

FY 2007

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

January 2008

I am pleased to present the *2007 Annual Report of Investigations* of the United States Postal

Inspection Service, the law enforcement, crime prevention, and securi-

ty 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.

U.S. Postal Inspectors across the country safeguard more than 212 billion pieces of mail each year. They protect postal employees, postal facilities, postal assets, and millions of postal customers. In FY 2007, Postal Inspectors arrested more than 9,000 suspects for crimes involving the mail or against the U.S. Postal Service.

The Postal Service reorganized its office of National Preparedness in FY 2007 and placed it under the U.S. Postal Inspection Service. Responsibilities for the newly restructured office include incident management, infrastructure protection, aviation mail security, preparedness for public health, and emergency performance measurement—all key activities in preparing for, responding to, and assisting with recovery from major incidents affecting postal operations and employees, and in some instances, American citizens.

Significant achievements by the agency's newly expanded Global Security and Investigations group over the past fiscal year included the Global Counterfeit Initiative. Formed to protect the integrity of postal money orders and other financial instruments targeted by overseas criminals, the initiative resulted in the largest seizure of counterfeit checks and money orders in Postal Inspection Service history. Between January and August 2007, Postal Inspectors and other agents seized from the mail more than 540,000 counterfeit checks and postal money orders valued at more than \$2.1 billion. Group staff coordinated a task force of more than 200 Postal Inspectors, officials from other U.S. law enforcement agencies, and authorities from international law enforcement agencies in Canada, Nigeria, the United Kingdom, and the Netherlands.

While the global criminal investigation of counterfeit



financial documents continued, the Postal Inspection Service simultaneously launched a massive fraud-prevention campaign of TV and print ads, a consumer-awareness video, and public presentations by Postal Inspectors and consumer advocates across the country to ensure that Americans understood the danger of cashing checks—which often prove to be fraudulent—for strangers. The campaign Web site, www.FakeChecks.org, has received more than 43 million hits since its debut.

Postal Inspectors use screening equipment and threat-assessment protocols to check mail and mail facilities for suspected unidentified substances. They determine whether the substances are hazardous and could pose a threat to postal employees, customers, or facilities. In FY 2007, Postal Inspectors responded to 3,049 reports of potential incidents, none of which were deemed hazardous. Their efforts have dramatically reduced the number of unnecessary postal facility evacuations by 14 percent from the same period last year. This translated to reductions in lost workhours, in delayed mail, and in operating costs associated with evacuations.

The Postal Inspection Service's role in helping assure the safety of postal employees and the security of mail and postal assets remains one of its highest priorities. Approximately 40 percent of Postal Inspectors' arrests in FY 2007 related to mail theft—a total of 3,608 suspects. Mail fraud investigations also yielded significant results: Postal Inspectors arrested 1,236 mail fraud suspects and responded to more than 27,000 consumer fraud complaints.

Long regarded as international leaders in the fight against child pornography, Postal Inspectors in FY 2007 arrested 155 suspects, identified and stopped 54 child molesters, and rescued 52 children from sexual abuse as part of the agency's continuing efforts to rid the U.S. Mail of child pornography. To keep the mail free of dangerous and illegal drugs, Postal Inspectors arrested 860 suspects for drug trafficking and money laundering via the mail.

I am proud of our accomplishments this past fiscal year. I pledge to our stakeholders that we will continue to fulfill our mission to protect the U.S. Postal Service, secure the nation's mail system, and ensure public trust in the U.S. Mail.

A handwritten signature in black ink that reads "Alexander Lazaroff". The signature is written in a cursive, flowing style.

Alexander Lazaroff

Introduction



As one of our country's oldest federal law enforcement agencies, founded by Benjamin Franklin, the United States Postal Inspection

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

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

As the Chief Security Officer for the U.S. Postal Service, the Chief Postal Inspector is responsible for issuing instructions and regulations on security requirements. Further, through its new office of National Preparedness, the Postal Inspection Service provides emergency preparedness functions for the Postal Service.

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. Postal 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, enforcing 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 a National Forensic Laboratory at Dulles, VA. The lab is staffed with Forensic Scientists and Technical Specialists who assist Postal Inspectors in analyzing evidentiary material needed for identifying and tracking criminal suspects and in providing expert testimony for cases going to trial. A Forensic Computer Analyst also is assigned to each division location of the Postal Inspection Service.

The Postal Inspection Service's professional and technical employees, who include Forensic Specialists, Information Technology experts, Financial Analysts, and others, play a vital role in supporting the criminal investigative and security functions of the agency. 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 guides for employees and consumer-awareness guides for customers, and facilitating direct communications with Congress, postal employees, and the public.

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 Office of Counsel provides legal advice and services in support of Postal Inspection Service investigations, programs, and goals; processes requests for access to Postal Inspection Service records; and provides legal training to Postal Inspection Service personnel. Postal Inspector-Attorneys of the Counsel's office are supported by an administrative staff that includes a Paralegal, an Infor-

mation Disclosure Specialist, three Information Disclosure Technicians, two Program Specialists, and a Secretary.

Charged with managing the Postal Inspection Service's internal and external communications, staff from the Communications Group issue news releases covering investigations or events of national interest and consumer publications designed to educate the public about fraudulent schemes with preventive and informational tips related to mail fraud and other mail-related crime. Group staff represent Postal Inspection Service interests on Capitol Hill and in cooperative activities with other government, law enforcement, and consumer agencies. Its Internet Web site provides weekly investigative news and fraud prevention tips. Postal customers may report suspected incidents of mail fraud, identity theft, and mail theft online at <http://postalinspectors.uspis.gov>. An Intranet Web site 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 <http://postalinspectors.uspis.gov>.



Security



Protecting the U.S. Postal Service's infrastructure, which includes its employees, buildings, transportation network and postal products that comprise U.S. Mail, is integral to the U.S. Postal Inspection Service. Providing protection that is effective and efficient is a constant challenge. The Postal Inspection Service's Security Group meets that challenge through its training, security reviews, and prevention initiatives. About 65 Postal Inspectors in FY 2007 attended three training courses, each of which was one week in length. Staff from various Postal Inspection Service offices also hosted a Verified Identity Program and Physical Access Control Conference in April 2007 to discuss the Homeland Security Presidential Directive and the impact of the Verified Identity Program on physical-access control.

Security and Education

Each year the Postal Inspection Service commits significant resources and capital to its security and prevention campaign. The agency places great emphasis on prevention

through education. Postal Inspectors regularly deliver presentations on fraudulent mail schemes, mail center security protocols, and workplace safety practices to other government agencies, major mailers, and postal customers across the country.

The Postal Inspection Service partnered with the Postal Customer Council in 2007 in a new network initiative that offers "Workshop in a Box" seminars. The first seminar, Protecting your Employees and Securing your Mail Center, offers recommendations to help mail center managers establish practices for safe and secure handling in their mail operations.

Postal customers in the financial and investment industries expressed increased interest in learning about mail center security in FY 2007 following media accounts of "the Bishop" mail bomber. Postal Inspectors arrested a man in April 2007 believed to be the Bishop, who claimed responsibility for mailing more than a dozen threatening letters and two non-functioning mail bombs to financial institutions in an attempt to manipulate the stock prices of two publicly owned companies.

Security Force

The 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. PPOs 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.

Security provided by PPOs is augmented with unarmed, contract security guards at certain Postal Service facilities. Using a mix of armed and unarmed contract guards improves resource deployment and increases flexibility and mobility for PPOs, who must respond promptly to serious incidents.

Facility Security

The Postal Inspection Service joined other members of a multi-discipline team from the Postal Service's Facilities office to evaluate methods of reducing construction costs for

postal facilities while maintaining appropriate levels of security at each facility. Team recommendations included changing window-glazing details, eliminating "man traps" at employee entrances, and reducing exterior fencing from eight feet to six feet.

Instituting the new recommendations for "baseline security" changes will reduce the Postal Service's construction costs for numerous low-risk facilities while continuing to ensure that facilities with higher security risks have the needed measures to protect postal employees, customers, and assets.

Personnel Security

The U.S. Postal Service awarded a contract in April 2007 to Sourcecorp BPS, Inc., to convert all hard copies of employees' Official Personnel Folders (OPFs) to an electronic

format as part of the Electronic OPF (eOPF) Project. Currently, copies of employee personnel files are maintained at postal facilities across the country. Once existing documents are electronically scanned, employee records will be maintained in a secure central database, giving employees 24-hour access to information in their official files.

Due to the sensitivity of the information, the Postal Service requested that the Postal Inspection Service be a stakeholder in the eOPF Project. Postal Inspectors at National Headquarters and certain division locations have been working with postal executives, as well with Sourcecorp managers, to ensure the information is well-

Security Training for U.S. Postal Inspectors

Postal Inspectors at the Philadelphia Division coordinated a two-day security conference in May 2007 for 50 Postal Inspectors from across the country. Held at the Postal Service's Southeastern Processing and Distribution center, the conference introduced Postal Inspectors to security concepts in preparation for the Certified Protection Professional (CPP) exam. The CPP designation is recognized as one of the most elite certifications in security. The training was provided by the American Society for Industrial Security (ASIS) International, the world's largest organization for security professionals. Participants later completed a practice CPP exam, and ASIS representatives declared that Postal Inspectors held the highest average passing score of any group that had taken the course.

The Postal Inspection Service has teamed with ASIS to offer other educational programs as well, including a specially designed Introduction to Security Management course held for Postal Inspectors in December and May 2007 at Potomac, MD.

protected. The goal of the Postal Service is to "go paperless" and consolidate employee information in a secure, controlled environment.

The project was adopted by the Postal Service as a "best practice" already employed by other federal agencies and private firms. It supports the Postal Service's goal to streamline, standardize, and automate human-resource processes.

Working with staff from the Postal Service's Corporate Information Security office, Postal Inspectors in FY 2007 conducted onsite security reviews at Sourcecorp locations where information will be transferred. The primary site for the project will be the company's Irving, TX, facility. In addition to the initial site review, Postal Inspectors conducted several follow-up reviews to ensure that noted vulnerabilities were corrected before project implementation. Postal Inspectors required that all Sourcecorp employees and their subcontractors receive a security clearance before being granted access to data, and that all employees involved in transporting hard copies to the Irving facility from National Headquarters, field units, and the 80 postal districts also receive clearances.

The safety and security of employees and employee

information are top priorities for the Postal Service. The Postal Inspection Service will continue to work diligently to ensure that employee information is protected and secure.

Staff at the Postal Inspection Service's Security Investigation Service at Memphis, TN, process security clearances for all Postal Service employees and contractors. In FY 2007, staff processed approximately 65,000 clearance requests and, due to problems identified during screening, denied more than 900 of the requests.

Stamp Stock Destruction Security

On July 30, 2007, Postal Inspectors in Boston, MA, escorted a shipment of postage valued at more than \$14 million to an undisclosed incinerator for destruction.

The postage rate increase in 2007 made some stamp stock obsolete, necessitating its destruction. Postal Inspectors provided security and oversight for the operation to ensure all stamps were properly destroyed.

Automated Postal Center Security

Automated Postal Centers (APCs) are self-service kiosks that allow postal customers to ship packages, mail letters, and buy stamps without employee assistance. Generally found in

Post Office lobbies, the kiosks give customers 24/7 access to mail services, similar to that provided by bank ATMs. As

part of its mission to assure revenue protection for the Postal Service, the U.S. Postal Inspection Service was charged with testing the security of APCs by evaluating various performance parameters, such as the effectiveness of their internal camera systems. In FY 2007, Postal Inspectors conducted 238 security surveys of APCs across the country.

Postal Inspectors measured the effectiveness of APC internal camera systems by testing the digital images they generated. Postal Inspectors found that approximately 30 percent of the images could not be identified due to glare from ceiling or background lights.

Postal Inspectors tested revenue-assurance processes at APCs by mailing Priority Mail parcels bearing short-paid postage to determine whether employees identified the parcels before they reached their destinations. Of 238 short-paid mailings, employees detected only 19 parcels bearing short-paid postage; they failed to detect 92 percent of the short-paid mail.

Postal Inspectors provided a report to the Deputy Postmaster General's staff, as well as recommendations to postal managers on how to improve images produced by internal cameras at APCs and how to proactively detect short-paid mail.

Security of Postal Assets

The Mailers Technical Advisory Committee (MTAC) working group, comprising Postal

Inspectors and personnel from the Postal Service's Mail Transportation Equipment

Group, launched the "It's a Crime" campaign in January 2007 to address the burgeoning problem of the misuse and theft of postal pallets and flat tubs.

The Postal Service first identified the problem in 2004, when it saw the rapid depletion of its national inventory. By 2006, its equipment losses totaled an alarming \$77 million. The "It's a Crime" campaign was designed to educate postal employees and alert business mailers about the need to return postal equipment. Working group members determined that postal employees often were unaware that it is



Many postal employees were unaware that it is illegal for customers to keep Postal Service equipment for their own use.

illegal for customers to take Postal Service equipment, such as flat tubs and pallets, for their own use, and business mailers needed to be reminded to return postal property. MTAC determined that part of the problem was that no internal controls were in place to adequately account for equipment.

The dramatic shortfall was caused by two factors: Some postal customers simply forgot they still had postal pallets and tubs, failed to return them, and eventually began using them for other purposes. In other cases, businesses actually profited by recycling or reselling postal equipment.

Postal Inspectors helped disseminate information for newspaper articles, print ads, and posters and issued articles in several postal publications to target pertinent employee groups. Campaign workers distributed thousands of flyers to resellers and recyclers to request that they return mail equipment—and to remind them that failure to return the equipment is a federal offense subject to criminal prosecution.

Postal Inspectors identified particular problems with stolen equipment in Miami, Chicago, and Cleveland that are still under investigation. In some instances, they determined that large recycling businesses possessed thousands of dollars' worth of postal pallets and were knowingly shredding them for profit.

As awareness of the problem has grown, so have reports from postal employees of people or businesses involved in the misuse, and possible illegal use, of Postal Service equipment. Postal Inspectors worked directly with staff in the Mail Transportation Equipment office to respond to leads for investigative attention, which are forwarded to Postal Inspectors across the country. These combined efforts in FY 2007 netted more than \$440,000 worth of recovered postal pallets and flat tubs.

Mail Fraud and Revenue Protection



Mail Fraud

The Mail Fraud Statute is the oldest and 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 and effectiveness in mail fraud investigations, 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 also work cooperatively on joint task force investigations with other law enforcement agencies to leverage resources and maximize the expertise of each agency.

Postal Inspectors investigated 2,909 fraud cases this past fiscal year, and Postal Inspection Service analysts prepared more than 27,000 letters and informative postcards in response to mail fraud complaints. Postal Inspectors arrested 1,236 mail fraud suspects, and 1,118 were convicted as a result of investigations conducted during FY 2007 and in prior fiscal years.

Mail Fraud Investigations

Mail Fraud Against Businesses

Postal Inspectors devote considerable resources to protecting the business community from mail fraud.

Following are examples of Postal Inspectors' efforts to disrupt mail fraud schemes against businesses in FY 2007.

- Thuan Huy Ha was sentenced in Santa Ana, CA, in

October 2006 to 14 years in federal prison and was ordered to pay \$1.4 million in restitution to several health insurance companies. Postal Inspectors determined that Ha had defrauded the firms by submitting claims for prescriptions that were never written. In a jury trial that lasted four weeks, Ha was convicted on 18 counts of mail fraud and 11 counts of money laundering. Co-defendant My-Huong Thi Hoang was sentenced to five years and three months in prison related to nine counts of mail fraud and four counts of money laundering. Postal Inspectors and agents from the Federal Bureau of Investigation and Internal Revenue Service learned that Ha operated a pharmacy in Garden Grove, CA, where Hoang worked as a pharmacist. They obtained patients' names and personal information, as well as doctors' names, from prescriptions filled at the pharmacy, then submitted more than \$5 million in false claims to insurance companies. Ha received the payments through the U.S. Mail.

- Jerold Levert was sentenced in Ohio in December 2006 to 10 years in federal prison for submitting fraudulent loan applications for non-qualified borrowers to mortgage lenders via the U.S. Mail. He pled guilty to a six-count indictment after disclosing to Postal Inspectors he had conspired with mortgage brokers, appraisers, title companies, buyers, and sellers of real property to obtain financing for real estate transactions. Levert created false W-2 wage and tax statements, paycheck stubs, letters of reference, and IRS Forms 1040 using computer software, fictitious entities, corporate shells, and a highly organized office staff. At least 10 mortgage lenders lost more than \$1 million as a result of the scheme.

- Nicholas Magalhaes, president of Asset Accumulation Inc. and Mid-States Benefit Corporation, was sentenced in June 2007 to two years and six months in prison and three years' supervised release, and was ordered to pay more than \$2.4 million in restitution to victims of his mail fraud scheme. Postal Inspectors learned that Asset Accumulation Inc. was a third-party administrator that enrolled small business employers in Voluntary Employee Beneficiary Association programs. The programs allowed employers to obtain group life insurance policies for them-

selves and their employees, and gave tax deductions to employers. Acting as trustee, Mid-States collected premiums from employers and forwarded them to the insurance companies. Magalhaes defrauded clients by not forwarding their premiums—via the U.S. Mail—to insurance companies and by taking out loans against insurance policies without the knowledge or consent of clients.

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. Case examples from the reporting period follow.

■ After pleading guilty to one count of mail fraud, Vasilyn Poinsetta was sentenced in Michigan in October 2006 to five years and three months in prison and three years' supervised release, and was ordered to pay more than \$2.3 million in restitution. Postal Inspectors determined that, from February 1996 through February 2004, Poinsetta promoted real estate ventures to some 56 people, including friends and relatives. She had them deposit money in corporate bank accounts she controlled, promising it would be held in escrow until sufficient funds had accumulated to purchase real estate mortgages. Instead, Postal Inspectors found that Poinsetta commingled investors' money with her own and mailed them false statements, causing more than \$3 million in investor losses.

■ As a result of a Postal Inspection Service investigation, Ohio resident Daniel Josic was sentenced in May 2007 to four years and seven months in prison and was ordered to pay a \$250,000 fine for operating work-at-home schemes that caused more than \$2 million in victim losses. Daniel's brother, Jeremy, was sentenced in November 2006 to a year in prison and was ordered to pay \$786,000 in restitution for his part in the scheme. Postal Inspectors learned that the Josic brothers scammed 25,000 to 30,000 people by promising them opportunities to earn money at home by stuffing envelopes or stapling booklets, but first requiring an "advance fee" of \$79 to \$169. None of their respondents received any work. From 1998 through 2003, the Josics operated under the business names Avon Publishing, Horizon Publishing, Lakeside Publications, ABC Publishing, Acme Publishing, Omni Publishing, Able Publishing, and Central Communications. A third defendant, Donna Brombard, was sentenced for her involvement to five months in prison and three years and five months' home confinement, and was ordered to pay a \$20,000 fine.

■ John K. Wannamaker was sentenced in October 2006 to nine years and two months in prison and three years' supervised release, and was ordered to pay more than \$2.2

million in restitution for operating an Internet investment scheme. Postal Inspectors found that, from January 2001 through August 2001, Wannamaker and co-conspirators operated a "high yield" debenture investment scheme over the Internet, promising incredible returns with no risk. It was marketed as a multi-level operation, and immediate commissions were promised to "downstream" investors who recruited others. Postal Inspectors alleged that no trades were ever conducted, and the vast majority of the \$2.6 million collected from victims was converted for personal use by Wannamaker and others. Wannamaker received funds and correspondence from his investors at a Post Office box and a private mailbox in Carrollton, TX.

Corporate Fraud

Named by the White House as a member of its Corporate Fraud Task Force, the U.S. Postal Inspection Service has been increasingly involved in corporate fraud investigations, noted to be among the most significant concerns facing our nation and our economy. Postal Inspectors vigorously pursue and stop those responsible for corporate fraud, as shown in the examples that follow from FY 2007.

■ Former chairman of Cendant Corporation Walter A. Forbes was sentenced in Bridgeport, CT, in January 2007 to more than 12 years in prison and three years' supervised release, and was ordered to pay \$3.2 billion in restitution to his victims. After two mistrials, Forbes was convicted by a federal jury in October 2006 on charges of mail fraud, wire fraud, and conspiracy for supervising a decade-long accounting scheme that inflated Cendant's earnings. When the scheme was disclosed to shareholders in April 1998, Cendant's stock plummeted, resulting in a one-day loss of \$14 billion in market capitalization, the largest ever recorded at the time. In January 2005, E. Kirk Shelton, the former vice chairman of Cendant who conspired with Forbes, was sentenced to 10 years in prison and was also ordered to pay \$3.2 billion in restitution. The restitution ordered is believed to be the largest ever imposed.

