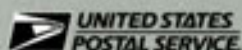


# Semiannual Report



Office of Inspector General  
April 1 – September 30, 1997  
FY 1997, Volume 2



# Contents

## Office of the Inspector General

History and Responsibilities of the OIG	2
Designation of Functions	2
Organizational Structure	2
Accomplishments and Challenges	4

## United States Postal Inspection Service

Organization of the Postal Inspection Service	6
Partnerships with Other Law Enforcement Groups	7

## Auditing Postal Service Programs and Projects

Performance Audits	9
Service Investigations	10
Developmental Audits	10
Financial Audits	11
Facility Program Audits	13

## Protecting Postal Service Revenue and Assets

Expenditure Investigations	14
Financial Investigations	16
Revenue Investigations	16
Workers' Compensation Fraud	17
Tort Investigations	20
Program Fraud Civil Remedies Act and False Claims Act	20
Postage Printing Security	21
Office of Inspector General Hotline	21
Postal Crime Hotline	22

## Safeguarding Postal Employees and the Work Environment

Assaults and Threats	23
Robbery and Burglary	24
Employee Narcotics Involvement	26
Crime Prevention and Security	27
Civil Disorders and Natural Disasters	28

## Preserving the Integrity of the Postal System

Mail Theft, Money Order Abuse and Miscellaneous Crimes by Contractors and Other Non-Employees	29
Mail Theft and Miscellaneous Crimes by Employees	31
Mail Bombings	32
Child Pornography and Sexually Oriented Advertisements	33
Forfeiture	35
Money Laundering	36
Narcotics Trafficking	36
Extortion Mailings	38
Consumer Education and Fraud Prevention	38
Use of the Mail to Defraud	38
Injunctions and Other Civil Procedures	42
International Postal Security	43
Forensic and Technical Services	43
Training	44
Legislative and Regulatory Review	44

## Appendices

A Reports Issued to Postal Management, April 1 through September 30, 1997	51
B Contract Audit Findings and Settlements	59
C Recommendations That Funds Be Put to Better Use	60
D Unresolved Reports and Resolution of Findings	61
E Summary of Actions Under 39 USC 3005	62
F Criminal Statistics	63
Index of Inspector General Reporting Requirements	64



## A Message from the Inspector General

These are exciting and challenging times at the U.S. Postal Service, which has just reported its third straight profitable year. The Postal Inspection Service, through its proactive efforts, has contributed to the continued success of the Postal Service. For example, the Inspection Service targeted the workers' compensation area as a high priority to combat program fraud, resulting in millions of dollars in cost-avoidance savings. The Office of Inspector General (OIG) looks forward to assisting postal management by reviewing high-risk areas and improving the efficiency of program operations. We are proud to be part of these times and eager to help the Postal Service meet future challenges and achieve continued success.


As new contributors to Postal Service operations, the OIG is impressed by the professionalism and dedication of postal workers. The Postal Service reported processing a staggering 603 million pieces of mail daily and reaches nearly 128 million addresses nationwide. The Postal Service also reported achieving a high percentage of on-time daily deliveries to customers. This level of achievement is attributed to the innovation, the extensive use of advanced automated technology, and the determination and loyalty of Postal Service employees.

The OIG faces a unique challenge of simultaneously building an organization and performing reviews to strengthen postal operations. To that end, we have begun work on our strategic plan and developed a five-year hiring plan. In the past six months, we have grown from 12 to 109 employees and plan to more than double the size of the organization in the coming year. We have also established programs and processes that enable us to meet our customers' needs. For example, we established a toll-free hotline number, which became operational August 1997, to receive allegations concerning fraud, waste, abuse and mismanagement. Further, we are performing reviews of significant Postal Service operations, including financial statements, revenue generation, labor management, workers' compensation and contracting, and also providing oversight of the Inspection Service.

During this reporting period, we received audit and investigative support from the Postal Inspection Service. A total of 293 audit reports and 324 Revenue and Asset Protection Program reports were issued. A total of 76 contract audits questioned \$3.4 million from post-award audits and recommended price adjustments of \$23.8 million from pre-award audits. The 134 audits of financial installations and district accounting offices, together with 256 revenue investigations, resulted in the identification of \$25.6 million in revenue deficiencies. Postal Inspection Service investigations resulted in the arrests of 5,317 individuals, and 5,172 individuals were convicted on charges from this and prior fiscal years. The Postal Inspection Service also focused on the controls associated with major Postal Service programs, and postal management took action on a number of Inspection Service recommendations to enhance postal processes.

This *Semiannual Report* to Congress highlights significant activities and accomplishments of the OIG and the Postal Inspection Service from April 1 through September 30, 1997. Submission of this report fulfills the reporting requirements of the Inspector General Act (Public Laws 95-452 and 100-504) and the Mail Order Consumer Protection Act (39 USC 3031). We appreciate the continued support and assistance of the Inspection Service and look forward to partnering with them to maximize the use of our resources. We also want to acknowledge the continued support of the Postal Service Governors, the Congress and Postal Service management and employees.

Fiscal Year 1998 will be a demanding period in the growth of both the Postal Service and the OIG. The Postal Service faces many financial and management challenges to continue to match its recent successes. The OIG faces many start-up challenges, including the need to plan, conduct and complete audits and investigations that improve the efficiency of operations and prevent and detect fraud, waste, abuse and mismanagement. The present dynamic period affords us the opportunity to creatively respond to these challenges. We look forward to responding to these challenges and are enthusiastic about our opportunity to contribute to the continued success of the Postal Service.

  
Karla W. Corcoran  
Inspector General  
September 30, 1997

# Office of the Inspector General

## History and Responsibilities of the OIG

The Office of Inspector General (OIG) was established in September 1996 by Public Law 100-504. Karla Corcoran was selected as the first independent Inspector General and was sworn in January 6, 1997.

The primary purpose of the OIG is to audit and investigate programs and operations to ensure the efficiency and integrity of the Postal Service. Further, the law specifies that the OIG has oversight authority for activities performed by the Postal Inspection Service.

The Inspector General, who is independent of postal management, is appointed by and reports directly to the nine presidentially appointed Governors of the Postal Service. While the OIG is being established, the Postal Inspection Service has continued to perform reviews on behalf of the OIG through an interim memorandum of understanding. The agreement provides that the OIG will progressively assume these review functions as staff increases.

In the previous *Semiannual Report*, the OIG reported that a transition team was assembled, an organizational structure and a pay and benefits package was developed, and the functions performed by the OIG and the Inspection Service were designated. Since that time, the OIG has aggressively grown to 109 employees and continues to build an infrastructure while performing audits and investigations. Specific information on the accomplishments of the OIG and the Inspection Service is contained in subsequent sections of this report.

## Designation of Functions

To identify functions that would be performed by the OIG, a transition team was established, which included two members of the Postal Inspection Service and representatives from several other agency Inspector General offices. The team developed the designation of functions, which was approved in March 1997 by the Governors of the Postal Service. This designation is shown in the chart on the following page. The Postal Inspection Service will continue to have responsibility for enforcing over 200 federal statutes related to crimes against the U.S. Mail, the Postal Service and its employees. The OIG will focus on audits and investigations involving postal-wide or significant issues.

The responsibilities of the OIG, contained in the designation of functions, are comparable to those performed in other OIGs and meet the requirements and goals of the Inspector General Act. In general, the designation identifies work to be performed by the OIG, work to be performed by the Postal Inspection Service and work that is shared but not duplicated. This distribution of workload leverages resources and minimizes adverse impact on Inspection Service employees.

## Organizational Structure

The OIG organizational structure, shown in the chart on this page, meets the requirements of the law and was designed to parallel the Postal Service's *CustomerPerfect!* structure — the Voice of the Business, the Voice of the Customer and the Voice of the Employee. Specifically, the OIG established Assistant Inspectors General for Investigation and Audit, which serve the business functions, and Assistant Inspectors General for Employee and Customer. In addition, the OIG established Strategic Planning/Quality and Legal Counsel teams. A brief description of each unit follows.

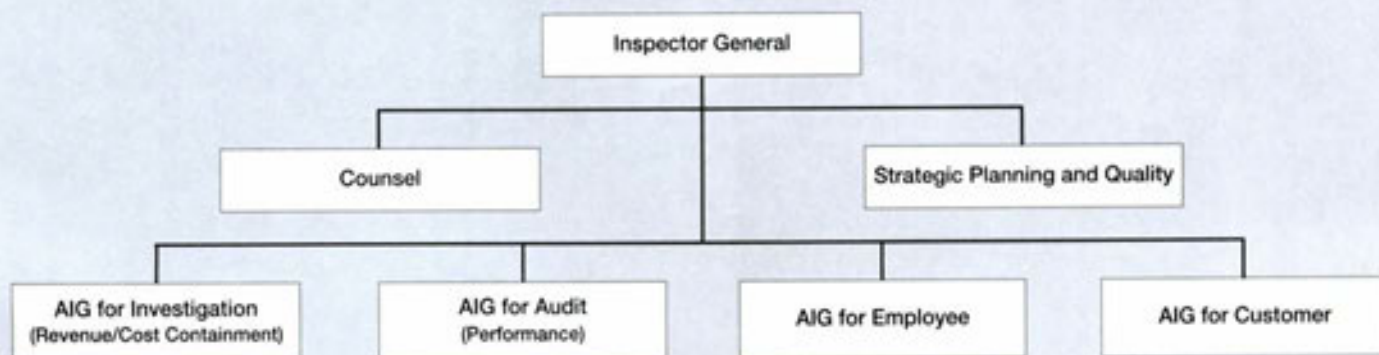
### Assistant Inspector General for Investigations (Revenue/Cost Containment)

The Assistant Inspector General for Investigations, Sylvia Owens, and her staff are primarily responsible for performing investigations, audits and other reviews of revenue and cost-containment issues. Her teams conduct work in the areas of contracts, facilities, revenue generation, revenue protection and workers' compensation.

### Assistant Inspector General for Audit (Performance)

Colleen McAntee, Assistant Inspector General for Audit, and her staff perform audits, reviews and investigations of the overall programs and operations of the Postal Service, including developmental and financial statement issues. The primary purpose of this work is to ensure that program operations are conducted economically and efficiently and financial statements accurately depict the position of the Postal Service.

Office of Inspector General **Organizational Structure**





# Designation of Functions

	Office of Inspector General*	Postal Inspection Service
<b>Audit</b>	<ul style="list-style-type: none"> <li>■ Financial statements, including:               <ul style="list-style-type: none"> <li>– overall opinion audits</li> <li>– quality reviews of Inspection Service work</li> </ul> </li> <li>■ Postal-wide performance reviews</li> <li>■ Contract audits, except pre-award and post-award audits</li> <li>■ Developmental audits</li> <li>■ Facility audits, including:               <ul style="list-style-type: none"> <li>– facilities construction contracts of \$10 million or more</li> <li>– right of first choice on contracts valued between \$5 – \$10 million</li> <li>– leases of \$1 million or more</li> <li>– repair and alterations of \$1 million or more</li> </ul> </li> <li>■ Revenue-focused audits (international mail)</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial statements, including installation and districts</li> <li>■ Area, district and local performance reviews</li> <li>■ Service investigations</li> <li>■ Pre-award and post-award contract audits</li> <li>■ Facility audits, including:               <ul style="list-style-type: none"> <li>– facilities construction contracts of \$5 million or less</li> <li>– contracts between \$5 – \$10 million not performed by IG</li> <li>– leases under \$1 million</li> <li>– repair and alterations under \$1 million</li> </ul> </li> </ul>
<b>Investigations</b>	<ul style="list-style-type: none"> <li>■ Revenue cases, including:               <ul style="list-style-type: none"> <li>– bribery, kickbacks, conflicts of interest</li> <li>– systemic reviews</li> </ul> </li> <li>■ Workers' compensation cases, including:               <ul style="list-style-type: none"> <li>– IG subpoenas</li> <li>– program monitoring</li> </ul> </li> <li>■ Tort claims, including:               <ul style="list-style-type: none"> <li>– serious incidents</li> <li>– liability reports</li> </ul> </li> <li>■ Embezzlements (conduct/partner on cases of \$100,000 or more)</li> <li>■ Expenditure cases, including:               <ul style="list-style-type: none"> <li>– bribery, kickbacks, and conflicts of interest</li> <li>– systemic reviews</li> </ul> </li> <li>■ Conduct/partner on cases involving executives</li> <li>■ Inspection Service internal affairs: executives</li> <li>■ Computer forensics</li> <li>■ Hotline</li> </ul>	<ul style="list-style-type: none"> <li>■ Revenue cases, including:               <ul style="list-style-type: none"> <li>– revenue loss detection</li> <li>– shares with IG on revenue task force and other groups</li> </ul> </li> <li>■ Primary responsibility for workers' compensation cases</li> <li>■ Tort claims</li> <li>■ Embezzlements under \$100,000</li> <li>■ Expenditure cases, including:               <ul style="list-style-type: none"> <li>– cases referred by IG</li> <li>– IMPAC card cases</li> <li>– local purchases or procurements</li> </ul> </li> <li>■ Emergency responses on cases involving executives</li> <li>■ Internal and external crimes</li> <li>■ Employee protection</li> <li>■ Security</li> <li>■ Fraud and prohibited mailings</li> <li>■ Inspection Service internal affairs: non-executives</li> <li>■ Forensic and technical services</li> </ul>
<b>Other</b>	<p><b>Additional OIG work:</b></p> <ul style="list-style-type: none"> <li>■ Oversight of the Postal Inspection Service</li> <li>■ Postal rate-making programs and operations</li> <li>■ Revenue generation</li> <li>■ Labor management</li> <li>■ Electronic commerce</li> </ul>	

\*The Inspector General has oversight responsibility for Inspection Service functions. The Inspector General retains the right to conduct/partner with the Postal Inspection Service on audits and investigations, pursuant to the Inspector General Act.

#### **Assistant Inspector General for Employee**

Ronald Merryman is the Assistant Inspector General for this area. His teams provide internal administrative, human resource and policy support and conduct reviews of labor/management issues and postal information systems.

#### **Assistant Inspector General for Customer**

Assistant Inspector General Norman Hancock and his teams provide informational and technical assistance to our internal and external customers and conduct investigations of sensitive areas. His teams also provide oversight of Inspection Service activities and maintain a hotline operation for reporting fraud, waste, abuse and mismanagement.

#### **Assistant Inspector General for Strategic Planning and Quality**

This team oversees long-range strategies, quality processes and internal computer systems. The staff also includes the Forensic and Technical Services and Electronic Commerce teams.

#### **Legal Counsel**

General Counsel Tom Coogan and the legal staff identify and research legal issues and provide independent and specialized legal advice and assistance to OIG staff in all areas of the law. In addition, they process subpoenas, conduct legislative reviews and perform other legal research. The Legal Counsel functions as a liaison with the Postal Service and the Department of Justice on all legal matters. The congressional/public relations function, including the Freedom of Information Act, is also the responsibility of the Legal Counsel.

### **Accomplishments and Challenges**

The magnitude of the task facing the OIG is enormous. It is difficult to fathom that the OIG and its staff did not exist nine months ago. The OIG began with nothing — no staff, organization, equipment or space. In addition, policies and procedures did not exist for hiring staff and a precedent did not exist for taking action on any issue facing the OIG. Therefore, our first priority was to create the organizational infrastructure and recruit staff.

The following sections highlight accomplishments during the past six months.

#### **Law Enforcement**

The Governors of the Postal Service granted the OIG full law enforcement authority under title 39, which authorizes OIG Special Agents to conduct criminal investigations, carry firearms, serve subpoenas, execute warrants and make arrests. The OIG designed official badges and insignia (shown on the cover of this report) to enable easy identification of OIG employees while performing audits and investigations and to ensure OIG access to appropriate areas and information. In addition to obtaining law enforcement equipment, we prepared internal investigative operating procedures concerning such issues as the use of deadly force. Working jointly with the Postal Inspection Service, the OIG also developed a system for reviewing, issuing and tracking subpoenas.

#### **Human Resources**

The OIG aggressively recruited staff for the organization and has grown from 12 to 109 employees in the past six months. The OIG plans to more than double the size of the organization in the next 12 months and is authorized a staff of 380 for 1998. To enhance the recruiting effort, the OIG designed a detailed recruiting package that explains the organization and the pay and benefits system to prospective employees.

To facilitate recruiting, the OIG implemented a toll-free vacancy job line (1-888-644-4470). To date, 21 positions were advertised on the job line and over 900 applications were received. Prior to establishing the job line, the OIG received over 1,800 unsolicited applications. Because of the overwhelming response, internal teams of OIG staff were assembled to screen the qualifications of each of the 2,700 applications for employment consideration.

A fundamental goal of our recruiting efforts is to ensure diversity in our workplace. Currently, our workforce comprises 53 percent women and 47 percent men. The composition of our workforce is 60 percent white, 31 percent black, 4 percent Hispanic, 2 percent Asian and an additional 3 percent representing other groups.

Internally, the OIG developed performance standards and awards and evaluation systems, which include a 360-degree evaluation by peers, subordinates and supervisors. This innovative concept focuses on teamwork, leadership, creativity, communication and conceptualization. The OIG awards system mirrors the awards system used by the Postal Service.

The law requires that OIG pay and benefits must be comparable to other law enforcement agencies. Because a suitable payroll system did not exist within the Postal Service, postal managers are taking the lead on developing our payroll system.

#### **Infrastructure**

One of the most critical and resource-intensive areas the OIG immediately faced was the creation of our infrastructure. When our office was created, we did not have space, equipment, supplies, systems or personnel. Everything the OIG needed had to be designed, located or acquired.

While the Postal Service could accommodate our immediate office space needs, they did not have sufficient space available to accommodate the OIG's increasing needs. With the assistance of the Postal Service, interim office space was acquired and a permanent consolidated office site selected. In addition, we are working with postal facilities staff to locate and design suitable space in Dallas, Minneapolis, St. Louis and San Mateo. The OIG staff will be on board at each of these locations by January 1998.

The OIG is committed to investing in technology and using "best management practices" to facilitate communication and maximize employee productivity. For example, we purchased laptop computers and automated organizers that enable staff to work more effectively by having instant access and synchronized data readily available, whether in the field or in the office. In addition, the OIG purchased specialized software to support audits and investigations. One of the goals of the OIG is to move toward a paperless environment, and to achieve this we are exploring several innovative concepts, such as automated workpapers and investigative files.



The OIG is rapidly establishing internal processes and systems needed to effectively manage our operations, including implementing budget, property, financial, management information, computer security and other supporting systems. To ensure that our internal operations are working effectively, we have already conducted internal reviews of our hiring and expenditure processes to identify areas where refinements are needed.

#### **Outreach**

The OIG has undertaken an extensive effort to inform and educate businesses, customers and employees about the mission and responsibilities of the office. The OIG designed a trifold educational package that describes the mission of the OIG, its responsibilities and the designation of functions with the Postal Inspection Service (see attached brochure).

In August 1997, the OIG established a toll-free hotline number (1-888-877-7644) to respond to allegations relating to Postal Service programs and operations. The hotline received approximately 20 calls daily, but because the Postal Crime Hotline was transferred to the OIG in October 1997, the volume of calls is expected to dramatically increase.

The OIG is in the process of establishing a congressional/media relations team to respond to Congress and other external customers. To date, we have received 48 congressional requests, a high percentage of which involve labor/management issues. In addition, the OIG has initiated work on its strategic plan, which is due in January 1998.

To inform others about the OIG, we have participated in numerous postal and private conferences. For example, we presented briefings to law enforcement and audit professionals and postal management, employees and unions. To ensure open communications, the Inspector General and her senior management team participate in regularly scheduled meetings with the Postal Service Governors and management.

#### **Educational Efforts**

To introduce new employees to the Postal Service, the OIG created a comprehensive orientation program that includes detailed presentations on the Postal Service and Postal Inspection Service. In addition, the program educates staff on OIG philosophy, vision and goals. We are also dedicated to ensuring that our staff maintains continuing educational requirements and knowledge of Postal Service programs and operations.

The Postal Service differs from traditional government agencies and is generally exempt from oversight by and the policies of the Office of Management and Budget, the General Services Administration and the Office of Personnel Management. To educate OIG staff about differences in Postal Service operations, we received briefings in several significant areas, including purchasing, finance, marketing and rate-making. In addition, the Postal Inspection Service briefed us on their operations.

#### **Legal Considerations**

The OIG responded to a series of legal questions regarding its role within the Postal Service. A legal opinion was requested from the Law Department on the role of the OIG within the Postal Service. The OIG provided comments to the draft opinion, including a copy of the "best practices" guide published several years ago by the Office of Management and Budget. We also worked with the Law Department to amend a bylaw that clarifies the reporting procedure for the *Semiannual Report* to Congress. Other legal issues affecting the OIG were addressed, including pay and benefits, human resources and information management. We expect to continue to address the many legal issues and questions relating to OIG independence, authorities and responsibilities.

#### **Completed and Ongoing Reviews**

The OIG completed reports on several Postal Service operations and initiated reviews of Postal Service contracts, financial statements, revenue operations, facilities and labor/management issues. In several areas, the OIG is designing databases to facilitate trend analyses. To better understand complex areas, such as rate-making, financial statements and labor management, we are educating our teams by initially observing ongoing operations and contacting industry professionals. The OIG continues to partner with the Postal Inspection Service on reviews of several significant Postal Service programs.

#### **Important Challenges for 1998**

The demands of finalizing our infrastructure will continue to absorb a significant portion of our resources in 1998; however, we are committed to providing greater audit and investigative assistance while hiring additional staff. We will manage our overall workload to meet the twin objectives of completing the infrastructure and performing audits and investigations. Further, the OIG faces several critical tasks that must be accomplished in the coming year including:

- **Systems Development.** The OIG must complete the design and implementation of its management information and case management systems.
- **Communications.** The OIG needs to continue to complete its strategic plan, increase its organizational understanding and continue to advertise its mission, roles and responsibilities.
- **Training.** The OIG must increase its knowledge of key Postal Service operations, including the labor relations and rate-making processes, and identify the concerns of its customers.
- **Responsiveness.** The OIG must continue to ensure that it timely and effectively responds to the needs of the Postal Service Governors, Congress and Postal Service management.



# United States Postal Inspection Service

The Chief Postal Inspector was the Inspector General for the Postal Service prior to the appointment of the new Inspector General in early January 1997. The U.S. Postal Inspection Service has continued to perform many of the duties of the Office of Inspector General under an Interim Memorandum of Understanding, signed January 7, 1997. The audit and investigative work reported here covers the results of work performed by the Postal Inspection Service under the terms of the memorandum. Future semiannual reports will also include work performed by the Inspection Service, as appropriate. The Office of Inspector General and the Postal Inspection Service will continue to work cooperatively as the OIG continues to assume functional responsibilities previously delegated to the Postal Inspection Service.

The U.S. Postal Inspection Service is empowered by federal laws and regulations to investigate and enforce over 200 federal statutes involving the U.S. Mail. Through its programs, it strives to keep the mail safe from attack, protect postal employees and Postal Service assets, and protect customers from fraudulent schemes conducted through the mail or other illegal use of the mail.

During the period covered by this report, the Postal Inspection Service continued to perform financial, contract and facility audits and independent evaluations of Postal Service programs and projects through performance and developmental audits. The internal audits comply with audit standards published by the Comptroller General of the United States, the American Institute of Certified Public Accountants and the Institute of Internal Auditors.

The audit and investigative work is outlined in four broad areas designed to:

- audit Postal Service programs and products
- protect Postal Service revenue and assets
- safeguard postal employees and the work environment
- preserve the integrity of the postal system

## Organization of the Postal Inspection Service

The Chief Postal Inspector, appointed by the Postmaster General in consultation with the Postal Service Board of Governors, reports to the Postmaster General of the U.S. Postal Service. The National Headquarters office of the Postal Inspection Service is organized into functional groups that report to Deputy Chief Inspectors for audit, criminal investigations, administrative support, and professional standards and resource development. The Postal Inspection Service comprises 27 field divisions, which report directly to two Deputy Chief Inspectors for field operations. Field offices are supported by five Inspection Service Operations Support Groups. Postal Inspection Service Forensic Laboratories at five strategic sites support field investigations with state-of-the-art technology. Postal Inspection Service offices are linked nationally via the Inspection Service Data Base Information System, with on-line connections to the National Law Enforcement Telecommunications System and the National Crime Information Center.

