crime and Racketeering Section, and Computer Crimes and Intellectual Property Section. It draws investigative support from the U.S. Postal Inspection Service and other federal and local law enforcement agencies. A Postal Inspector on the task force targets obscenity dealers seeking to use the U.S. Mail to distribute their products in violation of the postal obscenity statute. Potential cases are referred to Inspection Service offices for further investigation and prosecution. Examples of obscenity cases investigated by Postal Inspectors in FY 2005 follow.

■ The president and vice president of several Ft. Lauderdale, FL, Web sites were indicted in October 2004 on charges of unlawfully using the U.S. Mail to distribute obscene matter, namely bestiality videos. The suspects earned approximately \$3,000 per month over more than two years from their sales. Both suspects are currently fugitives in Brazil.

■ Thomas Lambert, dba Pet Tec in Billings, MO, was sentenced in June 2005 to 30 months in prison and three years' supervised release for distributing obscene material, in the form of bestiality tapes, via the U.S. Mail. Pet Tec was the successor company of New Technology, a firm previously investigated by the Postal Inspection Service for

similar crimes. Pet Tec sold the obscene videos to more than 2,000 customers, with sales exceeding \$400,000. Two other suspects, Gary Robinson and Sanford Wasserman, were also arrested and pled guilty to distributing obscene matter and money laundering. As a result of this successful prosecution by the U.S. Attorney's Office of the District of Montana and the Department of Justice's Child Exploitation and Obscenity Section, spin-off investigations were initiated across the country.

## Victim Witness Assistance Program

**F**ederal legislation mandating certain rights for victims and witnesses of crime was passed in 1982. As part of the Victim Witness Protection Act, Congress instructed the Attorney General to assure that all federal law enforcement

agencies adopt guidelines consistent with the purposes of the act and with related legislation.

The U.S. Postal Inspection Service is committed to providing the best possible compliance with victim witness guidelines. Under the Victim Witness Assistance Program, three permanent positions for victim-witness coordinators were created at the three largest Inspection Service divisions in New York, Los Angeles, and Chicago, and collateral-duty employees support the program at the remaining 15 divisions. Several coordinators attended specialized training and national events in the past fiscal year, including the National Organization for Victim Assistance Conference and the 2005 National Symposium on the Victims of Federal Crimes.

Since becoming only the second federal law enforcement agency to contribute to the Department of Justice's (DOJ's) Victim Notification System in July 2004, the Postal Inspection Service modified its case-management system and integrated it with the Victim Notification System in the past year. Inspection Service employees mailed system-generated letters to more than 95,000 victims in FY 2005 to notify them of their rights and disseminate useful information about program resources and services



# Justice Isn't Served Until Crime Victims Are

National Crime Victims' Rights Week  
April 10-16, 2005 ★ 25th COMMEMORATION ★

During National Crime Victims' Rights Week, April 10 through 16, 2005, DOJ's Office for Victims of Crime and Postal Inspection Service staff collaborated on an outreach campaign, "Get Help or Help Out." A flyer mailed with stamp orders to 30,000 postal customers encouraged the public to seek victim assistance and compensation when needed or to volunteer to help crime victims. The insert featured the Web site [www.crimevictims.gov](http://www.crimevictims.gov), and a toll-free number was available in April 2005 for public assistance. An analysis completed after the campaign determined that more than 12 percent of the calls received were generated by the inserts, a noteworthy number considering the inserts were not mailed to a victim-targeted audience.

## Asset Forfeiture

**T**he U.S. Postal Inspection Service continues to use asset forfeiture laws and regulations to target the financial incentive criminals may gain from postal-related crimes. Postal Inspectors investigate drug trafficking, identity fraud, and other financial crime to identify money and assets derived from illegal activity involving the U.S. Postal Service or the U.S. Mail. In the past fiscal year, 28 Forfeiture Specialists and support personnel, as well as

186 Postal Inspectors, completed specialized forfeiture training.

Postal Inspectors seized 182 illegal assets and secured 673 forfeitures in FY 2005, and forfeiture activity netted \$8.7 million. As the result of successful asset forfeiture actions, the Postal Inspection Service shared \$3.36 million of funds with other federal, state, and local law enforcement agencies. The cases that follow highlight Inspectors' investigations in FY 2005.

■ The Postal Inspection Service initiated an investigation with other federal law enforcement agencies in Ohio in May 2004 related to the business practices of Berkeley Premium Nutraceuticals (BPN), also known as Lifekey Healthcare, Inc., a Cincinnati-based maker of herbal supplements led by sole shareholder Steve Warshack. BPN used the U.S. Mail to market and sell such products as "Enzyte" (a male-enhancement drug), "Avlimil" (a female-libido drug), and "Altovis" (an energy booster). BPN used automatic billing and shipping for its products, and investigators found that if customers failed to decline a product, it would be shipped to them and billed to their credit cards. BPN allegedly failed to honor its return policy and product guarantee. Investigators served 16 seizure warrants in March 2005 and seized more than \$23 million in financial accounts and other liquid assets. Also in March, civil judicial forfeiture proceedings were initiated by the U.S. Attorney's Office in the Southern District of Ohio against all seized assets, and forfeiture actions are pending.

■ The Postal Inspection Service joined the U.S. Department of Health and Human Services to investigate suspected fraudulent billings, via the U.S. Mail, by President of Voice of Social Concern Association, Inc. (VSCA) Akiuber Ndoromo James and President of Nations Transportation Service (NTS) (and second in charge at

VSCA) Peter James Lado. James and Lado allegedly submitted more than \$1 million in fraudulent claims for District of Columbia (DC) Medicaid beneficiaries and in billings for deceased Medicaid patients. The two companies were also suspected of billing DC Medicaid for transportation they never provided. Investigators executed two search warrants in December 2004 at the homes of James and VSCA Office Manager Mary Khangaa, where they seized VSCA financial records, computer data, Medicaid forms, and transportation logs. Seizure warrants were executed at Bank of America and Citibank on accounts totaling about \$1 million on deposit, as well as on a 2004 Land Rover valued at approximately \$32,000 and a 2001 Chevrolet Express van valued at \$12,600. The U.S. Attorney's Office for the District of Columbia initiated civil judicial forfeiture proceedings against all seized assets, and forfeiture action is pending. DC Medicaid was directed to stop payments on outstanding disbursements of about \$25,000 with VSCA and to halt any future VSCA payments.

■ William J. McCorkle and Chantal McCorkle, doing business as Cashflow System, Inc., were convicted in September 2003 of using television solicitations to sell pamphlets and videotapes and conduct live seminars that misrepresented facts and figures related to buying and selling real estate. Several other principals of the company were convicted, and assets identified by the government as proceeds of the fraud were forfeited in November 2005. FBI agents led the forfeiture of seized property, which included numerous parcels of real estate, jewelry, Rolex watches, currency, vehicles, bank accounts (including accounts repatriated from the Cayman Islands), and video equipment. The Postal Inspection Service received a 25 percent share of proceeds totaling more than \$1.8 million. Postal Inspectors worked with agents of the IRS-CID, FBI, and the Florida Attorney General's Office.

■ Postal Inspectors determined that, between June and December 1999, more than \$300,000 worth of Postal Service money orders had been purchased in structured transactions at Post Offices in Los Angeles. They found that a payee named Reza Saderion deposited the money orders to his account at Manufacturers Bank, LA, with Moiz Kaboud named as power of attorney. Further investigation by Inspectors revealed that Moiz Kaboud controlled all deposits and withdrawals to the account, including \$102,700 in cash, \$342,000 in postal money orders, and \$26,200 in Traveler's checks. The funds were later withdrawn via large cashier's checks, which were used to purchase a liquor store and a bank certificate of deposit. Cash in lieu of real property and two bank accounts were judicially forfeited, and the Inspection Service received an 80 percent share, totaling \$472,189, of the total proceeds.

## Workers' Compensation Fraud

**M**onetary compensation and medical benefits paid to employees who sustain job-related injuries 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 Workers'



A letter carrier from the Seven Oaks Station in Detroit, MI, was sentenced in March 2005 to six months in a community correctional center and three years' supervised release, and was ordered to pay \$45,005 in restitution to the Postal Service, as well as resign from his job. The carrier claimed that a job-related vehicle accident in 1999 left him unable to walk or carry anything heavier than a gallon of milk, but Inspectors observed him visiting a fitness center more than 70 times in a 90-day period. The "disabled" employee liked to exercise on a stair stepper, an elliptical machine, and a back-press machine, and repeatedly lifted more than 240 pounds in weights.

Compensation Program; however, a small percentage of postal employees and medical providers abuse the system. These fraudulent schemes cost the Postal Service millions of dollars each year due to U.S. Department of Labor-Office of Workers' Compensation Programs (DOL-OWCP) chargeback for compensation payments and associated medical and administrative costs.

Working proactively to identify and resolve fraudulent claims earlier in the claims process, Postal Inspectors emphasize the resolution of fraudulent continuation-of-pay (COP) schemes. Employees may elect to continue receiving their regular salaries from the Postal Service for up to 45 days following a traumatic injury. Inspection Service investigations in FY 2005 resulted in the resolution of 572 fraudulent COP claims, saving the Postal Service \$31 million in COP payments to fraudulent claimants.

If DOL accepts a claim for compensation, the claimant progresses, after an initial 45 days, to DOL's long-term compensation "rolls." In FY 2005, Postal Inspectors resolved 331 fraudulent long-term compensation schemes, saving DOL \$212 million in such costs, and saving the Postal Service \$243 million. The total chargeback of \$787.3 million by Department of Labor to the Postal Service for compensation benefits decreased in FY 2005 by approximately 5 percent, or \$39 million, from a total of \$826.4 million in the same period last year.

The Postal Inspection Service initiates criminal investigations when it suspects individuals of defrauding the Federal Employees' Compensation Act (FECA). It also refers any matters that may require administrative action to the Postal Service and to DOL. Inspectors work closely with the Postal Service's Injury Compensation units to flag potentially fraudulent claims.

In FY 2005, Postal Inspectors' investigations of workers' compensation fraud identified more than 1,000 suspects, resulted in the arrests of 49 employees and recovered more than \$500,000 in mispaid benefits. Postal Inspectors worked in partnership with the Postal Service's Office of Inspector General on 132 related cases.

## Criminal Prosecution

Postal Inspectors seek criminal prosecution in workers' compensation fraud cases when appropriate, as criminal conviction is an effective deterrent to fraud and permanently prevents the resumption of benefits. By law, after a beneficiary is found guilty of federal or state criminal charges related to a fraudulent claim, DOL terminates future compensation. Subsequent changes to, or recurrence of, the beneficiary's medical condition does not affect this result. Prosecution is often based on proving that a



A grand jury in Chicago, IL, returned a six-count indictment against a full-time clerk for defrauding the Postal Service and DOL of \$77,386 in disability payments and \$41,353 in unnecessary medical expenses based on an "occupational condition." Despite her insistence that she was totally and permanently disabled by carpal tunnel syndrome, Postal Inspectors found the clerk was a frequent visitor at casinos, where she played poker and blackjack for up to 16 hours at a time. During an interview with Inspectors she had both arms in slings, her hands were in a claw-like position, and she was shaking. When asked to sign a Warning and Waiver form, she said someone would have to place the pen between her thumb and finger. She claimed she was unable to drive or ride in a car for even short trips unless she lay in the back seat and could not cook, clean, bathe, or dress herself. However, after Inspectors showed her footage of her activities in a surveillance video, she removed the slings and admitted she had lied about her condition. As a result of the investigation, DOL terminated her compensation, saving the Postal Service more than \$831,000 in future costs.

claimant received outside earnings and concealed them from DOL and the Postal Service.

Inspectors reported that 33 suspects were convicted of crimes related to fraudulent compensation in FY 2005. The following cases highlight court actions resulting from Inspection Service investigations in the past fiscal year.

## Concealed Employment

■ A Hartford, CT, mail handler was sentenced in December 2004 to one year and nine months' imprisonment

and was ordered to pay \$84,400 in restitution to the Postal Service after he fraudulently received workers' compensation benefits for a job-related knee injury. Inspectors proved the employee was working as a used car salesman while claiming to be totally disabled. He also failed to report his job and income to the Postal Service or DOL, as required by law. He lost his job with the Postal Service, and DOL terminated his compensation.

■ A part-time flexible letter carrier in Rhinebeck, NY, pled guilty in March 2005 to making false statements to obtain workers' compensation benefits. The employee claimed she injured her neck and shoulder while delivering mail in March 2000 and was totally disabled. Inspectors revealed she was a licensed, active real estate broker who had filed numerous DOL benefits forms that failed to mention her work. In fact, Inspectors found she earned more than \$19,000 in real estate commissions—at the same time she accepted more than \$34,000 in workers' compensation. As part of a plea agreement, the carrier will pay \$14,000 in restitution to the Postal Service and resign from her job. DOL terminated her compensation, resulting in future savings to the Postal Service of \$998,596.

■ A city carrier in Irvington, TX, collected workers' compensation benefits following a 1994 back injury that allegedly left him totally disabled. Postal Inspectors recovered falsified documents the carrier had filed to support his claim and proved he was earning unreported income as an auto mechanic. The carrier pled guilty in federal court in June 2005 to making false statements to obtain workers' compensation. DOL terminated his benefits and declared an overpayment of \$87,807. The investigation will save the Postal Service more than \$840,000 in future compensation.

## Exaggerations of Physical Disability

Another form of fraud that Inspectors investigate involves claimants who exaggerate their disability to medical, DOL, and the Postal Service's Injury Compensation personnel. The actions of Postal Inspectors in obtaining prosecution in such cases have been increasingly successful, as seen in the cases that follow from FY 2005.

■ A former bulk mail clerk from Philadelphia, PA, was convicted in February 2005 of 19 counts of fraud related to an injury compensation claim. Postal Inspectors found the employee defrauded the Postal Service, DOL, and Veterans Administration of more than \$325,000 by alleging he was totally disabled after a job-related motor vehicle accident. He also claimed to suffer from post-traumatic stress disorder, rendering him unable to interact with people and, therefore, unable to work. Inspectors proved the former clerk greatly

exaggerated his limitations to physicians, observing that he used a cane to walk to medical appointments, but not at any other time. He was also seen interacting with people daily, and even belonged to a men's social club—despite his "stress." The Postal Service realized a future savings of \$454,155 as a result of the investigation.

■ A former letter carrier and disability claimant in Glendale, CA, was sentenced in May 2005 to serve two years' probation, ordered to pay \$6,792 in restitution, and required to provide 200 hours of community service. The claimant's mother, also a former postal employee and workers' compensation recipient, was sentenced to one year of probation and fined \$1,000 for her role in her son's false disability claim. The former carrier claimed he was injured by a fall from a postal truck, and the accident was corroborated by someone claiming to have seen the accident occur in front of a restaurant. Postal Inspectors determined that the "witness" could not have been present at the restaurant, because he was working approximately 30 miles away at the time. The witness described himself to Inspectors as a friend of the carrier and his mother and later confessed he did not see the alleged accident, but that the carrier told him to "stick to his story," and the carrier's mother said that if he "told the Inspectors the truth" her son "would go to jail." DOL terminated compensation for both claimants as a result of their convictions for compensation fraud.