■ A Corporate Fraud Task Force investigation led to the July 2007 sentencing of Joseph P. Nacchio, former CEO of Qwest Communications International Inc., in Colorado. Nacchio was sentenced to six years in prison and two years of supervised release, and was ordered to forfeit \$52 million to his victims and pay a \$19 million fine. He was found guilty in April 2007 on 19 counts of insider trading related to \$52 million in stock sales. A task force comprising Postal Inspectors and FBI agents learned that Nacchio sold Qwest stock from January to September 2001 while failing to disclose that the company would probably not meet announced earnings targets as the year progressed. Nacchio knew that Qwest's 2001 financial targets were overly aggres-

sive, that Qwest did not have a good track record in growing recurring revenue, that the company's business units were underperforming, and that there would be insufficient non-recurring revenue sources to close the gap between Qwest's publicly stated financial targets and its actual performance.

■ An indictment was unsealed in Manhattan federal court on March 26, 2007, charging David A. Stockman, former CEO and president of Collins & Aikman (and former director of the Office of Management and Budget under President Ronald Reagan), with conspiracy, securities fraud, bank fraud, wire fraud, and obstruction of an agency proceeding. Also charged were former CFO J. Michael Stepp, former controller David Cosgrove, and former director of purchasing Paul Barnaba. Collins & Aikman, an auto parts supplier with annual sales of approximately \$4 billion, filed for bankruptcy in May 2005, causing its common stock to become nearly worthless and its bond values to plummet, leading to hundreds of millions of dollars in

investor and creditor losses. Through the private equity firm he founded, Stockman obtained a controlling interest in Collins & Aikman in 2001. The charges stemmed from December 2001 through May 2005, when the company's earnings before interest, taxes, depreciation, and amortization were falsely inflated by improperly recognizing cost reductions based on supplier rebates. Stockman was also accused of directing a scheme to defraud a creditor by misrepresenting the nature of the company's accounts receivable portfolio, against which it borrowed more than \$100 million daily. The Postal Inspection Service was the sole investigative agency.

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 educa-

DOJ Mail Fraud Team Awarded for Outstanding Law Enforcement Partnerships

The Department of Justice (DOJ) Mail Fraud Team received the Assistant Attorney General's Outstanding Law Enforcement Partnership award at the Criminal Division's Award Ceremony in Washington, DC, in FY 2007. The team comprises experienced Postal Inspectors and consumer fraud analysts assigned to work directly with DOJ Criminal Fraud Section attorneys on significant and complex mail fraud cases. Since its creation in March 2005, initially as a pilot program, team members have conducted high-priority domestic and international mail fraud investigations, and worked closely with their law enforcement counterparts in the United States and abroad. The team is now assigned full time to the DOJ Criminal Fraud Section at its offices in Washington, DC. DOJ recognized the team for its significant contributions to the Fraud Section and for "the successful launch of this significant partnership between the Department and the Postal Inspection Service, which has been key in many high-profile corporate fraud investigations." Team members have worked closely with their law enforcement counterparts in Amsterdam, Nigeria, and Canada investigating international fraud conspiracies. Their investigations have resulted in several indictments related to corporate, commodities, and advance-fee fraud cases.



1st row, sitting

Dave Cyr, Consumer Fraud Analyst IV (retired Postal Inspector); Patrick Corcoran, Inspector in Charge, Special Investigations; Ray Smith, Assistant Inspector in Charge, Special Investigations; Joe McGowan, Postal Inspector-Fraud Team Leader (Pittsburgh).

2nd row, standing

Randy Willetts, Consumer Fraud Analyst IV (retired Postal Inspector); James Petrakis, Consumer Fraud Analyst IV (retired Postal Inspector); Cheryl Duffy, Consumer Fraud Analyst I; James Walsh, Consumer Fraud Analyst IV (retired Postal Inspector); Cynthia Shoffner, Postal Inspector; Mary Giberson, Postal Inspector; James Tendick, DOJ Fraud Team Leader-Postal Inspector; and Patricia Lingan, Consumer Fraud Analyst IV (retired IRS agent).

tion, housing, welfare, and natural disaster relief.

Examples of cases from FY 2007 follow.

■ Operation Home Alone is a Postal Inspection Service initiative targeting fraudulent applications to the Federal Emergency Management Agency (FEMA) for disaster relief related to Hurricanes Katrina and Rita. Postal Inspectors reviewed applications to determine if people who had received FEMA payments via the U.S. Mail resided at addresses suffering damage from the hurricanes. One case led to the July 2007 indictment of Troy N. Randolph in Louisiana on charges of mail fraud and illegal conversion of government funds. Randolph applied to FEMA for disaster relief, claiming Hurricane Katrina caused damage to his home in Baton Rouge, but Inspectors found that Randolph had never lived at the address he provided, nor was his home damaged by the hurricane.

■ Jeffrey A. Rothschild was sentenced in the District of Columbia in February 2007 to eight years and six months in prison, and was ordered to pay more than \$129,000 in restitution after he was found guilty of bank fraud, mail fraud, and money laundering. Postal Inspectors determined that Rothschild had received, via the U.S. Mail, approximately \$80,000 worth of U.S. Treasury checks intended for victims of Hurricanes Katrina and Rita, and had mailed applications to FEMA requesting more than \$104,000 for disaster relief. He created bank accounts in several states to launder the money and stole the identities of about 65 victims, using their names to apply for benefits and open fraudulent credit card accounts.

■ Former speaker of the North Carolina House of Representatives James B. Black was sentenced in July 2007 to five years and three months in prison for “corruptly accepting things of value concerning programs receiving federal funds.” The U.S. Attorney’s Office requested investigative assistance from the Postal Inspection Service due to violations of the mail fraud statute. During Black’s tenure in office from 1999 to 2006, the state of North Carolina annually received millions of dollars in funding from the federal government to support state programs, many of which impacted health care services, including Medicaid. Black solicited contributions from individuals and special interest groups. One group, the North Carolina Chiropractic Association, solicited Black’s support for its legislative goals, which included “spinal safety laws,” “patient co-payments,” and “chiropractic treatment reviews.” Black accepted cash from several of the member chiropractors, saying that cash was more helpful than contributions made by check. He received more than \$25,000 but failed to report it to the North Carolina Board of Elections, instead converting it for his personal use. In return for the money, Black drafted legislation central to

the chiropractors’ goals and had it inserted into the House version of the budget bill, which was passed into law.

Deceptive Mail

In addition to the protection afforded to consumers by the Mail Fraud Statute, the Postal Service is able to offer its customers the safeguard of remedies provided under administrative and civil statutes. The statutes are intended to protect the public and preserve the integrity of the mail. Through administrative proceedings and civil federal court action, Postal Inspectors may promptly halt any improper use of the mail to shield the public from potential fraud. During FY 2007, Postal Inspectors at the Chicago and New York divisions seized and obtained destruction orders for more than 309,000 pieces of illegal foreign lottery mail destined for consumers in the United States, thereby protecting them from fraudulent offers.

One foreign lottery case in FY 2007 involved a destruction order that was obtained for 14,400 pieces of illegal international lottery mail. The mail was intercepted and examined at the Postal Service’s International Service Center at Chicago’s O’Hare International Airport in November 2006 by U.S. Customs and Border Protection personnel pursuant to their border search authority. Customs officers seized the questionable mail and notified the Postal Inspection Service. Postal Inspectors reviewed the contents and determined the mail was similar to previous foreign lottery mailings deemed to be nonmailable. The mail came from Deutsche Post and was intended for the International Mail Acceptance Unit. Along with a lottery solicitation offering a chance to obtain a prize for money, the mailing contained a reply envelope bearing an address in Holland.

Following are further examples of cases from FY 2007 in which Postal Inspectors employed administrative actions to quickly halt the improper use of the U.S. Mail, thereby shielding the public from potential fraud.

■ A Permanent Injunction Order was entered in February 2007 against the Payment Processing Center, LLC (PPC) of Newtown, PA, and seven individuals enjoining them from any activity involving unsigned bank drafts processed for a telemarketing transaction. A permanent receiver for PPC was ordered to consolidate and liquidate the firm’s assets. Approximately 94 percent of the assets was allocated to a consumer fund for restitution. The judge had issued a Temporary Restraining Order in February 2006, pursuant to the Anti-Fraud Injunction Statute. At that time, Postal Inspectors executed a federal search warrant at the offices of PPC and froze related funds in approximately 25 bank accounts. Their investigation dis-

closed that in 2005 PPC created about \$140 million in demand drafts, based on information from fraudulent telemarketers in the United States, Canada, and other overseas locations. PPC negotiated the drafts through its own Philadelphia accounts, maintained a percentage of the funds, and remitted the bulk of the money back to the telemarketers. Scheme participants mailed fraudulent fulfillment materials to victims. The U.S. Attorney for the Eastern District of Pennsylvania stated, “This case shows that fraudulent schemes against consumers—particularly against society’s most vulnerable—are not beyond the scrutiny of law enforcement, despite the use of third-party camouflage.”

■ A Cease and Desist Order was issued in June 2007 against James Lovern, doing business as Consumer Grants USA, Inc., Freedom Grant Information Guide, and Government Grants Information Guide of St. Petersburg, FL. Postal Inspectors found that Lovern had placed calls to U.S. citizens from his telemarketing center offering guaranteed government grants for educational purposes. People were told they were already approved to receive the grants but must pay a processing fee of up to \$299 and complete a mailed application, for which they also had to pay a fee. Many respondents paid the fee by bank draft over the phone, but Lovern also requested them to mail the fee in

the form of a postal money order to a Post Office box in St. Petersburg. Victims received a document entitled “Government Grants, Government Grant Consumer Package,” with public information about how to apply for government grants and who may or may not be eligible for them, but no one actually received a grant.

■ A False Representation Order and a Cease and Desist Order were issued in October 2006 against Charles R. Smith, Andrew Grant Miller, and Yellow Page Directory Publishers, Inc., at addresses in California, Georgia, New York, Los Angeles, and Chicago. Postal Inspectors found that, beginning in October 2003, Yellow Page Directory Publishers, Inc., and its owners, Andrew Grant Miller and Charles Robert Smith, mailed deceptive solicitations and false bills of \$293 each to businesses across the United States for ads in the “Real Yellow Pages.” A Civil Monetary Penalty Order was also issued, ordering the men to pay jointly and severally civil penalties of \$5,000.

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 via the mail that targets businesses. To increase customers’ confidence in the mail, the Postal Inspection Service formed the Financial Industry Mail Security

After a Postal Inspector completed training on the agency’s Financial Crimes Database, he decided to put his knowledge to the test by reviewing fraud complaints from major banks. He immediately noted a number of complaints related to Jacqueline Brewer of Indiana, who he assumed was a fraud victim. Brewer reported that several credit cards mailed to her home had never arrived. To his surprise, the Postal Inspector determined that Brewer was the perpetrator, not the victim, of a crime. After receiving a credit card in the mail, Brewer would charge thousands of dol-

lars worth of merchandise on the card or use it to take cash advances at casinos to satisfy her gambling addiction. Brewer then reported the cards as “not received.” The Postal Inspector found Brewer had gained a

certain level of fame at many of the major banking entities she had defrauded, due to the high number of reports she filed. The Postal Inspection Service’s Central Indiana Financial Crimes Task Force teamed with other federal, state, and local law enforcement agencies to arrest Brewer near Atlanta, GA, in October 2006. She pled guilty in federal court in Indianapolis on March 28, 2007. That same day, Brewer brazenly withdrew money from an ATM at a casino in Mississippi using a fraudulent credit card. Losses attributed to her scheme totaled about \$500,000. Brewer was sentenced in July 2007 to approximately five years in federal prison.

Indiana State Police
RE: Jacqueline Brewer
Date / Time: 11-14-05 / 2:58 am CST
Casino: Majestic Star Casino, Gary, Indiana



Initiative, which comprises 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 facilitate criminal investigations and prosecutions where warranted.

During FY 2007, Postal Inspectors investigated 16 cases of rebate fraud. In one case in March 2007, a federal grand jury in Ohio indicted eight suspects for conspiracy to use the mail to defraud the R.J. Reynolds Tobacco Company (RJRT) and operate an illegal gambling business. Postal Inspectors initiated the investigation at the request of RJRT and found that one of its sales representatives coluded with retail store operators in Akron by filing false claims for rebate payments. The company encouraged retailers to sell selected brands of cigarettes at discount and, as an incentive, reimbursed the stores for the difference between the regular price and the discounted price. However, a group of stores operated by an Ohio family inflated their entitlement to payments. They bribed an RJRT sales representative to approve the false claims, and RJRT sent checks via the U.S. Mail to various stores. Losses to the company totaled at least \$690,000.

Postal Inspection Service investigations of fraud targeting the business industry in FY 2007 resulted in 17 Withholding Mail Orders. Examples of other cases investigated by Postal Inspectors in the past fiscal year follow.

- Postal Inspectors were notified by the Bernardston, MA, postmaster in July 2005 of a possible mail fraud scheme. Postal Inspectors determined that Mark Gladstone had ordered DVDs and CDs from Columbia House/BMG under fictitious names so he could receive a special introductory rate. He opened more than 128 accounts, resulting in losses to the company of approximately \$35,000. A Notice of Withholding Mail was issued in June 2007 directing the postmaster to detain mail addressed to various names being used by Gladstone in Northfield, MA. A Final Withholding Mail Order was issued on July 18, 2007.

- A Final Withholding Mail Order for mail addressed to “Wilson Perez and any and all various names” at PO Box 543, New Haven, CT, was issued in May 2007 as a result of a Postal Inspection Service investigation that revealed Perez used false documents to open the box. The investigation began in September 2005, when Postal Inspectors were notified of suspicious activity involving the Post Office box and boxholder Perez. Perez illegally obtained fraudulent applications for Tennessee license plates and vehicle registrations by sending money and valid motor vehicle titles

from New Haven to several Post Office boxes in Tennessee. Upon receipt, co-conspirator Pioquinto Diaz-Ortiz signed and executed applications for vehicle titles and registrations in the names of actual vehicle owners in Connecticut to match the name on the fraudulently obtained titles. The Tennessee Department of Motor Vehicles forwarded valid plates to Perez, who distributed them to illegal aliens from Guatemala. The illegal aliens also received fraudulent alien registration cards from Perez. Ortiz is awaiting deportation for his involvement in the scheme.

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 involves mail fraud, as “cyber-scammers” use the mail to receive payments and ship items. The Postal Inspection Service actively participates in the Internet Crime Complaint Center (www.ifcc.gov), a project established by the FBI and the nonprofit National White Collar Crime Center that enables victims of Internet fraud to report suspected crime online. Examples of cases from FY 2007 follow.

- Tony Wang was arrested on May 25, 2007, following his indictment in San Jose, CA, on three counts of mail fraud and six counts of wire fraud related to an Internet auction scheme. Postal Inspectors began investigating Wang in November 2005 after receiving complaints that he was selling such items as Rolex watches, golf clubs, and laptop computers via eBay and Yahoo auctions, but failing to provide the items to the high bidders. He allegedly operated the scheme from 2003 through 2006 by providing false tracking numbers to buyers and sending them e-mails with excuses as to why the products had not arrived. Losses are estimated at \$40,000 to \$100,000, and victims are located across the United States and Japan.

- A Cease and Desist Order and a False Representation Order were issued in April 2007 against Rolland Land of Atlanta, GA, for Internet auction fraud. Postal Inspectors learned that Land, using the screen name “roknroll06,” posted items for sale on eBay but failed to provide them to the winning bidders after receiving payment through the U.S. Mail. Land instructed winners not to use PayPal and stated in the eBay ads he would accept only a money order or cashier’s check as payment.

Telemarketing Fraud

Postal Inspectors reported 162 telemarketing fraud investigations, 83 arrests, and 61 convictions. Case examples from the past fiscal year follow.

- Terrence Croteau of Illinois was sentenced in November 2006 to 12 years in prison and was ordered to pay

\$2.9 million in restitution for a fraudulent telemarketing scheme. Postal Inspectors found that, from 2000 through April 2004, Croteau was doing business as MDSC Publishing and Pinnacle Publishing in Montreal, Quebec, and Welland, Ontario. Croteau used the mail to scam small U.S. businesses and charities out of millions of dollars by billing them for business directory services they did not authorize. Croteau pled guilty in May 2006 to 25 felony violations of mail fraud, wire fraud, and conspiracy. The U.S. Postal Inspection Service led the investigation and received assistance from the Federal Trade Commission; the Niagara Regional Police Service in Welland, Ontario; the Ontario Provincial Police; and the Toronto Strategic Partnership.

■ Richard Gilson, owner of West Coast Gallery (WCG) in Covina, CA, was sentenced to seven years in prison in October 2006 for a fraudulent boiler room operation. Salesman Geoffrey Gallagher was already sentenced to seven years and six months in prison, and salesman Alonzo Narvaez was sentenced to seven years and three months in prison. The three men were also ordered to pay more than \$3.5 million in victim restitution. Postal Inspectors found that WCG induced people to send thousands of dollars via the mail to an address in Hacienda Heights. They were told their investments in historical and collectible merchandise would be sold at an upcoming auction for a return of at least 50 percent within 90 days or their money would be refunded. The items were purchased primarily from eBay for a fraction of what the victims had invested. On one occasion, a strand of hair allegedly from George Washington was purchased for \$13 on eBay and sold to a victim for \$30,000. WCG never held an auction, nor did any victims obtain a profit. WCG, however, obtained nearly \$4 million from hundreds of victims, mostly the elderly.

Administrative Actions

The chart below provides statistics on administrative actions taken during FY 2007 as the result of investigations conducted by Postal Inspectors.

Administrative Actions	FY 2007
Complaints filed	257
Consent Agreements signed	73
Temporary Restraining Orders issued	0
Civil Injunctions	1
False Representation Orders issued	28
Cease and Desist Orders issued	105
Withholding Mail Orders issued	135
Voluntary Discontinuance Agreements signed	22

Victim-Witness Assistance Program

Federal legislation mandating certain rights for victims and witnesses of crime was initially 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 purpose of the act and related legislation. Additional legislation passed over the years strengthened the rights of crime victims. Recently, the Crime Victim Rights Act that was signed into law in October 2004 represented the most far-reaching legislation to date supporting the rights of crime victims.

The U.S. Postal Inspection Service is committed to working with the Department of Justice and the law enforcement community by sharing its “best practices” in support of the Attorney General’s guidelines for victims and witnesses. As an investigative agency, the Postal Inspection Service’s responsibility is to identify potential victims related to its criminal investigations, provide them with timely notification of their rights, and inform them of the services available to assist them.

Postal Inspectors and other Postal Inspection Service employees work to ensure the Victim-Witness Assistance Program meets legal mandates and properly assists victims. In the past year, 133 new general analyst positions were created to perform three functions associated with the program: victim-witness assistance, forfeiture action, and investigative analysis. The analysts serve as resources of information at the agency’s division locations by providing guidance and training on victim and witness rights, legislation, and Postal Inspection Service policy and procedures. They liaison with U.S. Attorney’s Offices at each federal district and maintain records, coordinate victim notifications, refer victims to appropriate services, and prepare required statistical reports.

The Victim-Witness Assistance Program continues to broaden in scope. During the past fiscal year, general analysts received additional training to ensure they have the knowledge and skills needed to help victims of crime.

Also in FY 2007, national goals were expanded to

ensure the Postal Inspection Service remained a top-notch provider of investigative, security, and crime-preventive solutions, as well as a trusted, innovative partner to its customers and other agencies. New objectives were established to improve customer service, increase the program's value and operational efficiency, and achieve results with a more customer-focused and performance-based culture. When a postal customer suffers physical, emotional, or financial harm as the result of a mail-related crime, the customer becomes a crime victim.

The services provided by Postal Inspection Service staff to postal customers who become victimized by crime highlight the important role of customer assistance. When customers become victims, they need immediate help. That includes the right by law to be regularly apprised of the status of their cases in the judicial process—for both legal and emotional reasons. But beyond the legal mandates, victims may require the personal attention of a trained staff member who regularly calls and otherwise stays in touch with victims to fulfill a host of other needs. Personal attention is often the service most valued and remembered by victims.

A Guide for Victims and Witnesses of Federal Crimes

The backbone of the Postal Inspection Service's Victim and Witness Assistance Program is Publication 308, *Know Your Rights: A Guide for Victims & Witnesses of Federal Crimes*, which is also available in Spanish. Postal Inspection Service staff provide the brochure to potential victims and witnesses of crimes when it is the lead agency on the investigation. The brochure informs victims of their rights related to the investigative process, including notifications of arrests or other case activity, the reporting of related threats or harassment, and available services that can provide assistance in



recovering from the physical and emotional effects of a crime.

Victim Notification and Services

The Postal Inspection Service is the second federal law enforcement agency to gain direct access to the Department of Justice's Victim Notification System (VNS). Access was granted because of the Postal Inspection Service's large number of federal investigations that affect large numbers of victims. VNS substantially boosts victim-notification capabilities with better overall program management and new reports that can pinpoint assistance and notification services for specific victims, as well as new templates for victim-notification letters tailored to reflect crimes under the jurisdiction of the Postal Inspection Service. DOJ and Postal Inspection Service staff have continued to combine their skills to expand and improve the program, with increasingly successful results.