Approximately 2,200 Postal Inspectors throughout the United States conduct criminal investigations, perform audits, serve warrants and subpoenas, make arrests for postal offenses and present evidence to prosecutors for criminal and civil action. Day and night, Postal Inspectors respond to emergencies involving postal crimes, natural disasters or other problems affecting the Postal Service.

Uniformed Postal Police Officers (PPOs) provide security at postal facilities where risk, vulnerability and history demonstrate the need for their presence. PPOs at postal facility control centers monitor robbery and burglar alarms to provide protection for postal employees, property and assets. PPOs also escort high-value shipments, such as registered mail and postal remittances.

Inspection Service professional and technical employees, including forensic specialists, program analysts, financial analysts and others, play a vital role in supporting the audit, criminal investigation and security functions of the Postal Inspection Service. They perform a wide variety of tasks, including:

- developing and maintaining management systems
- providing forensic examinations of evidence
- developing, procuring and deploying electronic security and surveillance equipment
- publishing policy, reports, manuals, handbooks and consumer publications
- providing photography, video and graphics support
- providing direct contact with Congress and the public
- supplying administrative support

Postal Inspectors nationwide work cooperatively with the Department of Justice and other federal, state and local law enforcement agencies on joint efforts. Postal Inspection Service expertise is recognized internationally; Inspectors are assigned to the U.S. National Central Bureau of Interpol in Washington, DC, and to Interpol headquarters at Lyon, France. The Chief Postal Inspector chairs the Postal Security Action Group (PSAG) of the Universal Postal Union (UPU). The mission of the PSAG is to realize these goals:

- prevent customer injuries resulting from dangerous goods in the mail
- prevent the loss or theft of mail entrusted to world postal administrations by our customers
- prevent revenue and asset losses of world postal administrations
- preserve customers' confidence in the mail

U.S. Postal Inspectors are active members of such committees as the Securities and Commodities Fraud Working Group, the Organized Crime Council, the International Policy Committee of the International Association of Chiefs of Police, the Economic Crimes Council, the National Health Care Anti-Fraud Association, the Financial Crimes Enforcement Network, the International Association of Financial Crimes Investigators, the Asset Forfeiture Policy Advisory Group and the National Law Enforcement Explorers Committee. Postal Inspectors work with the Child Exploitation and Obscenity Section of the Department of Justice and the National Center for Missing and Exploited Chil-





*POST OFFICE INSPECTORS AND OFFICE FORCE  
ST. LOUIS DIVISION FEB. 6, 1935.*

dren on child pornography cases; and with the Standing Working Party on Offenses Against Minors, an international organization sponsored by Interpol. The groups address a variety of issues, including employee safety, security, theft, revenue protection, mail fraud, service and productivity. Postal Inspectors meet regularly with Postal Customer Councils and with postal managers, employee organizations, mailers and other customer groups to help increase mailer efficiency and address revenue protection and prevention issues of mutual concern.

### **Partnerships with Other Law Enforcement Groups**

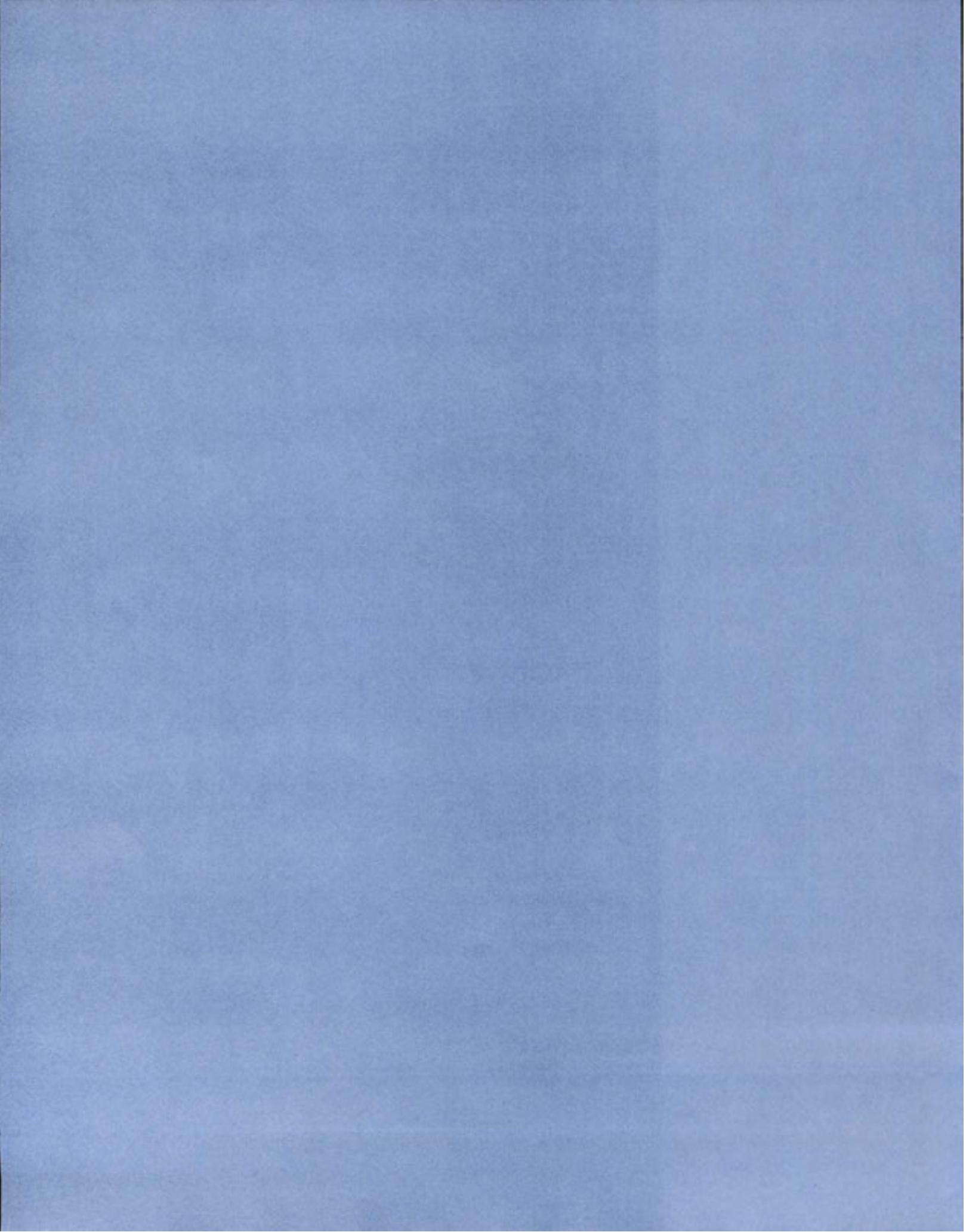
Many of today's major financial crimes start with the mail. As technology and the methods of moving money have changed, so has the Postal Inspection Service in its mission to preserve the security of the nation's mail system.

The strategy of the Inspection Service is to build security into postal products, prevent postal crime where possible and vigorously investigate all crime that overcomes its prevention programs. The successes of the Inspection Service in the area of prevention have reduced opportunities for criminals, particularly in the arena of credit card theft and related fraud.

Prevention successes allow Postal Inspectors to direct more investigative energy toward the most organized and prolific criminal gangs. The key to cracking the more sophisticated criminal groups is to investigate criminal activity on a national level, an especially important strategy because of the increased mobility and technology available to today's criminals — and to optimize all available resources. This

includes actively forming partnerships with other federal, state and local law enforcement officials, such as police officers, sheriffs and local and state law enforcement officers and prosecutors. By working together, such groups can achieve far more than is possible with fewer, more isolated resources. During a time when the public and private sectors are evaluating their returns on investments or allocations of resources, a task force investigative approach is also often the most logical and economical solution. The Postal Inspection Service is proud of its history of such cooperation.

As members of task forces or in multiagency investigations, the Postal Inspection Service has experienced great success working with our counterparts in such wide-ranging and diverse groups as the Chicago Child Sexual Exploitation Task Force, the Pittsburgh Credit Card Task Force, the Prince George's County Fugitive Task Force, the Washington, DC Joint Fugitive Task Force, the FBI Terrorism Task Force, the Arizona Telemarketing Fraud Task Force, the High Intensity Drug Trafficking Area Task Forces (in several states), the Iowa Child Exploitation & Pornography Task Force, the Multiagency Drug Enforcement Team, the Multiagency Drug Parcel Squads (in several states) and the Newark Multiagency Nigerian Crime Reduction Task Force.





# Auditing

## Auditing Postal Service Programs and Projects

During this reporting period, the Office of Inspector General (OIG) started new audit projects, partnered with the Postal Inspection Service and provided program oversight. Postal Inspectors continued to conduct audits of Postal Service programs and operations. The audits were conducted pursuant to an interim memorandum of understanding between the Inspector General and the Chief Postal Inspector, and under the authority of the Inspector General Act of 1978, as amended, which provides that the Inspector General shall conduct, supervise and coordinate postal audits.

### Performance Audits

The performance audit risk assessment process annually examines the entire postal audit universe to identify areas with the most risk to the Postal Service. Efforts were made to ensure the audit universe for FY 1998 was complete and accurate. OIG evaluators and Postal Inspectors used a risk assessment process to prepare the FY 1998 audit workload plan, which includes the scope of work, budget and staffing. The audit plan was presented to the Board of Governors' Audit Committee and the Postmaster General. Additional topics, specifically requested by the Board of Governors or postal management, will be added to the plan as they are identified.

The audit plan stipulates that the OIG and the Inspection Service will partner on system-wide audits, with OIG involvement increasing as additional performance audit staff are hired. By the beginning of FY 1999, system-wide audits will be conducted by the OIG. The Postal Inspection Service will continue to conduct postal "area" audits and local performance reviews. During this reporting period, OIG staff members worked with Postal Inspectors on a continuing audit of the External First-Class (EXFC) Measurement System.

Performance audits evaluate postal management performance in five key areas:

- accomplishment of established objectives and goals for operations and programs
- reliability and integrity of information
- economical and efficient use of resources
- safeguarding of assets
- compliance with policies, plans, procedures, laws and regulations

Although safeguarding assets and determining compliance with laws and regulations are requirements of every audit, OIG evaluators and Postal Inspectors conduct performance audits to go beyond these standards, seeking ways to improve process and program efficiency. We examine and evaluate the planning, organizing and directing of Postal Service processes to provide reasonable assurance that corporate objectives and goals will be achieved. Significant risks or exposures identified during the audits are also communicated to postal management and the Board of Governors.

During the past six months, we issued reports on the results of 27 performance audits, which include national coordination, area coordination and local division audits. Results of the five national coordination audits and one area coordination audit follow.

### **Domestic Revenue, Pieces and Weight (RPW)**

A Postal Inspection Service audit concluded that, while RPW and Origin Destination Information System (ODIS) tests were based on sound statistical principles, internal controls needed improvement. Management took action to implement Inspectors' recommendations to strengthen internal controls, which included issuing revised testing instructions and developing a quality assurance program to reduce test selection and data collection errors.

### **Excessive Overtime**

This Inspection Service audit was initiated at the request of the Board of Governors and concluded that, although there were reports and procedures in place to monitor overtime use, there was no national policy for overtime. Factors contributing to controlling the use of overtime included contractual constraints and employee scheduling problems, both of which resulted in increased compensation to craft employees. Management agreed with all of the recommendations, including providing supervisor training on leave control, absence control and schedule changes for full-time employees.

### **International Surface Airlift Mail (ISAL)**

ISAL is a mailing system that provides quick and economical international delivery of various publications, such as advertising mail. Postal Inspectors conducted an audit of the ISAL program to determine if revenue was properly collected, adequate acceptance and verification procedures existed, and ISAL documentation was properly prepared for the settlement of accounts with foreign administrations. Management accepted most of the recommendations for improvements, which included establishing a minimum sack-weight requirement for ISAL mail to reduce annual operating costs by approximately \$1.5 million, and instituting controls and procedures to ensure ISAL mail is properly verified and revenue due is collected. Management did not agree with the recommendation to reduce the number of cities that accept ISAL. The Postal Service's International Business Unit is considering extending ISAL acceptance to all post offices.

### **Mail Recovery Centers (MRCs)**

MRCs facilitate the disposition of undeliverable mail. The purpose of the audit was to determine whether MRCs were operating under current guidelines in compliance with the Postal Service's goals of providing sufficient security and promoting customer satisfaction. Postal Inspectors concluded that management must improve MRC security and letter operations; increase machine use; increase the number of undeliverable items returned to mailers; and reduce the amount of material misdirected to MRCs. Management agreed with the findings and began implementing them during the audit, including piloting an expanded return policy. A 90-day test, conducted by the Consumer Advocate's office with selected businesses, determined many large-volume mailers wanted identifiable, undeliverable mail returned so that customer accounts could be updated.

### **Privacy Act**

Postal Inspectors conducted an audit in FY 1992 of the Postal Service's compliance with the Privacy Act, and made several recommendations. Based on a request from finance managers, Inspectors again reviewed the Postal Service's compliance. They found managers were in full compliance with the act and made no further recommendations.

### **Carrier Route Adjustment**

Postal Inspectors conducted an area coordination audit to determine whether anticipated savings from Delivery Point Sequencing (DPS) were recovered through the route inspection process; the effectiveness of route inspections in reducing carrier workhours; and the effect of DPS mail on the route inspection process. Delivery unit management relied on route inspections to provide carrier workhour savings from implementing DPS; however, in two of the five midwest area districts reviewed, Inspectors found that carrier workhours actually increased. Management agreed that it could realize approximately \$30 million in savings by reducing carrier workhours through proper use of DPS.

### **Service Investigations**

Postal Inspectors conduct service investigations to review mail service and related concerns not covered by the annual risk assessment process and to verify the accuracy and timeliness of mail processing condition and delivery service reports. The investigations may be performed as the result of congressional or postal management queries, mail service complaints or observations of mail conditions.

During this reporting period, Postal Inspectors identified operating deficiencies in the Wilmington, DE, area, several of which they had reported in a previous review, such as the need to establish service standards and benchmarks for operating responsibilities, accountability and monitoring. Postal Inspectors also found that distribution operation managers were inadequately trained on how to use the Mail Condition Reporting System. Management agreed to several Inspection Service recommendations related to staffing; mail processing; collection and delivery operations; an internal testing program; and adding Delaware to the national External First-Class Mail (EXFC) program.

### **Developmental Audits**

The Developmental Audit Program is based on phased activities that occur under several system development methodologies. The goals of a developmental audit are to assure postal management that:

- system costs are justified in relation to anticipated benefits
- security and internal controls are incorporated
- maintenance procedures are documented
- data backup and recovery procedures are developed
- documentation is available to allow for future audits

Developmental audit processes include steps for project initiation, requirements, design, testing, acceptance and implementation. An important element contributing to the success of the Developmental Audit Program is the timely receipt of information on the identification of new projects. Once a developmental project is identified, a level of priority for audit attention is established. Developmental audits are



conducted for new products and services and information-based systems, as well as for automation, technology and business process reengineering projects.

During this reporting period, Postal Inspectors provided the results of developmental audits. In FY 1998, the Office of Inspector General will assume responsibility for the Developmental Audit Program. Developmental audits provide an independent, constructive and protective service as the Postal Service strives to identify, develop and improve its business products and technologies. These initiatives will be instrumental in helping the Postal Service maintain its competitiveness in present and future areas of operations.

### **Financial Audits**

Financial audit programs are designed to assess the financial integrity of the U.S. Postal Service. The results of financial audits are expressed in the opinion on the U.S. Postal Service's Consolidated Trial Balance. This work is an integral part of the external auditors' annual certification of the Postal Service's financial statements.

Financial audits include the following categories:

- financial opinion audits
- financial installation and district accounting office audits
- contract audits

Office of Inspector General financial statement auditors were involved in reviewing and assessing FY 1997 financial opinion audit work performed by Postal Inspectors at information service centers and at National Headquarters. OIG personnel visited various sites to selectively participate in field work, which supported the financial opinion audits. This work supports the transition of responsibilities to the OIG, which will assume responsibility for the opinion audit for FY 1998.

Individual financial audit reports are issued to each entity audited and to requesters. Findings and recommendations for improved controls or correction of non-compliance issues are included in the reports. Management is requested to respond to the recommendations and provide a plan for completing necessary action. Follow-ups on open audit findings are performed every six months, in accordance with the Inspector General Act of 1978, as amended, and the Comptroller General's Government Auditing Standards.

### **Financial Opinion Audits**

Financial opinion audits are conducted at the San Mateo, Minneapolis and St. Louis Information Service Centers (ISCs) and National Headquarters. Financial transactions are tested and internal controls are evaluated, including electronic data processing controls, to determine compliance with management's policies. At the conclusion of audit work, an opinion on the adequacy of the National Consolidated Trial Balance is rendered to the chief financial officer, and a copy of the opinion is provided to the external auditors retained by the Board of Governors.

Postal Inspectors will continue to provide audit attention at selected field sites in support of the Financial Opinion Audit Program. Reviews at those sites include the evaluation of property inventory records, construction-in-progress projects, vehicle maintenance facility inventories, rail and highway payments, imprest fund payments and travel payments. Inspectors observe cost and revenue analysis (CRA) tests to determine compliance with established test procedures for U.S. Postal Service statistical programs. The results of CRA reviews are provided to the OIG, external auditors and postal management.

### **Electronic Data Security at the Minneapolis, MN Information Service Center (ISC)**

Postal management agreed to implement Inspection Service recommendations on strengthening internal and external security of databases by restricting authorization for "read" and "write" access to data; revising disaster recovery plans for payroll processing; enhancing the security of the computer operating environment; and providing additional administration for access to computer systems.

### **Electronic Data Security at the San Mateo, CA ISC**

Postal Inspectors made several recommendations to postal management regarding data recovery, security and integrity. Postal management agreed to implement Inspection Service recommendations, including establishing a test schedule to validate disaster recovery plans, ensuring off-site backup and storage of critical files, and restricting access to production data.

The FY 1997 financial opinion audit results will be issued early in FY 1998, and reported in the next *Semiannual Report*.

### **Financial Installation and District Accounting Office Audits**

Financial installation audits support the Financial Opinion Audit Program and include the testing of internal control systems and the verification of assets at 200 field sites. Postal Inspectors select field installations for audit through a random sampling of all national offices, stratified according to projected annual revenue. Offices with higher revenue and a greater risk of financial loss are audited more frequently. For FY 1997, the 200 selected post offices represent approximately 16 percent of total projected Postal Service revenue.

District accounting office audits are designed to review and evaluate internal controls for the centralized accounting environment. As a result of increased centralization of accounting controls at district accounting offices, Postal Inspectors created a separate audit program to evaluate and report on the control environment and security provided for computers. Inspectors conduct district audits in addition to the offices in the annual Financial Audit Sample, shown on the following page.

### FY 1997 Financial Audit Sample (revenue amounts in millions)

Strata	Revenue Range	Number of Offices	Projected Revenue	Offices Sampled	Projected Revenue in Sample Strata
1	>\$69	141	\$28,076	47	\$8,498
2	\$5.64 - 69	1,088	19,546	31	578
3	\$5.55 - 5.639	4,576	7,714	48	78
4	\$.11 - .549	7,238	1,856	29	7
5	<\$.11	14,784	610	45	2
<b>TOTAL</b>		<b>27,827</b>	<b>\$57,802</b>	<b>200</b>	<b>\$9,163*</b>

\*Approximate percentage of projected FY 1997 revenue = 16%

During the past six months, Postal Inspectors issued the results of 132 financial installation and 2 district accounting office audits. The 134 audits identified a total of \$764,694 in revenue deficiencies. This brings the fiscal year total to 200 financial installation and 38 district accounting office audits, with identified revenue deficiencies of \$2.2 million.

The following paragraphs summarize some of the significant problems identified by Postal Inspectors conducting financial installation and district accounting office audits during the past six months.

#### Business Mail Acceptance

Internal controls and operational procedures governing permit imprint and Periodical mail were inadequate in 46 offices. As a result, mailing statements were not entered in a timely manner, the permit system was not closed-out each day and required verifications were not performed. Postal Inspectors also found in some offices that revenue due was improperly or not fully collected.

#### Protection of Postal Funds

Postal Inspectors found internal controls for postal funds were inadequate in 38 offices, resulting in improperly maintained funds and excess cash at some offices. Managers failed to exercise reasonable care in performing their responsibilities in this area.

#### Post Office Box and Caller Service

Procedures for administering Post Office Box and Caller Service were inadequate in 21 offices, resulting in the failure to collect required fees from some customers. Postal Inspectors also observed a lack of internal controls in handling related cash receipts, which increased the potential for revenue loss.

#### Contract Audits

Postal Service procurements amount to approximately \$7 billion annually and represent considerable opportunity for fraud, waste and abuse. Contract audits provide independent audit attention to costs associated with transportation, equipment, consulting services and facility contracts.

Postal Inspectors are conducting pre-award and post-award contract audits on a request basis, with oversight from the OIG. The purpose of the audits is to provide assistance to the Purchasing office and General Counsel in negotiating, awarding, administering and settling contracts or contract claims.

The OIG is currently developing a system to track the results of pre- and post-award contract audits performed by the Postal Inspection Service and the Defense Contract Audit Agency. The system will contain information on the contractor, questioned costs found as a result of an audit, and any other audit findings. The OIG also plans to monitor contracts subsequent to any negotiations on issues that are questioned as a result of an audit. The OIG will track cost savings recommended by audits and compare them with actual cost savings realized by the Postal Service. The information from these tracking and monitoring efforts will allow the OIG to identify trends and patterns that may indicate questionable activity that occurs on a regular basis. The OIG will perform audits of the Postal Service's contracting process and postal contractors as a result of this and other efforts.

The Postal Inspection Service has formed eight contract audit teams, strategically located throughout the United States, that perform audits of pre-award proposals, cost-reimbursement contracts, time and material contracts, and contract claims. During the past six months, Postal Inspectors reported the results of 76 contract-related audits. The review of \$353 million in total costs resulted in the identification of \$23.8 million in recommended price adjustments from pre-award audits and \$3.4 million in cost recoveries from post-award audits. The chart on the opposite page reflects significant audit results for the past six months.



Management made a final decision during this reporting period on 20 contract audits reported in the current or prior fiscal years. The 20 audits represented a combined total of \$9.8 million in recommended price adjustments or cost recoveries. Management avoided or recovered \$4.8 million of this amount.

For FY 1997, Postal Inspectors reported the results of 126 contract-related audits. The review of \$943.3 million in total costs resulted in the identification of \$69.2 million in recommended price adjustments or cost recoveries. Management made a final decision on 51 contract audits, representing a combined total of \$58.8 million in recommended price adjustments or cost recoveries for the year. Management avoided or recovered \$28.7 million of this amount.

### Facility Program Audits

Facility program audits provide independent appraisals of facility-related functions to assist postal management in minimizing financial and operational risks. The Postal Service's Facilities department is responsible for providing and maintaining space required to support postal operations, including customer service retail and delivery units, processing & distribution centers, and offices for management and support services. Space is acquired through new construction, building purchases and leases. Existing facilities are maintained and upgraded under building improvement projects.

Facility program audits accomplish the following objectives:

- assess management's efforts to plan and organize facility-related programs
- evaluate the quality of performance and the accomplishment of established goals
- analyze the effectiveness of internal controls
- determine compliance with policies, plans, procedures, laws and regulations

During the past six months, the Office of Inspector General issued an advisory report on the Sugar House facility renovation project in Chicago. On-site reviews disclosed workplace safety concerns that required an advisory report be issued. Management agreed to implement OIG recommendations, including assessing the structural integrity of the facility and correcting a hazard from lead-based paint that exceeded Environmental Protection Agency allowances. As a result of the structural assessment, postal managers ordered repairs to the facility, including re-encasing steel columns on the loading dock and adding epoxy grout to stabilize cracked walls.

The Postal Inspection Service completed the first full year of operation under the newly reengineered Capital Investment Audit Program. Over the past six months, Postal Inspectors issued 33 facility program audit reports. The audits provided management with an assessment of facility programs relating to new construction projects, repair and alteration projects, leases, facility service office administration, and programs and systems improvement.