# Mail Theft and Violent Crime

## Mail Theft

**T**he 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 delivery 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 many 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 mail pieces—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 try to steal it.

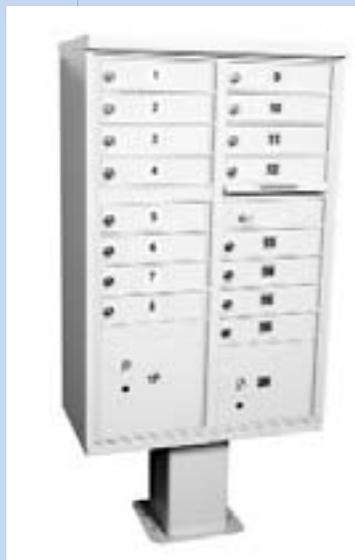
Mail thieves employ an endless number of schemes that Postal Inspectors work hard to thwart.

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 continues to devote significant resources protecting the U.S. Mail. Postal vehicles, collection and relay boxes, apartment mailbox panels, cluster box units (CBUs) and neighborhood delivery and collection box units (NDCBUs) are frequently targeted by thieves in volume mail attacks. The attacks constitute a threat to both postal employees and customers. Protecting and securing the U.S. Mail is a major component of the mission of the Postal Inspection Service.

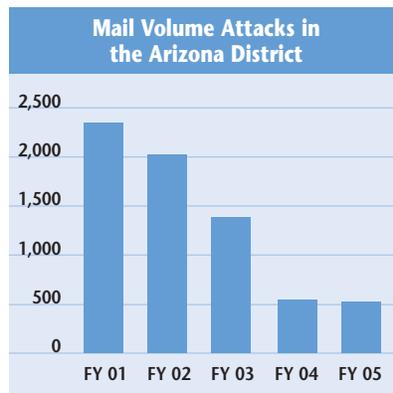
The American public depends on Postal Inspectors to identify and arrest mail thieves. In FY 2005, Postal Inspectors arrested 6,788 suspects for mail theft and, in the same period, 5,544 mail theft suspects were convicted on such charges. As criminals develop new strategies to attack the nation’s mail, Inspectors develop new security countermeasures.



To date, not a single high-security collection box unit, pictured here, has been compromised, although Postal Inspectors received several reports of attempts to pry open the units. Further, the U.S. Postal Service’s Arizona District has experienced a phenomenal 75 percent drop in volume mail attacks since the new equipment was installed.

Postal Inspectors convened with staff from the Postal Service's Engineering, Delivery, and Purchasing offices on a major project over the past three years that yielded huge benefits in reducing mail theft. New security features for centralized delivery mailboxes were painstakingly researched and tested. During FY 2005, a total of 5,954 of the new, high-security CBUs were deployed nationwide at a cost of \$5.8 million. When the Phoenix, AZ, Postal District suffered exceedingly high rates of attacks, attributed to a steep rise in methamphetamine addicts in the area, numerous NDCBUs were replaced with high-security units.

Postal customers can be pleased with the results. To date, not a single high-security CBU has been compromised—though Inspectors received several reports of attempts to pry open the units. Further, the Arizona District has seen a phenomenal 75 percent drop in mail volume attacks over the past several years.



At a press conference held in April 2005, the Inspector in Charge of Mail Theft, Violent Crimes, and Narcotics Investigations was among the federal law enforcement officials announcing the results of Operation Cyber Chase. This year-long, Organized Crime Drug Enforcement Task Force investigation targeted “rogue” Internet pharmacies run from the United States, India, Asia, Europe, and the Caribbean that distributed illegal drugs via the U.S. Mail. At the time of the conference, task force members had arrested 20 suspects in eight U.S. cities and four foreign countries.

In FY 2005, a new generation of CBUs was developed, tested, and approved by Postal Service employees from Engineering and Delivery Operations and the Postal Inspection Service. Postal Inspectors worked with the Postal Service's Pacific Area Vice President to direct the installment of more than \$845,000 worth of security countermeasures that upgrade existing delivery equipment. Another several thousand new CBUs were purchased in FY

2005 to restart mail delivery in areas affected by Hurricane Katrina.

The following cases are examples of volume mail attack cases investigated by Postal Inspectors in FY 2005.

- Postal Inspectors arrested 23 suspects in May 2005 in New Brunswick, NJ, during an investigation of the “Bloods” street gang. Gang members were accused of negotiating checks they had stolen from the mail via fraudulent bank accounts, compromising more than 100 victims who lost in excess of \$300,000. The suspects were also linked to 10 grocery store robberies and the homicide of one of their ringleaders.

- Postal Inspectors in Seattle, WA, disrupted a gang suspected of prying open at least 90 apartment “mail panels” and filing false changes-of-address to steal U.S. Mail. They arrested eight suspects in December 2004 and recovered from them stolen mail and an official Postal Service “arrow” lock. The gang also allegedly trafficked in methamphetamine, stole cars, burglarized homes, and committed home-invasion robberies.

- Postal Inspectors in Long Beach, CA, arrested nine suspects in June 2005 responsible for stealing mail from collection boxes. The suspects allegedly counterfeited checks after stealing outgoing bill payments from the mail. Inspectors later identified another 200 suspects involved in the scheme who had been stealing mail, counterfeiting checks, and negotiating about \$300,000 worth of the checks from about 125 victims.

- In Cleveland Heights, OH, 18 suspects were indicted in August 2005 on charges of mail theft, burglary, and money laundering. Postal Inspectors identified the leader of the ring as a recidivist mail thief known to go after credit card convenience checks. He used checks stolen from the mail to pay off the outstanding accounts of his co-conspirators and retained a percentage of each transaction.

Examples of mail theft cases investigated by Postal Inspectors in FY 2005 follow.

- Postal Inspectors arrested 16 suspects in May 2005 in Miami, FL, associated with a mail theft ring. The sus-



Pictured here are members of the Denver Internal Crimes-Mail Theft Team, who received complaints from Netflix that customers in Lyons, CO, failed to receive the DVDs they ordered. Inspectors set up a surveillance on a local route and observed a highway contract route (HCR) driver leaving the Twin Peaks Mail Processing Center in Longmont and heading for the Lyons Post Office. She stopped at a gas station after completing her deliveries, and Inspectors watched as she placed a stack of Netflix envelopes in a trash can at the station. After she drove off, Inspectors recovered 33 rifled Netflix envelopes and one rifled Blockbuster envelope from the trash; all were addressed to customers in Lyons. On July 27, 2005, Inspectors executed a search warrant at the driver's home in Loveland and recovered 1,255 stolen Netflix and Blockbuster DVDs worth about \$25,000. She was removed from her job on August 10, 2005, and prosecution has been approved by the U.S. Attorney's Office.

pects stole personal information from more than 100 people and used it to order and write personal checks for themselves. Victims suffered losses exceeding \$500,000.

■ In April 2005, Postal Inspectors arrested a Nigerian man for stealing credit cards from the mail while employed as a ramp clerk at Dulles Airport in Northern Virginia. He took out cash advances on the cards and used them to charge items on the East Coast and overseas in Saudi Arabia, Kuwait, and Japan. The man admitted he had been stealing mail at the airport since 2003 and pled guilty to wire fraud. About 2,000 cards were stolen, with financial losses of more than \$3.7 million.

■ In July 2005, 14 suspects were indicted in Tennessee for aggravated identity theft, access-device fraud, and wire

fraud. Beginning in February and continuing through November 2004, the suspects targeted elderly credit cardholders in an elaborate scheme that involved activating the call-forwarding feature on victims' phones. Once call forwarding was activated, the suspects arranged to have money transferred from victims' accounts. The setup prevented credit card issuers from reaching the true cardholder to verify the transaction. Losses exceeded \$300,000.

## Mail Theft by Employees and Contractors

U.S. Postal Service employees work conscientiously to move the nation's mail to its proper destination, and they take their responsibilities seriously. Unfortunately, a small percentage of employees abuse the public's trust. The U.S. Postal Inspection Service is charged with investigating and identifying employees who steal mail and taking steps to have them prosecuted and removed from employment with the U.S. Postal Service.

The following are examples of employee and contractor mail theft investigated by Postal Inspectors in FY 2005.

■ In April 2005, Inspectors arrested 16 employees of Aeroground, Inc., based at San Francisco International Airport, and 10 other airline contract

employees lost their jobs for their roles in a mail theft scheme. The gang targeted mail destined for about 570 members of the U.S. military and their dependants stationed in Okinawa, Japan. The gang opened mail to steal high-value items and clothing, then re-taped the packages and placed them back in the mailstream. The gang was allegedly responsible for more than \$200,000 in losses.

■ After Postal Inspectors interviewed a casual letter carrier in Roanoke, VA, for allegedly stealing more than 3,800 pieces of mail, he pled guilty to the crime in March 2005. Inspectors had searched his car, garage, and house and seized stolen First-Class Mail, two stolen U.S. Treasury checks, and 3,444 other mail pieces, including 222 rifled greeting cards and 38 parcels. In June 2005, a federal judge



Postal Inspectors were notified in November 2004 about the DUI arrest of a rural carrier associate after arresting officers spotted a large quantity of mail in the carrier's personal vehicle. Inspectors received approval for a warrantless search of the car and recovered 2,124 pieces of stolen U.S. Mail, including 830 pieces of political mail and 138 First-Class pieces dating back to April 25, 2002. The case was accepted for prosecution, and the employee was placed in a non-duty work status.

sentenced the former letter carrier to five months in prison and five months' home confinement.

## Nigerian Counterfeit Investigations

An increase in the number of counterfeit postal money orders in FY 2005 was met with widespread enforcement and prevention action by the U.S. Postal Inspection Service. U.S. Postal Inspectors isolated the problem to organized Nigerian criminal gangs, whose members used expensive offset presses to mass produce money order facsimiles.

Heightened attention by the Postal Inspection Service and other law enforcement and financial industry groups in FY 2005 delivered notable results in the Postal Service's fight against counterfeits. Postal Inspectors initiated 392 investigations in the past fiscal year and arrested 294 suspects related to financial instrument crimes.

Working with agents from U.S. Immigration and Customs Enforcement, Postal Inspectors in FY 2005 staged regular interdictions at major U.S. airports to intercept counterfeit checks, money orders, and other instruments before they were circulated to victims. The investigators determined that 70 percent of the dollar value of seized counterfeits comprised other financial instruments, such as traveler's or bank checks, not

postal money orders. The seized counterfeits were mailed from Nigeria, Ghana, Togo, and Benin.

Postal Inspectors and Postal Service representatives also sustained rigorous consumer-awareness activities in their communities in FY 2005, educating consumer groups, businesses, financial institutions, and media outlets on the safety features of U.S. Postal Service money orders. Through town hall-style meetings, media presentations, radio and television interviews, public service announcements, press releases, and consumer-prevention publications, Inspectors reached out to inform Americans about illegal counterfeits. The combined education and interdiction activities resulted in a dramatic decline in the number of counterfeit postal money orders in circulation over the past fiscal year.



Postal Inspectors seized numerous counterfeit U.S. Postal Service money orders, along with counterfeits of other financial instruments, at Miami International Airport in August 2005.

In another initiative targeted to protect banks and other financial institutions from money order counterfeits, the U.S. Postal Inspection Service partnered with the Postal Service's offices of Marketing and Corporate Treasury in FY 2005 to develop the Positive Pay system, scheduled for roll-out in early FY 2006. When fully active, Positive Pay will allow financial institutions to verify the authenticity of a postal money order before funds are released to customers. Single money orders will be verified via a toll-free number, and multiple money orders will be verified via the Internet.

# Homicides, Assaults, and Threats

**T**he U.S. Postal Inspection Service is committed to ensuring employee safety in the workplace. Postal Inspectors investigated 795 postal-related assaults and credible

threats during FY 2005 and arrested 314 suspects. Inspectors seek prosecution in assault cases when appropriate.

The following are examples of assault investigations conducted by Inspectors in FY 2005.

- A man approached a letter carrier who was delivering mail in Snellville, GA, in June 2005 and shot the carrier seven times in the arm and abdomen with a handgun. He later turned himself into the police and made a full confession. After an interview with Postal Inspectors, the assailant pled guilty to attempted murder, assaulting a federal employee, and use of a firearm in the commission of a crime. He stated that he shot the carrier because he wanted to go to federal prison, where he thought he would have a better life. Sentencing was scheduled for November 17, 2005.

- A man was sentenced in August 2005 to 33 months in prison for assaulting a federal employee and another 84 months for using a firearm in a crime of violence. Postal Inspectors arrested him following an attempted robbery of an Arlington, TX, letter carrier in March 2005. At the time of his arrest, the suspect was in possession of a 9mm handgun, ammunition, and methamphetamine. The carrier called “911” on his personal cell phone following the attempted robbery, which led to the suspect’s arrest.

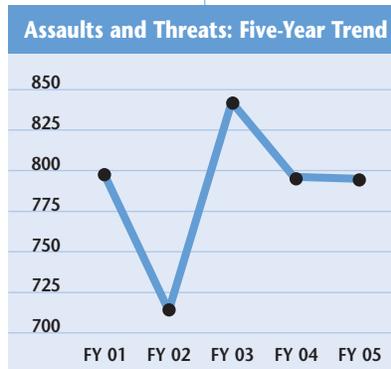
- Federal assault charges were brought against four men in June 2005 related to the assault of a letter carrier in Oakland, CA. The confrontation occurred in November 2004 as the carrier sat in a postal delivery vehicle. The suspects struck the carrier on the head, and he suffered a gunshot wound to his leg. Inspectors had arrested another suspect on December 9, 2004, as a result of evidence gath-

ered at the crime scene, resulting in federal indictments against the others involved in the assault. Two men pled guilty, and a trial is pending for another suspect.

- In February 2005, a suspect was sentenced to six years in prison after pleading guilty to the September 24, 2002, stabbing of two postal employees. The incident occurred when the suspect was denied access to Milton R. Brunson Postal Station in Chicago. He was identified via a cell phone recovered at the scene. Postal Inspectors obtained a federal indictment against the man.

- Postal Inspectors arrested a woman in October 2004 for threatening to use a bomb to kill employees at the Oracle, AZ, Post Office. The threat was taken seriously because of the woman’s ties with local radical groups, her published hatred for the U.S. government, and her previous violent history with law enforcement, including an armed-hostage standoff. After a four-day trial in August 2005, the woman was found guilty of threatening to use weapons of

mass destruction, and sentencing was scheduled for November 2005. She faces a maximum penalty of life imprisonment.



## Robberies

**R**obberies 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 a compelling target 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.

Statistics for robberies that occurred in the past two

**Postal Robberies in FY 2004 and FY 2005**

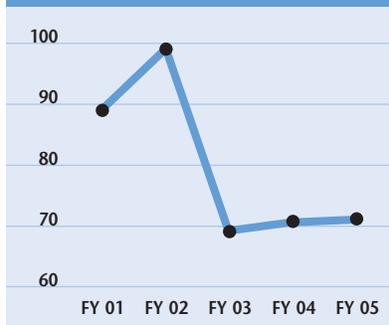
Robberies	Facility		Carrier		Other		TOTAL	
	FY 04	FY 05						
with physical injury	1	5	3	5	4	1	8	11
with death	0	0	0	0	0	0	0	0
without physical injury	39	29	10	22	15	12	64	63
<b>TOTAL</b>	<b>40</b>	<b>34</b>	<b>13</b>	<b>27</b>	<b>19</b>	<b>13</b>	<b>72</b>	<b>74</b>

fiscal years are shown in the chart above, and five-year robbery trends are depicted in the graph at right. Inspectors aggressively and thoroughly investigate all postal robberies and attempted robberies.