In FY 2007, general analysts input more than 60,800 victim records to the VNS. All personnel accessing the system completed training on the VNS Intranet and Internet Web sites and received notices of system updates and new releases. Copies of the DOJ User's Manual for VNS were disseminated nationally, and the manual was posted on the Postal Inspection Service's victim-witness Web site for quick reference.

Victim Service Outreach

The Postal Inspection Service continues to enhance its victim-witness outreach programs via a limited number of trained resources that focus on victim services. As the program matures, more services will be added. During FY 2007, the Postal Inspection Service provided the victim services shown below.

- 4,874 information and referrals.
- 2,558 cases of criminal justice support.
- 2,308 cases of identity theft assistance.
- 320 cases of elderly victim support.
- 1,782 cases of victim advocacy services.

The Postal Inspection Service established toll-free numbers for its 18 division locations to provide victims with a convenient method of contacting coordi-

nators and general analysts. This tool has been critical to maintaining reliable communications for crime victims.

Following are examples of outreach services provided by the Postal Inspection Service to people who potentially were victims of a crime or who were established victims of crime.

■ In March 2007, more than \$326,000 in forfeited funds was distributed to 78 victims of a cross-border telemarketing scheme investigated by Postal Inspectors at the Philadelphia Division, the Royal Canadian Mounted Police, and Montreal Police Department. Telemarketers falsely informed victims via the U.S. Mail that they had won a lottery and should wire funds via Western Union and Money Gram to outlets in Montreal. Victims were requested to pay \$1,000 to \$4,000 in fees associated with the winnings. U.S. Attorney Pat Meehan stated, “Our first priority was to make those victims whole, and through the work of U.S. Postal Inspectors and Canadian police, we were able to do that.”

■ James Brown, Jr. was sentenced in Virginia in April 2007 to serve more than 12 years in prison and three years of supervised probation after pleading guilty to mail fraud and money laundering as the result of an investigation by Postal Inspectors. At a special restitution hearing in June 2007, Brown was ordered to pay more than \$7 million to the 351 victims who lost money from his Ponzi scheme. Brown used his investment firm to fool customers into believing they could double their money every 30 business days. Of the \$8.3 million Brown raised, he spent almost \$4 million on personal items. Bidders in Richmond came from as far away as Alaska to offer \$1.5 million for luxury cars he once owned.

■ A Carpentersville, IL, man was convicted in May 2007 for illegal possession of a firearm by a felon, illegal possession of ammunition, and aggravated domestic violence. He was sentenced to six years in prison and must serve 85 percent of his sentence, with additional charges pending. The case is another example of excellent teamwork by Postal Inspectors, local police, and victim-witness coordinators who provided extensive victim services. The man made numerous threats to kill employees at several Post Offices. One employee outlined a pattern of physical abuse by the suspect that was so intolerable she attempted suicide. The victim-witness coordinator assisted her and other affected

employees by helping to place them in shelters and receive other protection, acting as a liaison with domestic and Korean violence support groups, and procuring orders of protection. Upon learning the suspect was free on bond, the victim-witness coordinator stayed in constant contact with the physically abused employee, enabling the coordinator to relay valuable information to Postal Inspectors and other law enforcement agents that led to the suspect’s capture. The coordinator’s professional knowledge and skills were essential to helping the victims of this investigation recover from a violent situation.

■ During an investigation of a work-at-home scheme in Philadelphia, PA, Postal Inspectors learned that con artists had stored in their computers the personal information of thousands of their victims. Victim-witness coordinators subsequently mailed 77,000 postcards, from late April through early May 2007, to notify people about the fraud. The postcards explained why they were being contacted, provided a link to the U.S. Attorney’s Web site, listed a toll-free number for information on case status and victim rights, and included an explanation of how to complete an affidavit of loss. The mailing was done under the stipulation that the U.S. Attorney’s Office will petition the court to

include the cost of postage and the initial mailing to the victims, estimated at \$22,480, in the restitution order. The suspects will pay the costs after victims receive restitution. The subjects were incarcerated, have pled guilty, and are awaiting sentencing.



Victim-Witness Education and Prevention

Through consumer-protection campaigns, educational publications, video productions, and congressional liaison, the Postal Inspection Service works to increase public awareness, especially among older Americans, about how to avoid becoming victims of fraud. For the past three years, the agency has partnered with the Department of Justice’s Office for Victims of Crime to promote this message during National Crime Victims’ Rights Week.

The Office of Victims of Crime and the Postal Inspection Service joined again this past fiscal year to sponsor National Crime Victims’ Rights Week. In April 2007, approximately 15,000 postal retail units displayed a new poster, “Victims’ Rights: Every Victim, Every Time,” in postal lobbies. A card and “take-one” insert, which provided

toll-free telephone numbers for victim-service organizations, were also available. The campaign reached an estimated 11 million postal customers each day. The National Center for Victims of Crime, which answers the national helpline at 1-800-FYI-CALL, advised their calls increased by about 30 percent in the first half of April as a result of materials displayed at Post Offices. The Postal Service's Stamp Fulfillment Center also included 30,000 campaign inserts with stamp orders that month.

Postal Inspection Service staff nationwide participated in local media events in support of the campaign. Below are some examples of events held in support of crime victims.

Boston. Postal Inspectors Timothy Mahoney and Mary Ellen Bickett received Certificates of Appreciation for Crime Victims' Awareness Week from the U.S. Attorney's Office in Boston, MA, for their work interviewing victims of a Postal Inspection Service-led investigation of an investment scheme. The interviews were held in a setting that protected victims' privacy and afforded them an opportunity to discuss their losses. Postal Inspectors and other agents and staff held a week-long series of victim-assistance meetings at a location near the homes of many of the victims. Victims met with criminal investigators, financial analysts, and taxpayer assistants. Through the cooperative efforts of multiple federal law enforcement agencies, victim data was gathered quickly and victims had immediate access to information about their rights.

Miami. General analysts staffed an informational booth and assisted in events held at the Squirrel Ridge

Park Crime Victim's Memorial Park. The county park is the first in Florida dedicated to victims and survivors of crime, and its grounds are maintained by juvenile offenders. The work is part of a restorative program for 20 offenders from across the state who commit to the program for a few months or up to two years. The program teaches teens to recognize the harm they have caused to victims. General Analysts also participated in the Victims' Rights Conference with State Attorney Katherine Rundle and the Broward Sheriff Office's Candlelight Ceremony for Victims' Rights.

Washington, DC. During National Crime Victims' Rights Week in April 2007, the U.S. Attorney's Office underscored its commitment to safeguarding the rights of crime victims and their families, and honored those who brought them hope, comfort, and justice. The U.S. Attorney of the Eastern District of Virginia Chuck Rosenberg and State Attorney General Bob McDonnell recognized the Metro-Richmond Identity Theft Task Force, led by Postal Inspector Dave McGinnis, for its advocacy of crime-victim rights and for an initiative known as Operation Reconcile. The initiative resulted in the indictment of 51 suspects in November 2006 for identity theft and related offenses. A victim of identity theft and a representative from SunTrust Bank addressed attendees on behalf of all victims of cases prosecuted under Operation Reconcile.

The opportunity to help victims is a strong motivating factor for crime investigators. That factor is reinforced by legislation mandating that the work of the criminal justice system may be considered complete only when the rights of victims are addressed in the judicial process. This message is integral to the work of all law enforcement officers and the courts, as recognition of the importance of ensuring the rights of crime victims continues to grow.

Asset Forfeiture

The U.S. Postal Inspection Service uses asset forfeiture laws and regulations to target the financial incentive criminals may gain from postal-related crime. Postal Inspectors investigate drug trafficking, identity fraud, and other financial crimes to identify money and assets derived from illegal activity



General analysts staff an information booth in Miami during National Crime Victims' Rights Week.

that involves the U.S. Postal Service or the U.S. Mail.

Postal Inspectors seized 1,444 illegal assets and secured 538 forfeitures in FY 2007, and forfeiture-related activity netted \$5.3 million. As a result of successful asset forfeiture actions, the Postal Inspection Service shared \$1.6 million in funds with other federal, state, and local law enforcement agencies. Case examples from the past fiscal year follow.

■ Postal Inspectors in New York were requested by the U.S. Attorney's Office, Southern District of New York, to investigate the Adelphia Communications Corporation in 2002. Their investigation revealed that Adelphia's officers took funds disguised as personal loans from the corporation, but failed to disclose their dealings to regulators and stockholders. The scheme resulted in losses of \$252 million to shareholders. All of the officers charged were convicted of conspiracy and multiple counts of securities fraud and bank fraud in July 2005 and are serving prison terms of 15 to 20 years. In 2005, the defendants agreed to forfeit to the United States more than 95 percent of their assets, which included \$715 million in cash and stock to be paid to victim shareholders. In July 2007, shares of Time Warner Cable stock, totaling \$371.2 million, were sold. The amount represents additional funds received by the U.S. Marshals Service to satisfy the forfeiture judgment and was one of the largest deposits ever made into the Department of Justice's Assets Forfeiture Fund. Additional payments for the balance of the \$715 million are forthcoming as other properties are liquidated.

■ Beginning in 1976 and continuing through 2005, Milberg Weiss & Bershad, LLC, the nation's largest class-action lawsuit firm, allegedly defrauded the courts, class-action defendants, and class-action members through an illegal fee-sharing (kickback) arrangement with some of its clients. The clients were representative plaintiffs in class-action lawsuits. The firm received more than \$250 million in attorney's fees as a result of the fraud. Howard J. Vogel, a participant in the scheme, has forfeited \$2 million to the U.S. government. In July 2007, David J. Bershad, a partner in the New York law firm, forfeited to the U.S. government \$7.75 million. In October 2007, an additional \$1 million was received from defendant Steven Schulman, and another \$500 million was received from Seymour Lazar. Schulman agreed to forfeit an additional \$850,000, and Lazar agreed to forfeit an additional \$1 million. Another defendant, William Lerach, entered into a plea agreement to forfeit \$7.75 million. The United States is seeking an additional forfeiture of up to \$251 million in judgments. The investigation is now complete, but prosecution is ongoing. The U.S. Postal Inspection Service was the lead investigative agency on the case.

Money Laundering

The 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 2007, Postal Inspectors arrested 70 suspects on charges related to money laundering, and 63 convictions were reported during the same period. Following are examples of money laundering cases investigated by Postal Inspectors in the past fiscal year.

■ Postal Inspectors and special agents from the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Internal Revenue Service-Criminal Investigation Division (IRS-CID), and the New Jersey Department of the Treasury's Division of Taxation arrested three suspects for conspiracy to distribute contraband cigarettes, and warrants were issued for two suspects allegedly responsible for money order structuring. Under federal search warrants, investigators seized \$100,000 in cash, jewelry, and 50 cases of contraband cigarettes. The three suspects, who operated several Chinese take-out restaurants, structured the purchases of more than \$4.2 million in postal and commercial money orders in a 19-month period. Most of the money orders were used to purchase tax-exempt cigarettes via the Internet and from cigarette distributors affiliated with Indian reservations. The co-conspirators illegally resold the cigarettes to restaurant customers in New Jersey and New York. The scheme was estimated to defraud the state of New Jersey of more than \$3 million in unpaid taxes.

■ A Postal Inspection Service investigation culminated in the sentencing of Dr. Steven Herman, a plastic surgeon in Westport, CT, to one year and eight months in federal prison, an order to pay a \$60,000 fine and \$150,000 in restitution, and an order to forfeit \$236,000. Herman pled guilty to charges of tax evasion, illegal structuring of financial transactions, and health care fraud. Postal Inspectors, IRS-CID agents, and FBI agents learned that, from January 1998 through April 2003, Herman skimmed more than \$883,000 in cash receipts from his medical practice and failed to declare the money on his income tax returns.

To conceal the crime, Herman used the cash to purchase postal money orders at area Post Offices or gave the cash to household employees and directed them to purchase money orders for him. Typically, the money orders were purchased four at a time in amounts of exactly \$700, to avoid reporting requirements. Herman used approximately \$300,000 in postal money orders as a down payment on a ski home in Stratton, VT.

- An investigation of counterfeit merchandise trafficking, conducted by Postal Inspectors and other members of the El Dorado Task Force in New York, resulted in three arrests on December 14, 2006. The defendants used ports of entry in New York and New Jersey to smuggle millions of dollars in illegal goods into the United States. An undercover agent met the suspects and facilitated the pass-through of the counterfeit items. The agent was paid more than \$140,000 in bribes via a combination of cash, checks, and postal money orders. The subjects smuggled up to 12 cargo containers of counterfeit goods into the United States each month. To date, the investigation has led to 66 seizures of counterfeit merchandise at international ports of entry.

Revenue Protection

The Chief Postal Inspector designated revenue protection as a key area of focus for the Postal Inspection Service in FY 2007. As a result, Postal Inspectors with expertise in revenue

investigations were assigned to identify products and services representing the highest revenue risks to the Postal Service. Postal Inspectors subsequently defined the following areas as posing the greatest risk to Postal Service revenue:

- Permit Imprint mail. Mailing is accepted for processing without first being verified.
- Discount fraud. A mailing does not qualify for the claimed level of sortation. The mailer submitted more mail than claimed, or claimed value-added discounts for higher volumes than what was entered in the mailstream.
- Plant-verified drop shipments. A mailer added mail-

pieces after the mailing was verified.

- Eligibility fraud. A mailing does not meet requirements for preferential rates, such as for Periodicals or Nonprofit Mail.
- Bribery, collusion, or employee misconduct. A mailer colluded with a postal employee to avoid paying postage.
- Meters. A mailer counterfeited meter indicia or manipulated meters to avoid paying postage.
- Information-based indicia. A mailer counterfeited indicia or used a fraudulent credit card to pay for PC Postage.
- Retail fraud. A mailer used a fraudulent financial credit card or a bad check to purchase postal services or products.
- Stamp counterfeits. A mailer used counterfeit U.S. postage.
- Customer fraud. A mail preparation firm charged customers for services not provided, which may give customers the impression that the Postal Service failed to provide the requested service.

Postal 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, a resolution may include sending the perpetrator to jail, recouping lost revenue, and paying fines and penalties. Postal Inspectors also identified numerous projects designed to greatly increase the effectiveness of our revenue investigations. These included a review of internal controls for existing revenue streams to determine if significant weaknesses exist; and the identification of relevant postal databases for use in identifying potential fraud.

Due to the high priority of the program, it was critical to develop a core group of Postal Inspectors with expertise in this area. A multi-phase initiative developed by the Career Development Division provided on-line training and a week-long, facilitator-based session. During FY 2007, 48 Postal Inspectors completed both phases of the training, and additional sessions were planned for FY 2008.

During FY 2007, Postal Inspectors initiated 179 new investigations related to postal revenue. They arrested 78 suspects for revenue-related crime, and reported 64 convictions in the same period, some from cases initiated in prior reporting periods. Losses from fraudulent activities totaling \$20.3 million were identified, while civil settlements, voluntary restitution, and court-ordered fines, penalties, and restitution totaled more than \$8 million in FY 2007.

Following are examples of investigations conducted by Postal Inspectors in the past fiscal year involving underpayment of postage, trafficking of counterfeit postage, or

the purchase of postage through fraudulent means.

■ In March 2007, Ameriprise Financial, Inc., a former subsidiary of American Express Financial Corporation, signed a settlement with the U.S. Department of Justice agreeing to pay \$8 million for underpayment of postage to the U.S. Postal Service. Ameriprise improperly claimed automation and presort discounts for its mailings by failing to periodically compare address information with lists maintained by the Postal Service, which is a requirement for the discounts. Ameriprise approached the Postal Service after learning of a \$6 million settlement in a similar case involving Provident Financial Corporation. Ameriprise officials initially reported underpaid postage totaling \$552,000. Postal Inspectors determined the actual underpayment was, in fact, much higher, which resulted in the eventual settlement amount. Of the funds specified in the settlement, the Postal Service will be paid \$7.8 million.

■ Albert Barsa pled guilty in April 2007 for a scheme to defraud the U.S. Postal Service through the use of a fraudulent postage meter. In September and December 2006, Josefina Abreu and Jose Taveras pled guilty to conspiracy charges in the same investigation, and a fourth suspect is awaiting trial. Postal Inspectors were alerted that a business was using a postage meter that had been reported as withdrawn from service and destroyed. Mail bearing the serial number of the meter was detected during a statistical sampling. Barsa, Abreu, and Tavares conspired to defraud the Postal Service by applying counterfeit postage to mail that was prepared by Direct Mail of New Jersey and National Fulfillment Services. Losses to the Postal Service totaled approximately \$2 million.

■ Postal Inspectors learned in February 2007 that a New York print shop was being used to manufacture counterfeit stamps. Pursuant to a court-ordered search of the location, as well as suspect interviews, Postal Inspectors found that approximately 150 coils of 39-cent stamps were being produced on a daily basis. They also determined that suspects were making plans to train additional individuals in the printing process so the operation could operate continuously, rather than only eight hours a day. In January and February 2007, approximately \$300,000 worth of counterfeit postage stamps was produced. To date, one suspect has been convicted and another charged.

Illegal Drugs and Trafficking

The U.S. Postal Inspection Service interdicts mailings of illegal drugs and drug proceeds to protect the integrity of the U.S. Mail. Postal

Inspectors also investigate organized

narcotic distribution groups to protect employees and customers 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 860 suspects for drug trafficking via the mail in FY 2007. Their investigations resulted in the seizure of approximately 5.1 tons of illegal narcotics found in the mail, as well as more than \$3.8 million in cash and monetary instruments, seven firearms, and two vehicles related to ongoing investigations.

Postal Inspector Honored for Keeping the Mail Safe

Postal Inspector Sean Grillo of the Pittsburgh Division received an Exceptional Service by an Individual Award in July 2007 at the Organized Crime Drug Enforcement Task Force and National Asset Forfeiture National Leadership Conference. Inspector Grillo was the lead agent on the following case, which is just one example of his exemplary work.

Postal Inspectors in Pittsburgh, PA, seized an Express Mail package containing approximately three kilos of cocaine that had been concealed inside a torque converter, and later arrested suspects in Pittsburgh and Los Angeles for the mailing. An inquiry of the Postal Inspection Service's money laundering database revealed that more than \$100,000 worth of postal money orders had been purchased in suspicious quantities in Pittsburgh, leading Postal Inspectors to several more seizures of cocaine shipments and suspect arrests. As a result, in February 2007 Michael S. Frawley was sentenced to 14 years in federal prison and his father, Michael R. Frawley, was sentenced in April 2007 to six years and five months in prison. Convicted suspects Mark Hill, Laurie Rode, and Richard Glanz await sentencing. Overall, Postal Inspectors in Pittsburgh and Los Angeles seized in excess of \$257,680 in



Postal Inspectors Earn Awards for Drug Enforcement and Asset Forfeiture

Postal Inspectors Phil Garn, Joe Casciotta, and Sean Grillo received national recognition for their outstanding contributions to the Organized Crime Drug Enforcement Task Force (OCDETF) and Asset Forfeiture Program. Postal Inspector Garn was recognized for his work on Operation Gear Grinder, which targeted a major drug syndicate affiliate, as well as eight Mexican manufacturing companies that supplied more than 80 percent of the anabolic steroids seized in the United States. The investigation tracked more than \$2.3 million in illicit proceeds and led to \$1 million in seizures. Postal Inspector Casciotta

received recognition for his work on Operation Carlito's Way, which targeted a major trafficking ring that illegally distributed prescription drugs via the Internet. The operation resulted in the indictment of 20 suspects and the seizure of more than \$8 million, more than 10 million doses of pharmaceutical drugs, and 108 kilograms of ketamine. Postal Inspector Grillo received individual recognition for his commitment to the Asset Forfeiture Program in the Pittsburgh area, where he repeatedly used the forfeiture of cash and money orders to successfully combat illegal drug activity.

material to produce more than 1,400 pounds of meth with a wholesale value of about \$12.6 million. Investigators believed the suspects also supplied a global network of meth labs in Europe, Australia, New Zealand, and other countries. As a result of Operation Red Dragon, Paul K. Charlton, U.S. Attorney for the District of Arizona at the time, stated, "Internet criminals rely on the World Wide Web to provide them with a borderless weapon and anonymous shield. Here, traffickers had set up a virtual 'one-stop shop' to provide an international supply of the chemicals used to manufacture meth. Today, we demonstrate how law enforcement authorities around the world can work across borders to identify and dismantle operations like this." Arrests and prosecution are ongoing.