### Significant Audit Results: April 1 – September 30, 1997

Commodity	Proposal or Contract Amount	Questioned Costs
Philatelic Fulfillment Center Automation	\$19,973,576	\$3,496,865
Image Processing Subsystem Upgrade	9,299,724	719,385
General Mechanization Material Handling System	71,495,791	6,729,572
Tray Transport System	70,449,839	10,312,313
DBCS I & II Computer Upgrade	6,875,852	283,626
<b>TOTAL</b>	<b>\$178,094,782</b>	<b>\$21,541,761</b>

## Protecting Postal Service Revenue and Assets

### Expenditure Investigations

**E**xpenditure investigations include reviews of postal procurements, expenditures and false claims made against the Postal Service. The investigations are conducted to ensure that expenditures comply with postal policies, procedures and legal requirements; identify fraud, waste and abuse; and resolve system problems to reduce vulnerability and prevent losses.

The Office of Inspector General (OIG) investigates bribes, kickbacks and conflicts of interest and conducts service-wide investigations of the Postal Service, while the Postal Inspection Service investigates cases referred by the OIG, cases related to IMPAC (International Merchant Purchase Authorization Card) credit cards and cases involving local purchases or processes.

Expenditure investigations may be requested by postal management, based on customer tips, suggested anonymously through the hotline or self-initiated. Results are provided to postal management in summary reports that include findings and suggest corrective actions. If appropriate, reports are presented to prosecuting attorneys for criminal, civil or administrative action. The investigations may result in fines, forfeitures or restitution; suspension or debarment; or other administrative action.

As the result of a congressional request, the OIG reviewed costs related to the swearing-in ceremony of the Atlanta, GA Postmaster and renovations to the postmaster's office. The OIG found that the Postal Service does not have a policy on costs incurred for installation ceremonies and recommended that postal management set monetary limits for ceremonies. A limited review of the planned renovations for the Atlanta facility verified that the postmaster will incur an estimated cost of \$194,000 for renovations and relocations, but the costs appeared to be reasonable.

An Inspection Service investigation of a Salt Lake City, UT, remote encoding contractor resulted in his guilty plea for violating the false claims statute. The contractor withdrew \$1.7 million in claims that had been submitted to the Postal Service, paid \$101,538 to the Postal Service to cover the cost of the investigation, and paid \$48,262 in fines during this reporting period.

Another Postal Inspection Service investigation involved a review of a large national contract. At the time of the review, over 200 delivery orders had been placed against the national ordering agreement, representing approximately \$45 million in contract commitments. Subsequent investigation disclosed evidence of misrepresentations and false claims, which resulted in overcharges, duplicate charges, failure to apply required discounts and substandard product substitutions. The review also disclosed that the ordering agreement had evolved from a competitively bid, firm fixed-priced contract to a sole source contract with "open market" prices. The contractor agreed to pay \$2 million to the Postal Service and withdraw several outstanding claims totaling \$1.1 million. In addition, the contractor agreed to a contract modification that will result in additional cost savings of \$254,551.



In another expenditure investigation, a man in Hattiesburg, MS, was convicted of submitting false claims in excess of \$50,000 after reporting the Postal Service had lost registered packages he alleged contained jewelry. A Charlotte, NC, man was sentenced to five years' probation and \$10,000 in court-ordered restitution for a scheme to defraud the Postal Service through the submission of false invoices. A New London, CT, man was sentenced to 15 months in prison, 3 years' probation and court-ordered restitution of \$38,381 for a scheme to bill government and private insurance companies, and the Postal Service, for medical services and procedures that were never provided. A complaint was filed against a Hayward, CA, firm, alleging it had submitted over \$300,000 in false claims and shipping reports.

Washington Division Postal Inspectors reported a serious contract violation by a contractor in the Netherlands. The contractor received a 25-percent commission on the face value of U.S. postage stamps and philatelic products he sold in Belgium, Luxembourg and the Netherlands. Inspectors discovered he sold stamps before their first day of issue, and his customer was a buyer in the United States; both acts are in violation of the contract. His shipment to the United States of close to \$1.5 million worth of U.S. postage stamps resulted in \$371,474 in unearned commissions. The contractor was issued a Notice of Termination, and the Postal Service is seeking \$158,287 due on the account, plus his unearned commissions.

### **Financial Investigations**

Financial investigations are conducted at the request of postal management; are self-initiated, based on an analysis of accounting data obtained from the Financial Exception Reporting System (FERS); or may be performed as the result of information received through customer complaints or from the hotline.

The Office of Inspector General (OIG) and the Postal Inspection Service will share, but not duplicate, work on financial investigations. The OIG is responsible for and will conduct or partner with the Inspection Service on embezzlement cases of \$100,000 or more.

FERS identifies unfavorable trends or significant variations in activity that may indicate criminal actions, mismanagement or deficient internal controls. Self-initiated financial investigations are performed at post offices that otherwise would not be subject to audit under the random sampling application used for financial installation audits.

In an unusual case, an employee of a private firm in Rockville, MD, embezzled approximately \$1.2 million from his employer by using trust fund accounts at the Gaithersburg and Rockville, MD, post offices. The man altered approximately 1,800 money orders and 11 U.S. Treasury checks, which were issued as refunds from his company's trust funds. He was sentenced to 30 months in prison, 3 years' supervised release and court-ordered restitution of \$1.2 million.

### **Employee Embezzlements**

Employee embezzlements may include employees who steal money from cash drawers, sophisticated kiting schemes involving postal money orders or the falsification of financial records. A Baltimore, MD, postal employee, who was responsible for maintaining postal vending machines, pleaded guilty to embezzling \$179,869 from vending revenue. The 27-year employee avoided detection because inventories were not properly conducted. The postmaster of Sayreville, NJ, pleaded guilty to embezzling \$73,533 in postal funds and was sentenced to one year in prison and three years' probation. The scheme was identified as the result of information from postal employees who suspected the postmaster was using money order funds to pay for personal expenses. In Detroit, MI, a clerk with 29 years of postal experience was found guilty of embezzling over \$31,000. The clerk alleged that her postage meter malfunctioned, but inspectors found no evidence of such problems.

In a U.S. District Court case, a newly appointed Alexandria, VA, supervisor was convicted of misappropriating postal funds and was sentenced to 21 months in prison. Losses reported by Postal Inspectors, which exceeded \$95,000, involved money order funds and meter postage.

An August 1997 trial of the Bridgewater, VA, postmaster on 17 counts related to misappropriation of funds had an interesting twist. The trial was preceded by a variety of charges by the defense attorney against the investigating Postal Inspector and postal officials, including misconduct and obstruction of justice. When the defense attorney introduced postal documents as a part of his cross-examination, the Inspector recognized they had been falsified. After an Inspection Service senior forensic analyst from the National Crime Lab testified the papers had been "manufactured" by altering the source documents, the defense attorney realized the allegations against the Postal Inspector and postal officials were false, and the postmaster entered a guilty plea.

Unfortunately, theft sometimes results from problems in an employee's personal life, such as drug abuse, gambling or alcohol abuse. A West New York, NJ, window clerk admitted to embezzling money orders and cash from his accountability to support a cocaine habit after Postal Inspectors found his accountability was short by \$111,261. A U.S. District Court judge sentenced a Titusville, PA, window clerk to 10 months' incarceration, 3 years' probation and full restitution for embezzling over \$74,747 in money order funds. His "check kiting" scheme began within months of being hired, and was related to his admitted heroin habit. The former postmaster at Wampsville, NY, pleaded guilty to embezzlement and was sentenced to one year in prison and full restitution of over \$117,500 after he acknowledged an alcohol and gambling dependency. The postmaster of Colonial Beach, VA, was sentenced to 12 months and a day in prison, two years' probation, 100 hours of community service and \$79,320 in court-ordered restitution for embezzling over \$100,000 to support an alleged gambling addiction. Postal Inspectors identified a part-time clerk at Hermiston, OR, for embezzling approximately \$70,000. The clerk attributed his actions to a gambling addiction.



An important element of the work in this area is the recovery of stolen funds from the responsible party. When an employee is covered under the Civil Service Retirement System (CSRS), the Postal Service may recover part or all of the lost funds through offsets from the employee's retirement fund. For example, the Lancaster, KY, postmaster was named in a 798-count indictment for embezzling over \$270,000 in postal funds in a permit imprint and business mail reply scheme. The postmaster pleaded guilty to one count of embezzling postal funds and was sentenced to pay full restitution and have her civil service retirement contribution offset toward the amount she embezzled.

The Postal Service operates modern retail establishments called "Postal Stores," in which merchandise, including stamps, is on open display for customers. Unlike traditional postal retail operations, window clerks at Postal Stores do not have individual stamp accountabilities, making it difficult to investigate losses and establish responsibility. Following a lengthy investigation, Postal Inspectors from the Boston Division identified a Postal Store clerk at Holyoke, MA, for embezzling an estimated \$68,015. The store opened in October 1991; losses in the first year totaled less than \$3,000, but losses after the clerk's assignment there in October 1992 totaled an additional \$98,365. Inspectors used multiple covert cameras to document the clerk using various embezzlement techniques, and the clerk retired when he became aware of the surveillance. At a Postal Store in San Diego, CA, Postal Inspectors analyzed work schedules and set up surveillance cameras to identify four postal employees they accused of embezzling over \$25,000 in a year's time. Two employees resigned, one was placed on emergency suspension pending expected retirement, and the fourth employee was placed on emergency suspension pending removal. Prosecution will be sought in all of the cases.

During FY 1997, Postal Inspectors identified a total of 527 employees for embezzling approximately \$7.8 million, compared with 533 employees Inspectors identified in FY 1996 for embezzling approximately \$4.5 million.

#### **Contractor Embezzlements**

The Postal Service contracts with private individuals and corporations to operate contract post offices in many areas across the country. The arrangement benefits contractors, who view it as a way to increase customer traffic to their stores, and customers, who enjoy the convenience of conducting postal business while they purchase merchandise offered at the contractors' retail establishment. Many of the same opportunities that exist for postal employees to embezzle postal funds also exist for contract employees.

The U.S. House of Representatives Post Office operates as a contract post office. During this period, the window clerk in charge of the post office pleaded guilty and was sentenced to one year of supervised probation for conspiracy to conceal a material fact. The clerk was the sixteenth individual to be convicted in what began as the "House Post Office" investigation, but which expanded to include other allegations of associated criminal activity.

Postal Inspectors arrested a contract employee in Utah who embezzled postal funds by failing to record postal sales and then taking the money from the sales. The total loss to the Postal Service was \$57,597, and sentencing of the contract employee included full restitution plus 10 percent interest, six months' probation and six months' home detention. In another Inspection Service investigation, a contract employee in Florida pleaded guilty to embezzling \$39,838. The contract employee provided full restitution and was sentenced to three years' probation, 200 hours of community service and 180 hours of home detention. Postal Inspectors found that the owner of contract postal unit in Springfield, MO, embezzled \$31,179 in postal funds over a 21-month period by falsifying postal records. His contract was terminated and he pleaded guilty to theft of public money. Sentencing is pending.

#### **Revenue Investigations**

Revenue investigations are initiated incident to customer complaints, postal management requests, confidential or anonymous tips, and information received from other government agencies. Investigative leads are also developed by analyzing data to reveal suspicious activity that may warrant further attention.

The Office of Inspector General (OIG) is responsible for handling revenue investigations involving bribery, kickbacks and conflicts of interest, as well as systematic reviews of revenue processes. During this reporting period, the OIG reviewed the effectiveness of the Postal Service's revenue tracking systems and management processes used by the Marketing staff to monitor new and ongoing initiatives. The initiatives include projects such as Electronic Postmark, Money Mover, Remittance Processing Service and components of the Desktop Post Office, which represent a substantial investment of funds.

Postal Inspectors gave priority attention during the past six months to the unauthorized use of postage meters, underpayment of postage on bulk presorted mail, misuse of Nonprofit and Periodical mailing privileges and the Official Mail Accounting System. Once sufficient data is accumulated on losses and causes, recommendations are presented to postal and local management. Many of the revenue deficiencies identified in audits or investigations reported during this period may be prevented by adequately training and staffing business mail acceptance units and ensuring that they have the proper tools and equipment to perform mail verifications.

A Postal Inspection Service review of permit imprint trust fund balances at a New Jersey post office disclosed a \$641,670 revenue deficiency. The investigation showed that mailers had accurately completed mailing statements, but postal clerks failed to appropriately debit the mailers' accounts. Inspectors found 526 unprocessed mailing statements, some dating back to June 1996. All revenue due has been collected.

An Austin, TX, man pleaded guilty to theft of public money as a part of a \$1.1 million postal fraud scheme. The man bribed a Postal Service bulk mail acceptance employee to allow mailings, made over four years, to enter the system without payment. As the result of another investigation by Postal Inspectors, over \$434,011 was recovered through a forfeiture action brought against a business mail entry



employee in California. The employee took bribes in exchange for accepting bulk mailings without payment. The forfeiture action precipitated the liquidation of the employee's home, automobiles, bank accounts and cash from a safe deposit box. Additional efforts to recover the employee's Civil Service Retirement System account are continuing. The collected funds represent a portion of the court-ordered restitution, which was set at \$815,311.

Two owners of a Bayshore, NY, mailing service were sentenced to 18 and 24 months in prison, respectively, and each received 3 years' probation and court-ordered restitution of \$881,039. The owners were the last of six defendants sentenced in a case involving a collusive bulk mail clerk at Hicksville, NY, and three mailing services. Postal losses exceeded \$3 million. The owner of a fourth mailing service, who bribed the Hicksville clerk (who is now in prison) to accept mailings without paying postage, was sentenced to one year and one day in prison, three years' probation and court-ordered restitution of \$675,000.

The owner of a New Jersey septic maintenance company was convicted of cheating the Postal Service of over \$5 million worth of postage. With each mailing he made over the past several years, he understated the number of pieces by about 55,000. After reconstructing mailing records, Postal Inspectors estimate losses to the Postal Service to be over \$5 million. Sentencing is pending. In Long Island, NY, a lettershop owner agreed to pay the Postal Service \$400,000 as part of a civil settlement, and an employee of the company received deferred prosecution. The company fraudulently claimed a postal discount for mail presorts that he never provided.

A Jacksonville, FL, company was asked to pay the Postal Service \$1.3 million after an investigation by Postal Inspectors revealed it failed to barcode its mail with approved "address certifying" software. The company claimed it was not fully aware of the details of its own operating procedures and its failure to comply with Postal Service requirements.

In another case reported during this period, a Southern California woman was indicted for possessing and using counterfeit postage stamps. Postal Inspectors recovered 35,214 of the fake stamps. In Culver City, CA, a man was sentenced to one year and one day in federal prison, 3 years' probation and restitution of \$185,000. Inspectors estimated that he defrauded the Postal Service of over \$325,000 by counterfeiting postage meter stamps. A New York mailer pleaded guilty in federal court to counterfeiting meter stamps. He deposited approximately 30,000 pieces of First-Class Mail a week in Brooklyn and Manhattan street collection boxes without paying for postage. The estimated loss to the Postal Service is \$350,000.

A North Miami Beach, FL, operator of a mail fraud scheme was sentenced to 18 months in prison, 3 years of probation and restitution of \$154,700 to victims and the Postal Service. Incident to searches of the perpetrator's residences, Miami Division Postal Inspectors recovered 9 lost or stolen postage meters and 10 rubber stamps he had used to counterfeit meter impressions. The Postal Service lost over \$160,000 in unpaid postage to the scheme.

Postal Inspectors reported the results of 256 revenue investigations during this reporting period, identifying over \$24.8 million in revenue deficiencies. Approximately \$10.6 million of this amount related to revenue deficiencies identified during reviews of Standard Mail, and \$2.1 million related to discrepancies in the Official Mail Accounting System. For all of FY 1997, the Inspection Service reported 657 cases involving revenue deficiencies, totaling \$60.1 million. In FY 1996, we reported 198 cases involving revenue deficiencies, totaling \$50.9 million in losses.

## **Workers' Compensation Fraud**

The payment of compensation and medical benefits to employees who sustain injuries while on duty continues to be a major expense to the Postal Service. The Postal Service is responsible for funding payments to postal employees receiving workers' compensation benefits. The Office of Workers' Compensation Programs (OWCP) of the Department of Labor (DOL) handles the administration of the Federal Employees' Compensation Act (FECA). While FECA covers all federal agencies, the Postal Service represents about 25 percent of all FECA payments.

The Postal Service has a vested interest in the program because it has accrued a \$5.1 billion future liability in workers' compensation claims since the Postal Service reorganization in 1971. In addition, the Postal Service paid approximately \$24.4 million in continuation-of-pay benefits during this fiscal year, nearly \$169.7 million in medical benefits and about \$349.1 million in compensation benefits. The Postal Service also paid the Department of Labor \$19.2 million in administrative costs this fiscal year. Total injury-related cash outlays for FY 1997 were approximately \$562.4 million.

The Postal Service fully supports the intended purpose of workers' compensation. A small percentage of postal employees and medical providers, however, abuse the system, causing the Postal Service to incur millions of dollars each year in fraudulent claims and enforcement costs.

The Office of Inspector General (OIG) is responsible for overseeing and monitoring workers' compensation fraud and investigating workers' compensation provider fraud. The OIG's Workers' Compensation Unit is staffed by two criminal investigators, and additional investigators and evaluators are expected to be added in the next fiscal year. During this reporting period, OIG efforts focused on reviewing postal regulations, policies and procedures related to processing workers' compensation injury claims through the Department of Labor and obtaining and reviewing Postal Inspection Service manuals, policies and directives on conducting workers' compensation fraud investigations.

DOL regulations require individuals receiving workers' compensation benefits to report other income, and benefit payments may be reduced accordingly. Postal Inspectors continue to uncover incidents of unreported income. During this reporting period, a postal employee in Rochester, NY, was sentenced in federal court to six months' home confinement and three years' probation and was ordered to pay \$119,433 in restitution and a \$10,000 fine. The employee, who claimed total disability for 25 years after suffering a disabling back injury in 1971, operated a sporting goods store and had a net worth of over



\$550,000 at the time of sentencing. In another case, a relocated Brooklyn, NY, letter carrier was convicted of making false statements to obtain FECA benefits in Phoenix, AZ. The carrier, who had received workers' compensation benefits since November 1967, was employed as a used car salesman, but failed to report his income to DOL.

Claimants often fail to report income from self-employment or family businesses to DOL. A Philadelphia, PA, employee pleaded guilty to fraud after claiming to be totally disabled and unemployed while netting \$329,000 from a car and truck business from 1990 through 1995. The employee agreed to pay \$116,000 in restitution, and future cost-avoidance to the Postal Service is estimated at \$578,000. He was sentenced to five months' house arrest and five years' probation. Postal Inspectors arrested a former maintenance mechanic in New York for fraud related to workers' compensation. Inspectors found that, while claiming to be totally disabled, the mechanic had operated an engine shop for over 20 years. An Elmira, NY, distribution clerk was arrested for making a false statement to claim workers' compensation. Postal Inspectors found the clerk was engaged in a maple syrup business and failed to report his activities to DOL.

A Kentucky letter carrier, who was hired in 1969, worked for approximately 95 hours and then claimed an on-the-job back injury. He was eventually placed in a new job by OWCP and paid compensation according to his loss of wage-earning capacity. Medical documentation in the OWCP file indicated the carrier was unable to bend, twist, reach, push, pull or squat, or lift more than 10 pounds, and his records indicated he had no credible employment since the date of injury. Inspectors, however, observed and videotaped him playing golf regularly and bending, twisting, pulling bags of golf clubs, rapidly walking a hilly 18-hole golf course, and squatting and lifting over 10 pounds. He was also seen making car repairs and performing maintenance and lawn work. The case was presented to the U.S. Attorney for criminal prosecution in July 1997, and the former carrier was indicted in September 1997.

A Dallas, TX, postal custodian pleaded guilty to failing to disclose his full-time employment to DOL while receiving benefits for his total disability. Postal Inspectors found he was working full time operating a forklift and driving trucks. Future savings to the Postal Service are estimated to be \$324,000. Postal Inspectors in San Juan, PR, arrested an employee who alleged total disability of his ankle and knee, but was operating a Tae-Kwon-Do martial arts school. Undercover Postal Inspector "students" in the class videotaped the "disabled" employee breaking boards with his feet and running long distances. The employee reported no earnings to DOL. Lifetime savings are estimated to be \$860,000. In a similar case in Tampa, FL, a 39-year-old distribution clerk alleged he was totally disabled due to a back injury, but Postal Inspectors found him working as a laborer and operating a jackhammer.



Postal Inspectors covertly videotaped a former letter carrier in Colorado as he carried a container of water to his hunting tent in October 1996.

The former carrier suffered an on-the-job injury to his back in 1988, while loading trays of mail into a postal vehicle, and was receiving full compensation benefits since he reported a recurrence of the problem in 1991. An investigation by Inspectors and ensuing medical examinations determined the carrier was no longer disabled from the injury. His compensation was terminated by the Department of Labor, resulting in a cost savings to the Postal Service of approximately \$710,775.

When job-related injuries preclude the performance of normal work functions, postal employees receive a monthly FECA payment during the period they are unable to work for the Postal Service. This wage-loss compensation is paid by the Postal Service through DOL in accordance with FECA. For example, a Florida carrier filed 10 injury compensation claims, primarily related to an alleged allergy to bee stings and ant bites. After Inspectors revealed she engaged in a variety of outdoor activities around grass and foliage, postal managers offered to transfer the carrier to an indoor job; however, the carrier refused the job. The DOL ruled the offer was suitable and terminated her benefits, saving the Postal Service an estimated \$858,978 in future payments.

Workers' compensation investigations may involve a variety of fraudulent activities. A Howard Beach, NY, employee was arrested for submitting false information to DOL. While on the periodic rolls, the employee engaged in a painting and decorating business. A former letter carrier from Lawrence, MA, who moved to Venice, FL, on total disability, submitted two forms containing false information to DOL. After Inspectors proved he was performing lawn maintenance work, the carrier was convicted of submitting false statements. A Proctorville, OH, rural carrier associate pleaded guilty to making false state-



ments to obtain federal employees' compensation after she submitted duplicate insurance requests totaling approximately \$30,000 in reimbursements on prescriptions paid for by DOL.

A New York, NY, part-time mail handler, who received workers' compensation benefits for over 36 years, pleaded guilty in San Diego, CA, to submitting fraudulent forms. Postal Inspectors found the mail handler staged an alleged accident, failed to inform DOL he was no longer married, and did not report income from the donut shop he operated. A former custodian in Dallas, TX, pleaded guilty to making a false claim for workers' compensation, admitting he was employed at the time he was paid workers' compensation benefits. A former postal supervisor in Opa Locka, FL, was convicted of making false statements regarding workers' compensation claims. Postal Inspectors found the supervisor had been operating a lawnmower and engine repair service out of his home since 1976 without reporting the income to DOL.

Workers' compensation fraud sometimes leads to sentences for convicted individuals. A Hicksville, NY, former employee was sentenced to one year of imprisonment, two years' supervised release and court-ordered restitution of \$19,280. The employee claimed to have sustained a disabling back injury in 1970 while he was a temporary employee. An Air Force Reserve lieutenant was sentenced to nine months in federal prison and two years of probation after Postal Inspectors found he made false statements to the Air Force and the Postal Service regarding an alleged back injury. A former Van Nuys, CA, postal supervisor was sentenced to three years' probation, 150 hours of community service and psychiatric counseling and treatment after falsely stating that she was married and had dependents.

A Dallas, TX, maintenance technician was sentenced to five years' probation, \$30,000 in restitution and 200 hours of community service for making false statements to obtain workers' compensation benefits. Postal Inspectors proved the technician had been working in a heating and air conditioning business while claiming to be totally disabled. A Mt. Morris, NY, carrier pleaded guilty to workers' compensation fraud after alleging she had a disabling shoulder injury and no employment. Postal Inspectors found she owned and operated two motels, and anticipate a cost savings of \$600,000 as a result of terminating her benefits.