The following are examples of robberies investigated by Postal Inspectors in FY 2005.

- A man was sentenced in February 2005 for the armed robbery of the Woodland Post Office in Wilson, NC, on January 14, 2004. Postal Inspectors identified the defendant and two other suspects after they negotiated stolen money orders. The main defendant was involved in an armed robbery of the Woodard, NC, Post Office in December 2003. The judge pronounced consecutive sentences for the man of 120 months for the robbery and 84 months for using a firearm during the robbery.

**Robberies: Five-Year Trend**



Postal Inspectors developed several leads from the “Crime Stoppers” TV show, resulting in the suspects’ arrests.

- Postal Inspectors foiled a robbery of a postal vehicle services driver on June 3, 2005, at the Delta Postal Station in Jackson, MS. Inspectors were conducting a surveillance of the remittance run after the driver was robbed on May 4. Inspectors responded to the dock area and blocked a getaway vehicle as the driver attempted to flee. Inspectors recovered evidence and confessions from other suspects concerning their involvement in the previous robbery. The main suspect was a former casual employee from a mail processing facility in Jackson. Inspectors arrested all three suspects.

- Postal Inspectors apprehended a suspect in June 2005 for the armed robbery of a letter carrier who was



A federal judge sentenced a man to more than 25 years in prison and a woman to 63 months in prison for the armed robbery of the Fitzpatrick, AL, Post Office in August 2004. The pair took \$176 in cash, 26 blank postal money orders, and a money order imprinter. Postal Inspectors arrested the woman after she attempted to cash several stolen money orders, and arrested the man after a search of his personal vehicle revealed 10 stolen money orders and \$996 in cash. The man had two previous convictions for robbing the Pike Road Post Office in 1973 and 1983.

delivering mail on his route in San Bernardino, CA. The robbery occurred on March 7, 2005, when the carrier was approached by a man who demanded his mail satchel. Inspectors and San Bernardino police responded to the scene, obtained a federal search warrant for the suspect's home, and recovered stolen mail. The suspect was indicted and later pled guilty. Sentencing was scheduled for December 2005.

- Postal Inspectors obtained federal indictments in February 2005 for nine suspects in connection with the October 2004 armed robbery of the Kelso, TN, Post Office. Two suspects confronted the postmaster relief at gunpoint and robbed the office of \$1,500 in stamp stock and cash, 216 blank postal money orders, and the money order imprinter. Inspectors and local police executed a search warrant that resulted in the arrest of the unarmed robber and the getaway driver, and the recovery of the money order imprinter and 59 blank money orders. The gunman was convicted in September 2005 after a two-day trial. Two other suspects pled guilty to the robbery and were sentenced in September 2005 to about 18 years in prison and nearly seven years in prison, respectively.

- A man was sentenced in September 2005 to 18 years and three months in prison for possessing a firearm and for the armed robbery of the Raywood, TX, Post Office on January 2, 2004. The man confronted the postmaster relief before the Post Office was open for business. He forced her into the office and fled with \$53.12 in cash, 98 blank postal money orders, and the money order imprinter. Postal Inspectors arrested the man during a vehicle stop, which resulted in the recovery of 19 blank money orders and a .45-caliber Colt handgun. He pled guilty after the first day of trial, agreed to identify his co-conspirator, and assisted with the recovery of the stolen money orders and imprinter.

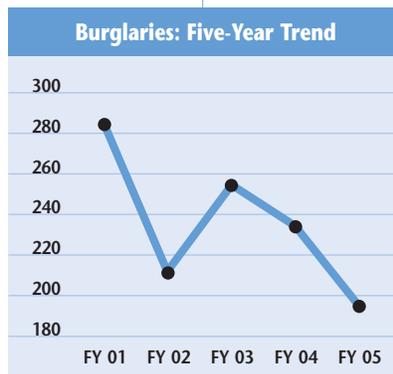
- Postal Inspectors arrested a suspect in January 2005 for the armed robbery of the Crabtree, OR, Post Office. On December 31, 2004, two suspects forced the postmaster relief to the ground and robbed the office of approximately \$180 in cash, \$62.70 in customer checks, 300 blank postal money orders, and the money order imprinter. Inspectors identified one man after he was arrested for attempting to cash a stolen money order and executed a search warrant on the suspect's briefcase, recovering nine blank money orders. Another 142 blank money orders were recovered from the man's car after it was impounded. Inspectors obtained a federal indictment in February 2005, and the suspect was

scheduled to go to trial in November 2005.

- On January 24, 2005, an Amelia County Circuit Court judge sentenced a juvenile to 60 years in the Virginia State Penitentiary, with 15 years suspended, after he was found guilty for the attempted capital murder, robbery, and abduction of a female rural letter carrier. The juvenile attacked the carrier on March 5, 2004, after flagging her down while walking along the road where she was delivering mail. A task force of Postal Inspectors, Amelia County sheriffs, and the Virginia State Police executed a search warrant at the juvenile's home while he was being interviewed.

## Burglaries

Postal Inspectors reported some break-ins at postal facilities in rural areas of the country, but about 86 percent of 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 at left depicts postal burglary trends over the past five years.

The following are examples of burglaries investigated by Postal Inspectors in FY 2005.

- Postal Inspectors investigated the April 20, 2005, burglary of a Community Post Office in Mt. Sterling, MO, after a man broke into a convenience store, which serves as a Post Office, and took \$1,508 worth of stamp stock. Gasconade County sheriffs responded to the scene and confronted the suspect, who opened fire on them with a shotgun, grazing one deputy's cheek. The suspect fled the scene in a stolen car and was pursued by Franklin County sheriffs. After his vehicle crashed and caught fire, he fled to a nearby wooded area before being apprehended. A tragedy occurred when a Missouri State Highway patrol officer was killed in a vehicle accident as he responded in pursuit of the suspect. The suspect was held on multiple state charges, with federal charges pending.

- Postal Inspectors and Santa Barbara police arrested

two suspects in January 2005 for the burglary of the San Roque Postal Station in Santa Barbara, CA. Santa Barbara police responded as the result of a burglar alarm notification from the Inspection Service's National Law Enforcement Control Center. The suspects were caught inside the office and in possession of several boxes of stolen personal checks, mail, and Post Office box keys. The suspects pled guilty and were sentenced to eight months and three months in prison, respectively.

■ Postal Inspectors and Buckeye, AZ, police arrested a former postal employee and another suspect in July 2005 for the burglary of the Buckeye Post Office. Inspectors and police were alerted by a burglar alarm notification from the Inspection Service's National Law Enforcement Control Center and apprehended the suspects inside the Post Office. The suspects were in the process of stealing keys to mail collection boxes and certified mail. Inspectors obtained federal indictments for the suspects in August 2005.

■ A man pled guilty to forgery and was sentenced in February 2005 to four years in state prison after he attempted to cash money orders stolen during the burglary of the Henderson, IL, Post Office. The man took 78 blank postal money orders, \$442.78 in stamp stock, and about \$85 in cash. Postal Inspectors and Knox County police executed a search warrant at the suspect's home in December 2004 and arrested him for a parole violation, drug possession, and burglary of the Post Office. The man lived near the Post Office and had been recently released on parole for previous burglary convictions.

## Illegal Drugs and Trafficking

**T**he 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 1,855 suspects for drug trafficking and 207 for money



U.S. Postal Inspectors, members of a DEA Task Force, and FBI agents arrested 10 members of the Degracia, Perez, and Galvez families for trafficking in methamphetamine, cocaine, ecstasy, and marijuana. Family members allegedly used Express Mail to transport drugs and payments, and U.S. Postal Service money orders to launder drug proceeds. Fugitive Lawrence Degracia brokered the deals from Mexico, and the drugs came from or through Mexico. Inspectors and agents seized 27 pounds of methamphetamine, 42 kilos of cocaine, more than 1,700 pounds of marijuana, and more than \$1 million in cash. The families members, plus another six suspects, were indicted in San Diego, CA, in September 2005, and two properties and several luxury vehicles worth several million dollars were seized.

laundering via the U.S. Mail during FY 2005. Inspectors' investigations also resulted in the seizure of approximately four tons of illegal narcotics and 214,489 units of steroids found in the mail, as well as more than \$4.5 million in cash and monetary instruments, 22 firearms, six vehicles, and one residence.

The following are examples of narcotics investigations conducted by Postal Inspectors in FY 2005.

■ In October 2004, Postal Inspectors and agents from the Drug Enforcement Agency (DEA) arrested two suspects for attempting to mail methamphetamine in San Diego, CA. They discovered two infants in the suspects' vehicle and released them to Child Protective Services. Inspectors and agents executed search warrants at the suspects' homes, where they identified an accomplice and seized almost three pounds of methamphetamine, a pound of marijuana, numerous illegal pills, a large quantity of ammunition, and more than \$12,000 in cash. All three suspects were charged with felony child endangerment in addition

to drug charges. The case was a result of controlled purchases made by Postal Inspectors in Virginia after a woman admitted to receiving between 30 and 35 pounds of meth from San Diego via the mail. The methamphetamine was shipped to hotels in Virginia and Washington, DC, and payment was sent by mail to a San Diego address. The Virginia suspect distributed the meth to a ring of active-duty and former Navy SEALs, including one who was arrested in Virginia.

■ Postal Inspectors began working on an Organized Crime Drug Enforcement Task Force investigation in June 2004 in San Diego, CA, entitled Operation Cuddle Puddle. The case involved local smugglers of ketamine, cocaine, and crystal methamphetamine who used Express Mail to run their operation. Postal Inspectors, ICE, and DEA agents arrested the suspects, as well as an elementary school principal, on federal charges in December 2004. With the cooperation of the defendants, agents bought drugs from the supplier in California, who was arrested and his bank account seized. This led to arrests by Inspectors in Boston and Virginia. Task force members seized more than \$200,000 in cash and significant quantities of crystal meth, black tar heroin, cocaine, marijuana, and firearms.

■ Postal Inspectors, ICE agents, and officers of the Florida Department of Law Enforcement arrested four Florida Department of Corrections (DOC) officers and a civilian co-conspirator in February 2005 for distributing narcotics through the U.S. Mail. The arrests are the culmination of an 18-month investigation of the “Raiford Mafia,” a group of DOC officers assigned to four maximum security prisons in Union and Bradford counties.

■ Philadelphia Postal

Inspectors working with multiple agencies investigated an international ring of pharmaceutical smugglers suspected of importing prescription and dangerous drugs into the United States. The extensive investigation led to the discovery of a global money laundering ring involving at least 15 domestic and foreign banks, with an estimated \$8 million worth of transactions over the past year. On April 19, 2005, a worldwide roundup resulted in 24 arrests in Philadelphia, South Carolina, Florida, Texas, New York, India, Canada, and Australia, and millions in illegal proceeds were seized from bank accounts in 14 countries. Seventeen suspects were charged in the Eastern District of Pennsylvania.



Photograph by Postal Inspector Jim Gill, Milwaukee Domicile.

# Money Laundering

**T**he U.S. Postal Inspection Service investigates criminals who attempt to 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 2005, Postal Inspectors arrested 207 suspects on charges related to money laundering, and 158 convictions were reported during the same period. Following are examples of money laundering cases investigated by Inspectors in the past fiscal year.

- Postal Inspectors, agents from the Internal Revenue Service, and the Massachusetts State Police conducted an investigation that resulted in the indictment of five suspects for a money laundering scheme. One man bought more than \$2 million worth of postal money orders, many in “structured” purchases of just below \$3,000 each, between 1992 and 2002. He operated a gas station, service station, and convenience store on Cape Cod using two sets of books. He kept some of the accounts “off the books” by using postal money orders, and paid many of his vendors and some of his employees in cash.

- Postal Inspectors arrested a man in September 2005 who bought 75 postal money orders worth \$44,071 using a fraudulently obtained debit card from the Telesis Community Credit Union in Chatsworth, CA. The man used stolen IDs to open a bank account via the U.S. Mail, then made 18 structured purchases of postal money orders at 13 Post Offices in Los Angeles. The money orders were also cashed at multiple Post Offices.

- Postal Inspectors and other members of the Operation Bull Run Task Force in New York executed three search warrants, 12 seizure warrants, and four arrest warrants simultaneously in New York, Virginia, and Nevada on June 30, 2005. The two-year investigation identified the suspects doing business as China Trade and advertising low-cost mail order cigarettes in Chinese-language newspapers in New York, Boston, and Chicago. Suspects bought postal money orders in structured transactions, which accounted for about \$500,000 of their sales. China Trade

shipped 77 million cigarettes, causing estimated losses to state taxing authorities of \$10 million. Among the items seized were cash, cigarettes, homes, commercial property, and bank accounts.

- Postal Inspectors on a multi-agency task force in San Juan, PR, arrested 18 suspects in June 2005 on charges of bank fraud and money laundering. The well-organized international crime syndicate used false passports and IDs to open bank accounts and deposit counterfeit corporate checks throughout Puerto Rico. Funds were laundered through ATM debit cards and postal money order purchases. Banco Popular estimated losses exceeding \$1.6 million.

## Revenue and Financial Investigations

### Revenue Investigations

**P**ostal 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 the 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.

Postal Inspectors initiated 174 new investigations related to postal revenue in FY 2005. They arrested 61 suspects for revenue-related crime and reported 50 convictions in the same period—some from cases initiated in prior reporting periods. Civil settlements, voluntary restitution and court-ordered fines, penalties, and restitution totaled more than \$9 million in FY 2005.

Following are examples of investigations conducted by Postal Inspectors in FY 2005 involving underpayment of postage, trafficking of counterfeit postage, and the purchase of postage through fraudulent means.

■ A settlement was reached in September 2005 in a *qui tam* action against a San Francisco financial company and its third-party mailer. *Qui tam* is a legal action brought by a private individual on behalf of the government and is associated with “whistleblower” laws. The complaint alleged the mailer claimed automation discounts by submitting false documents indicating the mail complied with requirements to periodically update its addresses using Postal Service lists. The firms agreed to pay \$6 million in the settlement, with 20 percent going to the whistleblower.

■ Incident to a large-scale investigation of counterfeit postage stamps, Postal Inspectors participated in the multi-agency arrest of a man in Los Angeles, CA, in August 2005. The man was part of a smuggling ring suspected by the FBI and other federal agencies of importing contraband—including counterfeit cigarettes, U.S. currency, and U.S. postage stamps. Inspectors and agents seized about \$40 million worth of counterfeit goods, including \$700,000 worth of fake postage. Postal Inspectors began their investigation after learning that high-quality counterfeit postage had surfaced in Southern California and other parts of the United States in early 2004.

■ Inspectors arrested 12 members of an organized gang in FY 2005 that used fraudulent, computer-generated business checks at Post Offices to buy postage. The checks were passed at Los Angeles-area Post Offices and displayed valid business names and account numbers, but false addresses. The group hired couriers to take the checks to the Post Office and purchase the postage to add legitimacy to the transaction and to conceal their identities. About \$1.7 million in restitution was ordered following the convictions of the suspects.