The U.S. Postal Inspection Service was also a major contributor to a multi-agency task force investigation known as Operation Scallywags. The operation focused on the use of Express Mail to transport large quantities of cocaine from Puerto Rico to central Florida. Task force members determined

cash, 17 kilograms of cocaine, and more than 200 pounds of marijuana. Following are other examples of investigations by Postal Inspectors in FY 2007 related to illegal drugs seized from the mail.

Postal Inspectors are assigned to Operation Red Dragon, a joint law enforcement initiative aimed at stopping the importation of illicit chemicals used to make methamphetamine. Task force members dismantled 114 clandestine meth laboratories, including 20 in Arizona and others in Texas, New York, North Carolina, and several foreign countries. The operation, which began in August 2004, found that suspects used a Web site to sell, via the U.S. Mail, approximately 319,100 grams of red phosphorus and 45,950 grams of iodine to U.S. customers, providing enough

that some of the suspects were also involved in the purchase of high-powered firearms and several murders, including that of a pregnant woman. Postal Inspectors led several aspects of the investigation, including interdicting parcels in San Juan and Orlando that contained approximately 60 kilos of cocaine and executing several search warrants. Investigators believe the drug ring was responsible for shipping more than 300 kilos of cocaine through the U.S. Mail in the past year. The first round of arrests occurred on June 13, 2007, at which time 30 of 33 federal arrest warrants and five search warrants were successfully served. Several other suspects were arrested on state charges. Approximately \$138,000 in cash was seized, in addition to drugs, guns, and vehicles.

Global Security and Investigations



U.S. Mail now comprises nearly one-half of the world's total mail volume. As the U.S. Postal Service's presence in the global delivery marketplace expands, the U.S. Postal

Inspection Service has responded in kind. FY 2007 marked the introduction of the Postal Inspection Service's new office of Global Security and Investigations, charged with protecting U.S. Mail worldwide and postal revenue generated by international business development.

Staff and resources have been allocated to address work needed with international postal administrations to assure the security of U.S. Mail delivered to, and transiting through, other countries. In addition to protecting mail from fraud, Postal Inspectors focus their investigations on international mail theft, mailings of dangerous items, and illegal contraband.

Global Security and International Liaison

Postal Inspectors in the Global Security and International Liaison Division are assigned to the U.S. Postal Service's National Headquarters; Interpol's U.S. National Central Bureau at

Washington, DC; the Interpol General Secretariat in Lyon, France; and the International Bureau—Universal Postal

Union (UPU) in Berne, Switzerland.

In 2007, staff took action to improve the security of international mail dispatches. Postal Inspectors provided guidance to several postal administrations in Latin America on how to detect explosives and other prohibited items in the mail. The Postal Inspection Service was a forerunner in using portable X-ray equipment to detect mailed explosive devices and, based on the effort's overwhelming success, donated the equipment to the postal administrations of Honduras, Panama, Costa Rica, Bolivia, and the Dominican Republic. Postal Inspectors also provided hands-on training for personnel in those countries to operate the equipment.

Other efforts to improve international mail security focused on reducing the incidence of dangerous goods in the mail. Postal Inspectors shared their expertise with their international counterparts by sponsoring a variety of training initiatives. In FY 2007, Postal Inspectors coordinated a Postal Security Action Group Workshop, "Basic Mail Theft and Dangerous Goods," at the Asia Pacific Postal College in Bangkok, Thailand, for 26 postal security representatives from the Asia Pacific Region. Participants arrived from 15 countries, including Brunei, Cambodia, Hong Kong, India, Iran, Laos, Malaysia, Maldives, Nepal, Pakistan, Philippines, Sri Lanka, Solomon Islands, Thailand, and Vietnam, and included 18 students attending a U.S. Postal Service course for managers.

Postal Inspectors offered instruction in how to investigate mail theft, respond to incidents of suspicious and dangerous material in the mail, and develop and implement Continuity of Operations Plans, which are structured emergency plans for postal administrations. A training highlight was a presentation depicting the response by the Postal Inspection Service to secure postal employees, U.S. Mail, and postal assets in the aftermath of Hurricanes Katrina and Rita.

Postal Inspectors also work to support the goals of the Universal Postal Union and the United Nations Office on Drugs and Crime to reduce the trafficking of illegal drugs via the mail. Over the past fiscal year, Postal Inspectors provided training in drug detection and investigation for

postal officials in Dubai, United Arab Emirates, and Tripoli, Libya—regions that have experienced problems with illegal drugs smuggled through the mail.

Postal Security Action Group

Since 1997, the Postal Inspection Service has coordinated more than 50 mail quality assurance and airport security reviews in countries around the globe. The reviews are designed to

evaluate mail security procedures at airports and international offices of exchange, and identify opportunities to improve the security of mail service worldwide. Review teams identify “best practices” in the industry and share their findings through the Postal Security Action Group (PSAG) and the Universal Postal Union (UPU) Restricted Unions. The reviews also help postal administrations improve the security of international mail and allow team members to establish a professional network of airport coordinators, operations personnel, and stakeholders at all major international airports.

Postal Inspectors work closely with postal security experts from PSAG working groups and member postal administrations to conduct International Airport Quality Assurance and Airport Security Reviews. PSAG placed 12 major international airports, which serve as mail hubs, on three-year airport security review cycles. The airports are located in five major regions of the world, including Asia Pacific, Latin America, Europe, North America, and Africa. In FY 2007, Inspectors coordinated and conducted reviews in Paris, France; Johannesburg and Cape Town, South Africa; Singapore; La Paz, Bolivia; Mexico City, Mexico; Milan, Italy; and Los Angeles, CA.

Postal Inspectors also coordinated training on eMARIA, an international mail-loss reporting system, for the United States and four major world regions. Inspectors use eMARIA to quantify and identify losses of outbound, inbound, and transiting international mail. It supports the Postal Inspection Service’s work to ensure customer confidence by identifying international mail-loss trends, high-risk airports, and high-risk air travel routes for U.S. Mail.

The Postal Security Action Group and the UPU-Bucharest Congress have named eMARIA the official database of international mail irregularities and urge all 190 UPU member countries to use it. During FY 2007, Postal Inspectors conducted training for postal security, information technology, and postal employees in the United States, certain European countries, Asia Pacific, and Central and South America. Postal Inspectors share data from eMARIA with teams at international service centers related to incoming and outgoing international mail.

Interpol

The U.S. 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. Since then, Postal Inspectors have reviewed more than 3,900 cases to identify mail-related fraud, money laundering, child exploitation, and other crimes with a mail nexus for referral to Inspectors across the United States. The Assistant Directorship is responsible for managing agents from the U.S. Secret Service, U.S. Immigration and Customs Enforcement, Internal Revenue Service, and Environmental Protection Agency, as well as the U.S. Postal Inspection Service.

A Postal Inspector from the office of Global Security and Investigations is assigned to the Interpol General Secretariat in Lyon, France. In FY 2007, he led a database development project to streamline the processing of international police information and ensure timely and relevant responses to member-country inquiries. Project team members coordinate their work with the Interpol National Central Bureaus and national police agencies. The new system is expected to vastly improve Interpol’s ability to meet the law enforcement needs of all 186 member countries.

Partnership with the Mexican Postal Service

The Postal Inspection Service has a key role in the new partnership of the U.S. Postal Service and Servicio Postal Mexicano, the Mexican postal service commonly known as

Sepomex. The new arrangement lays a foundation for a seamless distribution network between the United States and Mexico designed to encourage and strengthen commercial exchanges. The U.S. Postal Service assists Sepomex in transforming its management structure and processes and reengineering its operations. In exchange, Sepomex will join the Postal Service in exploring and developing joint business opportunities and cross-border services.

A key component of the agreement is a collaborative effort to develop enhanced security procedures for all mail products. The Postal Inspection Service will support Sepomex in developing its own postal inspection agency, to include the selection, hiring, and training of Mexican postal

In August 2007, Chief Postal Inspector Alexander Lazaroff (left) and Mexican Secretary of Communications and Transport Luis Téllez shook hands on a new partnership between the U.S. Postal Service and Servicio Postal Mexicano that will strengthen postal services in Mexico and develop business opportunities for their respective countries.



inspectors. The partnership will build on an already established relationship between the two organizations. Last year, Postal Inspectors worked with Sepomex officials to coordinate the security of inbound registered mail dispatches from Mexico to U.S. gateway cities. Also, as part of Mexico's first-ever vote abroad campaign, the Postal Inspection Service provided technical assistance to Sepomex and the Mexican Federal Electoral Institute on how to protect the integrity of absentee ballots sent through the mail. The continued and expanded partnership is intended to improve security of the mail and service for citizens in the United States and Mexico.

Global Investigations

The Global Investigations Division comprises Postal Inspectors assigned to the U.S. Postal Service's National Headquarters in Washington, DC, and at international mail

centers in Miami, Los Angeles, San Francisco, Chicago, and New York. Global Investigations staff focused on international mail theft cases in FY 2007 to protect postal money orders from overseas fraudsters and U.S. Postal Service products from cyber crimes.

International Investigations

In 2007, Postal Inspectors assigned to the Postal Service's five international service centers worked on mail theft cases traced to 16 countries, including Canada, Hong Kong, Japan, Togo, South Korea, Vietnam, China, Greece, Australia, Bolivia, Ecuador, Panama, Liberia, East Asia, Kyrgyzstan, and Russia.

One of the group's most significant achievements over the past fiscal year was the Global Counterfeit Initiative, which resulted in the largest seizure of counterfeit checks and money orders in Postal Inspection Service history. Between January and August 2007, Postal Inspectors and other agents seized more than 540,000 counterfeit checks and money orders valued at more than \$2.1 billion.

The Global Counterfeit Initiative was formed to pro-

tect the integrity of postal money orders and other financial instruments targeted by overseas criminals. Global Investigations staff coordinated a task force of more than 200 Postal Inspectors, officials from other U.S. law enforcement agencies, and officials from international law enforcement agencies in Canada, Nigeria, the United Kingdom, and the Netherlands.

The multi-pronged campaign included extensive consumer-awareness actions by the financial services industry, eCommerce companies, global couriers, global law enforcement groups, international stakeholders, investigative intelligence, domestic and international law enforcement agencies, and financial industry representatives.

Postal Inspectors and their domestic and international counterparts conducted interdictions of counterfeit checks and money orders arriving in the United States, Canada, London, and Nigeria. The Postal Inspection Service joined with London's Serious Organized Crime Agency to attack the source of the counterfeit documents through joint investigations, shared intelligence, combined fraud data, and coordinated interdictions to seize counterfeit financial



Inspector in Charge of Global Investigations Greg Campbell announced the results of the Global Counterfeit Initiative at a press conference in Washington, DC, in FY 2007. Between January and August 2007, Postal Inspectors and other agents seized more than 540,000 counterfeit checks and money orders valued at more than \$2.1 billion.

instruments coming from Nigeria and other West African countries. From July 17 through August 17, 2007, Global Investigations staff assigned 10 Postal Inspectors to work with British agents in Nigeria on interdictions approved by the Economic and Financial Crimes Commission. In a 21-day interdiction, Postal Inspectors and other agents pulled more than 15,000 counterfeit checks and money orders from the mailstream in Lagos, Nigeria. The initiative also led to the takedown of two cyber cafes in Nigeria and 16 related arrests. Together with other federal law enforcement actions around the world, the initiative resulted in the seizure of 540,000 counterfeits valued at more than \$2 billion, and more than 70 related arrests.

On October 3, 2007, Postmaster General John Potter, U.S. Representative Danny Davis, Assistant U.S. Attorney General Alice Fisher, representatives from the Alliance for Consumer Fraud Awareness, and several international law enforcement agencies launched the largest fraud-prevention campaign in the history of the Postal Inspection Service. The campaign is described in detail in the Consumer Education and Fraud Prevention section of this report.

Europol

In FY 2007, the U.S. Postal Inspection Service established a temporary presence at Europol in The Hague, Netherlands. Europol is the European Union Police office that supports the law

enforcement community and promotes intelligence-led policing. It is a multicultural and multi-agency organization with members from 27 countries. Europol assists the law enforcement authorities of the European Union in the fight against serious organized crime.

Between March and September 2007, the Postal Inspection Service's Liaison Officer at Europol responded to 26 requests for information from Postal Inspectors conducting investigations in the United States. Based on the Postal Inspection Service's success in coordinating criminal investigations with its counterparts at Europol over the past fiscal year, the Department of State for the U.S. Embassy at The Hague authorized a Postal Inspector to be assigned there on a permanent basis.



Postal Inspectors traveled to Lagos, Nigeria, to work with local authorities from the Economic and Financial Crime Commission. They are shown here at a Nigerian postal facility (NIPOST), one of the interdiction sites where officials seized counterfeit checks and money orders from mail destined for the United States.

Mail Theft and Violent Crime



Mail Theft

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

intended. When 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 703 million pieces of mail travel across the country. Mail is delivered to about 146 million addresses six days every week. 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 213 billion pieces of U.S. Mail are delivered yearly to mailboxes, apartment mailbox panels, Post Office boxes, neighborhood delivery units, and 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 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 such—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 take preventive measures to help protect and educate postal employees and the public about mail theft.

Volume Attacks

The Postal Inspection Service devotes significant resources to 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 postal employees and customers.

Protecting and securing the U.S. Mail is integral to the mission of the Postal Inspection Service. Postal Inspectors are pleased to report that customers’ confidence in the mail is justified, as volume mail attacks were down nearly 36 percent from last year, when 5,536 volume attacks were recorded. Inspectors aggressively investigate these thefts and work closely with the Postal Service’s Engineering, Collection, and Delivery offices to develop and install neighborhood delivery units with stronger security features.

The American public depends on Postal Inspectors to identify and arrest mail thieves. In FY 2007, Postal Inspectors arrested 3,306 suspects for mail theft and, in the same period, 2,927 mail theft suspects were convicted of such charges.

Following are examples of volume mail thefts investigated by Postal Inspectors in FY 2007.

- Postal Inspectors initiated an investigation of a mail theft ring in December 2006 after learning that collection boxes had been stolen in San Bernardino, CA, and neighboring cities. Connected to the thefts were complaints from people who had suffered fraudulent transactions on their financial accounts after depositing mail into collection boxes in front of the Colton, CA, Post Office. Postal managers discovered that the upper part of the collection boxes had been blocked to trap mail inside and place it within reach for retrieval. Inspectors developed a suspect who was a recidivist mail thief recently released from prison. In March 2007, Postal Inspectors apprehended the thief following a high-speed chase after seeing him steal mail from collection boxes in front of the Colton Post Office. Inspectors have since arrested six other suspects for

AREA

Inspectors arrest DVD thief

On March 19, a box section clerk pled guilty in federal court to stealing mail.

Last August, a task force of Houston Division Postal Inspectors arrested the clerk for stealing DVD movies from the mail at the Houston P&DC. The task force was formed in June 2006 to combat the growing number of losses reported to the Inspection Service. This clerk is the third employee to be arrested by the task force, which focused its investigations on DVD thefts at P&DCs in the Houston District.

The clerk was observed placing DVDs into a plastic grocery bag after his shift ended, and was taken into custody in the parking area. The grocery bag—containing 122 DVD movies inside their mailing envelopes—was recovered from inside his vehicle. When interviewed, the clerk admitted stealing DVD envelopes from the mail for approximately a year. He also said that he had two boxes of stolen DVD movies at his residence.



Postal Inspectors with recovered DVDs stolen from the mail are, from left: Tony Tomasino, Rickey Welborn, Rich LaBoda, Loretta Tenowich and Mike Castillo.

A search of his residence yielded a total of 8,177 DVD movies, with a dollar value of more than \$117,000.

participating in the scheme.

■ In July 2007, Postal Inspectors arrested the alleged leader of a mail theft ring who was responsible for at least four postal vehicle attacks and multiple incidents of mail theft in San Juan, PR. The seven-member gang stole mail from vehicles on the first of every month, starting in October 2006. Postal Inspectors executed three federal search warrants and recovered evidence associated with the thefts.

■ Postal Inspectors arrested two suspects in July 2007 after catching them on a surveillance video stealing mail from apartment mailboxes in Dallas, TX. Following the arrest, Inspectors executed a federal search warrant on the suspects' home and seized more than 500 pieces of stolen mail, 100 credit and debit cards, fake driver's licenses, and other fake IDs.

Other examples of mail theft investigated by Postal Inspectors in FY 2007 follow.

■ A federal grand jury in Georgia returned a 29-count indictment in March 2007 against three suspects for using unauthorized access devices, stealing mail, and receiving stolen mail. Postal Inspectors found that, between January and February 2007, the suspects took mail from residential mailboxes in Savannah to obtain financial information. They used the stolen information to open new accounts and take over victims' accounts. Inspectors have identified approximately 40 victims.

■ In October 2006, the leader of an organized mail theft ring was indicted following a nine-month investigation by Postal Inspectors. Inspectors had received reports that checks were stolen from collection boxes in Glenview, Barrington, Arlington Heights, and Palatine, IL. The ring-leader was reputedly skilled at creating counterfeit Postal Service arrow keys, using stolen locks as a template. The leader recruited ring members to use the counterfeit keys to steal mail, and had others negotiate counterfeit checks that were created from the contents of stolen mail. Inspectors executed a search warrant on the suspect's home and seized 16 counterfeit keys and three postal locks. Losses are estimated at \$500,000 or more.

■ In July 2007, 14 suspects in Oklahoma were indicted on 15 counts related to the possession of stolen mail. The indictment culminated an eight-month investigation by Postal Inspectors and agents from the U.S. Secret Service of a mail theft ring operating in eastern Oklahoma and western Arkansas. The ring allegedly stole mail from residential mailboxes and used information from the stolen items to manufacture counterfeit checks. Victim losses are estimated to total about \$140,000.

Mail Theft by Contractors

The U.S. Postal Service contracts the movement of some of the nation's mail to businesses that work conscientiously to aid postal employees in delivering mail to its

proper destinations. These individuals, like postal employees, take their responsibilities seriously. Unfortunately, a small percentage of contractors abuse the public's trust. The U.S. Postal Inspection Service is charged with investigating and identifying those who steal mail, and take steps to have them prosecuted and their contracts terminated. In FY 2007, Postal Inspectors' investigations of mail theft by contractors resulted in 181 arrests and 144 convictions.

The following are examples of contractor mail theft investigations by Postal Inspectors in FY 2007.

- Postal Inspectors arrested a Duluth, MN, man who was indicted on charges of mail theft in March 2007 by a federal grand jury. As a contract driver for a third-party freight carrier, he transferred mail from a major mailer's warehouse in Wisconsin to area Post Offices. A national sporting goods chain reported to Postal Inspectors it had lost numerous shipments, and Inspectors found similar merchandise on sale at a pawnshop in Duluth. The pawnshop manager told Inspectors that a uniformed man was pawning large quantities of new items. After a surveillance of the suspect, Postal Inspectors executed a search warrant at his home and seized a large amount of stolen merchandise, including 45 unopened parcels. The suspect confessed he had been stealing parcels from the U.S. Mail since October 2005, resulting in losses to mailers of at least \$90,000. On August 9, 2007, he was sentenced in federal court to a one-year prison term and terminated from his employment.

- Postal Inspectors in Memphis, TN, and investigators from FedEx identified six FedEx employees for allegedly rifling mail containing greeting cards. Four other employees apparently witnessed the activity but failed to report it. A total of 11 FedEx employees were terminated from their jobs, and federal prosecution was authorized for the six who rifled and stole the contents of U.S. Mail.

Identity Theft

Identity theft occurs when a criminal steals someone's identifying information, such as a name, date of birth or Social Security number, and uses it to fraudulently apply for credit or take over someone's credit or bank accounts. When identity theft involves the U.S. Mail, Postal Inspectors have investigative jurisdiction. In fact, the Postal Inspection Service is the lead agency in investigating incidents of identity theft when criminals misuse the

FIGHT BACK AGAINST IDENTITY THEFT

DETER
Deter identity thieves by safeguarding your information.

DETECT
Detect suspicious activity by routinely monitoring your financial accounts and billing statements.

DEFEND
Defend against ID theft as soon as you suspect it.

DETER · DETECT · DEFEND

AVOID THEFT
www.ftc.gov/idtheft

FEDERAL TRADE COMMISSION U.S. POSTAL INSPECTION SERVICE

nation's postal system to defraud the American public.

In response to the heavy financial and emotional toll suffered by victims and the severe burdens placed on the economy, President George W. Bush signed an Executive Order on May 10, 2006, creating the nation's first-ever Identity Theft Task Force. The task force comprises 17 federal agencies and departments, including the U.S. Postal Service. Co-chaired by the U.S. Attorney General and the Federal Trade Commission (FTC) chairman, the task force marshals the resources of several federal agencies to crack down on criminals who traffic in stolen identities and protect Americans from this devastating crime. Four working groups were formed to tackle identity theft from different perspectives. The Postal Inspection Service participates in two of them.