Postal Inspectors uncover other types of fraudulent claims for workers' compensation benefits, such as injuries that occurred off-duty or individuals who collect benefits to which they are not entitled. A Compton, CA, carrier, incarcerated for second-degree murder, was receiving a 75-percent wage compensation for an on-the-job back injury. Inspectors discovered the carrier had claimed his daughter as a dependent, although she had been married since June 1993. The carrier's compensation was reduced to 66 percent to correct the misrepresentation. His benefits were not suspended because the conviction occurred prior to a 1994 change in FECA law, which ruled that workers' compensation benefits are suspended during periods of incarceration for a felony. For example, Postal Inspectors in Baltimore found that another workers' compensation recipient, serving an 11-year prison term after being convicted in January 1995 on manslaughter, arson and assault charges, was receiving benefits for an alleged injury

that occurred in 1984. The man's benefits were suspended for the duration of his incarceration. A Mobile, AL, carrier was convicted of making false statements to obtain federal employee compensation benefits and of mail fraud for faking a car accident and then filing a workers' compensation claim.

Individuals receiving workers' compensation have an obligation to work, if they are able, within the medical restrictions set by their physicians. The Postal Inspection Service assists the Postal Service in locating claimants who are able to work, thus facilitating the employees' return to their jobs. Postal Inspectors videotaped a Roseville, MI, clerk walking, driving long distances, running, bending and cleaning people's homes — activities that clearly exceeded her medical restrictions. After the clerk was examined, she was returned to a "work hardening" schedule, requiring that she perform four hours of limited duty daily and gradually increase her time to eight hours, an action that saved the Postal Service approximately \$341,683 in future compensation costs. A Franklin Park, IL, supervisor accepted a position as a modified accounting technician after receiving wage-loss compensation periodically for 27 years. Postal Inspectors found the technician had claimed a back injury, although she was working in a nearby restaurant busing tables, and failed to report her income to DOL.

A full-time Toledo, OH, letter carrier filed for workers' compensation as the result of alleged injuries sustained from a fall on April 1, 1985. The carrier was on the periodic rolls since then, except for a period of about 10 weeks. According to physical limitations cited in his medical file, the carrier could not lift more than 10 to 20 pounds, raise his left arm or stand on concrete, and he required a nap at noon every day. Postal Inspectors observed the carrier performing various weight-lifting activities at a gym, including lifting up to 235 pounds. After a medical examination, the carrier's benefits were terminated, and the U.S. Attorney accepted the case for prosecution.

The workers' compensation program is also subject to abuse by medical providers. The vast majority of medical providers used by postal employees injured on the job have the best interests of their patients at heart; nevertheless, a few seek to take advantage of the program. Inspectors have investigated physicians, chiropractors, pharmacists and medical facilities when evidence of FECA abuse exists. For example, a doctor in California, who pleaded guilty to making false claims against the government and private insurers, was sentenced to three years' probation, 300 hours of community service and court-ordered restitution of \$121,048. In addition, the doctor's license to practice was revoked and he was ordered to make a separate restitution to the Postal Service of \$28,952 to cover the cost of the Inspection Service's investigation.

Since July 7, 1997, the Office of Inspector General approved 124 subpoenas for workers' compensation fraud investigations. During this reporting period, Postal Inspectors identified 202 individuals for workers' compensation violations. In all of FY 1997, Inspectors identified 375 individuals, resulting in long-term savings of approximately \$95.4 million for the Postal Service; in FY 1996, Inspectors identified 334 individuals for worker's compensation fraud, resulting in \$66.8 million in long-term savings.



## **Tort Investigations**

The Postal Inspection Service assists the Department of Justice or the General Counsel's Office of the Postal Service in adjudicating claims filed against the Postal Service. The Inspection Service is often requested to investigate claims that are questioned for excessiveness or inconsistency with stated injuries in relation to the accident. Postal Inspectors may be required to conduct surveillance, interview associates and witnesses, obtain records, or even act in an undercover capacity to reveal potential fraud in claims against the Postal Service.

Recent tort investigations conducted by Postal Inspectors resulted in significant reductions of settlements compared with the original claim amounts. In several cases, claims were dismissed entirely. For example, Inspectors were requested by the U.S. Attorney's Office in New Jersey to investigate a \$15 million claim against the Postal Service. Based on other cases handled by the claimant's law firm, the motor vehicle accident claim seemed overstated. As a result of an investigation by Postal Inspectors, the claim was settled for \$325,000. The investigating Inspector was later commended by the U.S. Attorney.

The Postal Service is sometimes perceived as an attractive target to sue. A New York man filed a \$2 million suit for alleged injuries stemming from an accident that occurred when his vehicle cut in front of a postal truck. Postal Inspectors conducted an investigation of the claim that produced evidence to discredit the plaintiff. The court ordered the complaint dismissed and will seek to recover limited costs from the plaintiff. In another case, a former postal contract driver and his wife filed a \$22 million tort claim for alleged personal injuries and loss of services and companionship due to an alleged "slip and fall" on ice in the loading dock area of the Rockland, NY, postal facility. Following an Inspection Service investigation by New York Division Postal Inspectors, conducted at the request of the U.S. Attorney, a federal judge dismissed the claims against the Postal Service.

A tort claim of \$250,000 was made by a postal employee who was injured while on duty. The accident was not disputed, but an associate of the claimant advised a Postal Service manager that the individual was involved in prior insurance fraud. Postal Inspectors determined the employee had previously been involved in auto theft and was guilty of insurance fraud related to the theft. As a result, the U.S. Attorney's Office for the Eastern District of California adjudicated the case for \$20,000.

Postal Inspectors in Tampa were requested by the U.S. Attorney's Office to investigate a \$100,000 claim arising from a vehicle accident. Investigation of the plaintiff's previous insurance claims shed doubt on the veracity of the plaintiff's story. Consequently, mediation produced a \$5,700 settlement.

## **Program Fraud Civil Remedies Act and False Claims Act**

In addition to enforcing the criminal mail fraud statute and criminal false claims act to punish those who intentionally defraud the Postal Service, the Office of Inspector General and the Postal Inspection Service use two civil statutes to recover losses sustained by the Postal Service as a result of false claims and to discourage others from filing false claims or statements against it. The statute allows federal agencies to protect their programs from fraud.

The Program Fraud Civil Remedies Act (PFCRA), 31 USC 3801 – 3812, allows the Postal Service to recover up to \$5,000 per false claim or statement and up to two times any loss sustained as a result of a false claim for money, property or services. Program fraud cases may be brought to address fraudulent workers' compensation claims, employee embezzlements, travel voucher or sick leave falsifications, contract frauds and schemes to deprive the Postal Service of revenue.

Cases developed under the PFCRA are presented to the Civil Practice Section of the Postal Service's Law Department. As required by the statute, the Civil Practice Section obtains approval from the Department of Justice before initiating enforcement proceedings with the Postal Service Judicial Officer. During this reporting period, 13 PFCRA cases were referred to the Civil Practice Section for administrative action.

A recent investigation led Postal Inspectors to a New Jersey mailer who altered meter imprints on his mailings to avoid paying postage. Postal Inspectors were able to document only a \$240 loss to the Postal Service, although the actual loss was believed to be greater. The mailer agreed to pay the Postal Service \$15,000 to settle the action brought against him.

In Miami, a mailer manipulated his postage meter and used \$5,561 worth of postage he never paid for. Pursuant to a program fraud action brought by the Postal Service, the chief administrative law judge ordered the mailer to pay \$16,123. A tip from a competitor of a California publisher led Postal Inspectors to investigate mailing discounts the publisher was not entitled to, resulting in a loss to the Postal Service of \$60,029. The publisher agreed to pay the Postal Service \$82,600. A construction company in Boston was ordered to pay \$45,000 to the Postal Service after a civil action was brought against it, alleging the company inflated costs in connection with an alterations and repair project. The loss to the Postal Service was estimated at \$63,827. The deciding judge failed to assess maximum penalties against the company because of mitigating factors.

Only cases where a claim or group of related claims is less than \$150,000 are applicable under the PFCRA statute; larger claims are addressed under the False Claims Act. The False Claims Act, 31 USC 3729-3731, allows the Postal Service to recover up to \$10,000 per false claim or statement and up to three times any damages sustained as a result of a false claim or statement. Cases developed under the statute are presented to the Department of Justice for trial in U.S. District Courts.



Affirmative Civil Enforcement (ACE), which relies on the False Claims Act for statutory authority, is frequently used in the investigation of postage payment schemes (revenue investigations), as well as procurement and contractor frauds (expenditure investigations). Cases developed under the statute are presented to the Department of Justice. The Postal Service's Civil Practice Section has become increasingly involved in assisting the Department of Justice in litigating and resolving these cases.

A recent case investigated by Postal Inspectors in North Carolina allowed the Postal Service to obtain a settlement of \$9,209 from a postal supervisor who received over \$4,000 in wages by falsifying the number of workhours he reported. The supervisor also agreed to resign from the Postal Service, pay a \$5,000 penalty, and forgo all outstanding employee claims and Equal Employment Opportunity complaints.

The owner of a Texas mailing service took advantage of a meter that had been mistakenly overset by \$20,000. After using most of the unpaid-for postage, the mailer reported the meter was lost. The meter was later discovered in an abandoned filing cabinet when the company changed hands and it was returned to the Postal Service, but the mailer denied any knowledge of the oversetting. A civil complaint was filed in the Eastern District of Texas, culminating in a judgment of \$142,763 against the man. Collection of the judgment was turned over to the U.S. Attorney's Financial Litigation Unit.

### **Postage Printing Security**

The Postal Service's stamp program is supported by five private printing contractors, the Bureau of Engraving and Printing (BEP) and the Government Printing Office (GPO). The Postal Inspection Service pays special attention to security concerns related to the printing of postage. Over the past six months, the Postal Service issued 85 new postage stamp designs. The designs included adhesive and pressure-sensitive stamps in sheet, roll and booklet forms.

The Inspection Service works closely with private contractors to ensure that proper security is provided at the seven manufacturing facilities they operate; BEP and GPO production facilities, in cooperation with Postal Inspectors, use their own security equipment and personnel. In addition to printing plant security, Postal Inspectors also work closely with contractors who package postal products for sale at Postal Stores.

Current printing contracts require extensive security and accountability, and Postal Inspectors routinely check contractors' adherence to requirements. The Postal Inspection Service continues to work with postal management and contractors, both private and public, to reduce the likelihood of future compromises of security.

During the last reporting period, Postal Inspectors arrested a former employee of a printing contractor and charged him with the theft of 160 stamps commemorating former President Richard Nixon, whose image was accidentally inverted on the stamps during the printing process. The investigation determined that the stamps, which were formally issued on April 26, 1997, had been removed from the printing plant rather than destroyed. On May 22, 1997, the former employee of

the printing contractor was convicted by a U.S. District Court jury in New York on charges of theft of public money and interstate transportation of stolen property. A total of 141 of the misprinted stamps were resold for \$800,000. All but two have been recovered. Because the stamps were not acquired through a proper postal transaction, they are considered stolen government property.

In March 1997, a clerk at the Buffalo, NY Post Office spotted an envelope bearing a "World of Dinosaurs" stamp, which was not scheduled to be released until May 1, 1997. An investigation by Postal Inspectors revealed that the printing contractor had subcontracted with a third party to remove and process destroyed waste materials, and an employee of the subcontractor had used the unreleased stamp. Postal Inspectors found that the subcontractor's work rules allowed employees to keep items from unprocessed waste. The printing contractor worked with Postal Inspectors to tighten its security procedures to prevent such occurrences in the future.

### **Office of Inspector General Hotline**

The national toll-free hotline number for reporting fraud, waste and abuse to the Office of Inspector General (OIG) is 1-888-USPS-OIG, or 1-888-877-7644. The number became active as scheduled on August 4, 1997. The Postal Crime Hotline, which is described in the section that follows, continued to operate through September 30, 1997; thereafter, all such calls will be automatically transferred to the Inspector General Hotline. Calls concerning alleged assaults, threats or other potentially violent incidents are routed to the Postal Police Officer Control Center at National Headquarters for immediate action.

Inspector General hotline personnel analyze complaints and make referrals in writing to other divisions of the OIG, the Postal Inspection Service or the Postal Service, as appropriate. To increase efficiency and postal customer satisfaction, the Inspector General implemented a menu-directed recording for hotline callers. The menu allows callers to route their queries to the proper office for response.

Since the OIG was established, the office has processed 512 complaints, received in writing and from telephone calls, and 48 congressional inquiries. Approximately 50 percent of the calls were related to labor management, Equal Employment Opportunity and workers' compensation issues. The office receives an average of 20 calls each day.

The Inspector General has also initiated a new e-mail address to receive complaints via the Internet, although confidentiality cannot be ensured. The e-mail address for Inspector General Hotline complaints is OIGHOTL@email.usps.gov, or complaints may be faxed to (202) 314-2685.

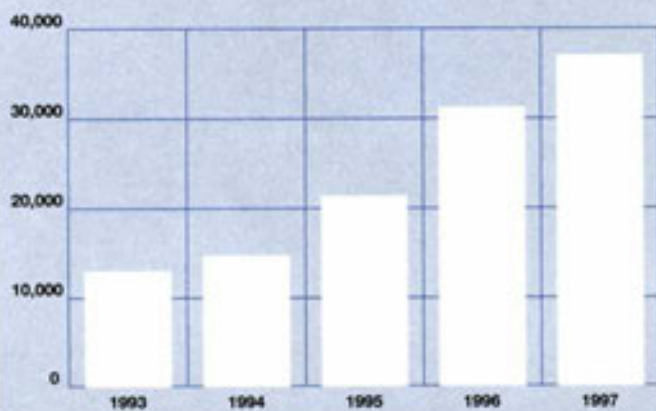
## Postal Crime Hotline

The Postal Crime Hotline for reporting fraud, waste and abuse has been operated by the Postal Inspection Service on a 24-hour-a-day basis since 1987. In addition to calls involving fraud, waste and abuse, Postal Police Officers who answered the hotline received, and referred for investigation, calls concerning alleged assaults, threats and potentially violent work situations. Calls to the Postal Crime Hotline's national toll-free number will be automatically transferred to the new Inspector General Hotline, beginning in October 1997.

Based on a tip received through the Postal Crime Hotline in June 1997, Postal Inspectors interviewed an employee of a cargo company responsible for transporting U.S. Mail from the New Orleans International Airport to the New Orleans Airport Mail Center. The man admitted he had been stealing greeting cards from the mail over the past several months. The cargo company fired the man, and he was indicted on federal charges of theft of mail.

From April 1 through September 30, 1997, the Postal Crime Hotline received a total of 19,532 calls from postal employees and the general public, and a total of 36,942 calls for FY 1997. The largest category of calls were mail fraud and mail theft queries (9,783 calls). Other calls reported incidents of vandalism and tampering; assaults; threats; an alleged volatile work environment; willful delay of mail; drugs by mail; fraud, waste or abuse against the Postal Service; and referrals from outside agencies.

**Increase in Postal Crime Hotline Calls**





# Safeguarding

## Safeguarding Postal Employees and the Work Environment

The Postal Inspection Service has primary responsibility for the investigations covered in the following sections of this report. The investigations are highlighted because of their impact on postal operations. The Office of Inspector General (OIG) has oversight responsibility for these Inspection Service programs and will conduct systemic reviews of the programs as appropriate.

### Assaults and Threats

The Postal Inspection Service is dedicated to the prevention of violence in the workplace and considers early intervention and cooperation with management and employee groups essential. Assaults on postal employees are taken seriously by Postal Inspectors. Criminal charges are initiated when possible, and instances of misconduct are reported for appropriate disciplinary action. In addition to causing emotional and physical injuries to employees, assaults can result in lost workhours, reduced productivity, low morale and workers' compensation claims.

The Postal Service and the Postal Inspection Service remain committed to working together to prevent workplace violence. Postal Inspectors continue to participate in such ongoing prevention efforts as the development of Threat Assessment Teams (TATs), and have assisted in related orientation training for postal managers and Inspectors. TATs are discussed in more detail in a later section of this report titled "Crime Prevention and Security."

During the past six months, Postal Inspectors investigated 727 assaults or credible threats and made 256 arrests. Of these, 270 assaults and threats were committed by non-employees against postal employees. For the fiscal year, Postal Inspectors made a total of 526 arrests for assaults and threats.

### Assaults and Threats by Non-Employees

Carriers, window clerks and other employees, whose duties require frequent contact with the general public, are exposed daily to the danger of assault from outsiders. Postal Inspectors have investigated numerous instances in which letter carriers were assaulted and robbed while delivering mail on their routes.

For example, on January 6, 1997, a letter carrier in Washington, DC, was robbed at gunpoint of personal funds by two assailants. Postal Inspectors developed information that resulted in the arrest of one suspect on February 14, 1997. Postal Inspectors and members of the Washington, DC and Prince George's County Fugitive Task Force made the arrest, and recovered a 9mm semiautomatic pistol from the suspect. The man pleaded guilty to one count of armed robbery on April 2, 1997, in Washington, DC Superior Court, and was sentenced on June 6, 1997, to 24 years in prison with a 19-year suspended sentence, plus a mandatory five-year prison term to be followed by a three-year drug treatment program at a secured facility. The second suspect, arrested by Postal Inspectors on February 19, 1997, pleaded guilty on April 22, 1997, and was given a nine-year suspended sentence, two years' probation and 100 hours of community service.

Armed robbers who stole the personal funds of two letter carriers in Indianapolis, IN, on November 26, 1996, were arrested by Postal Inspectors in April 1997. During the robbery, one letter carrier "froze" and was shot in the side of the face when he took too long to comply with the robbers' orders. The carrier fortunately survived the attack. On April 24, 1997, the shooter was arrested on unrelated theft and burglary charges. The man admitted to the shooting and



was charged with armed robbery and other violations. The shooter's accomplice was arrested by Inspectors on April 29, 1997. Both defendants were charged in state court on armed robbery and related felony charges. A trial date has not yet been set.

Postal Inspectors arrested a man in Houston, TX, in June 1997 for sexually assaulting and robbing a female letter carrier of personal funds on March 12, 1997. The incident occurred as the carrier was making deliveries on her route. A joint investigation with local police revealed three similar incidents had occurred in the same area. On May 21, 1997, the victim met with Inspectors and a forensic artist, who reproduced an image of the assailant from the victim's description. The circulated sketch led to the identification and arrest of the attacker, who had been released from prison six months earlier after serving three years on drug charges. He was charged in Texas state court with aggravated robbery and aggravated sexual assault.

In another case involving customer attacks on female letter carriers, a Pittston, PA, rural carrier reported that she was sexually assaulted by a customer on April 11, 1997. Postal Inspectors later identified the suspect and arrested him on August 14, 1997. The man pleaded guilty to assault charges, and sentencing is pending.

Postal Inspectors and Postal Police Officers charged with protecting postal employees are themselves not immune to attack while performing their duties. On November 12, 1996, a Postal Inspector in the Sacramento, CA, area, who was attempting to arrest a man for whom a federal arrest warrant had been issued, was hit by the car the man was driving as he tried to flee. The man pleaded guilty in federal district court to assaulting the Inspector and was sentenced on these and other charges in August 1997 to 43 months' imprisonment, 36 months' supervised release and court-ordered restitution of \$57,314. A man was sentenced in federal court in Tampa, FL, for assaulting Postal Inspectors with his vehicle incident to his arrest. Inspectors arrested him for violating a conditional release that was the result of an earlier Inspection Service-related conviction involving a credit card scam. He was sentenced to nine-and-a-half years in prison, and now faces an indictment for impeding and resisting arrest.

#### **Assaults and Threats by Employees**

Postal Inspectors also investigate assaults committed by employees. An example of an employee assault on a non-employee was the September 2, 1997, incident in Miami Beach, FL, in which a window clerk shot and seriously wounded two female customers before exiting the post office and turning the weapon on himself, committing suicide. One of the victims was the clerk's ex-wife, and the other victim was her friend. Both women remain in critical condition in a Florida hospital.

In another incident, a Chicago letter carrier was accused of taking "indecent liberties" with a 20-year-old, mentally retarded female on his route. The letter carrier was arrested by police and Postal Inspectors following an interview of the alleged victim at a local children's advocacy center. On March 11, 1997, the employee was charged in state court with two counts of misdemeanor battery for indecent liberties and sexual assault. On July 31, 1997, the carrier pleaded guilty to both charges and was sentenced to two years of court-ordered, social services supervision.

An example of an employee-on-employee assault is an October 5, 1996, physical assault of an acting postal supervisor by a clerk at the Anchorage, AK General Mail Facility. According to reports, after the employees had a difference of opinion, the clerk struck the acting supervisor at least twice in the face, using his closed fist, and then kicked the supervisor in the ribs after he was knocked to the floor. The clerk was charged with one count of assaulting a postal employee, and on April 11, 1997, he signed a settlement agreement requiring his immediate resignation and prohibiting him from applying for reinstatement with the Postal Service at any time. The clerk was sentenced in June 1997 in federal district court to two years' probation, 80 hours of community service and 24 hours' attendance at an "anger management" course.

## **Robbery and Burglary**

### **Robberies**

Robberies present a threat of violence to employees, as well as an attack on postal assets. The Postal Inspection Service regards robberies as one of its highest investigative priorities and affords task force attention to post office robbery investigations. During the past six months, the Postal Service experienced 103 robberies. For all of FY 1997, 233 robberies were reported.

The Postal Inspection Service reports robberies under two categories: robberies of postal employees who work in a postal facility and robberies of letter carriers or motor vehicle service (MVS) operators. During this reporting period, there were 45 robberies directed against employees at postal facilities, and another 58 robberies committed against letter carriers and MVS operators; in all of FY 1997, there were 99 robberies directed against employees at postal facilities, and another 134 robberies committed against letter carriers and MVS operators. In FY 1997, there were no deaths related to postal robberies; however, 15 postal employees were physically injured during postal robberies.

The Postal Service continues to experience a relatively moderate number of robberies. Robberies could become an even greater problem for the Postal Service if prevention or investigative efforts were relaxed. These efforts help to enhance the security of postal employees as they perform their duties in communities across the United States.

During FY 1997, 491 robbery countermeasure systems, comprising cameras and monitors, were installed nationally. Inspectors monitored the installation of 104 systems in the Los Angeles Division and 117 systems in the San Juan Division, areas that traditionally suffer the highest number of facility robberies. The countermeasure systems are designed to afford additional protection to postal employees and assets in high-risk areas. In addition, the Inspection Service routinely conducts security reviews of postal facilities to provide postal managers with recommendations to improve postal security. Postal Inspectors in Los Angeles have taken this one step further by supplying television stations with photos from surveillance tapes and information on post office robberies for broadcast on local and national news programs.



## Operations of the OIG and the Postal Inspection Service

The OIG and the Postal Inspection Service are committed to working together to benefit the Postal Service, its employees and customers. To prevent duplication of effort and ensure the optimum use of resources, the OIG and Inspection Service perform the following functions:

### Inspector General:

- Financial opinion audits
- Contract audits
- Developmental audits
- Postal-wide performance and systemic issues
- New facilities construction audits
- Revenue focused audits (International Mail)
- Bribery, kickback and conflict of interest investigations
- Workers' compensation investigation monitoring and systemic reviews
- Embezzlements
- Cases involving executives
- Computer forensics
- Oversight of Inspection Service
- Revenue generation initiatives
- Rate-making reviews
- Electronic commerce initiatives
- Labor/management reviews
- Inspector General Hotline

### Inspection Service:

- Installation/District financial audits
- Area, District and local performance audits
- Service investigations
- Pre-award and post-award contract audits
- New facilities construction audits
- Revenue loss detection investigations
- Workers' compensation investigations
- Embezzlements
- Internal crimes
- External crimes
- Protection of employees
- Fraud and prohibited mailings
- Security
- Forensic and technical services

### For more information contact:

OFFICE OF INSPECTOR GENERAL  
475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260-0020  
OIG JOBSITE: 1-888-644-4470  
PHONE: 202-268-5600  
FAX: 202-268-5623  
INTERNET: [igeneral@mail.usps.gov](mailto:igeneral@mail.usps.gov)

August 1997

To report postal fraud, waste or abuse, call the OIG Hotline: 1-888-USPS-016

First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10



UNITED STATES  
POSTAL SERVICE



475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260-0020

## A message from the Inspector General

The Postal Service is moving forward in serving the communications needs of our nation by improving performance, achieving new records for service and creating new products. As the Inspector General, I am committed to assisting the Postal Service in achieving these goals.