## Financial Investigations

Postal Inspectors use a variety of methods to investigate embezzlements of postal funds when Post Offices experience unusual shortages. Improper procedures are reported to postal managers for corrective action, but when employees are found to be responsible, remedies may include administrative action and criminal prosecution, with possible incarceration and court-ordered restitution.

U.S. Postal Inspection Service investigations in FY 2005 identified more than \$5 million in postal embezzlements and resulted in the arrest of 314 suspects. Another 222 suspects were convicted on related criminal charges, some from crimes investigated in previous reporting periods. Employees found responsible for missing postal funds are also reported to postal managers for appropriate administrative action. Employee conduct that fails to meet

criteria for criminal prosecution may nevertheless be grounds for removal from the Postal Service. Examples of financial investigations conducted by Postal Inspectors in FY 2005 follow.

■ Inspectors arrested the manager of the Internal Control Group of the San Diego Postal District in December 2004 for embezzling postal funds. He was responsible for receiving checks payable to the Postal Service for miscellaneous receivables, such as the sale of recyclables. He deposited the checks at the Main Office window, located in the same building as his office, and converted portions of the funds to his own use by directing clerks to issue money orders for postal expenses. He deposited some money orders into personal investment accounts and used others to pay personal expenses, such as his mortgage. The manager lost his job, was sentenced to 30 months in prison, and was ordered to pay restitution of \$430,311, which he paid prior to sentencing.

■ The postmaster of the Estero, FL, Post Office admitted keeping a portion of the proceeds from stamp stock sales to Publix grocery stores. When interviewed by Postal Inspectors in August 2004, the employee admitted taking the money since sometime in 2002. The shortages totaled more than \$270,000. On September 12, 2005, the former postmaster was sentenced to two years’ imprisonment and was ordered to pay \$87,460 in restitution to the Postal Service.

■ In November 2002, a technician at the Kansas City, MO, Self-Service Postal Center left work on sick leave after being told his “accountability” would be audited. When Postal Inspectors interviewed him on his return to work, he admitted they would find a large shortage. The employee tried to cover his theft by wrapping small amounts of high-value postage coils around less-expensive coils to make them appear to have a higher value. The technician lost his job and, in April 2005, was sentenced to one year in prison and ordered to pay \$125,799 in restitution to the Postal Service.

■ Postal Inspectors arrested the postmaster relief at Cross Village, MI, in August 2005 for embezzling \$145,451 in postal funds. Most of the thefts occurred when the employee issued money orders to himself and cashed them without reporting them as sold. About \$1,710 was missing from the employee’s personal accountability.

# Dangerous Mail and Homeland Security

## Dangerous Mail

### 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. Keeping the mail free of hazards is one of the highest priorities of Postal Inspectors.



Photograph by Rick Pennington, High Noon Film

Inspectors take every report seriously, as they relate directly to the safety of postal employees and customers, and respond to assess suspicious substances in the mail. Harmless substances—sugar or baby powder found in or around mail—are usually the main culprits, and most mailers are unaware the items can create problems.

In a few instances, the harmless substances found in



Photograph by Rick Pennington, High Noon Film

Postal Inspectors who act as biohazard detection system (BDS), homeland security, and hazwoper coordinators in Pennsylvania held several press conferences in July 2005 to apprise congressional representatives and the public of the installation of BDS equipment at the Lehigh Valley Post Office that month. Inspectors displayed hazwoper gear, canisters for transporting BDS samples, the RTR-4 Notebook X-ray, and hazmat ID technology for testing suspicious substances on-site with immediate results.

mail were intended as threats. Such mailings are federal offenses, and the Postal Inspection Service aggressively pursues anyone who attempts to use the mail to threaten, harass, or disrupt. Inspectors' investigations of these incidents in FY 2005 resulted in 27 arrests, and 14 convictions were reported during the same period.

## Explosive Devices in the Mail

Dangerous mail investigations include explosive devices sent through the mail. During FY 2005, Postal Inspectors investigated two improvised explosive devices sent via the mail. Neither bomb reached its intended victim, nor was anyone harmed. In a case from February 2005, Inspectors learned that an improvised explosive device had been mailed from Reamstown, PA. Inspectors had only a vague description of the mail piece, which was destined for Chicago, but within hours began a multi-state hunt for the bomb and located the device. It was removed from the mail and rendered safe, and no one was injured. Inspectors arrested the mailer, who sent the device to his doctor in retaliation for surgery results that did not measure up to his expectations.

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, then 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 fiscal years.

Mail Bomb Incidents: Five-Year Trend					
	FY 01	FY 02	FY 03	FY 04	FY 05
Incidents	3	0	1	26	2
Explosions	3	0	0	6	0
Injuries	1	0	0	4	0
Deaths	1	0	0	0	0

In FY 2005, Postal Inspectors responded to 841 incidents of suspicious items found in postal facilities or equip-



Postal Inspectors located this improvised explosive device in the mail in February 2005 and rendered it safe before anyone was injured. They also identified and arrested the mailer, who had sent the device to a doctor as an act of revenge.

ment, explosive devices placed in private mail receptacles, and hoax bomb devices. The investigations resulted in 63 arrests, and 49 convictions were reported during the same period. Most of the incidents involved false alarms or items inadvertently left behind by customers. The remaining incidents involved hoax devices or were caused by juveniles who targeted mailboxes with homemade explosives or common fireworks.

## Field-Screening Equipment for Unidentified Substances

Since the anthrax attacks in 2001, Postal Inspectors have responded to thousands of reports of suspicious powders and other substances in the mail or postal facilities. When incidents could not be quickly resolved, local first responders were called in to ensure the substances did not endanger employees, customers, or operations. Most of the incidents were deemed false alarms, and calling in local first responders often unnecessarily diverted vital community emergency resources. In addition, first-responder protocols and abilities vary by area due to differing equipment and training. Unnecessary evacuations create their own inherent risks and undue stress for Postal Service employees and disrupt postal operations.

New strategies that standardize responses to unidentified substances at postal facilities were developed after the Postal Inspection Service evaluated a range of local, state, and federal protocols and equipment. Select Postal Inspectors throughout the agency underwent intensive training in hazardous waste operations and emergency response, and in the operation of screening equipment.

Beginning in May 2005, 80 sets of the latest technology for assessing unidentified substances were deployed across the country in a manner corresponding to areas with higher incidences of suspicious substances.

The Inspection Service conducted basic familiarity and response training for chemical, biological, radiological, nuclear, and explosive threats that could involve mail or postal assets in all 18 field divisions. The training was intended to provide Inspectors and Postal Police Officers with a basic knowledge of potential threats and the protocols for initial assessments of suspicious substances or mail.

The training and equipment afford U.S. Postal Inspectors the most advanced tools available to hazmat specialists. The agency developed a tiered approach to handling suspicious incidents that escalates screening when an initial assessment suggests a possible hazard. The protocols help minimize false alarms and speed the resumption of normal postal operations, in turn reducing stress and disruption for employees. Substances involving a credible threat are evaluated by a laboratory.

The Postal Inspection Service's new tools and training continue to improve the timely resolution of suspicious incidents, bring uniformity in their handling, and ensure the safety of postal employees, customers, and operations. Inspectors are engaged at the earliest indication of a suspicious substance in the mail, and their sophisticated equipment, training, and experience inform all facets of any resulting criminal investigations.

## Investigations of Unidentified Substances in the Mail

Postal Inspectors respond rapidly to reports of unidentified substances in the mail and to threats involving chemical or biological material. Although most do not involve criminal intent, a rapid response ensures that Inspectors are on hand at the earliest opportunity when mail is intentionally used to convey chemical, biological, radiological, or explosive weapons.

Postal Inspectors in FY 2005 responded to 1,638 incidents involving potentially hazardous substances, as well as to 1,018 incidents of explosive devices placed in private mail receptacles, hoax bomb devices, suspicious items found in postal facilities or equipment, mailed explosive devices, and other misuse of the mail. With few exceptions, the materials were harmless, but Inspectors aggressively investigate even the threatened use of dangerous material. Postal Inspectors arrested 234 suspects in FY 2005 for such crimes and reported 210 convictions, some from cases initiated in prior reporting periods. Following are examples of

their investigations in the past fiscal year involving threats of chemical or biological materials, explosive devices, or other misuse of the mail.

■ Noel Davila was convicted of mailing an anthrax hoax letter to the Connecticut State Attorney's office in Bridgeport and was sentenced in May 2005 to 35 years in federal prison. Working with other law enforcement officers, Postal Inspectors determined the man had mailed envelopes containing powder and written threats referencing anthrax and terrorism. The powder was found to be harmless, but the incident caused significant disruptions of government offices, required responses by several law enforcement agencies, and entailed an analysis by a health laboratory to ensure employees were not exposed to deadly toxins.

■ Roger V. Evans, an inmate at a Florida correctional facility in Pensacola, was sentenced to 18 years in prison in August 2005 for mailing a threatening communication and impeding a federal officer. Postal Inspectors found the man had mailed a hoax anthrax letter to a federal court in 2004. His federal sentence will begin after he completes a 50-year state prison sentence for committing a robbery with a deadly weapon.

■ Robert R. Reichard of Edinboro, PA, who mailed a bomb to his former girlfriend's new romantic interest was sentenced in December 2005 to five years in prison and three years of supervised release. The intended victim suspected the parcel might be dangerous, and it was rendered safe by bomb technicians. Inspectors obtained evidence of the bomb construction and materials, which they linked to other mailed threats. At sentencing, the presiding judge described the mailing as playing "Russian roulette" with the safety of everyone who handled it

■ In August 2005, Robert Tribble of Georgia was sentenced to 54 months in prison and three years' supervised release for using the mail to unlawfully transport a firearm. He had ordered a firearm silencer, which is considered contraband, through the U.S. Mail. Postal Inspectors working with agents from the Bureau of Immigration and Customs Enforcement and the Bureau of Alcohol, Tobacco, Firearms, and Explosives recovered additional weapons, illegal drugs, and \$225,000 in cash from Tribble.

## Specialty-Response Vehicles

To ensure Inspectors' rapid response to unidentified substances found in the mail, field-screening equipment must be mobile and easily accessible. To support their work, the Inspection Service deployed 35 specially equipped vehicles throughout the United States, Hawaii, Alaska, and Puerto Rico. The vehicles provide secure stor-

age and a well-equipped platform to support Inspectors' assessments of unidentified substances and suspicious mail. Electrical-system enhancements and custom lighting and storage extend the vehicles' use in tackling numerous tasks, and advanced communications tools place Inspectors in direct contact with other law enforcement, first responder, and public safety agencies.

As noted in the 9/11 Commission Report requested by President George W. Bush, communication challenges and failures experienced by local, state, and federal first responders following the terrorist attacks pointed to an urgent need for improved capabilities. In the event of a national emergency or incident involving multiple agencies, radio communications equipment in the response vehicles enable Postal Inspectors to communicate directly with other federal, state, and local first responders.

## Mobile Incident-Command Vehicles

A challenge for any law enforcement agency is the on-site management of major incidents. The Postal Inspection Service determined a need for mobile incident-command centers that could be deployed in the event of national emergencies, natural disasters, and major crime scenes. The purchase of such centers was completed during 2005 and included the design, construction, and deployment of 18 vehicles to field divisions. The vehicles provide multiple communications capabilities, including satellite, UHF and VHF radio, and Internet links, as well as workstations, independent electrical systems, video surveillance equipment, and tools that allow Inspectors to work on-site for extended periods. The centers enable the rapid establishment of a base of operations anywhere in Inspection Service territories, even if existing facilities have been destroyed or compromised.

When Hurricane Katrina devastated the Gulf Coast in the final weeks of FY 2005, four command centers and hundreds of Inspectors were deployed to the affected areas to assist with recovery efforts for the U.S. Postal Service. During the hurricane emergency response, Postal Inspectors were among the first federal law enforcement officers in the affected areas, providing immediate relief to victims, assessing and securing Postal Service assets, and working to re-establish mail service. Mail delivery was back in operation quickly, with displaced victims sending and receiving mail even at the temporary evacuation centers. With nearly all other forms of communications disrupted or destroyed, mail was absolutely vital to the relief and recovery work, and served as a reliable, effective, and reassuring link for the victims and aid workers.

# Homeland Security

**T**he U.S. Postal Inspection Service is integral to the nation's homeland security and terrorism-defense initiatives. Postal Inspectors serve with National and Local Joint Terrorism Task Forces. An Inspector is assigned to

the Department of Homeland Security, and others serve as liaison to the National Counterterrorism Center, the Interagency Intelligence on Counterterrorism, and the Financial Crimes Enforcement Network. Inspectors participate in numerous councils and groups concerned with interagency security and the continuation of government plans.

The U.S. Postal Service implemented a biohazard detection system to protect the mail from biological attacks through rapid detection and response. Postal Inspectors, postal facility employees, local first responders, and public health personnel conducted interagency exercises or drills in every area where BDS was implemented in FY 2005. The drills followed established protocols for incidents involving suspected biological threats in postal facilities.

U.S. Postal Inspection Service capabilities have been tailored to meet current homeland security challenges. In support of the unified command structure now in place to coordinate multi-agency response to significant events, all Inspectors and Postal Police Officers are trained in the fundamentals of the National Incident Management System. Use of the new structure was mandated for federal agencies by Homeland Security Presidential Directive and is intended to provide uniformity to multi-agency responses to any contingency. Postal Inspection Service field divisions followed the system during significant events in FY 2005, and a National Incident Management System function was established at the Inspection Service's Command Center at National Headquarters to ensure all possible support was available for any crisis involving the Postal Service.

The Postal Inspection Service is a member of the Cities Readiness Initiative, a project involving federal, state, and local resources responsible for distributing emergency medications in the event of a biological attack on a metropolitan area. Inspectors met with authorities in 21 metropolitan areas in the past fiscal year to develop options for using U.S. Postal Service assets to distribute medication during a public health crisis.

# Security

## Security Force

**T**he U.S. Postal Inspection Service maintains an armed, uniformed Security Force of Postal Police Officers (PPOs) 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 creates an environment conducive to the safety of postal employees and customers.

A new addition to the physical security provided by the Postal Inspection Service in FY 2005 was the stationing of unarmed, contract security guards at certain Postal

Service facilities. Contract officers replaced PPOs at fixed-post locations, such as employee and vehicle entrances, to increase flexibility and mobility for PPOs, who must respond promptly to serious incidents. Using a mix of armed and unarmed guards has improved resource deployment overall.

## Facility Security

**P**ostal Inspectors continued to review security conditions at postal facilities in FY 2005, recommending improvements for nearly 200 locations, including 78 of the largest Postal Service facilities.

Postal Inspectors' recommendations included installing new fencing, improving indoor or outdoor lighting, upgrading security cameras, and enhancing access-control features. Inspectors completed risk models for 177 facilities to rate the risks and countermeasures found at each postal location. They re-evaluated any facility that received a score higher than 800 points in the past fiscal year and worked with local security control officers on improvements. Twelve Postal Service facilities brought their scores below 800 points in FY 2005 by more closely adhering to security policies and adding new countermeasures against risks.