On April 23, 2007, the Attorney General and FTC chairman announced the completion of the *Strategic Plan of the President's Identity Theft Task Force*, the result of an

unprecedented federal effort to formulate a comprehensive and coordinated proposal to attack this widespread and destructive crime. The plan focuses on methods of improving the effectiveness of criminal prosecutions of identity theft; enhancing data protection for sensitive consumer information maintained by the public sector, private sector, and consumers; providing more comprehensive and effective guidance for consumers and the business community; and improving recovery and assistance for consumers.

The Postal Inspection Service will continue to help implement the 31 major recommendations of the *Strategic Plan* that target the full cycle of identity theft, including acquiring sensitive consumer data, tracking the misuse of personal data, investigating and prosecuting criminals, helping with the recovery of victims, and providing recommendations for various sectors of the economy. One recommendation was to create or make use of interagency working groups and task forces devoted to identity theft.

The Postal Inspection Service is the lead agency, or acts as co-lead, for 19 Financial Crimes Task Forces and working groups. Twelve task forces are funded by the Mail Theft and Violent Crimes Group of the Postal Inspection Service. Postal Inspectors made 834 arrests and assisted other law enforcement agencies with 81 arrests, and task force members forfeited \$880,130 as of September 2007. Task force members also delivered 95 or more presentations to various consumer groups to educate them about how to protect people from identity theft.

The American public depends on Postal Inspectors to identify and arrest identity thieves. In FY 2007, Postal Inspectors arrested 2,071 suspects and, in the same period, 1,511 identity thieves were convicted.

Following are examples of identity theft cases investigated by Postal Inspectors in FY 2007.

- In June 2007, six suspects in Alexandria, VA, were indicted on 12 counts, including conspiracy, financial crimes enterprise, and mail fraud. Postal Inspectors alleged the suspects used approximately 35 identities to fraudulently obtain 200 credit cards and open at least 60 bank accounts. Inspectors executed nine federal warrants and seized numerous documents related to the scheme. Losses are estimated at \$8 million.

- Five Lebanese nationals were indicted in June 2007 in Los Angeles, CA, on 14 counts related to access-device fraud, misuse of a Social Security number, bank fraud, and aggravated identity theft. Postal Inspectors alleged the suspects defrauded at least eight banks. They used more than 500 fraudulently obtained credit cards to open more than 35 bogus personal accounts and 12 merchant accounts. Losses exceeded \$2.8 million.

- Postal Inspectors arrested a man in May 2007 in New York, NY, on charges of wire fraud related to a mortgage-fraud scheme. He used stolen identities to obtain refinancing loans totaling about \$1.1 million for two real estate properties owned by other people. Inspectors later found the man had committed a similar crime years earlier, when he sold a woman's home for \$300,000 in cash without her knowledge.

- After an investigation by the U.S. Postal Inspection Service, U.S. Secret Service and the Hialeah, FL, Police Department, eight suspects were indicted in June 2007 for an identity theft and access-device scheme. Two suspects allegedly used their home computers to steal credit reports from hundreds of victims and then sold the reports, which listed victims' names, Social Security numbers, and lines of credit. Others in the scheme assumed the identities of the credit card holders and requested replacement cards be mailed to a designated address. The suspects are believed to have charged items and made cash advances with the cards in south Florida. The ring is responsible for approximately \$400,000 in losses.

- On July 19, 2007, Postal Inspectors and other law enforcement agencies arrested 10 identity theft suspects, most of whom were from Kenya, and executed five search warrants. Six others were detained on immigration charges. The suspects allegedly stole identities from hundreds of victims, primarily elderly people in nursing homes, and used the information to file fraudulent federal and state tax returns. Attempted losses exceeded \$13 million and affected more than 27 states. The case began in January 2006, when Postal Inspectors received a call from the operator of a commercial mail receiving agency reporting that several men had leased numerous mailboxes to receive financial mail under a variety of names. Inspectors found the group had opened bank accounts in Kansas City in victims' names. When Postal Inspectors tracked money transferred to the accounts, it led them to one of the largest tax fraud cases ever uncovered in the Midwest, involving more than 365 fraudulent federal tax returns. Once Postal Inspectors discovered the scheme, the U.S. Attorney's Office, the Internal Revenue Service, U.S. Immigration and Customs Enforcement, and the U.S. Secret Service joined the investigation, which drew nearly 100 law enforcement officers from approximately 15 state and federal agencies. One suspect worked as a tax preparer, and seven others worked at nursing homes or hospitals in Kansas City, with full access to patient information. False refund claims ranged from \$4,000 to \$47,000. In conjunction with the federal claims statute, false returns to state taxing agencies were also filed, and those claims ranged from \$1,500 to \$20,000 per return. The proceeds were wired to Kenya.

Homicides, Assaults, and Threats

The U.S. Postal Inspection Service is committed to ensuring employee safety in the workplace. Postal Inspectors investigated 830 postal-related assaults and credible threats during

FY 2007, down from 950 in the previous fiscal year, and arrested 331 suspects. Postal Inspectors seek prosecution in assault cases when appropriate.

To ensure that its employees have a safe and healthful place to work, the U.S. Postal Service employs several proactive strategies and tools for reducing workplace violence. Integral to this effort are its Threat Assessment Teams (TATs), which operate at each postal district. TATs use a cross-functional, multidisciplinary approach to assess and manage risks, help reduce incidents of inappropriate behavior, and resolve conflicts.

Postal Inspectors work closely with TAT members at each district to prevent violence in the workplace. In addition to conducting investigations, they serve as advisors to the teams by assisting them in assessing situations, determining the risk of violence, and developing risk-abatement plans.

Another prevention strategy used by Postal Inspectors, as well as postal supervisors, are “stand-up” talks, during which they visit postal facilities to address employees on violence prevention. In FY 2007,

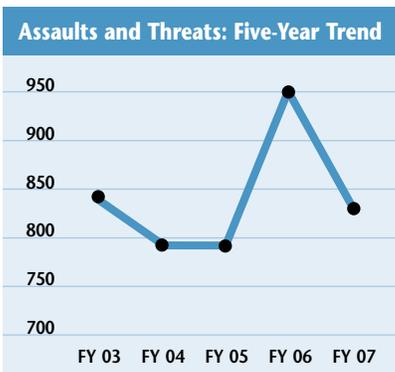
the Postal Inspection Service produced a video titled “Workplace Violence: Stop it Before it Happens” as an additional tool to help employees learn how to resolve conflicts before they escalate to violence. Postal Inspectors will present the DVD during future talks with employees.

Following are examples of assault investigations conducted by Postal Inspectors in FY 2007.

On June 12, 2007, the U.S. Postal Inspection Service presented Certificates of Appreciation to members of the Stark County Prosecutor’s Office for their successful prosecution of Marcellus Tyrell Hudson and Traynal Lenone Sherrell in the homicide of U.S. Postal Service Letter Carrier Jennifer Milburn on October 19, 2006. Detective Sergeant Victor George from the Canton Police Department also received an award for his outstanding investigative work. Jennifer Milburn was standing on the porch of a residence, delivering mail, when she was struck in the head by a stray bullet during a drug-related dispute. Postal Inspectors provided testimony at trial and worked with Canton police to conduct numerous interviews, execute search warrants, arrest suspects, and support the victim’s family during the trial. Hudson was sentenced in May 2007 to a prison term of 18 years to life for his role in the shooting, and Sherrell received a five-year prison term for impeding an investigation.

■ Two former mail handlers were convicted in the U.S. District Court of Maryland of assaulting a federal employee on duty and inflicting bodily injury. The former mail handlers, who are brothers, attacked an acting manager of distribution operations (MDO) at the Incoming Mail Facility, Linthicum, MD. The acting MDO had been called when the brothers became verbally abusive to a supervisor who had instructed one of them to return to his work assignment. The brothers physically assaulted the acting MDO and another mail handler who came to the aid of the female supervisor. Prior to leaving the facility, the brothers threatened to return with guns. Postal Inspectors, Postal Police Officers, and Anne Arundel County Police responded to the facility and conducted a surveillance to locate the suspects. Inspectors worked with the U.S. Attorney’s Office of the District of Maryland to obtain a federal indictment against the brothers. One brother entered a guilty plea on July 26, 2007, and the other was convicted after a four-day trial on August 2, 2007.

■ A man was charged with making criminal threats after threatening to harm his wife, who is a postal employee, her family and co-workers. He also threatened to set fire to the Post Office. Postal Inspectors and Los Angeles police conducted a joint investigation. During questioning, the man admitted to the crime, and a receipt for a 12-gauge Remington shotgun, purchased the day after he made the threats, was recovered during a search of his



vehicle. Also recovered was a notebook containing references to killing people and having no feelings about it. A protective order was issued, barring the suspect from purchasing firearms or going within 100 yards of the Encino, CA, postal facility. Postal Inspectors obtained evidence that resulted in four additional counts of criminal threats. During a preliminary hearing on June 14, 2007, the judge ordered him held on a \$2 million bond.

Robberies

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

Postal Inspectors in all parts of the country

receive expert training on how to safeguard employees and facilities against criminals, but the U.S. Mail and Post Offices likely will remain compelling targets for larceny.

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

Statistics for robberies that occurred in the past two fiscal years are shown in the chart below.

Robberies in FY 2006 and FY 2007*								
Robberies	Facility		Carrier		Other		TOTAL	
	FY 06	FY 07						
with physical injuries	2	3	4	6	1	0	7	9
with death	0	0	0	0	0	0	0	0
without physical injury	30	30	21	11	12	41	63	82
TOTAL	32	33	25	17	13	41	70	91

* FY 2006 statistics were adjusted to align with new reporting requirements in FY 2007.

Postal Inspectors aggressively investigate postal robberies and attempted robberies. Following are examples of robberies investigated by Inspectors in FY 2007.

■ A Maryland man was sentenced in August 2007 to 22 years in prison and was ordered to pay \$88,520 in restitution to the U.S. Postal Service. Postal Inspectors proved he

committed the following crimes: robbery of the North College Park Post Office, robbery of the Congress Heights Post Office, armed robbery of a Postal Service motor vehicle services (MVS) driver at the Congress Heights Post Office, and the armed robbery of an MVS driver at the Oxon Hill Post Office. The man also attempted the armed robbery of a Dunbar armored truck delivering money to a Bank of America branch in Silver Spring, MD, during which he wore a postal uniform.

■ A man was sentenced in June 2007 to 70 months in prison and three years' supervised release for the armed robbery of the Norland, FL, Post Office. The man and an accomplice were convicted for the March 2007 armed robbery. During a post-conviction proffer session with Postal Inspectors, the man also admitted to prior thefts from the Miami General Mail Facility in 1995. He was the primary suspect in that investigation but was never charged.

■ A highway contract route (HCR) driver was robbed on January 31, 2007, while picking up mail at the Benton, MS, Post Office. The suspect fled with four remittance bags. Postal Inspectors developed a suspect after concentrating their investigation on former and current employees and contractors familiar with the HCR route. When confronted with the evidence, the suspect admitted he had robbed the driver because he needed money. He was arrested by Postal Inspectors in March 2007 and convicted in August 2007.

■ Two men were indicted in June 2007 by a federal grand jury in Charleston, SC, on a seven-count indictment charging them with the May 12, 2007, armed robbery of the Seabrook Post Office and use of a dangerous weapon to commit the crime. Both men were incarcerated at local county detention centers and held without bond.

■ The Southwest Station Post Office in Jackson, MS, was robbed at gunpoint on May 25, 2007. Postal Inspectors received a tip from someone who saw the reward poster distributed throughout the area. Inspectors arrested a suspect on June 26, and the man was held without bond following an initial appearance before the magistrate judge.





No More Trouble: Postal Inspectors Nab Postal Burglar

U.S. Postal Inspectors received a report from a supervisor in June 2007 that someone had broken into Post Office Boxes in the 24-hour lobby of Arlington Station in Riverside, CA. Postal Inspectors responded and installed covert cameras in hopes of catching the criminal. After the station was hit again in August and October, Inspectors were able to identify a suspect from the video. A woman appeared to be prying open the boxes with a screwdriver and removing mail.

Postal Inspectors distributed a wanted poster with photos from the surveillance tape in hopes of catching the suspect. Sure enough, a detective from the Riverside Police Department called Inspectors on October 30 to report that convicted felon Yvonne Rose Flores, who lived down the street from the Arlington Station, matched the photos. Flores was on probation for theft.

Postal Inspectors interviewed Flores while executing a search warrant at her home on November 1. They arrested her after she admitted to breaking into Post Office Boxes at least five times to steal mail containing checks, and said someone named "Michael" paid her \$20 for each stack of mail or checks she produced. When she saw her picture on the wanted poster, she told Postal Inspectors the T-shirt in the photo read "I AM TROUBLE." On November 27, 2007, Yvonne Rose Flores pled guilty to one count of burglary.

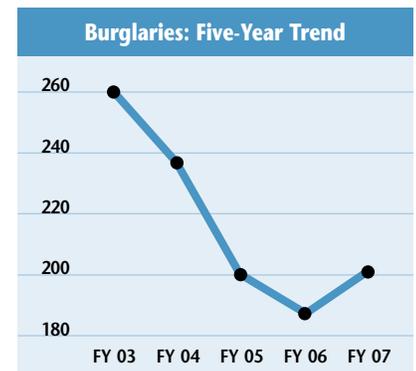
Burglaries

Postal Inspectors in FY 2007 reported 201 burglaries at postal facilities nationwide. Because of increased security and aggressive investigations, roughly 97 percent of burglaries in the past fiscal year resulted in minor losses of less than \$1,000.

Following are examples of postal burglaries investigated by Postal Inspectors in FY 2007.

■ A man pled guilty in May 2007 on charges related to the burglary and arson of the Golden Gate, IL, Post Office. On February 16, 2007, the man and an accomplice broke into the Post Office and then set it on fire to conceal the crime. The Post Office was located in a leased building and was deemed a total loss. The suspect was sentenced to 10 years in prison for the burglary and seven years' imprisonment for the arson. His accomplice was sentenced to 16 years in prison.

■ The Etna, ME, Post Office was burglarized the weekend of November 4, 2006. Postal Inspectors recovered blood from the scene, which was taken to the Maine State Police Crime Lab for DNA analysis. On November 20, a home-invasion crime occurred in the nearby town of Newburgh, and a man arrested for the crime was placed in custody of the Maine State Prison. When the suspect submitted a mandated blood sample, DNA analysis confirmed his blood matched that found at the scene of the Post Office burglary. On August 1, 2007, Postal Inspectors arrested the man, who was indicted for burglary of the Post Office.



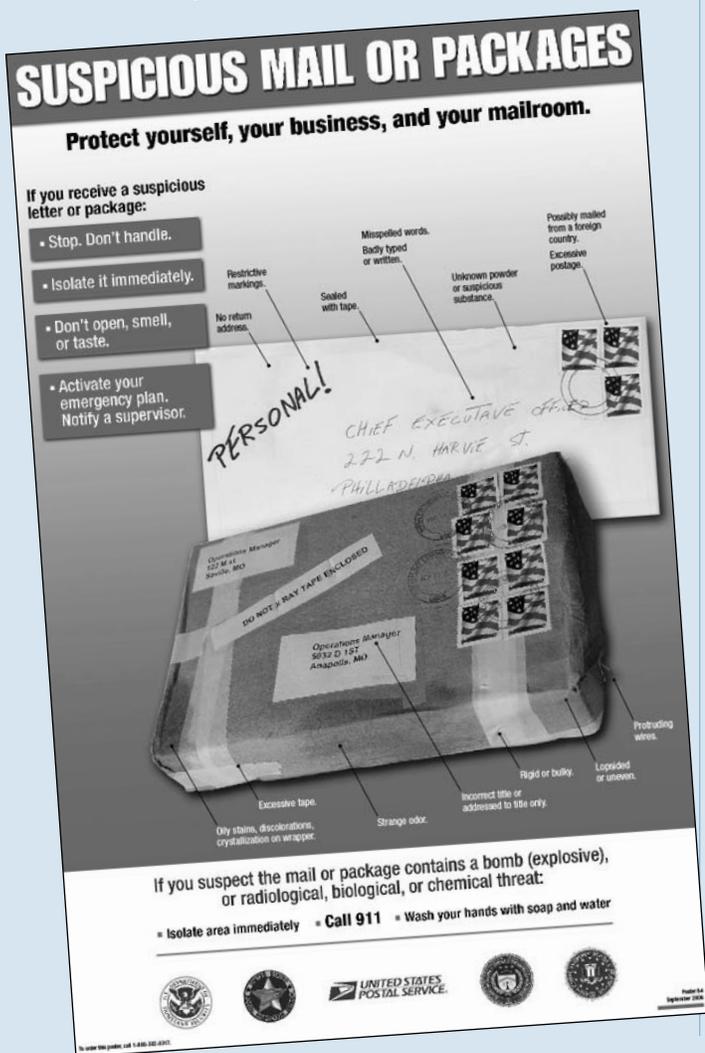
Dangerous Mail



The Dangerous Mail Group of the U.S. Postal Inspection Service develops protocols for and coordinates responses to reports of alleged or suspected dangerous items in the mail or at mail facilities. Postal Inspectors across the country respond to the incidents, resolve alleged and actual threats, and conduct investigations of the incidents and any related criminal activity.

Dangerous mail refers to mail containing explosives or biological, chemical, or radiological substances. Postal Inspectors receive specialized training and equipment to address these threats to the mail system and to the employees and customers who use it.

The Dangerous Mail Group partners with other agencies in the homeland security community and assists with national security programs. Postal Inspectors are assigned to full-time positions with the FBI's National Joint Terrorism Task Force and the Department of Homeland Security's National Operations Center. Postal Inspectors are also active participants in numerous homeland security and law enforcement working groups, including the federal Interagency Intelligence Committee on Counterterrorism and the National Counterterrorism Center. Furthermore, Postal Inspectors represent the Postal Service on the Postal & Shipping Sector Coordinating Council, one of 17 private sector councils under the Department of Homeland Security.



Biological or Chemical Hazards in the Mail

In FY 2007, the U.S. Postal Inspection Service responded to 3,049 incidents nationwide involving unidentified suspicious powders and liquids reported by postal employees, customers, or other

federal agencies. The unidentified substances were found in the Postal Service's critical infrastructure, at postal facilities, or in the U.S. Mail. Postal Inspectors' investigations of

such incidents resulted in 17 arrests in FY 2007. While the overwhelming majority of incidents are nonhazardous, the response by Postal Inspectors ensures that countless postal facilities are kept open rather than evacuated, resulting in fewer lost workhours, better productivity, and improved delivery standards.

Field-Screening Equipment for Unidentified Substances

Beginning in May 2005, the Postal Inspection Service began purchasing and deploying throughout the country the most advanced equipment of its type to perform screening for a wide

variety of unidentified substances in the mail. By fiscal year-end 2007, 153 sets of equipment had been deployed, and the Dangerous Mail Group had completed training and certification in threat assessment and the use of the field-screening equipment for more than 300 Postal Inspectors and Dangerous Mail Specialists nationwide.

Postal Inspectors use screening equipment, along with established threat-assessment protocols, to check mail and mail facilities for suspected unidentified substances. They determine whether the substances are hazardous and could pose a threat to postal employees, customers, or facilities. In FY 2007, Postal Inspectors used screening equipment during 1,409 of their responses, although they responded to 3,049 reports of potential incidents. In all 1,409 incidents where Postal Inspectors conducted screenings, the suspected substances were identified as nonhazardous material such as talcum powder or detergent.

The screening program has proven to be overwhelming successful, not just by improving employees' assurance of safety in the workplace but by keeping postal facilities open and the mail moving. The Postal Inspection Service therefore expanded its deployment of screening equipment and with it the training and certification of Postal Inspectors and the continued education of employees on

safety protocols. Over the past fiscal year, Postal Inspectors delivered more than 843 educational seminars to employees, media outlets, and other law enforcement and government agencies addressing mail safety and handling protocols.

The results have been dramatic: Postal Inspection Service efforts reduced the number of unnecessary postal facility evacuations by 14 percent from the same period last year. The change translated to reductions in lost workhours, in delayed mail, and in operating costs associated with evacuations. Further, unnecessary requests for emergency responses by local first responders were eliminated, freeing responders to be available in the event of other emergencies.

Explosive Devices in the Mail

During FY 2007, Postal Inspectors responded to 1,360 incidents of suspicious mail and items found in postal facilities or equipment, explosives placed in private mail receptacles,

and hoax devices. Their investigations resulted in 72 arrests and 50 convictions. Most of the incidents involved false alarms or items inadvertently left behind by customers. The remainder involved hoax devices or homemade explosives used to vandalize mailboxes.

Mail bombs are exceptionally rare. In FY 2007, Postal Inspectors investigated four incidents involving improvised explosive devices (IEDs) sent via the mail. None of the devices exploded or caused injury. Beginning in late January 2007, two IEDs were mailed to securities dealers by a suspect known as "the Bishop." The case prompted extensive national media attention. Detailed information regarding the devices, related threats, and other clues were shared with the media in an effort to help protect the public from such devices and to solicit tips on possible suspects.