Since being sworn in on January 6, 1997, I have had the unique opportunity of establishing an organization that can significantly contribute to the mission, programs and operations of the Postal Service. One of my major goals is to introduce innovative methods that help improve the processes of the Postal Service. Accordingly, my staff will engage in proactive efforts with postal employees and management, offer consulting services, and participate in joint projects with the Postal Inspection Service.

An innovative work environment requires creative personnel to evaluate new systems and methods, investigate complex financial operations and ensure the integrity of financial and operational data. This approach requires personnel committed to teamwork and to joint initiatives in audits and investigations. The Office of Inspector General for the Postal Service includes people who share this vision.

These are exciting times in the Postal Service. Innovations are frequent and necessary for the Service to meet the challenges it faces today and tomorrow. The Office of Inspector General will help the Postal Service meet these challenges.

Sincerely,



Karla W. Corcoran  
Inspector General

### Inspector General:

The Office of Inspector General (OIG) of the United States Postal Service was authorized by law in 1996. Prior to the 1996 legislation, the Postal Inspection Service performed the duties of the OIG. The Inspector General, who is independent of postal management, is appointed by and reports directly to the nine Presidentially appointed Governors of the Postal Service.

### Office of Inspector General:

The OIG primarily investigates and audits programs and operations of the Postal Service to ensure the efficiency and integrity of the postal system. The OIG plays an integral part in maintaining effective programs and operations in the Postal Service.

### OIG Evaluators and Investigators:

Evaluators and investigators are the fact-finding and investigative agents of the Postal Service OIG. Evaluators review postal operations, conduct systemic audits, protect postal revenue and ensure the integrity of the financial statements of the Postal Service. Investigators apprehend violators of the law and work closely with prosecutors and other law enforcement agencies. Their work also includes crime prevention. OIG investigators are authorized to carry firearms, make arrests and investigate postal offenses.

Evaluators and investigators work together on audits, investigations and other matters. Combining skills through joint work initiatives provides for increased efficiency and promotes teamwork.

### Authorities:

The OIG has the authority to conduct audits and investigations, take sworn statements and issue subpoenas. The IG is under the general supervision of the nine Governors and is not subject to any other Postal Service supervision.

### Key responsibilities of the OIG

#### Mission:

The primary purpose of the OIG is to prevent, detect and report fraud, waste and program abuse and to promote efficiency in the operations of the Postal Service.

#### Responsibilities:

The OIG conducts independent audits and investigates the operations of the Postal Service to ensure that its assets and resources are fully protected. It coordinates and works with the Postal Inspection Service in certain audit and investigative areas. It also ensures that the Governors are kept fully aware of all emerging issues and significant events.

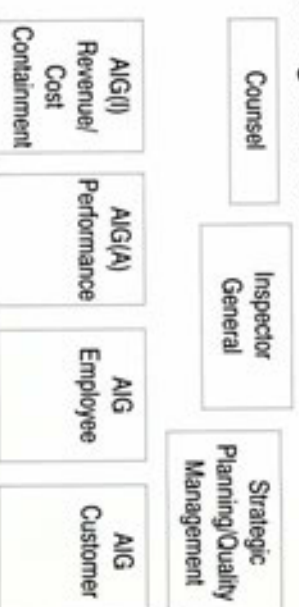
#### Goal:

OIG's goal is to improve existing work processes by identifying opportunities to reduce costs, streamlining operations and supporting the Customer/Perfect! goals of the Postal Service. We look forward to working with the Postal Service, the public and Congress to maintain and improve the world's finest postal system.

#### Oversight Role:

The Postal Inspection Service is a major federal law enforcement agency. The OIG has oversight responsibility for all activities of the Postal Inspection Service.

#### OIG Organization:







After the Redondo Beach North Postal Station was robbed in July 1997, Postal Inspectors supplied a copy of the surveillance tape to a local TV station, which televised segments that included a photo of the suspect and the reward offer. One week later, an LAPD dispatcher reported a call from a woman who said that one of the robbers was hiding at her house. The suspect told her, "My picture is all over the news for robbing a post office," and said his family and friends had recognized him on the show. Inspectors and LAPD officers responded to the call, and the suspect was taken into custody. Prosecution is pending.

One example of the success of this technique is the investigation of the Redondo Beach North Station robbery on July 23, 1997. Postal Inspectors supplied a copy of the surveillance tape to a local TV station, which televised segments that included the videotaped photos of the suspect. One week later, a Los Angeles Police Department dispatcher reported a call from a woman who said that one of the robbers was hiding at her house. The suspect told her, "My picture is all over the news for robbing a post office," and said his family and friends had recognized him on the show. Inspectors and LAPD officers responded to the call, and the suspect was taken into custody. Prosecution is pending.

In another innovative use of the media, Inspectors are soliciting smaller, local newspapers to run stories about post office robberies with surveillance photos of the robbers. In one instance, after the Yorba Postal Station at Pomona, CA, was robbed in September 1997, a Postal Inspector sent details about the robbery and a surveillance photo of the suspect to a local Pomona newspaper. On the day the paper was published, a reader identified the suspect from the photo and called Postal Inspectors, who arrested the man that same day.

As reported in the last *Semiannual Report*, an individual was indicted for the June 1996 murder of the Ruby, AK postmaster, and armed robbery and burglary of the Ester and Ruby, AK post offices. In February, Attorney General Janet Reno authorized the U.S. Attorney's Office to seek the death penalty against the defendant. To avoid the death penalty, on July 25, 1997, the 24-year-old man pleaded guilty to killing the postmaster and was sentenced to life in prison, plus 30 years without parole.



The individual responsible for the April robbery of the Sumner, TX Post Office was sentenced to life imprisonment. He also received a 20-year sentence for the April burglary of the Brookston, TX Post Office, and two additional 20-year sentences as enhancements resulting from a criminal record that includes 11 prior felony convictions. In Birmingham, MI, two men responsible for robbing the post office were each sentenced to nine-and-a-half years in prison and restitution of \$102,958. Philadelphia Division Inspectors caught an armed robber on the same day he committed the crime. The man was high on crack cocaine when he held a knife to a postmaster's throat, and later resisted arrest by Inspectors, who through persistent questioning revealed he had robbed a post office and committed six other armed robberies. An accomplice was also identified.

In Puerto Rico, a highway contract route (HCR) driver was arrested on July 23, 1997, for faking a robbery that occurred in April. The HCR driver allegedly cut open sacks of postal remittances, hid money from the sacks in an abandoned house, and then shot himself to make it appear that he was robbed. The investigation is continuing. In New York, Postal Inspectors arrested two men suspected of robbing a post office. During questioning, they uncovered information that would solve six bank robberies. Similarly, Postal Inspectors in Los Angeles, who arrested a suspect in a post office robbery, learned he was part of a gang that robbed businesses and banks "as often as they changed clothes." The suspect had a prior conviction for robbery and murder. Also in Los Angeles, Postal Inspectors arrested a former police officer who was responsible for 10 armed robberies. It was a difficult case to solve due to the man's law enforcement experience and "inside" knowledge, but an Inspection Service task force identified the former police officer in less than two months. He was sentenced to 10 years and 11 months in prison and 5 years' probation.



### Burglaries

Burglaries may result in financial and property losses or mail theft, as well as indirect losses from repairs or equipment replacements required after forcible entries. In addition, customer service and mail processing operations may be interrupted following such crimes.

Postal Inspectors employ sophisticated detection devices to make postal facilities less vulnerable to attack. As a result of Postal Inspection Service security surveys and recommendations, and the deployment of state-of-the-art security equipment, dollar losses from burglaries have been significantly reduced.

A man was sentenced in August 1997 to 51 months in prison, three years' probation and restitution of \$71,511 for the burglary of the Minidoka, ID, and Nubieber, CA, post offices. A task force of Postal Inspectors, local police and sheriff's deputies arrested the man in a motel room in Hood River, OR, where they recovered, during a consent search, the stolen money orders and money order imprinter.

A total of 263 post offices were burglarized during this reporting period, and a total of 501 post offices were burglarized during this fiscal year. The majority of the 501 burglaries involved small losses or were only attempted burglaries. Only 100 of the burglaries involved losses greater than \$1,000, or over 100 money orders. Total burglary losses for the fiscal year include \$11,582 in cash and \$848,528 in postage.

### Employee Narcotics Involvement

The Postal Service recognizes that drug abuse is a national problem and is committed to providing a drug-free workplace. It is the responsibility of the Postal Inspection Service to help maintain the security of the mail, as well as the public's trust and confidence in the reliability of Postal Service employees. It is a right of Postal Service employees to work in a drug-free environment.

The illegal distribution, use or possession of drugs by postal employees is criminal conduct that has a negative impact on every phase of postal operations. Correlations exist between drug abuse and on-the-

job accidents, unscheduled absences, increased injury compensation costs and decreased productivity. Additionally, there is a relationship between drug abuse and involvement in other crimes, such as mail theft, embezzlement or assaults in the workplace.

Inspection Service investigations focus on the dealing and sale of narcotics by postal employees while on postal property or on duty. Information regarding possession and personal use of illegal narcotics by postal employees is referred through postal management to the Employee Assistance Program for attention. Employees found to be involved in drug offenses while off-duty are also brought to the attention of postal management.

The Office of Inspector General was requested by the Postal Board of Governors to conduct a systemic review of the process for investigating the use or sale of drugs on postal premises and management's efforts to eliminate drugs in the workplace. The focus of the review will be to provide recommendations to strengthen personnel and enforcement policies. The results will be reported in the next *Semiannual Report*.

During this reporting period, a career employee at the St. Louis, MO Main Post Office was sentenced to one-and-a-half years of imprisonment for selling cocaine to an undercover Postal Inspector. While the investigation was ongoing, the employee was removed from the Postal Service for threatening a manager. Postal Inspectors in New Jersey arrested a mail handler at the New Jersey International and Bulk Mail Center for possession, with the intent to distribute, cocaine and marijuana. He admitted to selling cocaine to postal employees while officially employed, and to using approximately a gram of cocaine a day. In El Paso, TX, a letter carrier, who was a 24-year veteran of the Postal Service, was arrested while on his delivery route for possessing cocaine with the intent to distribute. The employee admitted he sold cocaine to narcotics users while he was on official duty. At the Palatine, IL Processing & Distribution Center (P&DC), a custodian, who is also a steward of the American Postal Workers' Union, was arrested after he sold marijuana to an undercover Postal Inspector. The 10-year veteran admitted selling narcotics while he was employed at the P&DC.

The Postal Inspection Service conducted 41 employee narcotics investigations during this reporting period and a total of 79 during the fiscal year. Inspectors arrested 17 employees for narcotics violations during the past six months, and arrested 41 employees during the entire fiscal year.

On June 18, 1997, the Loretto, VA Post Office was burglarized and then burned to the ground. The fire was set to cover the burglary, which resulted in losses of \$2,300 in postage and \$50 in cash. Postal Inspectors identified a juvenile and two adults as suspects in the crime, and served a federal search warrant at the home of a suspect's girlfriend, recovering stolen money orders, postage and a postal money order imprinter. In September 1997, Postal Inspectors arrested the primary suspect, and prosecution is pending on the other two suspects, as well as the girlfriend.





## Crime Prevention and Security

The Postal Inspection Service continues to devote significant efforts to preventing crimes through employee and customer awareness programs and security measures. As the Office of Inspector General (OIG) increases its staff, it will devote resources to preventing crimes that fall within the OIG's investigative jurisdiction. Potential problems and deficiencies are identified and priorities set based on trend analyses of specific criminal activity. Once trends are identified, prevention measures are developed to reduce or eliminate the risk of criminal activity against the U.S. Mail, the Postal Service and its employees.

The Postal Inspection Service developed and maintains an integrated robbery and burglary countermeasures program designed to protect employees, assets and property. Under the program, Postal Inspectors perform an evaluation and risk analysis of conditions both inside and outside postal facilities to determine the proper equipment needed to secure the facility. Special emphasis is placed on the security and integrity of mail in transit and while it is sorted and processed for delivery. Alarms and cameras are installed at facilities where value, risk and prior history dictate their need. The equipment may be remotely monitored by the Postal Inspection Service and has proven effective in detecting and deterring criminal activity and assisting in apprehending criminals.

Postal Inspectors in Phoenix, AZ, have reported a continuing problem with thieves who use counterfeit postal keys, or forced entry, to steal mail from collection boxes and neighborhood delivery and collection box units (NDCBUs). During this reporting period, Phoenix Inspectors coordinated the implementation of the following security countermeasures:

- installing high-security modified arrow locks (MALs) in over 1,300 collection boxes
- retrofitting 350 collection boxes with three-point locking bars
- installing MALs in approximately 20,470 NDCBUs
- reinforcing brackets on 9,700 NDCBUs

Ongoing prevention and security initiatives focus on a variety of activities. Pamphlets, posters and video presentations are distributed and made available to educate employees and customers. Postal Inspectors conduct educational presentations on topics such as postal vehicle break-ins and customer susceptibility to unscrupulous illegal promotions conducted through the U.S. Mail.

Workplace behavior issues continue to receive attention by the Postal Service and the Inspection Service. A Threat Assessment Team Guide has been developed to assist postal managers in developing teams that are tasked with addressing unacceptable workplace behavior. Additionally, Postal Inspectors and postal employees prepared a Crisis Management Plan to provide guidelines for handling crisis situations and resolving related issues in a timely manner. They also created orientation sessions geared to familiarize personnel who are most likely to respond to workplace behavior events.

During the last reporting period, the Postmaster General appointed an Aviation Mail Security Committee to explore issues raised by the White House Commission on Aviation Safety and Security and to further enhance aviation security. The committee, which comprises executives from critical postal functional areas and the Postal Inspection Service, is charged with coordinating aviation security issues for the Postal Service. A core group has begun to review the results of airport security reviews to ensure compliance with the Postal Service's aviation security rules.

The Aviation Mail Security core group was charged with reviewing and recommending changes to the Postal Service's Hazardous Materials Program. The transportation of hazardous materials on passenger aircraft is a growing national concern as a result of the National Transportation Safety Board's findings in the May 1996 ValuJet crash investigation. One of the group's recommendations is proposed legislation authorizing the Postal Service to impose fines on mailers of up to \$25,000, plus clean-up costs, for violating regulations on the mailing of hazardous materials.

In June 1997, the Postal Service awarded a contract to Emery Worldwide, Inc., to sort and transport Priority Mail. The contract requires Emery to acquire and staff Priority Mail Processing Centers (PMPCs).

The Postal Inspection Service has worked closely with the project development team and Emery to ensure security concerns are met, including those affecting facility, personnel, transportation and aviation security. The first facilities opened in Miami, Jacksonville and Orlando, FL, in early September 1997, and the last seven facilities will be opening in early FY 1998.



Postal Inspectors at the Phoenix Division inventoried new locks that arrived from the Postal Service's mail equipment shop. Over 21,000 of the high-security locks were installed in collection boxes and other postal collection units throughout the Phoenix area to increase mail security.





Postal Inspectors from Phoenix, AZ, and Las Vegas, NV, responded to the scene when an Amtrak train carrying seven cars of U.S. Mail headed for Chicago, IL, derailed 11 miles east of Kingman, AZ, on August 9, 1997. Inspectors provided security for the mail from noon until 7:00 p.m. the following day, when it was offloaded onto two vans, transported to an Amtrak station in Albuquerque, NM, and loaded on the next train to Chicago. Approximately 15 bulk mail center containers and 15 pallets of mail were delayed.

The Inspection Service continues to be active in the interagency security committee established to develop facility security guidelines. The guidelines designate Postal Service buildings as special-use facilities. The Postal Inspection Service, representing the Postal Service, continues to work closely with the General Services Administration (GSA) to develop security guidelines for postal facilities with GSA tenants. The Facilities office of the Postal Service contracted an architect and security specialist to determine how security requirements can best be implemented.

Postal Inspectors also develop and monitor detailed internal controls to protect stamp stock, money orders, U.S. Treasury checks and cash. Inspectors maintain liaisons with members of the intelligence community to identify threats to postal operations.

### **Civil Disorders and Natural Disasters**

Postal facilities are required to have up-to-date emergency preparedness plans in place to handle natural or technological disasters. Postal Inspectors assist in developing emergency plans to keep the mail moving or to reestablish service as quickly as possible in the event of a disaster.

During this reporting period, a variety of severe weather conditions tested the mettle of millions of Americans, and employees of the Postal Service were no exception. On April 1, 1997, a snowstorm dumped approximately 25 inches of snow in Boston, MA, and nearby areas reported as much as 40 inches. Postal Inspectors monitored mail conditions, responded to facilities and supported postal management as needed.

The upper midwest also experienced heavy snow and rain in early April that resulted in severe flooding along the Minnesota and Mississippi Rivers, affecting North Dakota, South Dakota and Minnesota; in addition, the downtown area of Grand Forks was gutted by fires, which firefighters were unable to respond to because of the flooding. Postal Inspectors worked with postal management to ensure the security of post offices that were closed due to rising floodwaters or lack of heat and power.

On July 2, 1997, tornadoes and severe winds contributed to the deaths of 16 people in Detroit, MI. Some postal stations and branches suffered structural damage. Special efforts were made to get checks to customers; however, mail could not be delivered because of power outages and blocked roads from downed trees, power lines and damaged houses. Postal Inspectors provided assistance with security and supplied updates to postal management for offices without phone service.

Postal Inspectors continually review and help postal employees update local emergency-preparedness plans for their facilities. These reviews ensure that emergency changes-of-address and safety notification cards are available at local post offices, as required under Executive Order 12656, *Emergency Preparedness Response*.



## Preserving the Integrity of the Postal System

Crimes such as stealing or destroying letters or parcels negatively affect the public's trust in the U.S. Postal Service. Postal Inspectors are committed to reducing mail theft to maintain the public's confidence in the Postal Service and preserve the sanctity of the mail. The Postal Inspection Service is currently working with major mailers to prevent mail theft and related problems, such as identity fraud, at an early stage. The Credit Card Mail Security and Mail Order Initiatives, which support the Inspection Service's Confidence in the Mail program, serve as prime examples of Postal Inspectors' efforts in this area.

### ***Mail Theft, Money Order Abuse and Miscellaneous Crimes by Contractors and Other Non-Employees***

#### ***Mail Theft by Contractors***

Cases involving the delay or destruction of mail are sometimes the work of errant highway contract route (HCR) drivers. Postal Inspectors from the Pittsburgh Division, acting on an informant's tip, identified an HCR driver who delayed 326 feet of First-Class Mail. Postal Inspectors found the mail at the contractor's facility on June 20, 1997, in a 40-foot trailer that had been dispatched from Harrisburg, PA, on December 4, 1996. After Inspectors determined that other contracts with the company had been terminated because of delay-related infractions, they continued their investigation. On July 16, Inspectors located two more trailers containing approximately 400,000 pieces of predominately First-Class Mail that had been delayed since December 1996 and May 1997. The HCR driver was indicted on charges of mail theft and rifling the mail, and the co-owners of the contracting company were indicted on charges of conspiracy, possession of stolen mail and obstructing the passage of mail.

In May 1997, an HCR driver in Connecticut was sentenced to six months in federal prison, three years' probation and a \$10,000 fine for stealing over \$38,000 in postal remittances. Postal Inspectors from the Pittsburgh Division identified an HCR driver who stole approximately 500 pieces of First-Class Mail and parcels. Inspectors from the Ft. Worth Division found that an HCR driver was stealing greeting cards and rifling them for cash. When he was apprehended, Inspectors recovered over 800 rifled greeting cards from the driver's truck and a roadside park. Tampa Division Postal Inspectors caught a Gainesville HCR driver rifling mail, and found 101 rifled envelopes and greeting cards when they confronted the driver in his truck. The driver admitted he had been rifling mail for several months and had burglarized a post office in July.

Postal Inspectors identified three airline employees and one non-employee in June 1997 that were allegedly responsible for stealing and rifling approximately 3,000 pieces of First-Class Mail found in an Oregon forest. As the case unfolded, Inspectors also found over 220 credit cards had been stolen, with fraud losses totaling nearly \$175,000. Inspectors who searched the home of one of the airline employees found 10 trays of stolen bank mail and 60 credit cards. The three employees resigned their positions, and prosecution is pending. In another case, Postal Inspectors in July arrested six mail theft suspects who were ground operations workers contracted by an airline company. The employees worked at international airports in Las Vegas, NV, and Anchorage, AK, and were allegedly responsible for stealing both domestic and international mail. The investigation is continuing.



San Francisco Division Postal Inspectors found that four "ground handlers" at the San Jose, CA, airport were stealing numerous First-Class letters containing credit cards. The company that hired the workers services one of the major airline contractors that transports mail throughout the United States. The investigation indicated that several hundred credit cards had been stolen. In a related case, Newark Division Inspectors arrested three airline cargo agents in September 1997, after they were found rifling Priority Mail parcels in a plane at the Newark International Airport. The suspects, who were employed by the same company as the one cited in the San Jose case, were arraigned the next day. The Inspection Service investigation revealed that three other employees of the company were stealing U.S. Mail from planes at the Newark airport. All six employees were removed from their positions. Also in September, Postal Inspectors identified two airlines employees at the Newark International Airport for the theft of 772 First-Class letters from the cargo hold of a plane. The two men were arraigned the next day. The investigation led to the identification of two other employees of the same airline, one of whom was hired in February 1997, and who had a criminal record with arrests for burglary, damage to property, shoplifting and possession of marijuana.

The failure of airline companies to conduct pre-employment background screening continues to be a problem. An Inspection Service investigation of airport theft disclosed that three employees of an airline operating out of Memphis, TN, had criminal records. One employee, hired in January 1996, was arrested in June 1996 for the manufacture, sale and distribution of marijuana. Inspectors found that another employee, hired in May 1997, had been arrested twice, once in May 1996 for stealing over \$500, and again in April 1997 for stealing over \$10,000. The third employee was hired in August 1996, and had been arrested nine times between 1979 and 1993, on robbery, larceny theft, shoplifting and narcotics charges. Two of the seven airline ramp employees in Memphis, TN, were terminated after Postal Inspectors identified them for stealing credit cards from the mail and revealed they had criminal records. The employees were hired in August 1995 and October 1996, and had been arrested in 1994 and 1992 for stealing over \$500 and committing other felonies. Elsewhere, Inspectors identified an aircraft support supervisor and a cargo technician at the Philadelphia International Airport in August 1997 for mail theft.

During this reporting period, 219 contractors were identified for the theft, delay or destruction of mail, and 429 were identified during all of FY 1997.

#### **Mail Theft by Non-Employees**

Mail theft activity is widely divergent and continues to escalate. The Postal Inspection Service commits significant resources to investigating and preventing mail theft. A total of 1,997 non-employees were arrested during this reporting period, and 3,990 were arrested in all of FY 1997.

The security of Postal Service vehicles and receptacles is a primary concern of the Inspection Service's mail theft program. Incidents of mail theft of this nature rose 47 percent over the past fiscal year.

Increases in thefts from collection boxes rose 58 percent, theft from neighborhood delivery and collection box units rose 63 percent, and theft from apartment panel mailboxes rose 102 percent.

In some cases, collection units are accessed with counterfeit keys. During this reporting period, Postal Inspectors arrested several individuals in possession of counterfeit keys, including two San Diego men who had seven counterfeit keys, the equipment to produce more, and 150 checks stolen from the mail. In most cases, individuals who used counterfeit keys to defeat Postal Service locks stole payment checks that were later chemically altered and fraudulently negotiated. The Inspection Service addresses mail theft problems of this nature by focusing prevention efforts on areas hardest hit by thieves. Postal management responded to these concerns by authorizing funds to improve locks in high-risk areas.

Postal Inspectors in San Francisco arrested a recidivist mail thief, after serving a search warrant at his residence, for conspiracy to manufacture counterfeit identification cards. Inspectors seized several computers, a printer and two manuals that contained samples of all the identification cards issued in every state, as well as lists of names that were known to have been used in previous "identity thefts." Approximately 10,000 pieces of stolen U.S. Mail containing checks, credit cards, financial statements, tax returns, personal letters and credit card applications were also seized, as well as three postal locks, three postal keys and a postal uniform. Initial losses reported by financial institutions amounted to \$2 million.