The Security Control Officer



Photo by Bob Freterick, Multimedia Training Specialist

Program partners Inspectors with postal employees who have collateral duties as security control officers, a tactic that has proven to enhance security for the mail and for postal employees. To ensure that the 600 Postal Service's security control officers possess the knowledge and tools they need to evaluate security at their facilities, the Security Group provided training for officers nationwide in the past year. The Postal Inspection Service's Physical Security Specialists also received training on how to work with and guide security control officers in their areas.

The Postal Inspection Service's Security Group hosted a training conference in August 2005 for its Physical Security Specialists and Security Team Leaders as part of its continuing education for field security specialists.

## Personnel Security

### Personnel Screening

**P**ostal Inspectors continued to evaluate personnel-hiring offices in FY 2005, 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 343 deficiencies identified by Inspectors, postal managers had corrected 340 by the end of the fiscal year.

Staff at the Postal Inspection Service's Security Investigation Service Center at Memphis, TN, process security clearances for all Postal Service employees and contractors needing a clearance. In FY 2005, the Memphis office processed 80,672 clearances and denied 807 of them.

### Reviews at Airports that Handle Mail

Postal Inspectors conducted security reviews at 19 airports over the past fiscal year to ensure that only authorized personnel had access to restricted areas and proper procedures were in place to minimize risks to postal employees and the public. Inspectors reported any deficiencies to postal managers and airline authorities for corrective action.

## Reviews at Terminal Handling Suppliers

Postal Inspectors conducted security and personnel-screening reviews at 14 Terminal Handling Supplier (THS) sites. The reviews determined if the THS met its contractual requirements to provide security for the mail and measured whether employees who handle and process mail had a Postal Service security clearance. Inspectors identified 14 deficiencies at THS sites and reported them to postal and THS managers for corrective action.

## Observations of Mail Conditions

**A**t the request of the Postal Service's Chief Operating Officer, the U.S. Postal Inspection Service conducted Observations of Mail Condition (OMC) reviews for the FY 2005 fall and holiday mailing seasons. In planning

meetings with postal managers, Postal Inspectors determined that upcoming OMCs would focus on the security of Postal Service employees and assets and mail conditions for First-Class Mail, Priority Mail, Periodicals, Standard A Mail, and mail transport equipment. Over the past fiscal year, Inspectors adjusted weekly schedules for OMCs, based on changes in customer mailing cycles and ongoing analyses of program results.

Inspectors conducted meetings with Postal Service managers at areas, districts, and processing and distribution centers to discuss OMC objectives. Inspectors also met with facility managers or their designees following each week's observations to share information from the reviews and, as appropriate, develop plans for corrective action.

The OMCs evaluated the security of Postal Service employees and assets, verified the reporting integrity of certain line items on the Mail Condition Reporting System and Customer Service Daily Reporting System, identified excess rotary locks at some facilities, and observed mail-processing volumes and workhours.

Postal Inspectors performed OMCs at 2,897 postal and contractor facilities located in every Postal Service area

and virtually all districts. Inspectors issued 14 weekly OMC reports to the Chief Operating Officer between September 24 and December 23, 2004. The reports identified 1,345 security deficiencies significant enough to be brought to the attention of the Chief Operating Officer, and 173 deficiencies related to operational issues.

The final report named several security concerns Inspectors identified as improvement opportunities. These included issues related to registered mail, facility access, vehicle access at facilities, facility keys, ID badges, and personal belongings on the workroom floor.



**Bilingual Postal Inspectors at the George R. Brown Convention Center in Houston, TX, assisted New Orleans customers in September 2005, when the U.S. Postal Service began to deliver mail and government checks long delayed by Hurricanes Katrina and Rita.**

Photograph by U.S. Postal Inspector Allen L. McHenry, Houston Division

On August 29, 2005, at approximately 6:10 a.m., Katrina made landfall on the Gulf Coast as a Category 3 hurricane. The eye of the hurricane crossed to the east of Washington Parrish, LA, leaving approximately 12 inches of rain in the New Orleans area, with winds in excess of 125 mph. A storm surge of 18 feet of water hit the city of New Orleans and continued northeasterly. Lake Pontchartrain experienced winds of 105 mph by noon, driving walls of water over levees surrounding the city.

That same day, amid reports of tornadoes touching down in Gulf Coast towns, more than 300 Postal Inspectors, Postal Police Officers, and support staff

from across the country volunteered to report to duty in devastated areas. The first priority was to locate and, when possible, rescue thousands of displaced postal employees. Teams of Inspectors and Postal Police Officers formed fixed and roving security patrols, laboring through floodwaters and toxic mud to reach Postal Service facilities and secure assets. A lack of phone and electric service, impassible roads, and severe shortages of fuel and vehicles handicapped their efforts, forcing many to work 70-plus hour shifts and sleep in vehicles or on office floors to sustain their mission.

The Postal Inspection Service mobilized staff through its National Headquarters' Critical Command Center, which operated around the clock. Teams of Inspection Service staff assisted Postal Service employees in routing supplies and fuel to reach mission-critical areas.

In the weeks that followed, Postal Inspectors completed more than 400 facility-security assessments of structural damage and possible contamination of postal property. Working alongside Postal Service employees from the Safety and Facilities groups, Inspectors helped conduct environmental tests to ensure buildings were safe for re-entry and set up emergency operations to restore mail service to customers.

Inspectors and Postal Police Officers provided more than 100 security escorts for Postal Service employees and

## Natural Disasters

**P**ostal Inspectors must respond to a wide array of man-made and natural disasters that can affect postal operations across the country. The disasters may 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.

The FY 2005 hurricane season was the busiest on record. Six hurricanes—Cindy, Dennis, Katrina, Ophelia and Rita—and two tropical storms—Arlene and Tammy—directly hit the United States. The U.S. Postal Service sustained more than \$126 million in damage to its critical infrastructure as a result of Hurricanes Katrina and Rita alone.

contractors to help disburse federal checks to hurricane victims, guide fuel and other needed goods to devastated areas, and assist in critical recovery efforts. In addition to guarding Postal Service facilities, the armed presence of Postal Inspectors was requested by city, state, and federal agency officials to secure unprotected buildings and communities in Mississippi and Louisiana.

While Postal Inspection Service staff served diligently during the record-breaking devastation wrought by the hurricanes, other natural disasters occurring across the country demanded their attention throughout the fiscal year.

For example, Postal Service operations in Pennsylvania suffered a double blow in a single 12-hour stretch, requiring Postal Inspectors and Postal Police Officers at the Philadelphia Division to respond to a highway contract driver crash at 4:30 p.m. on a Saturday evening and then to a Post Office fire at 5:15 a.m. the following morning, on April 24, 2005.

Postal Inspectors and Postal Police responded at 4:30 p.m. after a highway contract driver for the Postal Service had jackknifed his tractor-trailer during heavy rain conditions on Interstate 95 at Ridley Township, PA, about 30 miles south of the Philadelphia Bulk Mail Center (BMC). The accident occurred at a bridge crossing Crum Creek, when the trailer hit the guard rail of the bridge, flipped over the side, and fell 50 feet into a ravine. About 10 percent of the mail from the fully loaded vehicle lay on the bank or in the creek. The driver was taken to a local hospital and treated for a broken wrist.

Diesel fuel had leaked into Crum Creek and saturated about 200 parcels, demanding the presence of local fire companies, state and local police, emergency medical units, Pennsylvania and federal environmental protection and water conservation officials, and the U.S. Coast Guard. After the Coast Guard declared that mail saturated with fuel was contaminated and must be removed by hazmat specialists, Postal Police and Postal Inspectors maintained a 26-hour vigil to safeguard the mail. Postal Service employees were allowed access to the site at 6:30 the next morning and

forwarded the remaining, unharmed mail to the Philadelphia BMC.

At 5:15 the following morning, Philadelphia Division Postal Inspectors and Postal Police Officers, along with the Postal Service's district operations manager and Concordville postmaster, were asked to respond to the scene of a fire at the Concordville, PA, Post Office. The building was completely destroyed, and two Post Office safes sustained serious heat damage.

Postal Inspectors contacted the Postal Service's field maintenance staff, who transported the safes and postal collection box to the Southeastern Pennsylvania Processing and Distribution Center. Collection box mail was undamaged and placed into the mailstream. In accordance with the Postal Service's Continuation of Operations Plan, Postal Inspectors helped move mail delivery and window operations to the nearby Glen Mills Carrier Annex. Based on the investigation by Inspectors and agents from the Bureau of Alcohol, Tobacco, Firearms, and Explosives, arson was ruled out. The fire was attributed to an electrical storm, which resulted in an electrical short in the building's wiring system.



Recovering from Hurricanes Katrina and Rita:

*Neither snow nor rain nor heat nor hurricane ... kept the U.S. Postal Inspection Service from its appointed rounds.*





All Photographs by U.S. Postal Inspector Allen L. McHenry, Houston Division

# Intelligence

**D**uring its second full year of operation in FY 2005, the U.S. Postal Inspection Service's Intelligence Group asserted itself as a valuable agency resource. Employing new investigative techniques referred to as "intelligence-led policing," staff members compiled and analyzed data that could directly impact the U.S. Postal Service, its employees, and its customers. Professional case-analysis tools provided Postal Inspectors with strategic assessments of emerging criminal threats facing the U.S. Postal Service.

Intelligence Group staff liaises with other U.S. and international law enforcement agencies, the intelligence community, and certain areas of private industry. Over the past fiscal year, Intelligence Analysts maintained a Postal Inspection Service Web site as part of an Intelligence-Sharing Initiative, allowing major mailers across the coun-

try to input real-time, mail-loss data for analysis and rapid dissemination to Postal Inspectors. Intelligence Group members also gathered information on worldwide criminal activity involving the U.S. Mail and presented the material in briefings given to Postal Inspection Service and Postal Service executives.

Intelligence Group staff supported agency investigations in FY 2005 by analyzing complex information in such cases as the Choicepoint investigation in Los Angeles, CA, and the International Business Mail Protection Initiative of the International Affairs Group. An intelligence report and visual link-analysis chart assisted International Affairs Inspectors in presenting evidence to the Ukrainian Minister of Interior, which resulted in the arrest of a key suspect in an Internet criminal ring charged with reshipping fraud via the U.S. Mail.

Members of the Intelligence Group assisted Postal Inspectors in FY 2005 with 276 mail theft leads, 232 requests for information related to postal money order investigations, more than 12,000 leads in child exploitation cases, and 3,228 referrals.

Over the past fiscal year, the Intelligence Group continued to develop its analytical capabilities through new technology. Staff members augmented existing intelligence resources with geographic-mapping software, link-analysis software, and numerous informational databases to support ongoing investigations.

The Intelligence Group continues to monitor data from the Postal Service, business mailers, open sources and other law enforcement agencies in its analyses of threats, identifications of crime trends and patterns, and in coordinating investigations. The group's accurate and timely intelligence assessments strengthened operational, tactical, and strategic decision-making for the Postal Inspection Service throughout FY 2005.



Photo by Bob Frederick, Multimedia Training Specialist

# Consumer Education, Fraud Prevention, and Legislative Liaison

The mission of the Liaison Group 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 the Liaison Group 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

### Recognition for Consumer Protection Initiatives

The Postal Inspection Service was honored at the 2005 World Mail Awards gala held on May 11, 2005, in Brussels, Germany, for protecting and educating American consumers through comprehensive, multimedia fraud-prevention initiatives.

### Consumer Fraud Forums

To enhance the investigation and prosecution of consumer-fraud schemes, the U.S. Postal Inspection Service and Federal Trade Commission (FTC) held a Consumer Fraud Forum on November 30 and December 1, 2004, in Arlington, VA.

About 175 participants from the agencies networked to share insights into each group's goals, jurisdictions, and fraud-prevention priorities. Speakers from the Postal Inspection Service and the FTC, as well as the Department of Justice and members of the Canadian-U.K cross-border partnerships, discussed investigative tools and techniques, information-sharing, education initiatives, cross-border fraud enforcement priorities, and parallel investigations.

Other fraud forums were hosted by the Postal Inspection Service in Chicago, St. Louis, Atlanta, Charlotte, and Pittsburgh in FY 2005 to promote the agency's fraud program, initiatives, and strategies; to share information about national and local fraud trends; and to foster infor-



Postal Inspectors sponsored an informational booth to represent the Postal Inspection Service at the June 2005 training conference held by the multi-agency group Women in Federal Law Enforcement.

mation-sharing between local law enforcement and consumer-protection agencies.

### **National Consumer Protection Week**

National Consumer Protection Week (NCPW) in February 2005 found Postal Inspectors joining other federal, state, and local consumer-protection agencies to educate Americans about ways to avoid becoming victims of work-at-home schemes. Ads appeared in 16 major newspapers and five Spanish-language papers, with the circulation exceeding 13 million. A full-color ad appeared in six key magazines with a combined circulation of about 29 million. The North American Precis Syndicate distributed articles to more than 10,000 newspapers and 6,600 radio stations, and video news releases to more than 600 television stations. Roughly 600,000 postal employees received “paycheck stuffers” of information about NCPW and how Postal Inspectors protect employees from becoming victims of mail fraud.

A Postal Inspection Service consumer-awareness DVD, *Work-at-Home Scams: They Just Don't Pay*, was distributed to 34,000 Post Offices and more than 18,000 police chiefs, sheriffs offices, consumer-protection agencies, state Attorneys General, and state chapters of AARP. The DVD follows the story of an at-home mom who falls prey to a reshipping scheme by agreeing to mail computer electronics to a fraudulent employer—unaware the merchandise was stolen.

### **Multi-National Mass-Marketing Fraud Meeting**

The Postal Inspection Service hosted this interagency meeting in Washington, DC, July 13 through 15, 2005. More than 100 U.S., Canadian, United Kingdom, Australian, New Zealand, and Costa Rican law enforcement and regulatory agency representatives discussed investigative tools, techniques, and issues related to international mass-marketing fraud.

### **Hispanic Outreach and Law Enforcement Workshops**

The Federal Trade Commission and Postal Inspection

Service’s Hispanic Outreach and Law Enforcement Workshops were held in Dallas, Miami, and Phoenix in FY 2005 to help Hispanic consumers recognize, avoid, and report fraud.

### **Campaign Against Fraudulent Prizes, Sweepstakes, and Foreign Lotteries**

A campaign held by the Postal Inspection Service in June 2005 informed consumers about the dangers of falling for prize and sweepstakes fraud and warned them about mailings requesting a fee in return for their “winnings.” An overlapping campaign instructed citizens about foreign lottery fraud in the United States and scams that illegally require people to buy “tickets” or pay a fee to collect their winnings. The campaigns were developed in partnership with the Direct Marketing Association (DMA).

Ads published in various magazines reached more than 13 million readers in targeted households, and the Postal Service’s Stamp Fulfillment Center added envelope “stuffers,” or information flyers, to its mailings for 30 days beginning in June 2005. Members of the DMA, such as Publishers Clearinghouse, supplied artwork to promote the campaign among its customers.

### **Information on the Internet**

Liaison Group staff published consumer fraud tips, fraud alerts, Wanted Posters, and more on its Web site, [www.usps.com/postalinspectors](http://www.usps.com/postalinspectors), including:

- A new Web site to recruit candidate Postal Inspectors that features an online application process.
- Online site that allows Postal Service customers to report suspected incidents of mail theft and false changes of address.
- Monthly updates in the areas of consumer fraud news, mail security, and national online links to articles featuring the Postal Inspection Service in the news.