Postal Inspectors in Dubuque, IA, arrested John Patrick Tomkins, aka the Bishop, on April 25, 2007, on charges related to mailing an explosive device and later executed search warrants at Tomkins' home, vehicle, and

storage lockers. Tomkins appeared before U.S. Magistrate Judge Schenkier for a detention hearing and was remanded to federal custody. Tomkins was indicted in September 2007 on 10 counts of securities fraud, two counts of mailing a threatening communication with intent to extort, two counts of possession of an unregistered destructive device, and one count of using a destructive device while committing a violent crime.

The following paragraphs highlight similar investigations by Postal Inspectors over the past fiscal year.

■ On June 6, 2007, Donald Wayne Schamber was arrested at the federal courthouse in Springfield, MO, after confessing to Postal Inspectors he had built a parcel bomb and placed it in a collection box in West Plains on May 31, 2007. Schamber explained he was trying to set up his ex-wife's husband as the mailer of the explosive device. He stated the batteries in the device were dead and the device would not have worked. He imprinted his ex-wife's husband's name on the outside of the parcel, assuming that law enforcement authorities would find the indented writing and focus their investigation on the husband. Schamber also placed a receipt, bomb components, and other evidence on the man's property. Schamber was transported by Postal Inspectors to the federal courthouse in Springfield and remanded to the custody of the U.S. Marshals Service.

■ David Manuel of Sioux Falls, SD, received a parcel in the mail on December 29, 2006, containing an improvised explosive device. He contacted police, and the parcel was rendered safe by the local bomb squad. An X-ray of the par-



Postal Inspectors responded at 6 p.m. on June 1, 2007, to a report of a suspected improvised explosive device, in the package shown here, at West Plains, MO. They had Donald Schamber in custody by 1 p.m. on June 4.

Mail Bomb Incidents: Five-Year Trend

	FY 03	FY 04	FY 05	FY 06	FY 07
Incidents	1	26	2	2	4
Explosions	0	6	0	0	0
Injuries	0	4	0	0	0
Deaths	0	0	0	0	0

cel revealed it contained a plastic container, a nine-volt battery, several wires, and metallic strips. David Manuel died from a terminal illness in May 2007. Postal Inspectors are working with the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to evaluate forensic evidence obtained during the investigation in hopes of identifying the person responsible for the mailing.

If a mail bomb detonates, the life and safety of those in the vicinity of the explosion are the first priorities of Postal Inspectors and other responders. Once these priorities have been addressed, Postal Inspectors secure the crime scene and process the area for evidence, which they submit to the Postal Inspection Service's National Forensic Laboratory for further analysis. Document and forensic experts examine postmarks, postage, handwriting, fingerprints, and any other evidence that could yield investigative leads. Postal Inspectors follow every lead to bring the mailers to justice.

Investigations of Unidentified Substances in the Mail

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

Postal Inspectors in FY 2007 responded to 3,049 incidents involving potentially hazardous substances. Postal Inspectors also responded to 1,360 incidents of explosive devices placed in private mail receptacles, hoax bomb devices, suspicious items found in postal facilities or equipment, and mailed explosive devices. They aggressively investigate even the threatened use of dangerous material in the mailstream.

Postal Inspectors arrested 146 suspects in FY 2007 for these crimes, and 113 convictions were reported during the same period. The following paragraphs highlight cases from FY 2007.

■ In November 2006, Blake R. Steidler was sentenced in Ohio federal court to four years and eight months in

prison and five years' probation, and was fined \$2,000 for mailing an explosive device. Steidler mailed his physician a package containing an explosive device in February 2005. He later changed his mind and called 911 for help in retrieving it from a collection box. The device was designed to ignite when the package was opened. Postal Inspectors in Philadelphia alerted Inspectors in Ohio and Chicago, who were trained as Dangerous Mail Specialists, to search for the parcel. They found it at the Postal Service's Youngstown, OH, Processing and Distribution Center, where it was rendered safe by the local bomb squad. No injuries or damage was reported.

■ On June 8, 2007, Leroy Shawn Selsor was sentenced to three years in prison and five years' supervised release for mailing a hoax threat to former governor of Arkansas and presidential candidate Mike Huckabee. The envelope contained a white powdery substance, which the letter claimed was anthrax and would cause the death of everyone in the office. The Pulaski County Sheriff's Office Hazmat Team arrived at the scene and tested the substance, which they identified as talcum powder. The envelope and the letter were seized as evidence by Arkansas State Police. Postal Inspectors interviewed Leroy Selsor, who was serving a sentence at the East Arkansas Detention Facility, and obtained his written confession to the hoax, after which Selsor was indicted and taken into federal custody. Selsor's sentence is consecutive and will begin after he completes the state sentence he is currently serving.

■ Following mandatory sentencing guidelines, 49-year-old Thomas G. Caraway was sentenced in federal court in Kansas in July 2007 to 30 years in prison and three years of supervised release. The sentence allows no time off for good behavior. In January 2004, Caraway directed his son to mail an improvised explosive device at a local Post Office. It was mailed to the boyfriend of Caraway's ex-wife. After delivery, the boyfriend opened the package in the house and detonated the device. He sustained nonlife-threatening injuries. Also present at the time was his young son, who fortunately was not injured.

■ An investigation by Postal Inspectors and ATF agents in Miami and Puerto Rico led to the September 2007 indictment of six suspects in Miami on charges of conspiracy to traffic in illegally obtained firearms and ammunition. The suspects were believed to be members of a ring that mailed illegally obtained firearms, including high-powered semiautomatic rifles and handguns, from Florida to Puerto Rico. The gang created fraudulent IDs and recruited people to act as "straw purchasers" of the firearms for shipment via the U.S. Mail and other carriers.

Homeland Security Initiatives

Respiratory Fit-Test Program

The U.S. Postal Service and the U.S. Postal Inspection Service continue to support the U.S.

Government Interagency Severe Acute Respiratory Syndrome (SARS) Concept of

Operations Plan and the Pandemic Flu program. The SARS Concept of Operations Plan details coordinated responses by the federal government to an outbreak of SARS. The Department of Health and Human Services (HHS) is the lead federal agency, with other groups providing supporting roles. The Postal Service also provides planning for and



To protect the infrastructure of the U.S. Postal Service, the Postal Inspection Service provided training on "Level B" personal protective equipment. The new equipment affords increased protection for Postal Inspectors who may need to enter highly hazardous situations to screen suspicious unidentified substances.

responding to an influenza pandemic.

The Dangerous Mail Group maintains a cadre of approximately 57 Postal Inspectors and Postal Police Officers who are trained as “respirator-fit testers” in support of the Pandemic SARS program. All Postal Inspectors, Postal Police Officers, and Postal Service medical staff—about 3,000 individuals—are equipped with and trained for respiration protection. The Postal Inspection Service’s program additionally provides personal respiratory protection to Postal Inspectors and Postal Police Officers for use in responding to other emergencies.

Mail-Screening Operations

Postal Inspectors and other law enforcement and security professionals conduct mail screening for explosives and other dangerous contents at public events seen as potential targets of domestic or international terrorists. In FY 2007, Postal Inspectors from four Postal Inspection Service divisions who are trained as DMI Specialists worked onsite to provide mail screening at the 2007 PGA Tour at Atlanta, GA; the Super Bowl in Miami, FL; a PGA Tour in Miami; at the U.S. Golf Association Open in Oakmont, PA; and the 2007 Major League Baseball All-Star Game in San Francisco, CA. Significant planning is already underway for the 2008 Democratic and Republican national conventions.

Homeland Security Exercise

From October 15 through 19, 2007, the U.S. Postal Inspection Service participated in a multi-agency national preparedness exercise referred to as Top Officials. The exercise was the fourth segment of a series of congressionally mandated exercises administered by the Department of Homeland Security (DHS) and designed to strengthen the nation’s capacity to prevent, prepare for, respond to, and recover from large-scale terrorist attacks. This full-scale exercise simulated a response to a radiological dispersal-device attack.

More than 15,000 participants representing international, federal, state, local, and territorial entities took part in the exercise at venues in Arizona, Guam, and Oregon. At the federal level in Washington, DC, the Department of State coordinated activities with the United Kingdom, Canada, and Australia—all full international partners in the exercise. The Postal Inspection Service also worked directly with its federal partners, including the Department of Justice, Department of Homeland Security, the Department of Energy, the Department of Health and Human Services, the Federal Emergency Management Agency, and the Environmental Protection Agency.

Incident Master Software

To face the challenge of managing major incidents that could affect the U.S. Postal Service’s infrastructure or the U.S. Mail, the U.S. Postal Inspection Service continues to train personnel in the use of Incident Master Software. The Postal Inspection Service integrated its critical-incident reporting system with Incident Master Software and trained more than 90 U.S. Postal Inspection Service personnel in its use. Incident Master Software fully supports Incident Command System protocols and can be quickly deployed to provide facility and event security, as well as disaster preparedness and recovery.

National Preparedness



The U.S. Postal Service reorganized its office of National Preparedness in FY 2007 and placed it under

the U.S. Postal Inspection Service. Respon-

sibilities for the newly restructured office

include incident management, infrastructure protection, aviation mail security, preparedness for public health, and emergency performance measurement—all key activities in preparing for, responding to, and assisting with recovery from major incidents affecting postal employees and operations.

The reorganization broadened the Postal Inspection Service's base in emergency preparedness operations with the addition of 81 homeland security coordinators, nine national preparedness managers, and an executive director of national preparedness. A homeland security coordinator was assigned to each postal district and a national preparedness manager was assigned to each postal area. The coordinators and managers are responsible for

overseeing and implementing emergency- and national-preparedness programs for the Postal Service and working with aviation security, physical security, and homeland security agencies across

the country. Coordinators and managers will prepare, evaluate, and monitor risk assessments to ensure the safety and security of postal employees and assets, and to minimize overall security risks for the Postal Service.

Natural and Manmade Disasters

Postal Inspectors respond to a wide array of man-made and natural disasters that can affect postal operations across the country. The disasters may range from train, plane, or vehicle accidents—which may expose mail to security risks—to raging floods or tropical storms that can destroy mail, close postal facilities, and endanger employees and customers. Postal Inspectors immediately respond to the scene of the incident and provide security guidance to postal managers, ensuring that postal employees are safe from harm and postal infrastructures are secure and, if at all possible, operational.

Postal Inspectors responded to 40 emergencies in FY 2007 related to hurricanes, floods, and other incidents. National Preparedness staff coordinated the deployment of support equipment and supplies and assisted with damage assessments and recovery, including hazardous and toxic material removal. To strengthen operational security measures, Postal Inspectors conducted more than 7,269 Security Assessment reviews at postal facilities nationwide. The reviews are designed to protect postal employees, customers, and assets. Staff reviewed compliance with procedures for building and vehicle security, as well as for handling accountable mail to local enforcement of employee identification card requirements.

On February 8, 2007, at approximately 2:20 a.m. MST, a single-engine plane contracted to transport Express, Priority, and First-Class Mail from Omaha to Alliance, NE, crashed during its final approach to the Alliance airport. The pilot was critically injured but fortunately survived. The plane was carrying approximately 2,200 pounds of U.S. Mail. Postal Inspectors in Omaha were notified of the crash at 5:30 a.m. and immediately reported to the scene. They coordinated response actions with local first responders and agents from the Federal Aviation Administration and

The addition of the Emergency Preparedness function to the Postal Inspection Service adds a critical element to the Postal Inspection Service's ability to support the U.S. Postal Service. The melding of traditional law enforcement experience with the emergency preparedness role has created a new dimension of expertise held by no other federal law enforcement agency.

— Chief Postal Inspector Alexander Lazaroff

the National Transportation Safety Board, and provided security for the mail.

On at 9:45 p.m. on May 4, 2007, a tornado bringing winds of more than 200 mph hit Greensburg, KS, with a population of 1,700. The tornado demolished an estimated 95 percent of the town, including the U.S. Post Office, and the area was declared a natural disaster by President Bush. Twelve people died as a result of the tornado, and numerous others suffered injuries. Postal Inspectors responded to the area to assess damage to the Post Office and found it had been totally destroyed, with only a portion of the rear wall still intact. They recovered some mail, financial records, and official personnel folders of employees from the rubble. The safe was buried below several tons of rubble and could not be accessed. All employees from the Greensburg Post Office were accounted for and unharmed.

Emergency Response and Recovery

National Preparedness staff developed and deployed comprehensive emergency management plans

After a tornado demolished an estimated 95 percent of the town of Greensburg, KS, Postal Inspectors responded to the scene and found the Post Office was totally destroyed. They were able to report that all employees from the Greensburg Post Office were accounted for and unharmed.

to meet the requirements of the National Incident Management System, the National Response Plan, and Presidential Directives for Homeland Security.

National Preparedness staff provides an “all hazards” approach for prevention, preparedness, response, and recovery measures that address domestic terrorist attacks, major disasters, and other emergencies.

Staff from the National Preparedness group participated in more than 215 local and national emergency response tests in FY 2007 to assess the effectiveness of the Postal Inspection Service’s integration with other emergency response providers and to test local preparedness and continuity of operations plans. The activities are designed to improve coordination among Postal Service functional areas, minimize duplication of planning, and establish a standardized emergency management process for the Postal Service.



Cities Readiness Initiative

The U.S. Postal Service works with various local and state public health departments on the new Cities Readiness Initiative (CRI). CRI is a federally funded program designed to enhance the ability of public health departments to rapidly distribute life-saving drugs to communities during a bioterrorism event. The primary goal of CRI is to minimize the loss of life during a catastrophic public health crisis.

The U.S. Postal Service gives public health departments the option of using letter carriers to deliver life-saving medication to the public in the event of a national health epidemic. The Postal Inspection Service is responsible for developing CRI security plans, providing security in the event this option is exercised, and coordinating its plans with partner law enforcement agencies.

On June 24, 2007, members of the Philadelphia Police Department and Postal Inspectors escorted letter carriers on their routes during a mock bioterrorism exercise. The exercise was part of a multi-agency drill staged to test how well carriers could deliver medical supplies to



homes in the event of a real bioterrorism attack. The letter carriers were escorted by law enforcement officers to ensure their safety while delivering "medication" to homes in selected areas of the city.

Postal Inspectors in Boston, Cleveland, Los Angeles, Minneapolis, Pittsburgh, and San Diego continued to work with members of the Postal Service's Emergency Management Team and public health departments over the past fiscal year to develop similar emergency plans and drills for enactment in the coming year.



Child Exploitation via the Mail



Postal Inspectors arrested 155 suspects and identified and stopped 54 child molesters in FY 2007 as part of the U.S. Postal Inspection Service's continuing efforts to bring to justice those who unlawfully use the U.S. Mail to traffic in child pornography or otherwise sexually exploit children. Postal Inspectors also identified and rescued 52 children from incidents of sexual abuse and exploitation. Over the past 10 years, Postal Inspectors have arrested 886 child molesters; 1,130 children were rescued through Postal Inspection Service investigations.

Because nearly all cases of child exploitation investigated by Postal Inspectors involve the Internet, as well as the U.S. Mail, the Postal Inspection Service has become an integral partner in the Department of Justice's (DOJ) Project Safe Childhood initiative. This DOJ initiative is aimed at preventing the sexual exploitation of children through the Internet by using a well-coordinated, multi-pronged approach involving federal, state, and local law enforcement agencies.

During FY 2007, Postal Inspectors initiated 247 new investigations involving child exploitation. The cases supported the U.S. Attorney General's Project Safe Childhood initiative, stressing the development of high-impact quality case-work with an emphasis on identifying and dismantling major commercial distribution enterprises that relied on the U.S. Mail and the Internet to conduct illegal activities. Postal Inspectors work in close cooperation with trial attorneys of DOJ's Child Exploitation and Obscenity Section, where a Postal Inspector is assigned full time on all cases of national and international significance.

In one such case, a task force of Postal Inspectors arrested Jeffrey Libman and

Marc Greenberg in Ft. Lauderdale, FL, in November 2006 as a result of an 80-count indictment returned by a federal grand jury in the Northern District of Alabama. The indictment charged the men with conspiracy to produce and transport child pornography. They allegedly operated Webe Web Corporation, a business that managed and advertised more than 60 so-called "child modeling" Web sites. The men used the mail to receive child pornography images from photographers and collect customer payments through their Post Office Box address. As a result of an investigation conducted in partnership with the FBI, Postal Inspectors shut down what was believed to be the largest illegal online child modeling business in the United States, seizing 33 Web sites that contained child pornography, along with approximately \$1.2 million in illegal proceeds, now destined for forfeiture. Further judicial proceedings are anticipated in 2008.

In October 2006, former Huntsville, AL, police officer Kenneth Haga was sentenced to 15 years in federal prison, followed by 15 years of supervised release, after he pled guilty to one count of producing child pornography. Haga was brought to the attention of Postal Inspectors after the mother of a minor female in Texas intercepted a parcel he had mailed to her that contained items of a sexual nature. Postal Inspectors learned that Haga met the girl on the Internet and traveled to Texas, where he engaged in sexual relations with her. Haga later mailed a digital camera and memory

James Bentley was sentenced in the Northern District of Iowa in June 2007 to 100 years in federal prison for producing and transporting child pornography related to a 10-year-old girl and her baby sister. Postal Inspectors led the federal investigation, which involved a series of crimes that began in Iowa, continued in Arkansas, and ended in Iowa. Not only did Bentley sexually abuse the girls and produce child pornography, he told witnesses he mailed the photographs from Arkansas to their mother in Iowa. Postal Inspectors later discovered that Bentley molested as many as eight other children. Tragically, while Bentley was in jail on state charges, Roger Bentley, James' older brother and a convicted sex offender, kidnapped, raped, and murdered the 10-year-old girl. Roger Bentley is currently serving two life sentences for those crimes.



card to the girl, which she used to photograph herself in sexually explicit poses, according to Haga's instructions.

Postal Inspectors arrested 56-year-old Lawrence Reinke, the pastor of a church in Astoria, IL, in April 2007 for unlawfully receiving child

pornography through the mail and for enticing a minor to produce child pornography. Postal Inspectors determined that Reinke corresponded with minor males via the Internet and the mail in an attempt to engage them in sexual activity. In one instance, Reinke mailed a camera to a young boy and instructed him to take sexually explicit photographs of himself. Reinke had the boy mail back the pictures in exchange for money and gifts. Reinke remains in federal custody awaiting trial.

Partnership with the National Center for Missing and Exploited Children

Postal Inspectors work closely with the National Center for Missing and Exploited Children (NCMEC). A Postal Inspector is assigned full time to NCMEC, serving as liaison between NCMEC and Postal Inspectors who investigate child exploitation cases throughout the country. The Postal Inspector at NCMEC also coordinates projects of mutual interest to NCMEC and other federal agency representatives assigned there.

Deliver Me Home is a joint program of NCMEC, the Postal Inspection Service, and the U.S. Postal Service. Postal Inspectors coordinate activities with NCMEC and Postal Service groups to share resources in locating abducted or missing children. During FY 2007, the program helped investigators locate five missing children, and a total of 54 children located since the program began in September 2004. Integral to the Deliver Me Home program are the missing children flyers Postal Inspectors dispatch to targeted ZIP Codes to alert communities and collect information about a missing or abducted child. Postal Inspectors have distributed 750,000 flyers.

Deliver Me Home was enhanced in FY 2007 by the lobby poster program, which allowed managers at NCMEC's Missing Children's Division to request displays of Missing and Abducted Children posters in the lobbies of all Post

Endangered Missing		
		
Anahi Deltoro	Lilibeth Deltoro	Cynthia Pulido-Deltoro
Birth: 04/16/2007 Race: Hispanic Missing: 08/29/2007 Ht: 2'00" Wt: 12 lbs Eyes: Brown Hair: Black Sex: Female Missing From: Phoenix, AZ Age Now: 0 Yrs United States	Birth: 06/28/2004 Race: Hispanic Missing: 08/29/2007 Ht: 3'00" Wt: 35 lbs Eyes: Brown Hair: Black Sex: Female Missing From: Phoenix, AZ Age Now: 3 Yrs United States	Companion Birth: 06/21/1982 Race: Hispanic Ht: 5'02" Wt: 120 lbs Sex: Female Eyes: Brown Hair: Brown
<p>On August 29, 2007, Cynthia picked up her children, Lilibeth and Anahi from their babysitter's residence in Phoenix, Arizona and was on her way back home to Mesa, Arizona. She contacted a family member at approximately 9:30 pm and said she would be home soon. Cynthia and the children have not been heard from since. They were last known to be traveling in a 2005 blue Chevy Cavalier with Arizona license plate 026-3NRZ.</p> <p>ANYONE HAVING INFORMATION SHOULD CONTACT The National Center for Missing and Exploited Children 1-800-843-5678 (1-800-THE-LOST) OR Mesa Police Department (Arizona) - 1-480-644-2211</p>		

Offices within a given geographic area. More than 100 posters have been distributed since the program's inception in August 2007.