In Hawaii, a Lanai Airport fire and rescue captain was sentenced in September 1997 to 28 months in prison after an Inspection Service investigation found him in possession of stolen registered mail totaling \$43,255. The judge gave him an upward departure from the sentencing guidelines for impeding justice by intimidating witnesses. The man was a former Honolulu police officer.

Volume thefts of mail are often the act of local gangs. In Los Angeles, CA, Postal Inspectors arrested the ringleader and two members of a mail theft group as a result of a search warrant that produced over \$700,000 in stolen financial documents. Postal Inspectors in New York arrested four members of an Ecuadorian gang responsible for six vehicle break-ins that resulted in thefts of over \$250,000 worth of registered mail.

Other groups concentrated on thefts from residential mailboxes. In Minneapolis, MN, a task force of Postal Inspectors and local law enforcement officials arrested 12 individuals engaged in such activity following the execution of nine search warrants on gang member residences. The gang had been stealing and cashing checks for over a year. In Charlotte, NC, Postal Inspectors halted a mail theft ring of 30 to 35 people responsible for stealing over 1,000 checks. The group stole outgoing mail from residential mailboxes, searching for checks or other financial documents with bank account information they could use to negotiate other checks they had stolen.

The New York Division placed a Postal Inspector in an undercover capacity with a gang involved in stealing bundles of mail. As a result, two gang members have been arrested and a third is being sought. Inspectors recovered stolen checks and mail, counterfeit identification



cards and computer equipment used to produce the fake cards. The investigation is continuing and is expected to result in more arrests.

The ringleader of a New York gang, believed to be responsible for over 250 "volume" mail attacks, was sentenced to three years and five months in prison and three years' probation. The gang is believed to have negotiated over \$600,000 in stolen checks, including approximately \$200,000 in checks that were cashed at post offices. The leader of a Houston gang, responsible for over 30 attacks of postal vehicles, was sentenced to 27 months in federal prison and restitution in the amount of the forged checks he wrote.

Nigerian criminal enterprises are responsible for extensive mail thefts and the use of stolen credit cards, checks and financial information to commit a variety of financial frauds, often involving identity takeovers. A key member of one such ring, responsible for fraud losses of over \$1 million, was sentenced in a Maryland federal court to 10 years and 4 months in prison to be followed by 5 years' probation. Elsewhere, six West African crime ring members were arrested in Austin, TX, in a joint investigation with other federal agencies and Austin police, for heroin distribution and the passing of stolen and counterfeit checks taken from the mail. The West African Task Force in New York arrested a Nigerian national who was part of a scheme involving the theft and negotiation of checks stolen from the mail, resulting in losses of approximately \$500,000.

Three Nigerian males were arrested in Columbus, OH, for their part in an identity takeover scheme involving an estimated 20 bank accounts, over \$459,000 worth of counterfeit checks and over \$110,000 in fraudulent credit card charges. Two West Africans were arrested in the Washington, DC, area for their roles in a coast-to-coast scheme involving stolen credit cards. Postal Inspectors, who served a search warrant at the men's residences, seized stolen mail, credit cards and financial papers, plus fraudulent identifications. More than 3,100 stolen credit card account numbers were recovered during the search.

Some criminal enterprises recruit individuals who process or deliver mail, or infiltrate a mail handling area themselves to steal items of value. In Howard Beach, NY, Postal Inspectors arrested a Nigerian man who purchased stolen credit access checks for \$500 each from a letter carrier. The carrier, who was arrested by Postal Inspectors, cooperated by identifying his "recruiter." In a similar investigation in Atlanta, GA, Postal Inspectors arrested a letter carrier who sold stolen checks, with a face value of more than \$70,000, to a Nigerian national. In Boston, MA, another Nigerian man was arrested after he used his position as a security supervisor at an apartment complex to access tenant information from rental agreements. The man stole financial documents that were mailed to the tenants.

Financial transaction documents are not the only items of value transported through the U.S. Mail. In Philadelphia, PA, a highly publicized investigation into the theft of \$144,000 worth of postage stamps was concluded with the sentencing of the defendant to the maximum punishment under federal guidelines. The defendant was sentenced on August 5, 1997, to 33 months' imprisonment after he was convicted of stealing five boxes of postage stamps from a tractor-trailer in a Philadelphia railroad yard. The stamps were part of a larger shipment destined for New York.

Postal Inspectors arrested two men in possession of approximately 200 U.S. Treasury and business checks worth over \$252,000. The checks had been stolen in Brooklyn, NY, and were to be cashed in the Washington, DC, area. A man in northern California was sentenced to 37 months in federal prison and 36 months' probation after Inspectors found him in possession of 228 stolen credit cards, the majority of which had been stolen from the U.S. Mail. The man had altered 125 of the cards by encoding a different credit card number on the magnetic stripe. Also recovered was the equipment used to re-encode the cards.

Despite increases in mail theft, Inspection Service prevention efforts have resulted in greatly reducing fraud losses related to credit cards that were mailed by issuers but never received by customers. In FY 1997, such losses decreased by 12 percent. Over the past four fiscal years, credit card fraud related to cards stolen from the mail was reduced by 68 percent. This success may be attributed in part to the Inspection Service's Credit Card Mail Security Initiative and Airport Security Review program.

### ***Mail Theft and Miscellaneous Crimes by Employees***

The Postal Inspection Service is aggressively working to reduce losses in the mailing industry. The Postal Service is a significant carrier for two major cable TV home shopping services. During June 1997, Postal Inspectors from the Chicago Division identified three casual employees at the Busse Surface Hub near Chicago, IL, for the theft of at least 19 registered parcels sent by the two shopping services, valued at \$36,501. A part-time clerk at the San Francisco Bulk Mail Center, who pleaded guilty to possessing 16,439 pieces of stolen mail valued at over \$325,000, was sentenced to one year in federal prison, two years' probation, 200 hours of community service and a \$30,000 fine. In Philadelphia, PA, an Inspection Service investigation resulted in a guilty plea by a mail handler, who was sentenced to five years' probation and \$5,000 restitution to the mailer whose parcels he stole. The mail handler was responsible for stealing an estimated 500 parcels.

Analysts at the Inspection Service's National Forensic Laboratory matched fingerprints they detected on rifled mail to prints from a computerized fingerprint database, which led Philadelphia Division Postal Inspectors to arrest a former casual employee of the Postal Service. Upon his arrest, the former employee admitted entering the Philadelphia, PA General Post Office two or three times a week over the past year to steal mail, taking from 60 to 100 greeting cards on each visit. He estimated he had stolen over 10,000 birthday cards in his search for cash.

Postal Inspectors caught a mail handler at the Boston, MA General Mail Facility stealing donations from mail addressed to a ministry. At the time he was caught, the employee had 21 of the letters in his pocket and 75 in his backpack, and Inspectors found another 595 rifled letters in his locker. He also had \$1,700 in cash in his pocket and \$7,000 in his backpack. The employee admitted he had been stealing mail for a few months.



Although the vast majority of postal employees are honest, investigations of collusion between dishonest postal employees, non-employees or former employees is a continuing problem. Inspectors from the Cleveland and Cincinnati divisions combined resources to catch a former Columbus, OH, postal employee who was working with a non-employee to steal carts of mail. The investigation, conducted with local law enforcement, uncovered 3,000 pieces of unopened mail in a dumpster in Franklin County, OH. Postal Inspectors recovered an additional 270 pieces of rifled mail before the man was arrested. Credit cards and business checks that were stolen from the mail, worth \$209,000, were found. Postal Inspectors obtained a confession from the former employee, who identified other members of the organized mail theft ring.

Coordination between New York and Washington Division Postal Inspectors led to the arrest of a transitional employee at the Northern Virginia Processing & Distribution Center (P&DC) for stealing credit cards. Postal Inspectors arrested the employee following a foot chase through the facility and recovered 24 stolen credit cards. A subsequent search of the employee's home and vehicle produced \$12,200 in \$100 bills, a semiautomatic handgun and a recently issued passport from Ghana.

A tip led Seattle Division Postal Inspectors to a Mercer Island, WA, letter carrier who was stealing postal keys and providing them to outsiders, who used them to steal mail. Postal Inspectors located and arrested two of the carrier's associates in Reno, NV, and further investigation disclosed that the carrier was addicted to methamphetamines. The employee has resigned, and prosecution is pending.

The most secure service offered by the Postal Service also came under attack during this reporting period: registered mail. On July 28, 1997, Inspectors in California identified a postal supervisor at the City of Industry P&DC for stealing registered mail. The supervisor admitted to stealing one registered post office remittance, and Postal Inspectors determined that several other remittance losses could be attributed to his activities. The investigation, which spanned a 22-month period, focused on the disappearance of six registered remittance pouches collectively valued at \$40,239. The employee has resigned, and prosecution is pending.

A Sherman, TX, delivery services supervisor resigned after admitting he stole an \$11,992 remittance, and prosecution is pending. An Inspection Service investigation into the loss of six registered remittances sent to the Lynchburg, VA Post Office led Postal Inspectors to a 22-year employee. After admitting he had rifled at least one pouch, he was placed on emergency suspension, and prosecution is pending. Postal Inspectors from the Cincinnati Division identified a Louisville, KY, motor vehicle services driver as responsible for stealing a number of postal remittances and registered mail. The employee admitted taking approximately \$30,000 in postal funds and several items of jewelry from registered mail. Inspectors recovered \$7,400 in postal funds, the stolen jewelry and merchandise the employee had purchased with the stolen money. Prosecution has been authorized. Postal Inspectors in Boston arrested a mail handler at the Middlesex-Essex P&DC, who they alleged was responsible for stealing 50 regis-

tered items, including 36 postal remittances containing a total of \$101,290 in cash and \$51,468 in checks.

Postal Inspectors in Newark, Boston and Buffalo assisted Inspectors in New York City in identifying a mail handler who was stealing registers. Between April 1996 and August 1997, 22 pouches of registered mail, destined for the Morgan, NY P&DC, were reported as "non-received" in New York. When Inspectors attempted to interview a mail handler about the crime, he tried to flee, but dropped a trash bag containing the contents of a registered pouch. The employee later admitted to stealing other pouches of registered mail and claimed he sold the jewelry he stole to purchase drugs for his \$100- to \$500-a-day cocaine habit. The loss to the Postal Service is expected to approach \$1 million in indemnity claims. The mail handler was placed on emergency suspension pending his removal, and prosecution is pending.

During this reporting period, 484 employees were identified for the theft, delay or destruction of mail, and a total of 1,414 employees were identified for the theft, delay or destruction of mail in all of FY 1997.

## **Mail Bombings**

Mail bombs remain a relatively rare crime, averaging about 16 each year. In the interest of protecting postal employees and customers, the Postal Inspection Service considers the investigation of mail bombs among its highest priorities. During FY 1997, 18 mail bombs were known to have been sent through the mail.

Historically, motives for mail bombs include personal and business disputes, with revenge being the common thread. This past year, in a sudden wave of terrorism, 12 of the 18 mailed bombs originated from outside the United States. The bombs, allegedly mailed from Alexandria, Egypt, were sent to destinations in Washington, DC; New York, NY; and Leavenworth, KS. Fortunately, they were identified as suspicious and rendered safe before inflicting personal injuries or death. The Postal Inspection Service is continuing to work with the Federal Bureau of Investigation's Terrorism Task Force in this ongoing investigation.

Due to recent events and media attention focused on the Egyptian letter bombs, the Unabom investigation, and speculation surrounding the tragedy of TWA Flight 800, there has been a heightened state of awareness and concern by postal customers, employees, private businesses and government agencies. Postal Inspectors across the country are responding to an increased number of calls regarding suspicious mailings of letters and parcels believed to contain bombs. During FY 1997, Inspectors responded to 1,800 such calls, compared with 954 in FY 1996.

Postal Inspectors with specialized training, equipment and experience in conducting explosive incident investigations promptly respond to any reported suspect mailing to protect postal customers and employees from the threat of a bomb. Postal Inspectors are trained to recognize mail bomb indicators and components and are proficient in the use of X-ray equipment. During the past year, the Postal Inspection Service enhanced its X-ray capabilities through the acquisition and nationwide deployment of "real-time" portable X-ray systems. The new





Shown here is the Express Mail package and pipe bomb that a man mailed to his father in Florida. The man allegedly was hoping to kill his father to collect an inheritance, but the father was suspicious of the package and did not open it. Postal Inspectors and local police responded to the scene, and the bomb was rendered safe. The son was sentenced in April 1997 to 40 years in federal prison and 5 years' probation.

X-ray technology allows inspectors to view, via computer-generated images, the contents of mailings suspected to contain bombs. Moreover, the Postal Inspection Service operates a specialized National Forensic Laboratory. Its highly trained technicians play a key role with inspectors in processing mail bomb crime scenes, seeking clues that will lead them to the bomber.

On May 15, 1997, in one of the most complex mail bomb cases in U.S. history, Attorney General Janet Reno announced the government's intention to seek the death penalty against the accused Unabomber. The decision was based on evidence that alleged calculating behavior by the defendant over 17 years of bombings, which included 16 attacks that killed 3 people and injured 23 others. The defendant will face charges in two separate trials: The first trial is scheduled to be held in November 1997 in Sacramento, CA, and the second trial is scheduled to commence in New Jersey, 70 days after the conclusion of the first trial.

As the result of an Inspection Service investigation, an Orlando, FL, man was sentenced on April 28, 1997, to 40 years in federal prison and 5 years' probation for mailing a bomb from New York, via Express Mail, to his father in Rockledge, FL, in May 1996. The father was suspicious of the package and did not open it, and the bomb was later rendered safe. The son's alleged motive was to gain an inheritance from his wealthy father. On April 17, a man was sentenced in Waco,

TX, to 38 years in a federal maximum security prison after Postal Inspectors proved he tried to murder his ex-wife with a mail bomb. Also in April, a Los Angeles County Superior Court judge sentenced a man to five years in prison for mailing 10 improvised explosive devices in 1995 to the Los Angeles Times newspaper and seven television studios. Only one of the devices exploded, in a Burbank, CA, mail collection box. The man mailed the devices to coerce the addressees into assisting him in his desire to become Secretary General of the United Nations.

In May 1997, a Minnesota man was sentenced to 12 months in a federal medical center hospital, 10 months in a halfway house and 36 months of probation after an Inspection Service investigation revealed he had mailed two parcel bombs in July 1995, which were designed to ignite inside the St. Paul, MN Main Post Office. Instead, the devices ignited in two collection boxes near the post office where they had been deposited.

In Cherry Hill, NJ, a man was arrested by Philadelphia Division Postal Inspectors in May 1997 for mailing parcels designed (both inside and out) to look like bombs. The parcels were addressed to the White House, the New Jersey governor and the New York Stock Exchange.

## ***Child Pornography and Sexually Oriented Advertisements***

### ***Child Pornography***

The sexual exploitation of children through the production and distribution of pornography is a continuing tragedy that spans all social and economic classes. Child pornographers incorrectly assume that the U.S. Mail will provide a safe, reliable and anonymous vehicle to traffic in this illicit material.

The U.S. Postal Inspection Service works closely with the Department of Justice's Child Exploitation and Obscenity Section, and uses proactive investigative techniques to identify and bring to justice individuals who use the mail to distribute, or knowingly receive, child pornography. Postal Inspectors have long been recognized as leaders in the battle against child sexual abuse and exploitation.

The Postal Inspection Service is a key participant in many national and international initiatives, conferences and task forces aimed at eradicating child sexual abuse and exploitation. Postal Inspectors are active members of the Attorney General's Federal Agency Task Force on Missing and Exploited Children and work in close cooperation with the National Center for Missing and Exploited Children. Additionally, Postal Inspectors assigned full-time to the Morgan P. Hardiman Task Force, created in response to the Violent Crime Control and Law Enforcement Act of 1994, provide their expertise to assist state and local governments in the most difficult cases involving missing and exploited children.

This past year, the Postal Inspection Service co-sponsored the Thirteenth National Symposium on Child Sexual Abuse in Huntsville, AL, the location of our nation's first Children's Advocacy Center. Postal Inspectors conducted workshops at the symposium and provided training to many of the over 1,500 conference participants.



Internationally, Postal Inspectors are active members of the Attorney General's Working Group to the World Congress Against the Commercial Sexual Exploitation of Children. The group was created following the First World Congress, when over 1,000 delegates from more than 120 countries convened in Stockholm, Sweden, in July 1996. The Postal Inspection Service has also been an important member of Interpol's Standing Working Party on Crimes Against Minors since the group's founding in 1991. As part of the delegation representing the United States, Postal Inspectors regularly make presentations and provide training to delegates from other countries on subjects related to child sexual victimization. The Postal Inspection Service, as chairman of the Postal Security Action Group of the Universal Postal Union, is also working to rid the world's mail of child pornography. A significant amount of child pornography is mailed to addresses in the United States from other countries.

Since the passage of the Child Protection Act of 1984, Postal Inspectors have conducted over 2,800 investigations, resulting in the arrests and convictions of more than 2,600 individuals who used the mail in violation of federal child pornography laws. Postal Inspectors obtained 164 convictions during FY 1997 for child pornography offenses involving the mail. Also during this fiscal year, Postal Inspectors identified and stopped at least 39 child molesters, and at least 33 children were rescued from sexual abuse as a result of Inspection Service investigations of child pornography.

The circumstances surrounding the following case are particularly tragic and underscore the importance of the Postal Inspection Service's work in this area. A Maryland man was sentenced to 10 years in federal prison and 2 years' probation for mailing child pornography into the United States from Germany. The defendant had mailed a videotape containing child pornography to a young man he had molested nine years earlier while serving as his camp counselor. The defendant had also abused the victim's brother under similar circumstances. With the mailed videotape was a lengthy letter detailing the sexual abuse of the victim as an 11-year-old boy. The victim became depressed, believing the defendant would continue to stalk him and ultimately kill him. The father of the brothers committed suicide over his perceived failure to prevent the prior abuse. Three months later, the victim committed suicide, and within a year his brother also committed suicide. The sentencing judge expressed regret that the statutory limits so inadequately punished the offender. In addition to the prison sentence, the defendant will be required upon release to register as a child sex offender where he resides and may not work with or be around children without supervision.

All too often, a child pornographer is also found to be a child molester. Sadly, as in the previous case, child pornographers are also often employed in positions that provide access to children. Postal Inspectors arrested a second-grade elementary school teacher from Virginia in September 1997. The defendant had traveled to a water theme park in Ohio, where he met two boys, ages 9 and 11, sexually abused them, and recorded the crimes by photographing the children's sexual abuse. A six-count indictment for offenses related to the production and distribution of child pornography was returned in September by a federal grand jury in Richmond. Postal Inspectors are working with

local prosecutors to bring state charges against the teacher for sexual battery of the children. As the result of another Inspection Service case in Maryland, a high school teacher was sentenced to federal prison for 15 months and fined \$5,000 for receiving and mailing child pornography.

In June 1997, Seattle Division Postal Inspectors identified and arrested an alleged child molester who sponsored at least 16 boys from eastern Europe to live with him over a three-year period. In Raleigh, NC, a man was sentenced in June 1997 to 78 months in federal prison, 3 years of probation and \$3,700 in fines and restitution. He admitted to molesting two boys, videotaping his sexual abuse of the boys and trading the tapes by mail.

After Postal Inspectors arrested a man in Georgia on charges of receiving child pornography through the mail, they learned that he was sexually abusing his two sons and another minor. The state has filed charges as a result. In a similar case in the Pittsburgh Division, a man who sent child pornography through the U.S. Mail admitted to molesting a female minor and was preparing to do the same to an eight-year-old girl. The defendant had a previous conviction for sexually molesting his 11-year-old daughter.

A Maryland man was sentenced to 10 years in federal prison after Postal Inspectors proved he used the U.S. Mail and the Internet to trade child pornography. The man was ordered to provide restitution to the two young victims and their families, including payment for psychological counseling. The offender now faces multiple rape charges in state court. Victim restitution was ordered in a similar Inspection Service case in Texas. The offender was previously sentenced to 12 years and 7 months in federal court for receiving and distributing child pornography through the mail. The man, who is known to have sexually molested 16 children, was sentenced in April 1997 to 20 years in a Texas prison.

The rapid growth of computer ownership and use of the Internet has created a new market for child pornography on a global scale, and a new challenge to the Postal Inspection Service. Child molesters and pornographers are now using computers, in addition to traditional letter mail, to seek like-minded individuals for the purpose of buying, selling and exchanging child pornography. This has increased the number of child pornography videotapes and computer disks of such graphic images in the mail. Today, Postal Inspectors are using computers as investigative tools in undercover operations to identify persons using the U.S. Mail to transport this insidious and unlawful material.

A June Lake, CA, man was arrested by Los Angeles Division Postal Inspectors in September after a federal grand jury indicted him on child pornography charges involving computers and use of the mail. The defendant was the owner and operator of a summer camp for children, operated a private shuttle bus service for children, coached a junior varsity basketball team and volunteered as a church youth counselor. Postal Inspectors have since provided a list of the children who attended the camp to the local sheriff's office for follow-up attention.



### Sexually Oriented Advertisements (SOAs)

The Postal Service and the Postal Inspection Service introduced PS Form 1500, *Application for Listing and/or Prohibitory Order*, which is available at all post offices, to simplify the process for customers requesting a prohibitory order against sexually oriented advertisements (SOAs) or pandering materials. The form is part of a continuing process to respond quickly and effectively to customers' concerns about unsolicited SOAs they receive in the mail.

The names of postal customers who submit the form are placed on a list maintained by the Postal Service. The list is available, for an annual fee, to distributors of sexually oriented mail or any others who pay the fee. There are civil and criminal penalties for companies that violate the prohibitory order or mail SOAs to individuals whose names have been on the list for over 30 days.

### Forfeiture

The Postal Inspection Service has the authority to administratively forfeit assets involved in or derived from criminal activity under a number of federal statutes. These include:

- **Narcotics Trafficking.** The majority of these seizures by Postal Inspectors involve cash or money orders, sent through the mail in payment for illegal narcotics.
- **Child Pornography.** These often include the seizure of computers used to buy, sell or exchange pornography.

- **Financial Crimes.** Forfeiture provisions exist for violations such as money laundering, FIRREA (Financial Institutions Reform, Recovery and Enforcement Act of 1989) and RICO (Racketeering Influenced Corrupt Organization Act).

- **SUAs (Specific Unlawful Activities).** These include mail theft and mail fraud.

In a case involving both mail fraud and money laundering violations, a complaint was filed in Seattle, WA, for the forfeiture of \$12.3 million in assets derived from illegal foreign lottery promotions. The case is described in more detail in the *Use of the Mail to Defraud* section. Additional significant Inspection Service cases involving asset forfeiture are highlighted in the Money Laundering and Narcotics Trafficking sections of this report, which follow this section.

While forfeiture laws provide an effective deterrent to crime, they must be applied judiciously. To prevent the potential for abuse of forfeiture provisions, Congress continues to create legal safeguards to protect the rights of the individual. Federal forfeiture laws expressly provide protection to the innocent owner who can demonstrate that he or she had no knowledge of the specified illegal activity, did not consent to it, and took all reasonable steps to prevent it from occurring.

The Postal Inspection Service shares this concern for the protection of the individual and places a high priority on the judicious application of forfeiture statutes. Inspection Service policy is designed with a special emphasis on protecting the rights of innocent owners. Postal Inspector-Attorneys conduct a careful review of all facts and circumstances surrounding each seizure intended for administrative forfeiture to ensure due process. Moreover, careful consideration is given to ensuring that Inspection Service forfeiture policies, procedures and actions are in accordance with Department of Justice policies and procedures and are in step with recent legal decisions.



These two Porsches were among the \$411,355 in assets forfeited by the Postal Inspection Service during this reporting period as the result of a plea agreement by the operator of a fraudulent telemarketing prize scheme in New York. The defendant also agreed to forfeit this house in Boca Raton, FL, valued at \$800,000, which is currently undergoing civil forfeiture proceedings. Total forfeitures in the case are anticipated to reach \$3.2 million.





The Postal Inspection Service is an active participant of the Department of Justice's equitable sharing program. The Inspection Service shared \$9.7 million in forfeited assets during FY 1997 to aid local and other federal law enforcement agencies. Funds and property shared through this program provide for law enforcement training, facilities and equipment that may otherwise not have been available due to budget constraints, particularly at the local level.