[Lookstoogoodtobetrue.com](http://Lookstoogoodtobetrue.com) is another Web site funded by the Postal Inspection Service and the FBI, with backing by the National White Collar Crime Center, Monster.com, Target, and members of the Merchants Risk Council. It provides in-depth information to educate consumers about Internet fraud.

### **Employee and Consumer-Awareness Publications**

Liaison Group staff produce and disseminate monthly activity updates to keep U.S. Postal Service executives informed of its critical investigations, initiatives, and consumer crime issues.

Liaison Group staff prepared or updated a number of publications in the past fiscal year for postal employees

**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.**

and the public. They are available online for viewing and printing at its Web site or at the Postal Service's employee Intranet:

- Publication 176, *Carrier Robberies and Assaults*
- Publication 260-A, *U.S. Postal Inspection Service, Delivering a World of Career Opportunities.*
- Publication 300-A, *U.S. Postal Inspection Service Guide to Preventing Mail Fraud*
- Publication 308-A, *Guide for Victims and Witnesses of Crime*
- Publicación 308-S, *Sepa cuáles son sus derechos: Información para víctimas y testigos de delitos*
- Publication 348, *Window Services Crime Prevention Booklet*
- Notice 299, *Money Order Security Features*
- Notice 299-S, *Dinero Orden Seguridad Característica*
- Poster 5, *Warning on Reusing Postage*

## Congressional Action

Liaison Group staff met with aides on Capitol Hill on a number of issues throughout the fiscal year that could potentially impact the U.S. Postal Inspection Service, including changes to Titles 18 or 39 related to the mailability of tobacco and how prescription or illegal drugs are imported. Group members also met with congressional staff concerning provisions to the USA Patriot Act that could affect the administration of the National Security Mail Cover Program.

Liaison Inspectors and other staff joined the Federal Trade Commission in organizing two educational seminars on how to work with constituents victimized by financial crime, including identity and telemarketing fraud.

## Testimony Before the Senate Special Committee on Aging

Acting Assistant Chief Inspector Zane M. Hill testified before the Senate Special Committee on Aging on July 27, 2005. Inspector Hill was joined by witnesses from the Federal Trade Commission, the National Institute on Aging at the University of Illinois, and the University of California at Santa Cruz to present testimony concerning fraud schemes perpetrated against older Americans.

Inspector Hill described common fraud schemes perpetrated against seniors, such as "reloading," in which a person who was previously defrauded is placed on "mooch" or "sucker" lists and targeted a second time. The latest in a series of U.S. Postal Inspection Service consumer-protection DVDs, *Work-at-Home Scams: They Just Don't Pay*, was previewed and a history was provided of the Postal Inspection Service's efforts to inform the public about identity fraud,





U.S. Postal Inspector Patrick Bernado (second from left) of the Boston Division joined Senator Robert Duff of the Connecticut General Assembly, President of the state's Better Business Bureau Paulette Hotton, and Secret Service Agent Sean Gallagher at a congressional town hall-style meeting on November 16, 2005, at the Norwalk, CT, Senior Center. The intent of the meeting was to educate older—and more vulnerable—Americans about how to protect themselves from financial crimes, such as identity and telemarketing fraud. Photo by A. Spitz, Better Business Bureau, Connecticut.

fraudulent investment schemes, work-at-home scams, and illegal sweepstakes and lotteries. The Postal Inspection Service's prevention activities were lauded by the committee and referenced by the University of California's expert witness.

## Legislation

Staff from the Liaison Group tracked more than 450 bills relevant to the U.S. Postal Inspection Service in FY 2005. Group members reviewed new bills, attended congressional hearings, met with congressional staff, and monitored the progress of several pertinent legislative items to stay abreast of current issues affecting the agency.

### DNA Fingerprint Act of 2005

The DNA Fingerprint Act, an amendment to the Violence Against Women Reauthorization Act, passed the Senate on October 4, 2005. If enacted into law, it would authorize DNA sample collection from every person arrested or detained under federal authority. If charges are not pressed, arrestees could request that their DNA samples be removed from the database.

A House version of the Violence Against Women Reauthorization Act passed on September 28, 2005, as an amendment to the Department of Justice Appropriations Authorization Act. The House version did not contain a DNA fingerprint provision, but did include a DNA collection section in the Children's Safety Act.

### Identity Theft Legislation and the Real ID Act

High-profile incidents in the past fiscal year involving security breaches at data brokers such as ChoicePoint and Lexis Nexis focused congressional attention on the issue of identity theft. More than 40 bills on identity theft were pending in Congress and five moved beyond introduction. Major topics included establishing data security protocols, victims' rights when breaches occur, stiffer penalties for identity theft, and clarifying the connection between methamphetamine abuse and identity theft. Standards for the security of "breeder documents" contributing to identity theft, such as Social Security numbers and birth certificates, raised additional introductions of bills.

The Real ID Act provides for improved security of driver's licenses and personal ID cards and was signed into law on May 11, 2005. The act mandates that, by May 11, 2008, a federal agency may not accept state-issued IDs unless the state meets certain minimum standards. In addition, states must have a Memorandum of Understanding with the Department of Homeland Security by 2011 to use the Systematic Alien Verification Database and determine the legal presence of noncitizens.

### USA Patriot and Terrorism Prevention Reauthorization Act

Shortly before Congress recessed for the August break, the House and Senate passed different versions of the USA Patriot and Terrorism Prevention Reauthorization Act of 2005. The act remained pending in conference to resolve differences. Although certain portions of the act were due to expire at the end of the calendar year, Congress examined sections not subject to expiration. One such provision scrutinized the section allowing delayed notice of search and seizure warrants, termed "sneak and peek."

The House version would limit the delay of such notices to 180 days, with 90-day extensions. The Senate version would limit the delay to seven days, with 90-day

extensions. Both would amend one of the justifications for delayed notice. Currently, a delay of notice may be based on one of five justifications. One justification, “otherwise seriously jeopardizing an investigation or unduly delaying a trial,” was criticized for being overly broad. Neither House nor Senate versions removed the justification, but the provision was limited to “seriously jeopardizing an investigation” and removed language about unduly delaying a trial.

### **The Combat Meth Act**

More than 20 bills related to methamphetamine abuse were pending before Congress at the end of FY 2005. The Combat Meth Act was reported favorably by the Senate Judiciary Committee on July 28, 2005. To move the legislation forward, it was amended into the FY 2006 Science-State-Justice-Commerce Appropriations bill that passed the Senate on September 15, 2005. A conference was scheduled to resolve differences between House and Senate versions.

The act would require retailers to place medicine containing pseudoephedrine behind pharmacy counters and would limit consumer purchases. Airport retailers could sell no more than 360 milligrams of pseudoephedrine medicine to a single customer in a 24-hour period. Purchasers would be required to present an ID to the pharmacist and sign a log showing their name, date of transaction, and the quantity of medicine. Finally, a National Methamphetamine Treatment Center would be created to research effective treatments for abuse, with \$43 million in funding for law enforcement training, federal prosecution, and research from 2006 through 2007.

### **The Children’s Safety Act of 2005**

Well-publicized incidents involving children attacked by paroled sex offenders over the past year spurred congressional interest in legislation to improve the registration and tracking of convicted sex offenders. Conservative estimates report that 100,000 of the nation’s 550,000-plus sex offenders fail to register. More than 48 bills could affect child exploitation cases, with the majority related to offender registration.

The Children’s Safety Act of 2005 was the House Judiciary Committee’s omnibus bill addressing sex offender registration. The House Judiciary Committee approved the act on July 27, 2005, and it passed the House on September 14, 2005. Sex offenders who fail to register or keep their information current would be guilty of a new federal crime with a mandatory minimum sentence of five years and a maximum sentence of 20 years in prison. Convictions for the possession of child pornography would require registration as a sex offender. The minimum federal standards

stating the length of time serious or repeat offenders must continue to register would be increased to life.

Misdemeanor sex crimes against a minor would require a 20-year registration. States would have to meet federal standards to be eligible for grants, and juveniles convicted of sex crimes would be required to register as offenders.

The act would also establish a national, Internet-accessible database of registered offenders. Offenders would be required to verify their locations monthly, including in-person appearances every six months.

# International Affairs

**T**he International Affairs Group of the U.S. Postal Inspection Service undertook several initiatives in FY 2005 to improve the safety, security, and reliability of international mail and its products and services for the U.S.

Postal Service. The group's two-fold mission is to work with Inspectors at field divisions to investigate international criminal initiatives critical to the Postal Inspection Service and the Postal Service, and to advocate global postal security initiatives through the Postal Security Action Group of the Universal Postal Union (UPU).

Formed in 1990, the International Affairs 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 in Berne, Switzerland; at the Miami International Airport Mail Center in Florida; and in Los Angeles, CA.

The group's Inspectors work closely with the U.S. embassies around the world, acting as liaison for the Inspection Service's investigative mission abroad, working with police and customs officials in other countries, and maintaining high-quality mail service and security for the 190

UPU member countries. Chaired by the Chief Postal Inspector, the Postal Security Action Group (PSAG) now comprises 77 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, international Nigerian organized crime, revenue security, drugs and money laundering via the mail, eCommerce security, and strategies for preventing mail losses.

## ETOE Review: Securing the Postal Service 'Brand'

Extraterritorial offices of exchange (ETOE) are commercial postal businesses with no affiliation to the U.S.



In an interdiction staged in May 2005, Postal Inspectors and Customs agents seized more than 5,000 pieces of official Postal Service mail transportation equipment, valued at more than \$141,000, illegally being used by private mail businesses (or, ETOEs). Extrapolated over a single year, the seizures represent several million dollars worth of lost revenue to the Postal Service.

Postal Service. They began appearing in the United States about five years ago, providing postal services in markets outside their own national territories. Because some of the mail they transport is official U.S. Mail, the U.S. Postal Inspection Service opened an inquiry into ETOE practices.

ETOEes are not required to provide universal mail service, unlike member countries of the UPU, which regulates terminal dues for postal services. ETOEes seek high-profit shares of the postal market and target most of their business to major mailers. They charge air cargo rates in the United States that are much lower than those set for the Postal Service by the U.S. Department of Transportation. Their access to terminal dues, domestic mail rates, and postal processing and equipment, without the mandate of providing universal service, giving ETOEes distinct—and unfair—competitive advantages over postal administrations worldwide.

When ETOE operators illegally use official U.S. Postal Service mail receptacles and documents for their own dispatches, it is nearly impossible to differentiate them from legitimate U.S. Mail.

Illegal practices by ETOEes pose grave dangers. Its operators are not required to follow security practices developed and maintained by the U.S. Postal Service and U.S. Postal Inspection Service, such as personnel-screening for those who handle mail, facility-security reviews, and Aviation Security Program procedures. Unscreened ETOE mail illegally placed in Postal Service equipment could cause harm to an airline or country receiving the items. Further, it is the Postal Service that would suffer the consequences.

By misrepresenting items as official U.S. Mail, ETOEes receive expedited and preferential treatment from airlines and U.S. Customs agents at U.S. airports—and avoid DOT rates by obtaining cargo fares from airline companies. In addition to introducing serious security breaches that expose the U.S. transportation industry to criminal and terrorist attacks, such ploys infringe on the Postal Service brand.

ETOEes that illegally use Postal Service equipment may also result in these dollar losses:

- Foreign countries that receive ETOE items charge the Postal Service for the return of empty (postal) equipment.
- The Postal Service is mistakenly charged terminal dues for ETOE items that are transported via postal equipment to the destination country.
- The Postal Service is charged for delivering ETOE items that were undeliverable and are returned to the U.S. mailer.

In February 2005, Chief Postal Inspector L. R. Heath notified all ETOEes registered in the United States that operators who used Postal Service equipment to conduct their business were in violation of federal law. He warned that U.S. Postal Inspectors would be reviewing ETOE operations and seizing illegal items, as appropriate.

During five-day interdictions in May and July 2005, Postal Inspectors from the International Affairs Group and agents from U.S. Customs and Border Protection and the Department of Commerce conducted Postal Equipment Security Reviews at the gateway cities of Miami, Chicago,

New York, Newark, Los Angeles, and San Francisco. The objective of the reviews was to ensure that neither ETOEes nor airlines were illegally using Postal Service equipment and, in the process, undermining air transportation and postal security.

U.S. Customs agents were unable to distinguish ETOE dispatches from U.S. Mail, with the result that all items improperly received clearances from Customs officials. In the May interdiction, Postal Inspectors and agents seized more than 5,000 pieces of official Postal Service mail transportation equipment, valued at more than \$141,000, in use by ETOE operators. Extrapolated over a single year, the seizures represented several million dollars worth of lost revenue to the Postal Service.

At the follow-up interdiction in July, Inspectors and agents were pleased to find



Postal Inspectors found this framed poster hanging on the walls of an ETOE. Displaying the Postal Service's name and indicia to advertise its own services is not only illegal, but compromises the Postal Service brand.

that ETOEs had greatly improved their compliance. Only minor equipment misuse problems were identified, which operators immediately remedied by returning all equipment to the Postal Service.

## International Investigations

Inspectors from the International Affairs Group traveled to Japan in December 2004 to discuss criminal and security initia-

tives with Japan Post, Japan police, Japan Customs, and credit card security officials in Tokyo. Working through the U.S. Embassy in Tokyo, the discussions centered on the problem of credit cards stolen in the United States and used in Japan by Nigerian criminals.

In March 2005, Japanese officials arrested Ighodaro Norris Henshaw and Isong Eyokunyi Kokoete in Tama City, Japan, for conspiracy to commit fraud using counterfeit-access devices. Both were Nigerian nationals with permanent residency status in Japan.

The arrests were the result of Operation Postal, an Inspection Service interdiction at the Los Angeles International Airport in November 2004, coordinated with U.S. Customs, to apprehend stolen credit cards hidden in outbound mail. Japanese Customs authorities alerted to the scheme discovered five “non-received issued” (NRI) credit cards concealed in mail and returned the items to the Inspection Service’s Los Angeles International Airport Mail Theft Team for investigative follow-up. Postal Inspectors continued to work with Japanese prosecutors to verify NRI pieces and quantify losses.

Henshaw and Kokoete were arrested at a high-end retailer that sold such luxury brands as Gucci, Louis Vuitton, and Hermes. Store employees alerted the police after recognizing customers as having earlier purchased luggage with counterfeit credit cards. Japanese police recovered 32 stolen U.S. credit cards and three “flash memory” skimmers from the men. The recovered cards were issued by American Express, Bank of America, Aircor Federal Credit Union, and Retailers National Bank (Target) and were mailed from facilities in Los Angeles (with ZIP Codes in Malibu and Inglewood, CA), Florida, and Virginia between September 2003 and December 2004. Fraud losses associated with the seized cards were estimat-



At SkyPost, an ETOE in Miami, Postal Inspectors discovered that the operator was illegally displaying the official U.S. Postal Service name and indicia on its commercial vehicles. ETOEs are not affiliated with the U.S. Postal Service.

ed at more than \$200,000.

Postal Inspectors from the International Affairs Group and the Los Angeles Division formed the International NRI Initiative in FY 2005 to focus on investigations related to credit cards that are issued and mailed worldwide but are not received by addressees. The goal of the initiative is to protect major international mailers and customers of the Postal Service who rely on the safety and security

of U.S. Mail to send and receive credit cards.