2 SMRT 4U Campaign

The 2 SMRT 4U Campaign was developed by the Postal Inspection Service in conjunction with NCMEC and Teen Vogue magazine in support of the Attorney General's Project Safe Childhood initiative. The campaign

was launched in November 2006 and ran throughout FY 2007. Its purpose was to encourage teens to practice safe, smart habits when posting information about themselves on social networking Web sites and blogs.

Using a tagline of "Type Smart. Post Wisely," the campaign offered teens a free "awareness" ring, similar in concept to the Lance Armstrong bracelet, to promote knowledge of Internet safety. Made of polished steel and engraved with the campaign slogan "2 SMRT 4U," the ring was promoted via the Web site and magazine by 17-year-old actress Hayden

Panettiere, star of NBC's *Heroes*, who served as the campaign spokesperson. Nearly one-half million rings were ordered and distributed to teens in 82 countries. More important, 68 percent of teens who visited the 2 SMRT 4U Web site reported they changed their behavior and practiced safer online habits. Additionally, the campaign tallied 17,591 calls to the NCMEC's Cyber Tipline, which allows teens to report child sexual exploitation 24/7.

The 2 SMRT 4U Internet Safety Awareness Campaign far exceeded expectations. The Smithsonian National Postal Museum created a Web page to promote the campaign through its exhibit, "Postal Inspectors: The Silent Service." The Postal Inspection Service was honored to receive the Department of Justice's 2007 Internet Safety Award for its achievements through the campaign.



Consumer Education, Fraud Prevention, and Congressional Liaison



Consumer-Fraud Forums

Fraud prevention and consumer-awareness programs are integral to the Postal Inspection Service's goal to educate Americans about fraud. Several of its divisions, including those in Atlanta, Boston, Chicago, Pittsburgh, Denver, Ft. Worth, Seattle, St. Louis, and St. Paul, hosted Consumer Fraud Forums in FY 2007. In addition to promoting the agency's consumer-fraud services, the grass-roots forums allow for information-sharing among local and state law enforcement and consumer-advocacy groups, and foster strong working relationships.

2007 National Consumer Protection Week

The 2007 National Consumer Protection Week (NCPW) theme, "*Read Up. Reach Out. Be an Informed Consumer,*" was developed in conjunction with the Federal Trade Commission (FTC) and the NCPW National Steering Committee, which comprises members of the Postal Inspection Service and Postal Service. The theme was intended to encourage consumers to empower themselves with information to make wise decisions about purchases and other financial transactions, avoid scams, and share the information with their families and communities.

Postal Inspectors joined managers from the Postal Service's Public Affairs and Communications office with other federal, state, and local consumer-protection agencies during NCPW in February 2007 to urge Americans to be informed consumers, not victims of con artists. Forums

Postal Inspectors held press conferences across the country during National Consumer Protection Week in February 2007. In Memphis, TN, the event was attended by approximately 30 local law enforcement agencies and covered by three local television stations. Among the featured speakers were David Kustoff, U.S. Attorney for the Western District of Tennessee; Linda Kirklen, Chief of the White Collar Crime Unit, District Attorney General's Office; Dewey Betts, Deputy Chief of the Memphis Police Department; and Randy Hutchinson, President of the Better Business Bureau-MidSouth.



sponsored by the Postal Inspection Service spanned 36 states and included more than 200 events, such as Post Office presentations and informational booths; radio, TV, and newspaper interviews; community and senior citizens' center presentations; employee service talks; visits to local colleges and universities; "Scam Jams;" and "Shred-It" sessions.

Scam Jams are anti-fraud events sponsored by the Better Business Bureau to bring together law enforcement and consumer-advocacy agencies to educate Americans about how to make safe, informed decisions. Consumers receive free educational brochures, reviews of local charities, and tips about ongoing consumer issues. Representatives from the Shred-It company in Chicago worked with Postal Inspectors to set up trucks with shredding machines, allowing customers to bring personal documents for safe disposal during NCPW. The Postal Inspection Service and other agencies handed out fraud information to participants.

At a "meet and greet" session in February 2007, the Chief Postal Inspector, the U.S. Postal Service's Consumer Advocate, and other postal representatives in Washington, DC, attracted more than 500 visitors, who received informative consumer-fraud handouts. The Postal Inspection Service also held a resource fair on Capitol Hill with representatives from the FTC, AARP, and other consumer-protection agencies to provide approximately 30 Capitol Hill staffers with educational material for their constituents. The Postal Inspection Service's Web site featured additional information for consumers and a link to resources at the FTC's Web site.

Identity Theft Awareness and Prevention

The Federal Trade Commission developed and launched an identity theft prevention campaign, *Avoid ID Theft—Deter, Detect, Defend*, in May 2006. To spread the message to a larger audience, the U.S. Postal Inspection Service joined with them to develop additional marketing for the campaign. Together the agencies printed 100,000 posters and distrib-

uted nearly 80,000 of them to law enforcement agencies, Better Business Bureaus, Attorneys General, consumer-protection agencies, and selected businesses.

The second phase of the campaign began in February 2007 and ran through March 2007 to raise awareness about identity theft among college students through college newspapers, online Web sites targeting the college market, and posters at college campuses. Quarter-page, color ads appeared in college newspapers in Chicago, New York, Phoenix, California (including San Francisco, Oakland, and San Jose) and Washington, DC, with a total circulation of 280,400. Supplemental information was posted on the Web sites of each college's newspaper.

The Postal Inspection Service also ran banner ads on Facebook.com and at MSN's Hotmail site, and displayed campaign messaging on backlit electronic communications



Top Six Counterfeit Check or Money Order Schemes

Type of Scheme	Description of the Scheme
<p>Work-at-Home</p> 	<p>You are awarded a job from an online ad. The job requires that you receive checks on behalf of the company, deposit checks into a personal bank account, and wire back the money when the funds are posted. You may keep 5 to 10 percent as your salary.</p>
<p>Overpayment</p> 	<p>You place goods for sale online. The perpetrator poses as a buyer, sends you a check or money order for more than the purchase price, and asks you to wire the excess money to a third party (often someone in a foreign country who allegedly handles shipping logistics). This scheme may be used for large items sales, such as automobiles, motorcycles, or boats.</p>
<p>Sudden Riches</p> 	<p>You receive a letter offering a chance to receive a substantial sum of money (e.g., you won a foreign lottery or are the beneficiary of an estate), but you must pay a tax or fee before receiving it. You receive a check or money order to cover the expense and are instructed to deposit the check and wire the money to a third party, usually in a foreign country.</p>
<p>Love Losses</p> 	<p>You fall in love with someone overseas you have been cyber-dating. Your "soulmate" sends you counterfeit checks or money orders to cover travel expenses and instructs you to deposit them into a bank account and transfer a portion of the funds to an overseas account.</p>
<p>Foreign Business Offer</p> 	<p>You receive an e mail from a "foreign official" or "business person" with a proposal: He or she wants to move a large sum of money from a foreign country and needs assistance. You are offered 25 to 40 percent of the proceeds. You receive a substantial check in the mail, which you deposit into your account. The official then wants to send you more money, but says he or she will need about \$40,000 as a bribe or to cover some sort of fees. Believing the previous check has cleared, you wire back the funds.</p>
<p>Rental Schemes</p> 	<p>You post an ad, online or in the newspaper, for a roommate or to sublet an apartment. The respondent supplies a check covering costs such as the first and last month's rent, utilities, and a security deposit. Shortly after you deposit the payment, you are informed that he or she will not be able to rent the property. You are asked to wire back a partial refund.</p>

<http://postalinspectors.uspis.gov>

What happens in all cases?

You deposit the check into your account and wire the money to the contact (the employer, shipper, cyber-soulmate, businessman, etc.) when the funds are posted to your bank account.

Few consumers realize that, while banks are required to post checks within a matter of days, it generally takes weeks for a check to clear.

Weeks later the bank notifies you that the check was counterfeit or stolen, and you are responsible for the full value of the deposited check.

Learn more at


FakeChecks.org

boards throughout campuses in New Jersey, New York, Illinois, California, Maryland, the District of Columbia, Connecticut, and Arizona. The agency displayed approximately 840 posters on the campuses of the University of Illinois at Chicago; Northwestern University at Evanston, IL; Georgetown University at Washington, DC; and Arizona State University at Mesa.

To further broadcast the message, subway cars in San Francisco, Chicago, New York, and Washington, DC, displayed campaign posters, and in Phoenix, AZ, the posters appeared in bus shelters from February through March 2007.

Check Fraud Campaign

The proliferation of fraud by criminals based overseas has become an increasing concern in recent years. In response, the Postal Inspection Service stepped up its overseas interdictions in FY 2007, as described under the Global Investigations and Security section of this report. To

The Postal Inspection Service reported in FY 2007 that eight percent of American adults have fallen victim to scams, and two thirds of them were approached at least once a week by scammers.

www.fakechecks.org and was supported by television commercials, prints ads, web banner ads, web episodes, a consumer-awareness video, and public presentations by Postal



As the proliferation of fraud by perpetrators based overseas became an increasing concern, the Postal Inspection Service stepped up overseas interdictions and collaborated with the Alliance for Consumer Fraud Awareness on an educational campaign to alert Americans about the problem. Former Inspector in Charge of the New York Division Ron Walker served as campaign chairperson.

protect postal customers, the agency also collaborated with the Alliance for Consumer Fraud Awareness, which comprises 20 groups in the public and private sectors, to launch a public awareness campaign to help Americans avoid becoming victims and losing their life-savings to fraud.

The Check Fraud Campaign represented one of the most sophisticated public awareness efforts in the history of the Postal Inspection Service. A public Web site was created at

Inspectors and consumer advocates across the country.

It was estimated that within the first few weeks of October 2007 nearly 90 percent of the U.S. adult population was exposed to the message “These Scams Don’t Work in Person.”

Congressional Action and Legislation

Postal Inspection Service employees in the Communications Group routinely track legislation of importance to the agency and to the security objectives of the Postal Service. Postal Inspectors review new bills, attend congressional hearings, meet with congressional

staff, and monitor the progress of pertinent legislative items to stay abreast of issues affecting the agency.

In FY 2007, Postal Inspectors met regularly with the Postal Service’s office of Government Relations on legislative issues and to assist them in their responses to congressional inquiries related to facility access, contract delivery services, and mail theft.

Communications Group staff and Postal Inspection Service executives also met with congressional aides on Capitol Hill throughout the past fiscal year on issues that could potentially impact the U.S. Postal Inspection Service or the U.S. Postal Service, including the warrantless search of mail, prohibitions against the mailing of tobacco, change-of-address fraud, security clearances, and changes to the Postal Inspection Service’s Security Force. While several of the bills introduced in FY 2007 could have impacted the Postal Inspection Service, none were passed.

Postal Inspectors also joined members of the Federal Trade Commission to organize an educational seminar for Capitol Hill staff on how to work with constituents victimized by financial crime, including identity and telemarketing fraud. The Postal Inspection Service participated in a number of congressional “town hall” events across the country, including at Roanoke, VA; Rockville, MD; and northern Michigan, where Postal Inspectors worked with district and state staff to educate constituents on how to prevent being victimized by consumer and identity fraud.

Forensic Laboratory Services



Forensic Analysts and Examiners are among the scientific and technical staff who work at the U.S. Postal Inspection Service's National Forensic Laboratory at Dulles, VA. Their customers

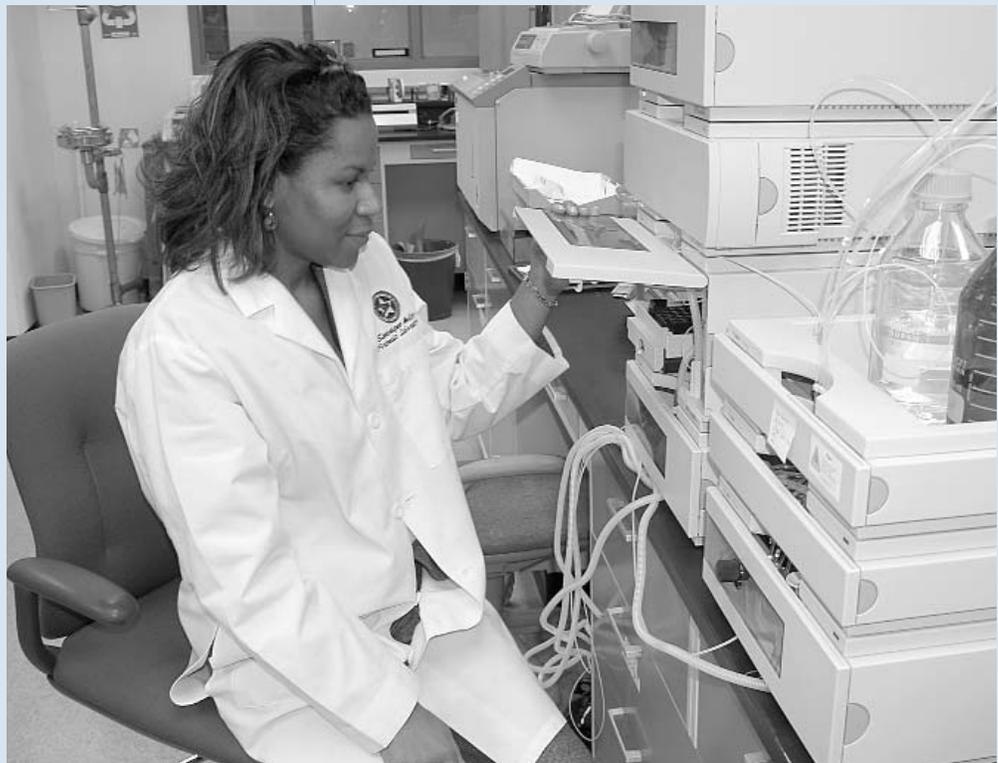
are U.S. Postal Inspectors who send requests from offices across the country for laboratory services related to questioned documents, fingerprints, physical evidence, chemistry, and photography from ongoing investigations. In addition, program managers and Forensic Computer Analysts throughout the country conduct examinations of digital media evidence obtained from computers and other electronic devices.

Forensic laboratory staff completed more than 3,069 examinations of evidence in FY 2007. From those exams, staff were able to identify 467 suspects, 58 of whom they located via the Automated Fingerprint Identification System (AFIS). Forensic personnel provided expert testimony on 28 occasions related to examinations and analyses of evidence obtained from Postal Inspection Service criminal investigations.

In particular, laboratory personnel were essential to Postal Inspectors' investigation and identification of John Patrick Tomkins, aka "the Bishop" mail bomb suspect. Forensic Examiners uncovered critical evidence against Tomkins, who was arrested

by Postal Inspectors for mailing explosive devices to financial firms.

In addition to onsite assistance at the crime scene, forensic staff worked with the gunpowder industry to narrow their evidence search to a single lot of shells, which proved to be the source of the powder and shot used in the explosive devices. By examining handwriting from the mailings, examiners linked addresses to those of one writer, immediately eliminating six other suspects. After Postal Inspectors executed search warrants and seized additional evidence, analysts confirmed their previous findings. Staff from the Digital Evidence Unit conducted computer searches at four locations, and other Forensic Laboratory Services personnel identified more than two dozen links between



A Forensic Chemist uses Gas Chromatography/Mass Spectrometry (GC/MS) to identify controlled substances. A GC/MS is used in the identification of almost all controlled substances and is considered the "workhorse" of the chemistry laboratory.



illegal schemes, Postal Inspection Service investigations related to postal revenue fraud, mail fraud, child exploitation via the mail, and the mailing of explosives or other

Counterfeiters continue to improve the quality of fake stamps, making it harder for Examiners to detect them without specialized equipment and expertise.

dangerous items now involve digital evidence. In FY 2007, at least one Forensic Computer Analyst was placed at each of the agency's 18 divi-

the bomb components and material recovered from the searches. Lab personnel conducted latent print examinations and processed evidence at the National Forensic Laboratory from the recovery scene at Dubuque, IA. They identified two latent fingerprints that matched Tomkins' on a cardboard box of the same type used to mail the devices, along with other bomb-making material in a storage locker leased by Tomkins.



sion offices to boost Digital Evidence Unit response capabilities. Staff from this unit supported major investigations of mail fraud conducted by the Postal Inspection Service's DOJ Mail Fraud Team, which is described in more detail in the Mail Fraud section of this report.

Examinations of evidence obtained from cell phones and digital handheld devices have become more prevalent in Postal Inspection Service cases. As a result, the agency formed a specialized Cell Phone Team to capture electronic data residing on

these devices. Staff are now developing investigative review stations for each digital evidence location. The stations are computers loaded with special software that allow Postal Inspectors to review a forensic copy of a suspect's computer hard drive without changing or otherwise affecting information on the drive.

Other significant cases from FY 2007 in which forensic examinations yielded decisive investigative results involved postal-related robberies. In one case, examiners lifted latent prints from the interior of a vehicle that identified a suspect. In another case, Forensic Examiners identified a suspect from his prints on a robbery note. Forensic Examiners lifted 250 latent prints in a narcotics trafficking case and identified more than 150 as belonging to five suspects. In another case, Examiners processed evidence from a two-ton Postal Service mail truck that was stolen from a facility parking lot and linked latent prints they recovered to a suspect.

Forensic Laboratory Services staff provided training for six of the Postal Inspection Service's Basic Inspector Training classes. Analysts delivered two days of lectures and worked with candidate Inspectors in mock crime scenes to enhance their skills in evidence collection and preservation. They also provided training for three Federal Investigator Orientations, two bomb classes, and one course in crime-scene processing. Crime-scene processing is being redeveloped to allow training for a larger number of Postal Inspectors. The course will be available on-line and will include an intensive curriculum, downloadable guidelines, video demonstration clips, and testing.

Counterfeiters continue to improve the quality of fake stamps, making it harder for examiners to detect them without specialized equipment and expertise. Forensic Document Examiners in FY 2007 performed examinations in six investigations of stamps suspected by Postal Inspectors to be counterfeits. The cases involved international stamps from the Netherlands and Sweden, as well as U.S. Postal Service stamps, such as the Lady Liberty, American Flag, U.S. Flag, the "Forever" Liberty Bell, Express, and Priority Mail stamps. Examiners identified counterfeiting operations and found evidence of print problems with the stamps. They also analyzed counterfeit postage meter impressions and identified illegal schemes in three such cases during FY 2007.

Forensic Laboratory Services staff also are involved in a DNA Persistence Study to determine the feasibility of developing DNA profiles from extremely small samples that were exposed to damages from an explosion. Staff provided project results to Postal Inspectors at an International Association of Bomb Technicians and Investigators meeting in Phoenix and submitted an abstract of the study for presentation at a meeting of the American Academy of Forensic Sciences in Washington, DC.

As criminals increasingly employ computers in their

Technical Services



The Technical Services Division has offices in Chicago, IL; Dulles, VA; Memphis, TN; Ft. Worth, TX; and San Francisco, CA.. Its mission is to provide specialized support related to technical equipment used by Postal Inspectors and other employees at the 18 division and National Headquarters units of the U.S. Postal Inspection Service. The group is led by Postal Inspectors, Communications Engineers, and Technical Surveillance Specialists. Technical Services staff lend their expertise to complex investigations requiring the deployment and installation of covert-surveillance equipment and state-of-the-art communications equipment.

Satellite Communications. Working with the Postal Service's Communications Group and a team from Verizon and Spacenet, Technical Services staff in FY 2007 engineered a satellite-communications infrastructure through its mobile command centers (MCCs) located at each Postal Inspection Service division. The mobile command centers serve as incident-command sites for Postal Inspectors during responses to major incidents.

MCCs are accessible to Postal Inspectors, as well as postal employees involved in major responses. In addition to serving as command centers, the MCCs provide a vital communications link. All are equipped with mobile radios and are designed to allow for satellite "up and down" links. The links permit data transmission and receipt from the Postal Inspection Service network and provide audio and video connectivity. Future applications will tie communications from other law enforcement agency radio networks to the Postal Inspection Service's National Law Enforcement Control Center (NLECC).

Spectrum Relocation Program. Incident to the passage of the Spectrum Relocation Act (H.R. 5419), Technical Services staff requested and received funding from the Office of Management and Budget to replace equipment used in criminal investigations. Approximately \$1.7 million will be

spent during FY 2007; approval is pending to purchase another \$6.2 million worth of equipment.

Technical Training. Technical Services personnel coordinated training for a cadre of Postal Inspectors in the use of specialized covert-surveillance equipment. Partnering with the Postal Service's National Center for Employment Development at Norman, OK, and with the Federal Law Enforcement Training Center in Glynco, GA, Postal Inspectors and Senior Technical Surveillance Specialists received 120 hours of training on electrical and asbestos safety and the use of specialized surveillance equipment. They received another 40 hours of training during the National Technical Investigators Association's yearly conference at Pittsburgh, PA.