The Postal Inspection Service also received \$4.5 million in equitable shares from other federal and local law enforcement agencies for our contributions in joint cases. As the result of one such case, involving fraud against airlines, the Inspection Service received an equitable share of \$423,962. The total forfeiture in this case amounted to \$6.9 million, most of which was used to reimburse the defrauded airlines.

In accordance with Department of Justice guidelines, forfeited assets, such as vehicles and electronic equipment, may be used by Postal Inspectors for official law enforcement purposes. Further, forfeited funds may be used to purchase items for law enforcement use that otherwise would not be available due to budgetary limitations. Since FY 1996, for instance, forfeited funds have been used to purchase database services for investigative use by Postal Inspectors throughout the country. Any funds remaining after such disbursements are made are turned over to the postal forfeiture fund to supplement the Postal Service's law enforcement responsibilities. A total of \$6.5 million in net revenue was generated by the Forfeiture Program in FY 1997.

The Postal Inspection Service initiated 495 seizures and secured 352 forfeitures during FY 1997.



A Postal Inspector presented a check totaling \$434,011 to a postal district manager in July 1997. The check represented funds recovered through a forfeiture action against a bulk mail technician who embezzled funds from the Postal Service. The former technician pleaded guilty and was sentenced in September 1996 to 41 months in prison, three years' probation and court-ordered restitution of \$815,311, plus 500 hours of community service upon his release from prison. Two bulk mailers, who assisted the technician in embezzling postal funds, also pleaded guilty to related charges. Total restitution to the Postal Service exceeds \$1 million.

## Money Laundering

In 1988, revisions to the money laundering statutes directed the Postal Service to enter into an agreement with the Department of the Treasury to ensure a coordinated effort in the investigation of money laundering offenses. The Postal Service was given forfeiture authority for its investigations under titles 18 and 31 USC, Money Laundering Offenses. Designation of the Postal Service as a financial institution (with respect to the sale of postal money orders) gave investigators additional tools to prevent the unwitting involvement of the Postal Service in money laundering schemes.

Today, the Postal Inspection Service plays a key role in fulfilling the Postal Service's anti-money laundering program requirements under the Bank Secrecy Act (BSA). Inspectors work closely with postal management to ensure that new financial services possess anti-money laundering security measures. Moreover, Inspectors participate in BSA training programs, sharing their money laundering expertise with postal employees involved in the sale of postal financial products.

The Postal Inspection Service works with the Drug Enforcement Agency (DEA), the Internal Revenue Service (IRS), the Federal Bureau of Investigation (FBI) and U.S. Customs Service to target drug-related, postal money order laundering activities by participating in the Financial Crimes Enforcement Network (FinCEN). The Inspection Service maintains its National Postal Money Order Intelligence Center at FinCEN offices, which allows Postal Inspectors to better coordinate activities with other law enforcement agencies by matching information with various databases maintained at FinCEN.

In addition, the Postal Inspection Service fully participates in the Money Laundering Interagency Coordination Group, a multi-agency task force sponsored by the Department of Justice. Comprising members of the FBI, DEA, IRS, Customs and the Postal Inspection Service, the task force coordinates drug money laundering investigations. Each agency has dedicated a law enforcement officer to serve with the task force and coordinate investigations relating to the agency. The Inspection Service is also a member of the newly formed interagency Money Laundering Working Group, chaired by the directors of FinCEN and the Asset Forfeiture Office (AFO) of the Department of Justice.

The majority of Inspection Service money laundering investigations are related to the laundering of narcotics proceeds. The following section highlights some significant investigations and initiatives in this area.

## Narcotics Trafficking

The Inspection Service interdicts drug mailings to protect postal employees and customers from the violence associated with drug trafficking and to prevent the use of the mail for such illicit purposes. Postal Inspectors, working with other law enforcement agencies, arrested 1,857 individuals in FY 1997 for trafficking drugs and laundering drug money via the mail. Seizures of contraband narcotics from the mail during this period included the following, which will be destroyed when no longer needed as evidence:

- 16,503 pounds of marijuana
- 268 pounds of cocaine





Postal inspectors at the Houston Airport Mail Center seized, under search warrants, over 250 Express Mail and Priority Mail packages containing over 2,250 pounds of marijuana during this fiscal year. Their objective is to make the Postal Service the least attractive conduit for transporting narcotics and narcotics proceeds.

- 131 pounds of methamphetamine
- 68 pounds of heroin
- 60 pounds of opium
- 41 pounds of PCP/LSD/psychodelics

As a part of these investigations, Postal Inspectors seized \$25.3 million in cash, monetary instruments and bank accounts; 21 houses; 74 acres of land; 78 vehicles; 5 powerboats; and 195 firearms.

During this fiscal year, 54 percent of all known narcotics mailings nationwide originated in Southern California. The Postal Inspection Service continued its long-term attack, initiated in October 1996, to significantly reduce the organized mailing of narcotics from this area, conducting intensive drug interdictions at mail processing facilities in the Los Angeles basin and San Diego. As a result, Postal Inspectors arrested 84 members of drug-mailing gangs in Southern California during the fiscal year. A total of 983 parcels were seized, containing \$2.2 million in cash, 6,622 pounds of marijuana, 25 pounds of methamphetamine, 12 pounds of cocaine, 6 pounds of opium and 3 pounds of PCP.

The most prevalent drug mailed continues to be marijuana. Postal Inspectors concentrate investigative efforts on larger mailings, which are more likely to signify an organized drug distribution operation. On April 17, 1997, Postal Inspectors in California and Virginia, working with local police and special agents from DEA, FBI and IRS, arrested 32 individuals for distributing 25,000 pounds of marijuana, mainly via Express Mail. The defendants were also charged with laundering \$12.4 million in drug proceeds. In another case, a former postal clerk at Milwaukee, WI, was sentenced in federal court in Hammond, IN, to 8 years and 10 months in prison and 7 years of probation for distribut-

ing over 500 pounds of marijuana via Express Mail from Texas to Indiana and Wisconsin.

The trafficking of cocaine, combined with the violence and social trauma it generates, represents grave problems. Postal Inspectors arrested 378 individuals in FY 1997 for trafficking cocaine via the mail. Two individuals were sentenced at U.S. District Court in Omaha, NE, to 30 years and 30 months, respectively, for trafficking crack cocaine via the mail. In El Paso, TX, a postal carrier was arrested for selling cocaine to narcotics users while delivering the mail. In September, Postal Inspectors arrested 11 individuals for trafficking cocaine in the mail from Quito, Ecuador, to 30 "boxes" at various commercial mail receiving agencies in the Washington, DC, area. Eight bank accounts totaling \$74,774, \$39,151 in cash, three vehicles and six firearms were seized for forfeiture incident to the arrests.

Methamphetamine abuse is spreading from its historical concentration in the west and southwest to the midwest and eastern parts of the country. Postal Inspectors are working to ensure the U.S. Mail is not the avenue of choice for trafficking this synthetic stimulant, known to induce extreme aggressiveness and irrational violence. During this fiscal year, Postal Inspectors arrested 142 individuals for using the mail to traffic methamphetamine. In April 1997, Indianapolis Postal Inspectors arrested two individuals on federal charges for mailing over 40 pounds of methamphetamine from Arizona to Indiana.

According to the National Drug Intelligence Center, the mail is one of the main avenues used by criminals to traffic heroin. During this fiscal year, Postal Inspectors arrested 179 individuals for trafficking heroin via the mail. This figure includes six individuals arrested in April 1997 by Postal Inspectors in Charlotte, NC, for operating a heroin-by-mail organization between New York City and Charlotte.

Postal Inspectors and local police officers have joined together in several cities throughout the United States to address the problem of increased use of express parcel services to traffic narcotics. Postal Inspectors take the lead in investigations involving the U.S. Mail. Intelligence is shared, since traffickers often shift between using the mail and employing private couriers to transport drugs and drug-related proceeds.

Another important goal of the Inspection Service's anti-drug program is to deter the laundering of drug proceeds, particularly in conjunction with postal money orders and other financial services offered by the Postal Service. Ongoing efforts include "profiling" 100 percent of all postal money orders issued; profiling, by computer, both domestic and foreign Express Mail; and periodically conducting interdictions of parcels mailed throughout the country. In May 1997, Newark Postal Inspectors, working with the IRS, DEA and FBI, arrested nine individuals, who were indicted for laundering an estimated \$10 million in drug proceeds via structured cash deposits and postal money order purchases. In April 1997, New York Postal Inspectors seized \$2.1 million from six bank accounts in Miami. Forfeiture procedures were initiated on the funds, which comprised postal money orders that were purchased in a structured manner to avoid federal currency reporting requirements. Also in April, a former New York City carrier and his wife were sentenced in a New Jersey federal court to prison sentences of



24 months and 18 months, respectively, for participating in a scheme to launder more than \$2.6 million via Express Mail from New Jersey to Colombia, South America.

Postal Inspectors participate in activities of the Office of National Drug Control Policy (ONDCP) and the Organized Crime Drug Enforcement Task Force (OCDETF). Postal Inspectors attend monthly OCDETF meetings of the Washington Agency Representatives Group (WARG) and investigate OCDETF cases related to the U.S. Mail.

### **Extortion Mailings**

Postal Inspectors investigate extortion letters that threaten to injure the property or reputation of another person. In one such case, Postal Inspectors, FBI agents and Utah law enforcement officials conducted an undercover operation to capture an extortionist incident to his "payoff." The extortionist demanded money and threatened to bomb the Delta Center (the home court of the Jazz basketball team) if his demands were not met. He was indicted in June 1997.

As the result of an investigation by Postal Inspectors and agents from the FBI and IRS, seven defendants, who were charged with 60 crimes, including extortion, mailing threatening communications and obstruction of justice, were convicted in August 1997. The defendants claimed they were direct descendants of the authors of the U.S. Constitution and exempt from common law. The group had planned to storm the Federal Building in Orlando and kidnap a federal judge in a prisoner-exchange scheme.

### **Consumer Education and Fraud Prevention**

The Postal Inspection Service endeavors to alert consumers and businesses to current crimes by attracting media attention to postal crime trends, publicizing positive law enforcement accomplishments, circulating media releases and hosting crime prevention presentations.

In FY 1997, Postal Inspectors made 514 crime presentations to civic and fraternal organizations. Inspection Service prevention and media efforts resulted in 2,588 print and electronic media interviews and 284 published articles in postal and non-postal publications.

Beginning in December 1996, the Postal Inspection Service joined the American Association of Retired Persons (AARP) in an ambitious series of national crime prevention initiatives aimed at alerting senior citizens of fraudulent offers that may be received by mail or telephone. In New Mexico, the Inspection Service teamed with AARP and the state Attorney General's Office in a continuing public education initiative aimed at preventing telemarketing fraud. Using names of previous victims of telemarketing fraud and of seniors gleaned from commercial telephone lists, volunteers telephoned 1,500 New Mexico residents to warn them about telemarketing fraud. In New Jersey and Massachusetts, AARP volunteers collected data on unsolicited promotional mailings and telemarketing calls and gave the information to Inspectors for examination and follow-up. Results of the project were announced during a media event dubbed "Senior Fraud Awareness Day."



The U.S. Postal Inspection Service and the American Association of Retired Persons (AARP) co-sponsored a symposium in Newark, NJ, called "Senior Fraud Awareness Day." Telemarketing fraud victims were invited to speak about their own experiences with telemarketing and mail fraud, crimes that disproportionately target elderly citizens and cost Americans approximately \$40 billion annually.

Senior victimization was also the topic of a "Dateline NBC" story, which featured the Inspection Service's efforts to stop the flood of illegal foreign lottery mailings entering the United States. The story focused on the success Inspectors have achieved in identifying illegal mailings at border entry points, with the assistance of the U.S. Customs Service, which has led to the seizure and destruction of over 4.5 million pieces of foreign lottery mail. Sadly, the story also explored the financial ruin suffered by many elderly victims of the schemes, who seem easy prey to the allure of promised multimillion-dollar jackpots.

In April 1997, the Postal Inspection Service joined the national "LifeSmarts" competition sponsored by the National Coalition for Consumer Education, held in Philadelphia. LifeSmarts teaches secondary school consumers the fundamentals of personal finance, health and safety, and consumer rights and responsibilities. The lessons are learned while preparing for friendly team competitions, where participants demonstrate their grasp of the issues by answering questions posed by a moderator, similar to "It's Academic." Regional competitions lead to a national competition where, during this reporting period, the Inspection Service served as one of the judges.

### **Use of the Mail to Defraud**

The Inspection Service investigates a variety of mail fraud schemes to preserve public confidence and trust in the U.S. Mail. With today's modern technology, the magnitude of mail fraud schemes may be much greater and impact more people than ever before. Postal Inspectors keep abreast of the latest schemes through their activities with consumers and other law enforcement agencies. Postal Inspectors actively work with law enforcement and regulatory groups on various fraud-related task forces, leveraging resources and combining efforts to target operators that use the mail for fraudulent purposes.



During FY 1997, Postal Inspectors arrested 1,545 individuals on mail fraud charges, and 1,533 individuals were convicted as a result of investigations by Postal Inspectors. Fines, court-ordered restitution and voluntary restitution for fraud-related cases totaled over \$328 million this fiscal year.

#### **Telemarketing Schemes**

Phony sweepstakes, contests and lotteries conducted through the U.S. Mail still generate a large number of complaints from postal customers. During FY 1997, Postal Inspectors reported 145 arrests and 219 convictions as the result of telemarketing fraud investigations.

The Arizona Telemarketing Fraud Task Force is an excellent example of agencies working together to combat fraud. In 1994, the FBI, IRS, Postal Inspection Service and Phoenix Police Department formed the task force to target criminal telemarketers operating from Arizona. Since its inception, the task force has been responsible for 129 arrests and 77 convictions of telemarketers. As the result of one task force case, a 61-count indictment was unsealed in August, charging 13 people and two companies with selling unregistered securities through a telemarketing operation. Counts in the indictment included the forfeiture of \$8 million in assets derived from the scheme. Another task force investigation led to the arrests of eight individuals for defrauding victims of approximately \$1.9 million in a scheme that promised, but did not deliver, "valuable" prizes. Although the business address of the operation was in Phoenix, the promoters used two remote addresses, one of which was a commercial mail receiving agency.

An increasing number of telemarketing fraud promoters who victimize U.S. citizens have moved their operations to Canada to avoid prosecution. In June 1997, representatives of the Department of Justice, the Federal Trade Commission, Customs, the FBI and the Postal Inspection Service met with Canadian law enforcement officials in response to a Presidential directive. The directive required agencies to develop joint efforts, agreements and legislative enhancements that would better protect victims of cross-border telemarketing and mail frauds. Recommendations of this bilateral group will be presented to both governments' leaders.

As the result of a joint investigative effort by Customs, the IRS and Seattle Postal Inspectors, a federal grand jury in Seattle returned a 113-count criminal indictment against six Canadian citizens, charging them with illegally marketing international lottery products to U.S. residents. Moreover, a complaint was filed for the forfeiture of assets totaling \$12.3 million, allegedly derived from illegal foreign lottery promotions and related to a money laundering scheme. The promotions, which operated from Canada and the Caribbean island of Barbados, involved unsolicited direct mailings primarily targeting the elderly. An analysis by Postal Inspectors of the 880 victims disclosed their average age to be 74, and many of them lost tens of thousands of dollars. The largest loss suffered by a single individual was \$325,000.

In a Tennessee federal court, two men pleaded guilty in August 1997 to charges related to another telemarketing fraud targeting the elderly that resulted in \$4.65 million in losses. The same month, a Massachusetts man pleaded guilty to telemarketing fraud that cost victims over \$2 million.

#### **Investment Scams**

During FY 1997, the Postal Inspection Service reported 142 arrests and 145 convictions related to investigations of investment fraud. In April 1997, a senior trader at a York, PA, investment firm was sentenced to 34 months in federal prison and 3 years' probation. The firm's largest client was the "Common Fund," which handled endowments for approximately 1,400 universities and colleges. The trader failed to follow guidelines and mailed false statements to the Common Fund that intentionally omitted stock trading losses of \$137.4 million. Losses were suffered by 150 colleges and universities.

Investment scams can be financially devastating to unwitting investors. Hundreds of individuals who believed they were investing in a wireless cable system lost a total of more than \$17 million in one mail fraud scheme. The 11 defendants responsible for the operation, including a well-known radio personality, await sentencing in a Newark, NJ, court. In Los Angeles, the president/CEO and vice president of a company that sold over \$12 million in worthless stocks and limited partnership securities via the mail pleaded guilty to involvement in the scheme. The company was a "front" that solicited investments in bogus video-phone technology.

In August 1997, the chief financial officer for a registered securities broker pleaded guilty to manipulating an initial public offering, which defrauded the buying public of approximately \$25 million. New York Division Postal Inspectors arrested a man in July 1997 who fraudulently acquired the title to the New York Islanders, a National Hockey League team. He used his brief tenure as owner to defraud the team and other individuals and businesses of substantial sums of money. In Philadelphia, a British national pleaded guilty in April in a Philadelphia federal court to a \$28 million international Ponzi scheme, conducted through the mail, that defrauded U.S. investors of approximately \$14 million. Also in April, the chairman of a savings and loan pleaded guilty in a St. Louis, MO, federal court to inducing customers, via the mail, to invest \$10 million in uninsured notes without informing them the bank was failing.

As with other types of fraud, senior citizens are often the target of investment scams. In Florida, a Ponzi investment scheme conducted through the mail defrauded senior citizens, who averaged 73 years of age, of over \$1 million. Postal Inspectors found that victims were persuaded to invest their personal savings in high-yield, first-lien mortgage notes. The notes were never obtained, and the defendants diverted the money for their personal use. Inspectors arrested five individuals in the scheme, who were convicted, sentenced and ordered to pay over \$2 million in restitution to victims.

#### **Insurance Fraud**

The insurance industry is the Postal Service's largest business mailer. Postal Inspectors investigate insurance fraud to protect the industry from criminals who rely on the anonymity of the mail to conduct their schemes. During this fiscal year, 196 suspects were arrested and another 186 convicted as the result of Postal Inspection Service investigations into insurance fraud.

Postal Inspectors arrested five individuals in a case involving over \$197 million that was stolen or embezzled from an Orlando, FL, life insurance



company through a mail fraud scheme. Two of the defendants were convicted and sentenced and ordered to pay over \$27 million in restitution to victims; one man was also ordered to pay nearly \$2.2 million in back taxes. The defrauded company is now in the hands of insurance regulators, who are liquidating the company. The case is the second largest insurance company failure attributable to fraud.

In New York, a task force of New York Division Postal Inspectors and Nassau County law enforcement officials arrested 18 individuals in May 1997 and are seeking 2 others for a scheme, which was conducted through the mail, to bolster claims and lawsuit settlements in alleged accidents. Among the fraudulent operators were 4 attorneys, 13 chiropractors and a medical supplier. In Philadelphia, PA, a grand jury found five defendants guilty in a re-insurance fraud scam. As a result of their fraudulent operation, the Pennsylvania Guarantee Fund was forced to remit \$5.3 million for unpaid claims.

Two San Francisco, CA, men were ordered to pay over \$1.2 million in restitution to victims of their health insurance fraud scheme. They were also each sentenced to 37 months in prison, followed by 3 years' probation. Although the two men had no insurance companies to back the policies they issued, they collected over \$1.5 million in premiums from people who could not get health insurance through normal channels. The victims lost an additional \$2 million in unpaid claims.

A group operating from the Caribbean used mass mailings to sell bogus insurance to hundreds of victims throughout the United States. The scam targeted small independent trucking firms with offers of workers' compensation and commercial automobile liability insurance at rates 20 to 40 percent below industry standards. Many of the victims lost their businesses because of large liability claims against them; others were forced to pay large amounts in medical expenses and compensation for injured employees. As a result of a Postal Inspection Service investigation, eight defendants pleaded guilty, two were sentenced and two others face trial on mail fraud, wire fraud and conspiracy charges.

#### **Health Care Fraud**

Postal Inspectors partner with other law enforcement agencies in the fight against health care fraud by participating in various health care task forces throughout the country. Postal Inspectors reported 175 convictions as the result of their investigations of health care fraud.

In April 1997, six individuals were indicted in North Carolina on charges of conspiracy, money laundering and mail, wire and tax fraud. The defendants allegedly mailed over 11,000 false claims to Medicare in 1995 and 1996, totaling over \$13 million, and filed hundreds of thousands of dollars worth of false claims with at least 70 private insurance companies in 1996 and 1997. Postal Inspectors reported that over 30 fictitious corporations were created as part of the scheme.

As a result of an investigation by Postal Inspectors in Atlanta, GA, a 166-count indictment was returned in September 1997 against two men who allegedly conspired to defraud Medicaid of approximately \$9.5 million. The charges include mail fraud, money laundering and other violations. One of the defendants owned a company that provided nursing services to three nursing homes owned by his co-defen-

dant. The two allegedly caused inflated cost reports to be mailed to Medicaid for services provided to the nursing homes.

A New York man pleaded guilty in June 1997 to money laundering and submitting false claims to Medicare. Postal Inspectors revealed the defendant falsely represented himself as a doctor and billed Medicare \$2.1 million, via the mail, for durable medical equipment. Nine co-conspirators, including seven doctors to whom he paid kick-backs, were arrested. Five of the doctors pleaded guilty, and the other two will face trials at a later date. A Miami, FL, federal grand jury returned a 60-count indictment in June 1997 against 12 defendants, including 2 doctors, charging them with money laundering and mail fraud in an alleged scheme to defraud Medicare of over \$6 million in false claims. Three of the defendants pleaded guilty. In a parallel civil case related to the investigation, approximately \$1 million in bank accounts were frozen pending the outcome of the criminal case.

#### **Anti-Government/Protest Group Schemes**

Postal Inspectors also investigate the use of the mail by anti-government or tax protest groups that circulate or sell worthless certified money orders, certified banker's checks, comptroller warrants and similar fraudulent financial documents. Bogus financial instruments can result in sizable losses to individuals and banks. In May 1997, a 25-count indictment was unsealed against seven members of an anti-government separatist group, The Republic of Texas. The charges, which included violations of mail fraud and bank fraud statutes, were the result of a six-month investigation by Postal Inspectors, the IRS and the U.S. Secret Service. The individuals allegedly defrauded private citizens, banks, credit unions and credit card companies by issuing worthless Republic of Texas "warrants" with an aggregate face value in excess of \$1.8 billion. The leader of the group and his wife surrendered to Texas law enforcement officers after a seven-day armed standoff. The following week, Postal Inspectors, agents of the IRS and Secret Service, and local police located and arrested the remaining defendants.

Nine defendants associated with the Juris Christian Assembly, a tax protest group, were found guilty of conspiracy by a Fresno, CA, federal jury in May 1997. One defendant was also found guilty of beating a county recorder who refused to honor their liens. The group used fictitious monetary instruments, known as "bank warrants," to pay income tax, federal tax levies and federal tax liens via the mail.

A co-defendant in a "Freemen" anti-government bank fraud scheme was sentenced in a Los Angeles, CA, district court to four years in prison and three years of probation in April 1997 for participating in a scheme to present or mail \$900 million in fraudulent comptroller warrants to banking institutions and creditors nationwide. Two more defendants, who were convicted on multiple felony counts, were each sentenced in May 1997 to five years in prison and three years of probation. The ringleader and one of her co-defendants, who were sentenced in the previous reporting period, received prison terms and fines and were ordered to forfeit cash and assets resulting from the scheme (see *Semiannual Report, FY 1997, Volume 1, page 32*).



Four individuals were sentenced in April 1997 in a Milwaukee, WI, federal court for their involvement with Family Farm Preservation, a group that issued bogus documents via the U.S. Mail to pay off \$180 million worth of debts of its members, who paid \$50 to \$500 to join the organization. Their sentences ranged from 15 years in prison and 3 years' probation to 2 years in prison and 3 years' probation.

In June 1997, two defendants were sentenced in a San Francisco federal court to 63 months in prison and 5 years' probation; and 41 months in prison, 3 years' probation, respectively, for using the mail to issue \$58 million in fraudulent bank comptroller warrants. Fortunately, the fraudulent warrants were not paid. The two co-defendants await sentencing.