Since 2001, Postal Inspectors have been investigating The Carder Planet, aka The International Carder Alliance, a loosely associated yet highly organized group of Eastern Europeans suspected in the theft, sale, and criminal use of credit card information stolen from millions of U.S. cardholders. In cooperation with the FBI and U.S. Secret Service, Postal Inspectors teamed with Interpol, Europol, and other Eastern European law enforcement groups to identify, arrest, and extradite core members of the group. A total of 19 ring members have been arrested to date.

Inspectors from International Affairs and the U.S. legal attaché to Ukraine met with the Ukraine Ministry of Interior in June 2005 to discuss the Carder investigation and “virtual” organized crime. The Ukraine Ministry was briefed about Ukrainian suspects involved with the ring, and Inspectors provided new information on the investigation, including a detailed link-analysis chart that displayed known suspects, their connections, and their criminal activities. Inspectors assumed responsibility for this international “cybercriminal” initiative targeting organized crime in Eastern Europe.

Based on a request by Postal Inspectors, members of the Ukraine Organized Crime Control Department arrested Dmitry Ivanovich Golubov (online screen name: “Script”) in Odessa, Ukraine, on July 8, 2005. The arrest of Golubov, who was founder and operator of Carder Planet’s Internet Web site, was considered the highest priority of the investigation. Golubov and his associates used the Web site to coordinate the activities of more than 7,000 criminals around the globe. The ring used identity theft and credit card fraud to victimize major business mailers of the U.S. Postal Service and U.S. citizens.

In July 2005, the Ukraine Ministry requested, through

the U.S. Embassy in Kiev, that Postal Inspectors work with their arresting officers to interview Golubov and conduct a forensic analysis on computer equipment seized from him. The U.S. Embassy in Kiev wanted joint agency involvement to assist Ukrainian authorities.

According to the U.S. Embassy in Kiev, when an International Affairs Postal Inspector, FBI agent, and Secret Service agent interviewed Golubov, it was the first time U.S. law enforcement officials were allowed to interview a detained Ukrainian national.

## Postal Security Initiatives

Since 1997, the International Affairs Group has coordinated more than 54 mail quality assurance and airport security reviews worldwide and six in FY 2005. The reviews evaluated security and operations at airports and international offices of exchange and identified opportunities to improve the security of international mail service. Review teams identify “best practices” in the industry and share their findings through the PSAG and UPU Restricted Unions. The reviews enable 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 2005 at San Salvador, El Salvador; Asuncion, Paraguay; Budapest, Hungary; Kingston and Montego Bay, Jamaica; and St. Lucia. Postal Inspectors also conducted security reviews at JFK International Airport in New York and O’Hare International Airport in Chicago.

International Affairs Inspectors worked in FY 2005 to coordinate the eMaria program (International Mail Loss Reporting System) for the United States and four major regions of the world. The program identifies and quantifies 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.

A Postal Security Action Group goal and UPU Bucharest Congress resolution provides that all 190 UPU member countries use eMaria as the UPU-recognized database for international mail irregularities. In FY 2005, the International Affairs Group trained postal security and IT personnel in 25 countries and four geographic regions of the world: the Caribbean, Asia Pacific, and Central and South America.

The International Affairs Group analyzes the eMaria database regularly to identify mail problems and provides Inspection Service teams at gateway cities with data on

countries that transport mail through their cities. In November 2004, International Affairs staff found mail irregularities between the United States and Poland.

Postal Inspectors traveled to Poland to address complaints that mail received by the Poland Post from the United States was rifled, wet, and destroyed. Inspectors worked with Poland Post and Postal Service operations personnel at JFK Airport and determined that United Airlines ground handlers were the cause of the problem. Inspectors provided United Airlines with revised procedures to correct mail-handling problems, and the airlines adopted the new measures. Polish Post has reported a 50 percent decrease in mail irregularities since January 2005.

## Postal Inspectors Team with Interpol

The International Affairs Group of the Postal Inspection Service assumed the Assistant Directorship of the Economic Crimes Division at Interpol’s U.S. National Central Bureau in Washington, DC, in December 2004. The Assistant Director manages seven supervisory special agents from the U.S. Secret Service, U.S. Immigration and Customs Enforcement, Internal Revenue Service, and the Environmental Protection Agency; an International Affairs Postal Inspector; six Department of Justice analysts; and an intern.

Since assuming the Assistant Directorship, Postal Inspectors have reviewed more than 3,900 cases assigned to the Economic Crimes Division to identify mail-related fraud, money laundering, child exploitation, and other cases with a mail nexus for investigation by the Postal Inspection Service.

In FY 2005, International Affairs Group members referred 150 leads to Inspection Service divisions for investigation, including 95 child exploitation cases, 14 foreign lottery fraud cases, 12 Nigerian counterfeit money order or check cases, six identity theft cases, six dangerous mail cases, six investment fraud cases, three mail theft cases, four eBay or other Internet fraud cases, two prohibited mail cases, and two insurance fraud leads.

# Forensic Laboratory Services

**F**orensic Analysts and Postal Inspectors assigned to the Postal Inspection Service's National Forensic Laboratory in Dulles, VA, three field laboratories in Memphis, Chicago, and New York, and seven digital evidence units continued to support investigations requiring scientific and technical analyses over the past fiscal year. Forensic laboratory personnel examined more than 3,800 submissions of documents, fingerprints, chemicals, physical evidence, and digital media in FY 2005, and supplied forensic services for investigations of mail theft, prohibited and dangerous mail, identity theft involving the mail, mail fraud, and child pornography. The examinations resulted in the identification of 977 offenders of postal statutes and required laboratory personnel to appear in court to provide expert testimony on 53 occasions.

Following a rise in counterfeit U.S. Postal Service money orders in FY 2005—almost entirely from West African fraud schemes—National Forensic Laboratory staff began examining counterfeits returned by Federal Reserve Banks. More than 51,000 money orders were sorted according to printing processes and handwriting, resulting in roughly 26 investigative leads for Postal Inspectors. Laboratory staff also made presentations to postal managers on how to recognize authentic Postal Service money orders by instructing them on security features. As technical requirements contractors for money orders, forensic laboratory personnel reviewed and tested docu-

ment security features for postal products.

Forensic staff continued to improve the efficiency and accuracy of their exams through such technology as the Automated Fingerprint Identification System (AFIS). In FY 2005, technicians searched AFIS databases to find matches for latent fingerprints found on evidence submitted by Inspectors for analyses and identified 266 unknown subjects. Technical advances in digital imaging allowed the lab to convert most of its photographic operations to electronic formats, eliminating the need for more costly film and paper, which require “wet chemistry” photographic processing. State-of-the-art instruments used by Physical Scientists at the lab enabled them to work with greater accuracy, as well. Examiners also employed new forensic software to analyze digital media used with computer and electronic-communication devices.

**A Firearms and Toolmark Examiner trainee at the Dulles Forensic Laboratory compares firing pin impressions on cartridge casings using the comparison microscope.**



**A Forensic Chemist at the Dulles Forensic Laboratory uses High Performance Liquid Chromatography (HPLC) instrumentation, a newer and improved technology, to identify the presence of steroids.**

Photographs by Forensic Photographer Bryan Sunday, Dulles Forensic Laboratory.

# Technical Services

## Communications Group

**T**he Communications Group continued replacing the Postal Inspection Service's analog radio system with state-of-the-art, digital communications equipment. By fiscal year-end 2005, the project was 75 percent complete.

Group staff used a newly acquired, high-tech vehicle capable of connecting systems from multiple agencies.

Following Hurricane Katrina, staff deployed its four-wheel-drive mobile communications vehicle to Baton Rouge, LA, where it was used as a temporary wide-area radio system for two-way coverage in New Orleans, Abita Springs, Baton Rouge, and Lafayette, LA, to the Postal Inspection Service's Command Center in Baton Rouge. A specialized electronics package in the vehicle linked the radio system via satellite to the Dulles NLECC. Recovery operations in New Orleans were supported by an independent tactical repeater atop the radio tower at the Inspection Service facility in New Orleans and was operated by solar power.

The Technical Services Division repaired numerous antennae and supplied satellite phones, portable radios, and electrical generators in the storm-ravaged area. In the absence of landline or cell phone coverage, the equipment supported the daily operations of Postal Inspectors and Postal Police Officers deployed throughout the area, where no other form of communications existed.

## Polygraph Group

Polygraph Examiners scheduled 702 exams for 335 cases in FY 2005 and contributed to the solution of numerous cases as a result of pre-test and post-test interviews conducted incident to the examinations. Examiners supported eight recruitment sessions at Postal Inspection Service assessment centers in FY 2005 and assisted in

identifying applicants who were unsuitable to become Postal Inspectors. Examiners conducted 128 polygraph exams for applicants and obtained confessions from 16 of them who were disqualified for such reasons as felony theft, crimes committed while a law enforcement officer, child pornography violations, and violating the Inspection Service drug policy.

Postal Inspector-Examiners from the group played vital roles in the investigations of armed robberies, registered remittance thefts, embezzlements, sexual assaults, cold case homicides, and international mail theft. Significant results were achieved during FY 2005 in several child exploitation cases when Examiners identified multiple victims of molestation. In one investigation, Polygraph Examiners helped obtain a confession from William Thomas Kellam Jr., who admitting to having sexual contact with two girls less than 10 years of age. He pled guilty and was sentenced to life in prison for raping one of his victims.

Polygraph Examiners continued their work on the Amerithrax Task Force investigating incidents of anthrax in the mail. Examiners also served as instructors at six Interview and Interrogation courses offered to Postal Inspectors.



Postal Inspectors, agents from Immigration and Customs Enforcement (ICE), and detectives from the Brimfield Police Department arrested William T. Kellam, Jr. of Brimfield, OH, in June 2005 after identifying him as a suspected sexual predator through Operation Falcon. Kellam admitted during a polygraph exam to having sexual contact with three underage girls. One 14-year-old victim was only eight at the time the molestation began. Kellam was indicted on nine counts of rape, each carrying a maximum term of life in prison.



The NLECCs use radio-over-IP (Internet protocol) to connect to field sites. Each NLECC facility has uninterruptible power supplies and diesel generators for protection from outages.

NLECCs at Ft. Worth and Dulles provide technology-rich environments and are built to be fault-tolerant. In an emergency, workloads can be switched from one location to the other in minutes.



Photos by Darryl T. Burns, Manager, National Law Enforcement Control Center, U.S. Postal Inspection Service.

wide range of law enforcement and intelligence information. NLECC staff also coordinate security measures for Postal Service facilities, employees, and the U.S. Mail. NLECC facilities handle approximately 1.4 million communications a year.

### Technical Services

Staff from the Technical Services Division work at five offices in Chicago, IL; Dulles, VA; Memphis, TN; San Francisco, CA; and Trenton, NJ, to provide specialized support for the 18 field divisions and National Headquarters units of the U.S. Postal Inspection Service. The group is headed by Postal Inspectors who lead a support staff of

Senior Technical Surveillance Specialists and Operations Support Technicians.

Technical Services staff lend their expertise to complex investigations requiring the deployment and installation of covert-surveillance equipment. Staff joined with the Department of Homeland Security to play a vital role at national security events by coordinating and conducting mail-screening operations. Other staff supported national and local training initiatives for the Postal Inspection Service.

When Hurricane Katrina struck the Gulf Coast in August 2005 and communications networks in the region failed, Technical Services staff were asked to assist with restoring the networks. Staff were also on hand to help Inspectors investigating a postal employee and her boyfriend for a September 2004 registry theft in Valdosta, GA, by installing tracking devices on the suspects' vehicles. The couple was convicted and sentenced to substantial prison time.

In another investigation, staff from the Technical Services Division helped deploy digital-recording devices to track down contract airline employees suspected in the theft of U.S. Mail. Recordings from the devices substantially aided the investigation, which culminated in the arrest of 15 airline employees.



An NLECC dispatcher monitors a burglar alarm at a Postal Service facility.

## National Law Enforcement Control Centers

The U.S. Postal Inspection Service consolidated 27 of its security command centers into two central National Law Enforcement Control Centers (NLECCs) in FY 2005. Staff at the new, state-of-the-art centers in Ft. Worth, TX, and Dulles, VA, monitor the agency's national law enforcement radio network and intrusion-detection systems at U.S. Postal Service facilities. The centers provide after-hours emergency phone coverage for all Postal Inspection Service sites and give Postal Inspectors 24/7 access to a

# Administrative Operations

## Career Development Division

**T**he Career Development Division (CDD) provides Basic Training for candidate Postal Inspectors and Postal Police Officers (PPOs), Post-Basic Training and in-service functional training for Postal Inspectors, and specialized

courses for U.S. Postal Inspection Service personnel. Located at the William F. Bolger Center for Leadership Development in Potomac, MD, the CDD campus offers the advanced features of an elite law enforcement training academy with a dormitory, full dining amenities, classrooms, a fitness center and firearms facilities.

Postal Inspector candidates undergo 12 weeks of largely scenario-based training that covers investigative techniques, defensive tactics, firearms, legal instruction, search and seizure tactics, arrest techniques, court procedures, Postal Service 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 Postal Inspectors

must successfully complete academic, firearms, and practical exercises to graduate from the program. In FY 2005, CDD held four Basic Inspector Training sessions and graduated 92 new Postal Inspectors.

CDD staff worked with subject-matter experts in FY 2005 to redesign Post-Basic Training as an “experience-based” program. Phase one orients new Postal Inspectors to agency operations and phase two requires them to complete 31 cross-functional exercises to the satisfaction of a three-person review panel. Inspectors must complete phase two within six months of arriving at the division and are assigned to a team after the first month, marking the beginning of phase three. Still under development, phase three will include online and on-the-job instructional elements, such as in the areas of mail theft or fraud. An added benefit of phase three is that it will double as a training tool for experienced Inspectors who change assignments, a cost-effective and timely strategy.



Staff at CDD worked to gain accreditation from the Federal Law Enforcement Training Accreditation (FLETA) program for Inspector and PPO training. Inspector in Charge Kenneth Jones was added to the FLETA board of directors, and CDD's manager for Accreditation and Assessment received specialized training. In 2006, the Postal Inspection Service was proud to announce that FLETA granted full accreditation for its Basic Training Program.

CDD instructors conducted six weeks of Basic Training for Postal Police Officers and graduated 19 new PPOs. Training on firearms and threat management included defensive tactics and officer survival. Academic sessions comprised report writing, laws of arrest, CPR procedures, bloodborne-pathogen handling, critical-incident responses, and interviews of witnesses and victims of crime.

For the first time in FY 2005, CDD was tasked with managing

a consolidated National Training Budget. Virtually all in-service training courses were paid via a single, central budget, allowing the agency to realize greater efficiencies in and higher quality of training.

CDD staff administered 48 in-service training programs, some of which were coordinated with other National Headquarters and field units. The programs generated 186 courses, attended by 5,129 participants, and two conferences. CDD hosted 23 meetings for subject-matter

experts to develop new courses, update Basic Training, and prepare other in-service courses. To help cultivate future leaders for the Inspection Service, CDD also administered four Supervisory Training Program classes, which were attended by 73 employees. The CDD additionally hosted two training conferences, one for Investigative Analysts and one for Physical Security Specialists.