Communications-Interception Training. FY 2007 marked a huge spike in Postal Inspectors' use of communications interceptions for criminal investigations. Accordingly, Technical Services staff training in this area rose dramatically. TSD staff was responsible for training General Analysts in administering and analyzing call data and in obtaining subscriber information, generating reports, and conducting link analyses of criminal data.

Countermeasures for Robberies and Burglaries. The Technical Services Division's research and development team worked with a contractor to design and deploy cutting-edge surveillance camera systems to replace older cameras at postal facilities. Initial cost projections indicated a substantial long-term savings to the Postal Service compared to maintenance costs for the current system. Further, the new systems provide greatly enhanced, high-quality digital images that will improve protection for postal personnel, assets, and customers.

Mobile Mail-Screening Station

The Postal Inspection Service developed a mobile mail-screening station (MMSS) to enable comprehensive mail screening at special events. The Technical Services Division of the U.S. Postal Inspection Service developed initial designs for the unit, prepared the specifications, and identified needed technologies. The Postal Inspection Service col-



Photo by Technical Services Division.

The U.S. Postal Inspection Service deployed the mobile mail-screening station on June 11, 2007, at the Global Initiative to Combat Terrorism Conference in Miami, FL.

laborated with Postal Service contracting experts to turn the concept into reality and supply-management professionals at the Postal Service's Eastern Services Category Management Center assisted in identifying a "best-in-class" custom trailer manufacturer. The cross-functional team completed work for the station under budget and on schedule.

The MMSS is designed to detect chemical, biological, radiological, nuclear, and explosive threats. The 53-foot custom tractor-trailer contains eight functional areas that incorporate new and existing technology. Depending on mail volume at a given event, the MMSS may require five to eight persons for proper operation.

The U.S. Postal Inspection Service deployed the new mobile mail-screening station the week of June 11, 2007, at the Global Initiative to Combat Nuclear Terrorism Conference in Miami, FL. It represents an important step in improving secure mail operations for the Postal Service and all Americans.

Technical Surveillance Tracking System

The staff of the Technical Services Division teamed with the Postal Service's Information Technology employees to create a report in the agency's Inspection Service Integrated Information System (ISIIS) to measure the use of specific pieces of equipment. The new tracking system accurately gauges equipment use to better inform

those making future purchasing decisions and avoid wasteful spending.

Video Over Internet Protocol Cameras

Technical Services staff purchased material to construct 15 concealed Video Over Internet Protocol (IP) cameras, which can be hung virtually anywhere to provide covert pan, tilt, and zoom capabilities. Staff also fabricated IP surveillance kits that were used throughout the past fiscal year to support a variety of investigations of mail fraud, identity theft, and theft of postal revenue. Postal Inspectors continued to expand their use of the equipment as it provides a high-quality image and is convenient and easy to use.

Staff at the agency's two National Law Enforcement Control Centers provide after-hours emergency coverage and give Postal Inspectors immediate access to law enforcement and intelligence information.



Photo by Roger Gibbons, Senior Technical Surveillance Specialist.

National Law Enforcement Control Centers

The Postal Inspection Service's National Law Enforcement Control Centers (NLECCs) are located at Dulles, VA, and Ft. Worth, TX. The two facilities monitor the agency's national law enforcement radio network and intrusion-detection systems at Postal Service facilities. They provide after-hours emergency phone coverage for all Postal Inspection Service offices and give Postal Inspectors immediate access to law enforcement and intelligence information.

Both NLECC facilities have identical functionality and can support the full load of the entire country should one center's operations fail. In case of an electrical outage, the centers are protected by uninterruptible power supplies that provide at least one hour of backup power, plus a diesel generator that can accommodate an extended outage. The facilities meet the Underwriters Laboratory safety specifications for central station monitoring.

NLECC Operations

The NLECC facilities have proved to be enormously successful in monitoring burglar alarms. By mid-year FY 2007, problems with burglar alarms were reduced by nearly 28 percent from the same period in the previous year. The burglar alarms alert first responders (Postal Inspectors, police, or other authorities) within seconds of activation, allowing investigators to catch the suspect "in the act" while still inside a facility. In FY 2007, Postal Inspectors were able to arrest 18 suspects who were in the process of burglarizing postal facilities.

In August 2007, the Postal Inspection Service signed memorandums of understanding with the Postal Service's Office of Inspector General (OIG) to allow its agents use of NCIC and the National Law Enforcement Telecommunications System (NLETS), which together comprise the Postal Inspection Service's radio network. The Technical Services Division, which oversees and administers both services, now also monitors all OIG alarms. Adding OIG operations to the Postal Inspection Service's network, contracts, and infrastructure provides a tremendous cost savings to the Postal Service.

Polygraph Examiners Help Resolve High-Profile Cases

Postal Inspector-Polygraph Examiners play vital roles in the investigations of armed robberies, registered remittance thefts, embezzlements, identify thefts, burglaries, counterfeit Postal Service money orders, insurance fraud,

military mail theft, and child exploitation cases.

One case from FY 2007 was resolved through polygraph evidence from a suspect and his cohorts who schemed to defraud the Illinois Department of Employment Security out of unemployment insurance benefits. More than 80 fraudulent claims were paid, and checks totaling more than \$1.5 million were mailed to various names and addresses. Postal Inspectors determined that an employee at a currency-exchange office abetted in the scheme by cashing the fraudulent checks. The employee declined a polygraph exam, but agreed to be interviewed by the Polygraph Examiner. During the interview, she implicated herself in the scheme by explaining she had cashed numerous checks for the main suspect in exchange for \$50 to \$75 in "tips" and other monetary rewards.

In another case from December 2006, Postal Inspectors were notified that three large trash bags of rifled U.S. Mail had been found between dumpsters at an apartment building in Dearborn, MI. Inspectors interviewed a contract airline employee at the Detroit Metropolitan Airport about the mail, who admitted responsibility for the crime. The contractor denied his girlfriend was involved in stealing mail, but a polygraph examination indicated deception. During a post-test interview, the girlfriend admitted she had opened numerous pieces of stolen mail with her boyfriend and provided a written statement about her involvement.

Office of Counsel



The Chief Postal Inspector of the U.S. Postal Inspection Service is responsible for handling Privacy Act and FOIA requests for Postal Inspection Service records. The Chief

Postal Inspector designated the Office of Counsel, Freedom of Information Act-Privacy Act (FOIA-PA) Unit, with the authority to process and respond to all such requests for records.

The Freedom of Information Act is a federal statute created by Congress in 1966 to give the public greater access to federal agency records. It provides that any person has the right to request access to these records, unless the records are protected from disclosure by any of nine exemptions contained in the law. The Privacy Act of 1974 gives individuals access to records about themselves. A Privacy Act request must have an original written statement declaring under penalty of perjury that requestors are who they say they are, or it must be accompanied by a notarized statement of their identity.

The FOIA Unit processes and reviews records each year for release to requestors. In FY 2007, the unit processed and closed 395 FOIA requests. In addition to daily processing tasks, FOIA staff receive high-profile requests that require coordination with the Postal Service's Records Office, Public Affairs and Communications Department, and Law Department.

A key measure of success for FOIA-PA staff is ensuring that privacy protections are not compromised when releasing information. Executive Order 13,392, issued by President Bush in December 2005, presented new challenges for FOIA staff. Its purpose was to ensure that the appropriate agency disclosure of information remained consistent with the goals set forth in Title 5, section 552, of the United States Code.

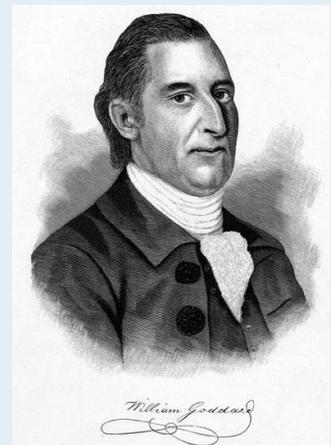
A recent instruction of Executive Order 13,392 was for agencies to submit to the Department of Justice their Backlog Reduction Goals for FY 2008, 2009, and 2010.

FOIA staff submitted a goal of five for FY 2008, three for FY 2009, and zero for FY 2010.

For questions about FOIA related to crimes involving the mail, or to check on the status of a request, call the FOIA Service Center at 703-292-3944, or write to:

Chief Postal Inspector
U.S. Postal Inspection Service
FOIA-PA
475 L'Enfant Plaza SW, Rm. 3100
Washington, DC 20260-2100

In 1776, William Goddard, Surveyor of the Post, became the first in a long line of U.S. Postal Inspectors. His duties included investigating prospective postal routes and ensuring that postmasters operated lawfully. His official pass, signed by Postmaster General Benjamin



Franklin and shown here, gave Goddard the authority to travel as necessary in his new position.

Learn more about the fascinating history of the U.S. Postal Inspection Service by visiting the Smithsonian Postal Museum's exhibit: "U.S. Postal Inspectors: The Silent Service." Highlighted are some of the agency's most prominent investigations, from mail train robberies in the 1800s to the Unabomber in the late 1990s. Located in the old Post Office building next to Union Station in Washington, DC, the museum is open seven days a week from 10 a.m. to 5:30 p.m., and admission is free. The exhibit runs through February 28, 2009. More information is on the Smithsonian's Web site at www.postalmuseum.si.edu/inspectors.

Investigative Requirements and Solutions



The Investigative Requirements and Solutions Group provided invaluable support to the U.S. Postal Inspection Service in FY 2007.

Group staff analyzed data to provide investigative case leads for Postal Inspectors across the country and responded to inquiries for case-related information. The group continued its work incorporating new strategies to enhance the agency's information systems.

Staff members worked with Postal Inspection Service and Postal Service groups to implement, enhance, and test case-development systems for the Postal Inspection Service and the financial industry. In FY 2007, the group upgraded the Debit-Credit Money Order System, which uses retail transaction data from the Postal Service to identify products purchased with fraudulent debit or credit cards.

Group staff also developed the Revenue Exception Database to target revenue fraud in FY 2007. Comprising modules on Postal Service finances and revenue, the new database represents an important new investigative tool for Postal Inspectors. In one instance, analysts used the system to provide information that resulted in an arrest by Inspectors and the subsequent conviction of a mail company official accused of counterfeiting approximately \$251,000 worth of metered postage in the past year, and \$600,000 since 2003.

The National Money Order Coordinator assigned to the group acts as liaison between the Postal Inspection Service and the Postal Service's Money Order Branch at St. Louis, MO. In FY 2007, the coordinator

referred 110 cases of lost or stolen meters and missing domestic and international postal money orders to the Money Order Branch. The coordinator "flagged" 655 seized postal money orders as part of investigations by Postal Inspectors and other law enforcement agents. Flagging seized money orders protects the Postal Service by alerting employees so they do not issue replacement money orders.

The Investigative Requirements and Solutions Group also acts as liaison to the Postal Service's Information Technology Enabler Group, which develops software appli-



In November 2007, the Career Development Division became one of the first training centers to receive full accreditation from the Federal Law Enforcement Training Accreditation (FLETA) office. CDD officials accepting the accreditation award included, from left, Inspector in Charge Robert Bethel, Assistant Inspector in Charge Diane Schwarz, Accreditation Manager Leo Resop, Assistant Chief Inspector and FLETA Board Member Nicole Johnson, Psychologist Mark Haucke, Postal Inspector-Program Manager of In-Service Training Mary Johnson, and Program Specialist Teresa Zaremba.

cations used by postal employees. Staff members implemented a number of new applications, including the Technical Surveillance Tracking System, Polygraph Examination System, Request for Information, Inspection Service Recruitment Application System, and the Debit-Credit Management System. Also during the past fiscal year, group staff enhanced more than 30 applications that comprise the Inspection Service Integrated Information Systems (ISIIS). Each enhancement increased efficiency in tracking and managing myriad details related to investigative work. Staff members additionally redesigned numerous forms to allow for online completion, submission, and approval.

The Investigative Requirements and Solutions Group assisted the Security Investigations Service Center at Memphis by streamlining background investigation checks, which resulted in a cost savings of \$35,000 in FY 2007 and an expected total savings of more than \$250,000 in the next fiscal year. Group staff coordinated their work with the Office of Personnel Management and the FBI to implement the changes. The estimated 60,000 cases handled by employees at the Security Investigations Service Center are now completely automated.

Group members assisted staff at the agency's Career Development Division by soliciting their input on new applications and enhancements prior to implementation. They also worked with division staff to prepare the modules that comprise Basic Instructor Training and conducted training in such areas as statistical reporting.

The Investigative Requirements and Solutions Group supported National Headquarters offices in FY 2007 by implementing changes to software applications and supplying special reports as needed, bringing the Postal Inspection Service in compliance with presidential and congressional directives. The directives called for new methods of tracking fraudulent change-of-address forms and related cases generated by Postal Inspectors and other agents on Joint Terrorism Task Forces. Numerous reports on reviews by the Postal Service's Office of Inspector General were provided.

Staff members also assisted Postal Inspectors, FBI agents, and Interpol agents on cybercrime cases. For the New York Division, they helped identify hundreds of victims of a mail fraud scheme after Postal Inspectors found that scammers were operating a Web site that claimed to pay users to watch ads but, in what appeared to be a "Ponzi" scheme (illegal pyramid scheme), earlier members were paid by newer ones, and newer members received nothing. The site attracted 400,000 people worldwide and

resulted in millions of dollars in losses by victims, who sent most of their payments via the U.S. Mail.

The National Center for Missing and Exploited Children provided Postal Inspectors with documentation related to 326 "cyber tips" from WeBe Web, a Florida business that managed and advertised more than 60 "child modeling" Web sites. The Investigative Requirements and Solutions Group was instrumental in forwarding the tips to Postal Inspectors across the country for further investigation in this ongoing case.

The Identity Theft Database combines information from the Financial Crimes Database and the Federal Trade Commission's Business Objects for Postal Inspectors' casework.

Investigative Solutions staff "cleaned up" the data and provided it in spreadsheet format. They use the Geographic Information System (GIS), which is a collection of computer hardware, software, and geographic data, to capture, manage, analyze, and display geographically referenced information, then post the spreadsheets and maps biweekly at the InfoShare Web site.

Career Development Division

The mission of the Career Development Division (CDD) of the U.S. Postal Inspection Service is to provide superior training to all Postal Inspection Service employees and be recognized as a premier law enforcement training academy.

CDD provides basic training for candidate Postal Inspectors, basic training for candidate Postal Police Officers, in-service refresher and specialized courses for all Postal Inspection Service personnel, and certification for threat-management instructors. Located at the William F. Bolger Center for Leadership Development in Potomac,



Candidate Inspectors practice fingerprinting techniques.



Candidate Inspectors practice at the Postal Inspection Service's Career Development Division's firing range.



CDD trainers wear black suits—candidate Inspectors' suits are red—to participate in "Red Man" exercises, sessions using defensive tactics learned during classroom instruction.

MD, the CDD campus offers the advanced features of an elite law enforcement training program with dormitory, full dining amenities, classrooms, a separate building for simulation exercises, a FATS (firearms training) room, a defensive tactics room, a mock Post Office, a mock apartment for practice sessions, a fitness center, and lead-free firearms facilities.

CDD received accreditation from the Federal Law Enforcement Training Accreditation (FLETA) for its training academy, its Basic Inspector Training Program, and Postal Police Officer Basic Training Program in March 2006.

Inspector candidates in the Basic Inspector Training Program undergo 12 weeks of training, which consists of 80 blocks of scenario-based training on investigative techniques, defensive tactics, firearms, legal matters, search and seizure tactics, arrest techniques, court procedures, postal operations, and a detailed study of the federal laws over which the Postal Inspection Service has jurisdiction. Training focuses on problem-solving abilities, critical thinking, and cognitive skills. All candidate Inspectors must successfully complete academic, firearms, and practical exercises to graduate from the program. Upon successful completion, new Postal Inspectors participate in six months of formal, post-basic training that is designed and monitored by CDD staff and is provided at an assigned Postal Inspection Service office. In FY 2007, CDD successfully completed seven classes and graduated 168 candidates from the program.

Postal Police Officer candidates undergo an eight-week course covering 20 blocks of instruction in such areas as

evidence handling, legal issues, firearms, defensive tactics, driving training, and more. During FY 2007, CDD successfully completed three classes and graduated 58 students from the program.

In addition to CDD's two basic programs, staff provide a wide variety of in-service courses for other Postal Inspection Service professional and technical employees. In FY 2007, 2,700 Postal Inspection Service employees received such training, representing 130 offerings of 50 "blended learning-designed" courses. A blended learning approach encompasses on-line, on-the-job, and classroom training and results in timely and cost-effective delivery. Staff also conducted hazwoper training

on biohazard-detection systems for approximately 300 Postal Inspectors in FY 2007.

In FY 2007, CDD staff members completed the Basic Training Program for General Analysts, a position established in FY 2006. A total of 131 newly hired General Analysts participated in the multi-phase curriculum, which consisted of on-line self-study courses augmented by classroom training.

Recruitment

The office of Recruitment and Applicant Processing oversees Postal Inspection Service activities to improve the agency's processes for recruiting, hiring, and retaining Postal Inspectors. During FY 2007, staff members evaluated organizational needs to determine the most effective and efficient methods of fulfilling its recruitment goals for hiring Postal Inspectors.

Group staff collaborated with recruiters nationwide and the Postal Service's Corporate Personnel Management office to ensure the agency would have a sufficient pool of Postal Inspector applicants for the six Basic Inspector Training classes and three Federal Investigator Orientation classes scheduled in FY 2007. Also during the fiscal year, the staff sponsored a two-day conference for recruiters nationwide, presenting an opportunity for recruiters to enhance their skills for aggressive and focused recruiting in the next fiscal year.

U.S. Postal Inspection Service Criminal Statistics for FY 2007

Type of Investigation	Arrests
Mail Theft	3,608
Miscellaneous Crime <i>(includes counterfeit and contraband postage, vandalism, arson, and U.S. Postal Service money orders)</i>	465
Identity Theft	2,071
Hazardous and Hoax Substances <i>(includes biological, chemical, nuclear, and radiological threats)</i>	17
Bombs, Threats, Hoaxes, and Explosive Devices and Materials	72
Firearms, Weapons, Intoxicants, Extortion, and False Documents	57
Assaults and Threats <i>(includes threats and assaults against on-duty postal employees)</i>	333
Robbery	63
Burglary	130
Mailing of Controlled Substances <i>(includes narcotics, steroids, drug-related proceeds, and drug paraphernalia)</i>	860
Mail Fraud	1,236
Child Exploitation, Mailing of Obscene Matter, and Sexually Oriented Advertisements	155
Revenue Investigations	79
TOTAL	9,146

U.S. Postal Inspection Service

Jurisdiction and Laws

Postal Inspectors enforce more than 200 federal laws through investigations of crimes that may adversely affect or fraudulently use the U.S. Mail, the postal system, or postal employees. Shown here are some of the agency's most important areas of jurisdiction.

Assaults (18 USC 111, 1114)

The protection of Postal Service employees is one of our most important responsibilities. Postal 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 only about 200 burglaries each year. Postal Inspectors have minimized losses through the use of updated security equipment and facility design.

Child Exploitation (18 USC 1470, 2251, 2251A, 2252, 2252A, 2253, 2254, 2422, 2423, 2425)

The Postal Inspection Service has long been recognized as one of the leading federal law enforcement agencies working to combat the production, distribution, receipt, and possession of child pornography and other crimes related to the sexual exploitation of children through the mail and 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, and Related Crimes (18 USC 500, 501, 503, 1720)

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

Destruction, Obstruction, and Delay of Mail (18 USC 1700, 1701, 1702, 1703)

The Postal Inspection Service upholds federal statutes aimed at securing cus-

tomers' mail, including statutes 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)

Postal Inspectors protect 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. They 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 and 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), Postal 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 and 39 USC 3005, 3007)

The Postal Inspection Service is committed to protecting postal customers from misuse of the mail. Postal Inspectors place special emphasis on mail fraud scams related to advance fees, boiler rooms, health care, insurance, investments, deceptive mailings, and other consumer fraud, especially when it targets the elderly or other vulnerable 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. They identify and seize criminals' assets, denying violators the proceeds of their crimes.

Obscenity and Sexually Oriented Advertising (18 USC 1461, 1463, 1735 and 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 PS Form 1500, available at Post Offices or online.

Robbery (18 USC 2114)

Postal Inspectors respond promptly to robberies of postal employees and postal contractors. They work to prevent 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, including Postal Service contractors.



**For assistance with postal-related
problems of a law enforcement
nature, contact your nearest U.S.
Postal Inspection Service division
at 1-877-876-2455.**

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