Also in FY 2005, staff at CDD prepared for accreditation from the Federal Law Enforcement Training Accreditation (FLETA) program. Inspector in Charge Kenneth Jones was added to the FLETA board of directors, and CDD's Manager for Accreditation and Assessment received training in that area, ensuring the Inspection Service's rating as a highly professional training academy with courses and programs that reflect agency priorities and meet budget guidelines. Most of the instructions related to Basic Inspector Training were updated to meet 73 rigorous accreditation standards, and the remainder were completed in FY 2006. The Postal Inspection Service was proud to announce that FLETA granted full accreditation to its Basic Training Program in 2006.

## Human Resource Performance

The Postal Inspection Service's Resource Management Group, formerly the Human Resource Performance Group, comprises the Human Resource Service Center, Employee Development, Inspector Recruitment, Workforce Strategic



Photo by Jerry Merna, U.S. Postal Service.

The Postal Police Honor Guard from the Washington Division led a ceremony at the Career Development Division for the first graduating class of Postal Police Officers in FY 2005.

Planning, Organizational Research and Assessment, and Executive Resources and Leadership Development. Resource Management staff 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. The following paragraphs highlight the group's FY 2005 activities.

A Physical Demand Analysis was prepared for four new positions in FY 2005, including Physical Security Specialist, Technical Surveillance Specialist, Senior Forensic Photographer, and Senior Forensic Analyst. Group staff use the analyses to evaluate and formally document physical demands by job code. The analyses provides a comprehensive document that complements job descriptions with information on physical requirements, provides environmental components, lists essential job tasks, and summarizes marginal job functions.

Resource Management staff also created competency models used to develop and validate selection measures according to the group's five-year strategic plan. The Postal Inspection Service determined that certain job positions, such as Intelligence and Investigative Analysts, require a defined career path. Competency models identify the attributes needed to progress through a career path and define the organization's definition of what should be measured

and, therefore, what is important in a job.

Also in FY 2005, the application and entrance examination phases of the recruitment process for candidate Postal Inspectors were automated and made available on the Postal Inspection Service Web site at [www.usps.com/postalinspectors](http://www.usps.com/postalinspectors), which greatly speeds applicant processing. Beginning August 1, 2005, a 13-day open season was held to recruit new Inspectors, resulting in the receipt of approximately 6,000 applications.

The Entry-Level Postal Inspector Assessment Center was redesigned in FY 2005 to incorporate seven core competencies required for entry-level Postal Inspectors. The new and revised scenarios were intended to “level the playing field” and eliminate any unfair advantages for candidates seeking an Inspector position but lacking previous law enforcement experience.

Group staff introduced a Diversity Leadership Development Program in keeping with the Postal Inspection Service’s strategic goal to attract, retain, and develop high performers and future leaders. The program includes activities for new candidates assigned as Diversity Liaisons. Once trained, Diversity Liaison personnel will have the skills needed to assist their managers in developing local recruitment strategies that will result in high retention rates, top-level performers, and future leaders.

The Voice of the Employee Survey analysis was revised in FY 2005 to improve the U.S. Postal Service’s workforce perceptions about safety and security in the workplace. Postal Inspection Service employee indicators that provide the framework for developing proper retention strategies were amended and staff updated the Pay-for-Performance evaluation process for law enforcement executives and non-executives with an automated performance evaluation system.

Resource Management staff continued to administer the Postal Inspection Service’s Corporate Succession Planning process in FY 2005. Staff revised the competencies used to develop a “ready list” of successors in alignment with the Postal Service’s succession process. The current successor pool numbers 27 participants.

Group staff used the 360° Assessment Instrument for 82 Assistant Inspectors in Charge and Career Leadership Program participants in FY 2005. Additionally, seven “feedback coaches” were certified to provide individual feedback and assistance on development strategies. The 360° Assessment Instruments provided opportunities for the Career Leadership Program manager and others to system-



Photographs by Multimedia Training Specialist Bob Frederick, Career Development Division

atically promote employees who attained certain professional goals to become current and future leaders for the U.S. Postal Inspection Service.

## Information Technology

The Information Technology Division provides critical solutions that support the work of the Postal Inspection Service in solving and preventing complex, postal-related crime. Group staff use the latest technologies to deploy investigative applications that improve organizational efficiency and effectiveness. They maintain a secure information infrastructure and provide guidance and leadership to Postal Inspectors and support staff across the country.

In its continuing drive for excellence, the Information Technology Division in FY 2005 released the second in a planned roster of major enhancements to the Inspection Service Integrated Information System (ISIIS). The release featured more efficient internal communications (ISCOMs), new eDiary functions for Inspector records, and an expanded Resource Management System (RMS) for employee information. The new Inspection Service Laboratory Information Management/Digital Evidence Management System, the Mail Cover System, and the Inspection Service Performance Evaluation System module also yielded major benefits for the agency.

ISCOMs, which are narrative reports of case activities, are now part of an electronic case file and are kept indefinitely. Reports may be searched electronically and data retrieved by key words, such as a suspect’s partial name or address. The eDiary module improves cost management for case activities and allows Postal Inspectors to document and track investigative expenses and confidential informant activities.

The enhanced RMS includes revamped Jobs and Training modules that supply managers with better tools for tracking authorized complements and vacancies. The Training module allows for nationwide tracking of authorized courses, schedules, and attendance. The user interface mirrors the one in case management and results in more efficient navigation.

Analyzing digital data, tracking evidence, and furnishing accurate and timely forensic laboratory results are critical to successful prosecution. The Laboratory Information and Digital Evidence Management systems, deployed in September 2005, assure high quality and facilitate administrative and lab reports. The Mail Cover module provides more timely intelligence data and streamlines the input and tracking of mail cover requests from Postal Inspectors and other law enforcement agencies. The Performance Evaluation System captures employee accomplishments for agency executives and the ISPES module allows executives to submit annual goals and objectives throughout the review cycle.

Group staff additionally produced a comprehensive disaster-recovery plan for information technology and investigative resources. The Investigative Systems Disaster Recovery Center, activated and tested in May 2005, ensures that operations critical to the agency's infrastructure are available when services are disrupted at the primary data center. When Hurricane Katrina hit the Gulf Coast, staff members provided on-site support and satellite communications so that Postal Inspectors and support personnel could access the Inspection Service network via two stationary satellite dishes and G3 wireless cards.

After staff evaluated "live scans," the latest in fingerprint technology, they set up a contract for the Postal Inspection Service in FY 2005 with a qualified vendor. Live scans allow Inspectors to electronically submit digital fingerprints and palm prints to the FBI and the Office of Personnel Management, cutting response times from two months to two hours.

Information Technology staff deployed i2 Analysis Workstation 2 software in FY 2005 for Inspection Service employees. The application provides a comprehensive analytical solution for solving crimes, allowing users to gain insights into crime patterns and trends, map criminal activity, allocate investigative resources, and evaluate results.

Seeking innovative solutions for the exchange of investigative data with other federal law enforcement agencies, the Information Technology Division also developed an automated process in FY 2005 to collect information on U.S. Treasury checks that were not received by the beneficiaries. Turnaround times subsequently dropped from eight months to two days.

## Finance and Administrative Services

The Finance and Administrative Services Group (FAS) oversees planning and administration for the U.S. 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. FY 2005 saw increased accountability at all levels of the organization as new controls and procedures were implemented to better manage financial resources.

A variance-analysis procedure was put in use in FY 2005. Reporting units were required to provide detailed explanations for bottom-line, non-personnel expenditures with a variance above or below 15 percent of plan. This allowed for FAS staff to quickly identify significant problems and proactively engage affected units in devising a solution. The end result was a budget delivered within one percent of the agency's plan.

Predictive Planning software acquired in FY 2004 was fully integrated as a Web-based application with a dedicated server on the Inspection Service network. User licenses and extensive training were provided for all personnel with budget responsibilities. Roll-out occurred in July and August 2005 in conjunction with the 2006 budget process. An initial first test was an overwhelming success and, except for the direct data inputs, fully automated what was formerly a time-consuming and labor-intensive task.

The Postal Inspection Service's Procurement and Administrative Services Center in Bala Cynwyd, PA, shares responsibility with Finance and Administrative Service for overseeing administrative duties and the national budget. Staff at this location support, review, and guide program work 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. Group members provided valuable logistical support to Inspectors in the days following Hurricane Katrina through their timely preparation of contracts for numerous basic services needed to conduct their work in the aftermath of the storm.

FAS staff provided Inspection Service executives and members of its National Leadership Team with regular budget updates. Monthly meetings with senior leadership included detailed presentations on monthly spending, and the Finance and Administrative Services manager addressed new executives on topical planning issues and budgeting "basics."



# U.S. Postal Inspection Service Criminal Statistics for FY 2005

Type of Investigation	Arrests	Convictions*
<b>Mail Theft</b> <i>(includes theft and possession of stolen mail)</i>	6,788	5,544
<b>Miscellaneous External Crimes</b> <i>(includes counterfeit and contraband postage, money order offenses, vandalism, and arson)</i>	285	197
<b>Miscellaneous Employee Crimes</b> <i>(includes theft of postal property and sabotage of equipment)</i>	66	43
<b>Hazardous Material</b> <i>(includes biological, chemical, nuclear, and radiological material)</i>	27	14
<b>Bombs, Threats, Hoaxes, and Explosive Devices</b>	65	49
<b>Dangerous Mail</b> <i>(includes firearms and weapons, intoxicants, extortion, and false documents)</i>	142	147
<b>Assaults and Threats</b> <i>(includes threats and assaults against on-duty postal employees)</i>	314	183
<b>Robbery</b>	59	53
<b>Burglary</b>	110	99
<b>Mailing of Controlled Substances</b> <i>(includes narcotics, steroids, drug-related proceeds, and drug paraphernalia)</i>	1,855	1,279
<b>Employee Narcotics Cases</b> <i>(includes employees and non-employees selling narcotics on postal property)</i>	20	24
<b>Mail Fraud</b>	1,577	1,264
<b>Child Exploitation, Mailing of Obscene Matter, and Sexually Oriented Advertisements</b>	342	285
<b>Financial and Expenditure Investigations</b>	315	222
<b>Workers' Compensation Fraud</b>	47	33
<b>Revenue Investigations</b>	61	50
<b>TOTAL</b>	<b>12,073</b>	<b>9,486</b>

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

# U.S. Postal Inspection Service Jurisdiction and Laws

Postal Inspectors enforce more than 200 federal laws in investigations of crimes that may adversely affect or fraudulently use the U.S. Mail, the postal system or postal employees. The list below describes some of our most important areas of jurisdiction.

## **Assaults (18 USC 111 & 1114)**

The protection of Postal Service employees is one of our most important responsibilities. Inspectors promptly investigate assaults and threats that occur while postal employees are performing official duties or as a result of their employment.

## **Bombs (18 USC 1716)**

Although a rare crime, the mailing of bombs is given one of our highest investigative priorities due to the severe impact it can have on postal customers, employees and operations.

## **Burglary (18 USC 2115)**

The Postal Service experiences about 300 burglaries each year. Inspectors have minimized losses through the use of security equipment and facility design.

## **Child Exploitation (18 USC 1470, 2251, 2252, 2253, 2254, 2422, 2425)**

The Postal Inspection Service has long been recognized as the leading federal law enforcement agency in the effort to combat the production and distribution of child pornography and other crimes exploiting children through the mail and, when it involves the mail, over the Internet.

## **Controlled Substances (21 USC 841, 843 & 844)**

Postal Inspectors initiate investigations related to transporting and distributing narcotics through the mail or at postal facilities.

## **Counterfeit Stamps, Money Orders & Related Crimes (18 USC 500, 501, 503 & 1720)**

Postal Inspectors preserve public confidence in the mail by pursuing individuals who forge, alter or counterfeit postage stamps, postal money orders and other stamp products. The Inspection Service helps train postal employees to recognize bogus postal money orders.

## **Destruction, Obstruction & Delay of Mail (18 USC 1700, 1701, 1702 & 1703)**

The Postal Inspection Service upholds federal statutes aimed at securing customers' mail, including those related to the desertion, obstruction, delay or

destruction of mail. Postal Inspectors demonstrate their resolve by implementing mail security processes to ensure that customers receive their mail intact and free from outside interference.

## **Electronic Crimes (18 USC 1029, 1030, 1037, 1343, 2701)**

Inspectors protect postal customers from fraud schemes and other crimes that may occur online and involve the misuse of the mail or of the Postal Service. This includes using or selling stolen or counterfeit access devices, such as credit card numbers; using protected computers without proper authority or exceeding authorized access; using computer communications in a scheme to defraud; using a false identity when sending commercial e-mails to mislead or deceive recipients, as with spam; and unauthorized access to communications that are stored electronically via a communications service.

## **Extortion (18 USC 873, 876 & 877)**

Postal Inspectors investigate extortion and blackmail when demands for ransoms or rewards are sent through the U.S. Mail. Inspectors also strictly enforce laws prohibiting mail that contains threats of kidnapping, physical injury, or injury to the property or reputations of others.

## **Forfeiture (18 USC 981 & 982)**

Postal Inspectors use criminal and civil forfeiture statutes, when appropriate, to seize assets associated with criminal acts.

## **Identity Fraud (18 USC 1028)**

The Postal Inspection Service is a leading federal law enforcement agency in the investigation of identity takeovers.

## **Lotteries (18 USC 1301, 1302 & 1303; 39 USC 3005)**

Postal Inspectors protect consumers by strictly enforcing all laws related to importing, transporting and mailing lottery tickets. Under the false representations and lottery statute (3005), Inspectors are authorized to instruct postmasters to withhold from delivery and return to sender any mail that violates the law.

## **Mail Fraud (18 USC 1341, 1342 & 1345; 39 USC 3005 & 3007)**

The Postal Inspection Service is committed to protecting postal customers from misuse of the mail. Inspectors place special emphasis on mail fraud scams related to advance fees, boiler rooms, health care, insurance, investments, deceptive mailings and other consumer frauds, especially when they target the elderly or other susceptible groups.

## **Mail or Mailbox Destruction (18 USC 1705)**

The Postal Inspection Service is committed to ensuring the safety of the nation's mail by securing letter boxes or other receptacles for U.S. Mail. To this end, Postal Inspectors aggressively pursue individuals who willfully or maliciously injure or destroy such receptacles.

## **Money Laundering (18 USC 1956 & 1957)**

Postal Inspectors aggressively investigate criminals who attempt to conceal the proceeds of illegal acts through monetary transactions. Inspectors identify and seize criminals' assets, denying violators the proceeds of their crimes.

## **Obscenity & Sexually Oriented Advertising (18 USC 1461, 1463 & 1735; 39 USC 3010)**

Postal Inspectors follow court-established guidelines to uphold obscenity standards, which prohibit "obscene, lascivious, indecent, filthy or vile" mailings. Customers who wish to halt mailings of sexually oriented advertisements or similar solicitations may complete and submit a Postal Service Form 1500, available at Post Offices.

## **Robbery (18 USC 2114)**

Postal Inspectors respond promptly to robberies of postal employees and postal contractors. Inspectors focus on preventing robberies through the use of security equipment and improved postal procedures.

## **Theft of Mail (18 USC 1708 & 1709)**

Postal Inspectors invest significant resources into the investigation of mail theft by criminals.



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

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