#### **False Billings**

Three defendants, who conducted a mail fraud scheme that cheated consumers nationwide of at least \$10 million, were each sentenced to prison terms ranging from 12 to 42 months. The defendants issued false invoices for classified ads that were never placed. In addition to the sentences, the three signed a settlement order for \$1.2 million and a permanent injunction. (See *Semiannual Report*, FY 1996, Volume 2, page 34.)

#### **Confidence in the Mail**

The Postal Inspection Service leads three major initiatives to protect the integrity of the mail through strategic partnerships with customers, suppliers and postal managers. The efforts involve the credit card, mail order and coupon rebate industries. All three customer-based industries share similar objectives and processes, and use civil and criminal enforcement measures as preventive strategies. Members of each initiative have developed or are working to develop "best practices" to combat fraud schemes and reduce losses from mail theft.

#### **Credit Card Mail Security Initiative**

This initiative, which was formed in late 1992, succeeded in dramatically reducing fraud related to credit cards stolen from the mail by nearly 68 percent in the past four years. The reduction is remarkable, in that credit card purchases have increased over 86 percent since 1992. Representatives of 70 organizations regularly participate in the initiative, including card issuers, associations, suppliers, air carriers and the Postal Service. In response to a recent survey, members identified major benefits of belonging to the group, including the exchange of information on industry loss-avoidance strategies, fraud trends, fraud prevention technologies, mail processing operations and regulatory and legislative actions.

#### **Rebate and Coupon Fraud**

The Postal Inspection Service joined with major industry representatives in 1995 to combat mail-in rebate fraud. One of the results of the partnership was the creation of the Rebate Fraud Task Force. Prior to the group's inception, the rebate industry estimated it lost at least \$500 million annually to the 100,000 to 200,000 alleged violators engaged in fraud, primarily through the mail. As a result of the group's work, industry members estimate that rebate fraud was reduced by approximately \$100 million in FY 1997.

The task force developed and published guidelines for manufacturing groups on how to prevent rebate fraud and developed a database for collecting and analyzing rebate loss information. An effective system was also implemented to identify and take appropriate action against consumers who use the mail to engage in mail-in offer fraud. The system involves the issuance of voluntary discontinuance letters, civil and administrative actions and, for more egregious violations, criminal prosecution. As a result of these efforts, a total of 1,809 alleged violators have signed agreements to voluntarily discontinue their activities. The group is also developing educational programs for the industry and the public.

In a Philadelphia case, a father and son were fined \$35,000 and ordered to pay restitution of over \$4.5 million. The store owners pleaded guilty to submitting over 8 million fraudulently redeemed manufacturers' cents-off coupons. In another Philadelphia case, two supermarket owners were convicted as a result of a scheme that defrauded various product manufacturers of approximately \$2 million. Postal inspectors found the store owners redeemed, via the mail, nearly three million coupons from individuals and coupon "brokers," and then falsely claimed the products had been purchased by store customers. In a Phoenix, AZ, case, a federal grand jury returned a 54-count indictment, charging eight individuals with a rebate scheme that used the mail to defraud a well-known computer company of approximately \$1.1 million. The computer company promised cash rebates to authorized resellers who sold specific computers and printers.

#### **Mail Order Initiative**

A national Inspection Service initiative was undertaken this year to combat losses sustained by business mailers. The losses are caused by a variety of factors, including service problems, thefts by employees and mail fraud schemes. The Mail Order Initiative involves the partnering of Postal Inspectors, postal managers and mail order business representatives. Over 50 major mail order companies have joined the group, as well as key mailer associations, such as the Direct Marketing Association and the American Marketing Association. The effort was patterned after the successful Inspection Service Credit Card and Rebate Fraud initiatives. The primary focus of the Mail Order Initiative is victim prevention through education and awareness, improved communications and enforcement.

An initial process improvement pilot with five major mailers has reduced the number of items that were mailed, but not received by customers, from between 10 to 15 percent. Criminal investigations of mail theft and mail fraud are also helping to reduce losses. In one instance, a New Hampshire man pleaded guilty to defrauding 14 companies in 12 states in excess of \$200,000 by ordering merchandise he never paid for. As part of his sentence, the man was ordered to make restitution in the amount of \$200,000 to the companies. In Pennsylvania, a man who pleaded guilty to mail fraud in a failure-to-pay scheme was sentenced in September 1997 to two years in prison and \$45,654 in restitution. The defendant rented approximately 40 mailboxes at various post offices and commercial mail receiving agencies throughout northeastern Pennsylvania during a two-year period in his scheme to defraud major mailers.



### **Commercial Mail Receiving Agencies (CMRAs)**

CMRA addresses are often used for a variety of fraudulent activities. The fraud may be facilitated by the fact that CMRAs often fail to comply with Postal Service regulations. A recent Postal Inspection Service review of CMRAs in the Washington, DC, area found full compliance by only six percent of the CMRAs in Maryland, four percent in Virginia and none in the District of Columbia.

Non-compliance may include failure to require identification for box rentals or authorizations for each name receiving mail at a box. To further document the problem and help drive improvement, Postal Inspectors are reviewing CMRAs throughout the country. This is necessary to protect individual consumers, businesses and government agencies from illegal activity, such as mail diversion, identity takeover, using multiple aliases and conducting fraudulent business. Inspectors are also working closely with the Postal Service's Delivery Operations and Retail departments to revise CMRA regulations. Proposed changes were published for comment in the *Federal Register* on August 27, 1997.

In May 1997, one of 12 individuals responsible for a million-dollar scheme to defraud the IRS, the Department of Housing and Urban Development and the Department of Education pleaded guilty to mail fraud and filing a false tax return. The group used the mail to submit at least 800 phony tax returns and 30 fraudulent student loan applications, obtained housing under false pretenses and used addresses at a minimum of 11 CMRAs to avoid detection while conducting various schemes.

### **Injunctions and Other Civil Procedures**

Because of the tremendous volume and diversity of business transactions conducted daily through the U.S. Mail, it is not uncommon for such exchanges to generate complaints. To fulfill its commitment to preserve the public's confidence in the mail, the Postal Inspection Service uses a centralized database to respond to complaints: the Mail Fraud Complaint System. This database assists Postal Inspectors in identifying suspect promotions. Consumers are encouraged to report incidents of suspected mail fraud to the Inspection Service by completing Form 8165, *Mail Fraud Complaint Questionnaire*, which is available at post offices. The form is also available by e-mail, at [Fraud@usps.gov](mailto:Fraud@usps.gov), or by calling the Office of Inspector General Hotline at 1-888-877-7644.

Although many complaints are merely the result of poor business practices that are easily remedied by the offender, some involve misrepresentations. In determining the appropriate action to be taken, both the intent of the questionable practice and the scope and level of severity are considered. In less severe cases where evidence may not sustain criminal prosecution, the Inspection Service protects consumers through a number of civil and administrative remedies:

- **Voluntary discontinuance.** This action is used in minor cases and consists of an agreement by the operator to discontinue a promotion. If the agreement is violated, formal action may be initiated.

- **Consent agreement.** A consent agreement is obtained and filed by the Postal Service's Judicial Officer. It is used when more formal action is appropriate. Normally, the operator agrees to discontinue an illegal promotion charged in a civil complaint. If the agreement is violated, the Postal Service may file a breach petition to withhold the operator's mail, pending additional administrative proceedings.
- **False Representation Orders and Cease & Desist Orders.** These orders require an operator to stop engaging in specified schemes and direct that all mail be returned to the sender. Further, the orders forbid payment of postal money orders connected to the scheme and require that money be returned to those who purchased the money orders. Violators of the orders may be subject to civil penalties.

When more immediate relief to protect the consumer is warranted, the Postal Service has a number of effective enforcement options available, including the withholding of mail until proper identification is provided and the person's right to receive the mail is established. In addition, the Postal Service may seek a Temporary Restraining Order and a Preliminary Injunction from a U.S. District Court judge to detain mail until administrative proceedings conclude. A judge may also hold a hearing on alleged fraudulent activity and issue a restraining order or injunction enjoining the operation.

By convincing the court to withhold mail while a case is argued, Postal Inspectors have been successful in limiting the extent of victimization. None of the civil actions described preclude criminal charges against the subject, nor court ordered restitution to the victims. In FY 1997, Inspection Service investigations resulted in the filing of 121 civil complaints with the judicial officer, 53 Consent Agreements, 65 Cease & Desist Orders, 5 Temporary Restraining Orders (through district courts), 91 False Representation Orders, 7 breach petitions, 6 injunctions against fraud and 140 Withholding of Mail Orders; Inspectors also obtained 1,897 Voluntary Discontinuances. Such civil intervention by Postal Inspectors protects numerous businesses and consumers from deceptive mailing promotions.

During FY 1997, 55 False Representation Orders (FROs) were issued against foreign lottery promoters. FROs enable Postal Inspectors to stop mailed-in responses to schemes (most of which contain checks) from leaving the United States and return mail to senders, thereby preventing victim losses. To further combat illegal foreign lotteries, U.S. Customs Service officials work with Postal Inspectors to stop such offerings from entering the U.S. mailstream. U.S. Customs agents now contact Postal Inspectors when they find such mail during border searches. Inspectors detain the mail and present samples to the Postal Service's Law Department to determine their legality. If mail is considered illegal, the mailer is notified that the material is subject to destruction and may appeal the notice. If the mailer fails to appeal or loses the appeal, the detained mail is destroyed. To date, 1.9 million pieces of foreign lottery mail have been destroyed, and most of it was recycled.



## International Postal Security

### Customer Service and Mail Security Reviews

A new process adopted by a number of countries aims to improve both customer service and the security of international mail. The process involves on-site work by security and mail processing experts from regional postal administrations worldwide to review selected international mail exchange offices and mail processing plants. The reviews focus on all aspects of effective mail processing, with a special emphasis on mail security.

Providing a high level of security for in-transit mail is integral to improving postal administrations' quality of service. It makes little difference whether the mail can be moved quickly if the mail is stolen. Countries interested in improving customer service seek to ensure their facilities and procedures fully comply with international postal security standards.

Under the umbrella of the Postal Security Action Group (PSAG) of the Universal Postal Union (UPU), and with the strong support of the Postal Union of the Americas, Spain, Portugal and the Asia Pacific Postal Union, a number of countries recently participated in this innovative program. International teams conducted reviews at Bangkok, Thailand; Asunción, Paraguay; and Manila, Philippines. Security and operations experts from each of these countries, as well as Singapore, Australia, Japan and the United States, participated in the reviews. At the conclusion of each review, the teams provided postal managers with detailed information on how to improve their quality of service and postal security. As a result of this successful initiative, other postal administrations have expressed interest in having similar reviews conducted in their countries.



U.S. Postal Inspectors worked with postal officials from Australia, Japan, the Philippines, Singapore and Thailand to conduct an international mail quality assurance and security review of postal operations at the international airport in Manila in August 1997.

### Postal Inspectors' Assistance to Spain

Spain is a member of the PSAG, which is chaired by the Chief Postal Inspector. At the request of the Director General of the postal administration of Spain, senior Postal Inspectors from the United States recently traveled to Spain to conduct a joint review of its postal security. Joining their Spanish counterparts, American Postal Inspectors examined all aspects of postal security, including postal revenue protection, physical plant security, security for mail in transit, investigative and preventive programs, and organizational issues. At the conclusion of the review, the team fully briefed Spanish officials on suggested opportunities for improvement.

### Postal Inspectors' Assistance to Venezuela

Venezuelan postal security officials requested the help of the U.S. Postal Inspection Service in identifying where mail thefts were occurring. Postal Inspectors from the United States traveled to Caracas, Venezuela, on two occasions to participate in a joint investigation of the theft of U.S. Mail, especially Express Mail, addressed to Venezuelans. After Postal Inspectors from the Miami Division extensively investigated mail operations in Miami and Caracas, 13 Venezuelan postal employees were found to be responsible for stealing Express Mail and credit cards issued by an American firm, and were fired from their positions.

### Postal Inspectors' Assistance to Russia

Since its creation in 1991, the PSAG has trained over 1,000 people from 147 countries in basic postal security. The training has been presented to postal operations and security personnel, customs officials, airline and airport security officials, and local law enforcement officers. The PSAG selected a U.S. Postal Inspector to design a pilot course for managers, and Inspectors traveled to Moscow to present the course. Course participants included postal security managers from the Russian Federation, Ukraine, Armenia, Belarus and Finland. Based on extensive positive feedback from students and the hosting postal administration, similar courses are being planned for other world regions.

### Forensic and Technical Services

Solving investigations and convicting criminals often requires the unique support of scientific and technical personnel assigned to the Forensic and Technical Services Division. Forensic analysts at the Inspection Service's National Forensic Laboratory in Dulles, VA, and four field laboratories provide expert examinations and testimony on evidence submitted by Postal Inspectors for document, fingerprint, chemical and physical evidence analysis. Forensic experts are expected to provide timely results without compromising scientific methods and accepted protocols. Lab personnel are available to respond to the most critical, violent crime investigations to assist in processing and evaluating evidence. Inspection Service chemists are on hand to provide a scientific analysis of suspected controlled substances transported through the mail.

The advanced technology available to today's criminals demands that forensic specialists quickly match their expertise, especially in the area of computers. The collection of digital evidence is now a routine part of many Inspection Service investigations. Forensic analysts are



trained to work complex cases that involve the use of computers and assist Postal Inspectors by obtaining and documenting evidence found on computer hard drives, disks, tapes and other digital storage media. This new scientific field has a learning curve that continues to grow, requiring the commitment of forensic experts to continue to meet investigative needs.

Inspection Service forensic experts conducted 4,407 forensic examinations during FY 1997, and identified 1,700 violators of postal statutes. Also during this fiscal year, forensic analysts made 177 court appearances to provide testimony.

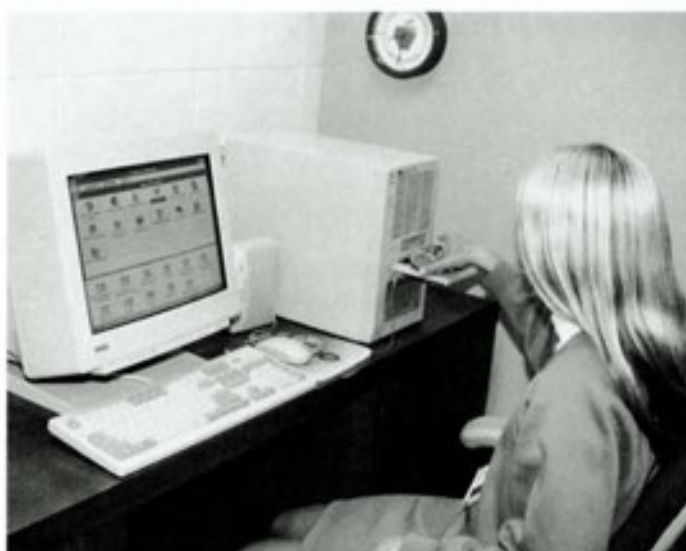
The Forensic and Technical Services Division is also responsible for supporting Postal Inspectors in complex surveillance and security endeavors. The division provides equipment, training and field responses to ensure the safety of personnel and proper evidence gathering. The division also oversees the selection, training and qualification of Postal Inspectors assigned to conduct polygraph examinations. Postal Inspector/Examiners scheduled 1,145 polygraph examinations on 506 cases during this fiscal year and contributed to the solution of approximately 152 cases as a result of pre-test and post-test interviews conducted incident to those examinations.

## Training

The professional development of employees is a high priority. Continuing education ensures that the Office of Inspector General and the Postal Inspection Service maintain the skills necessary to conduct effective audits and investigations. Professional certifications are encouraged through developmental programs that pay for certification review courses and association fees. The Office of Inspector General and the Postal Inspection Service have 117 certified public accountants, 36 certified internal auditors and 20 computer information system auditors.

Staff instructors from the Inspection Service training academy assisted the Office of Inspector General in designing a one-week orientation program, titled "Orientation I," for new Inspector General employees. The program introduced 105 staff members to the mission, vision and philosophy of the Office of Inspector General, as well as the organizations and operations of the Postal Service. A team of Postal Inspectors provided 16 hours of training monthly for the class. The OIG is planning to launch a second week-long training session, titled "Orientation II," which will give staff members a more in-depth and advanced look at Postal Service systems and operations and will include sessions on team building. Postal Inspectors also made presentations throughout the fiscal year for other specialized groups, such as the Public Administration Forum, and for international groups, including representatives from European police organizations.

The Postal Inspection Service appointed no new inspectors during this fiscal year, so all training activities focused on in-service needs. Over 1,300 Inspectors participated in more than 62 Inspection Service classes, and approximately 99 percent of all Inspection Service employees received Inspection Service-provided or other training. To minimize travel costs, training was conducted at field sites whenever possible. Inspection Service trainers presented courses at 20 field divisions.



New training technologies continued to provide cost savings by bringing training to employee locations. At Inspection Service divisions across the country, domicile learning centers (DLCs), like the one shown here, have been established. Computer-based training, most commonly provided via CD-ROMs, fully engages students, resulting in reduced learning time and longer retention of the material. DLCs also allow students to time their sessions to fit work schedules.

New training technologies continue to provide cost savings by bringing training to employee locations. Nearly 2,400 Inspection Service employees completed a live, six-hour, interactive course on evidence-handling procedures, without leaving their division locations. Called "audiographics training," the course was delivered as part of an Inspection Service partnership with the Postal Service's Technical Training Center at Norman, OK. Another 1,000 Inspection Service employees completed a four-hour course, *Coping with Conflict*, via the same medium. Three more courses are in the design stage, and are expected to be ready for delivery in FY 1998.

## Legislative and Regulatory Review

To fulfill the requirements of Section 4(a)(2) of the Inspector General Act of 1978, as amended, the U.S. Postal Inspection Service reviewed existing and proposed legislation and regulations impacting upon the Postal Service. For the period April 1 through September 30, 1997, 2,087 items of legislation were reviewed for potential impact on the Postal Service, and 344 affecting the Postal Service's revenue, operations and program activities were analyzed. During the same period, the Inspection Service reviewed 260 proposed and final regulations, including directives and instructions of the Postal Service. As a part of the review, the Inspection Service provided comments and recommendations regarding both proposed and existing legislation and regulations. Some of the more significant pieces of legislation and regulations are highlighted in the summaries that follow.



## Legislation

### Postal Operations and Revenue

**H.R. 1161 and S. 528, National POW-MIA Recognition Act of 1997**, would mandate the display of the Prisoner of War-Missing in Action Flag on Armed Forces Day, Memorial Day, Flag Day, Independence Day, Veterans' Day, National POW-MIA Recognition Day and on the last business day before each of the preceding holidays, on the grounds or in the public lobbies of post offices, major military installations, national cemeteries, the Korean War Veterans' Memorial, the Vietnam Veterans' Memorial, the White House and offices of the Secretary of State, Secretary of Defense, Secretary of Veterans Affairs and the Director of the Selective Service System.

**H.R. 1318** would establish a commission to study ways for the government to manage and conduct cost control and to reduce fraud, waste and abuse. The commission would make recommendations for executive or legislative action to accomplish savings, identify federal programs that have accomplished their objectives and determine programs that should be terminated or could be provided by the private sector at a lower cost.

**H.R. 1585, Stamp Out Breast Cancer Act**, was signed into law on August 13, 1997, as Public Law 104-41. The bill requires the Postal Service to offer stamps at a special rate of postage that patrons may purchase as a contribution to breast cancer research. The postage will equal the regular First-Class rate, plus a differential not to exceed 25 percent. Funds generated from the stamps, less an amount sufficient to cover reasonable processing costs incurred by the Postal Service, will be paid to fund research at the National Institutes of Health and the Department of Defense.

**H.R. 1717** would turn the Postal Service into a private corporation within one year of enactment, if certain requirements are met, and retain the Private Express Statutes for five years. Provisions under the act would give the Postal Rate Commission a continued role in the new entity until the end of the five-year period. During the first year, securities would be distributed only to employees of the Postal Service. The corporation would be required to provide "government-style" retirement benefits to former postal employees. A Postal Privatization Commission (PPC) would be established to determine how securities would be distributed and to work with the President on a plan to transfer postal property to the corporation and recommend legislation to enact the plan.

**H.R. 1777, Campaign Independence Restoration Act, Part II**, contains a provision that would allow eligible House of Representatives candidates to send up to three pieces of mail at reduced postage rates to every person of voting age in their congressional districts.

**H.R. 1871**, a bill providing emergency supplemental appropriations for FY 1997, was enacted as Public Law 105-18 on June 12, 1997. The new law contains nearly \$5.4 million in additional appropriations to the Postal Service for revenue forgone on free and reduced-rate mail.

**H.R. 2015, the Balanced Budget Act of 1997**, was signed by the President on August 5, 1997, as Public Law 105-33. The law repeals provi-

sions authorizing transitional appropriations to the Postal Service Fund and provides temporary increases in employee contributions to the Civil Service Retirement System and the Federal Employees Retirement System through 2002. Contributions will increase by .25 percent on January 1, 1999; by .15 percent on January 1, 2000; and by .10 percent on January 1, 2001. The law modifies the formula used to determine the government's contribution for health benefits for federal employees and annuitants enrolled in the Federal Employees Health Benefits Program.

**H.R. 2378, Treasury and General Government Appropriations Act, 1998**, would provide revenue forgone appropriations to the Postal Service in the amount of \$86,274,000 for free and reduced-rate mail. The bill also includes the annual authorization for employment of Postal Police Officers and bans individuals or businesses from providing mailing or telephone lists to anyone outside the federal government, without the approval of the House and Senate Committees on Appropriations.

**S. 1107, Double Postage Rule Elimination Act**, would amend 39 USC 601 to allow letters to be transported by businesses other than the Postal Service, if the amount paid for private carriage is \$2 or more.

### Personnel

**H.R. 1573, Leave Equity for Adoptive Families Act of 1997**, would allow employees to take leaves of absence from work to adopt a child or accept a child for foster care by using leave allowances provided by employers to care for newborn, biological children or for illnesses, injuries or disabilities. Civil action provisions are included.

**H.R. 1909 and S. 950, Civil Rights Act of 1997**, would prohibit the federal government from intentionally discriminating against, or granting preference to, people or groups based on race, color, national origin or sex related to federal employment, contracting or any federally conducted program or activity. Affirmative action would be permitted to encourage businesses owned by women or minorities to bid for federal contracts, recruit qualified women and minorities into an applicant pool for federal employment and encourage qualified women and minorities to participate in other federally conducted programs or activities, as long as their actions do not grant preferences. A preference is defined as an advantage of any kind, including a quota, a "set-aside," a numerical goal, a timetable or any other numerical objective.

**H.R. 2215, Genetic Nondiscrimination in the Workplace Act**, amends the Fair Labor Standards Act of 1938 to prohibit employers from obtaining genetic information about an employee or prospective employee unless they are authorized to do so in accordance with specific provisions. The act includes civil remedies for actual damages and equitable relief.

**H.R. 2255** would amend 18 USC 925(A)(1) to allow government officials with domestic violence misdemeanor convictions to possess firearms while "on duty and engaged in an official activity of the United States or any department or agency thereof." If enacted, the bill could affect Postal Police Officers, Postal Inspectors and OIG Special Agents, who are required to possess firearms to perform their duties.



**S. 761, Federal Electronic and Information Technology Accessibility Compliance Act of 1997**, would amend the Rehabilitation Act of 1973 to strengthen federal agency compliance with guidelines established under section 508 of the Rehabilitation Act. It requires federal agencies to provide certification of their compliance with electronic and information technology accessibility guidelines.

**S. 869, Employment Non-Discrimination Act of 1997**, would prohibit federal employment discrimination on the basis of sexual orientation and provide remedies for non-compliance. The bill would ban federal agencies from subjecting individuals to different standards or treatments or from discriminating against them on the basis of sexual orientation. It also prohibits discriminating against employees on the basis of the sexual orientation of associates. See also H.R. 1858 and H.R. 365, Civil Rights Amendments Act of 1998.

**S. 1021, Veterans' Employment Opportunities Act of 1997**, would require that "preference-eligible" individuals, and individuals who were honorably separated from the Armed Forces after three or more years of active service, have the opportunity to compete for announced federal vacancies, even if they do not have specific competitive experience and are not an employee of the agency. Some provisions of the bill apply to the Postal Service.

#### **Computer Security**

**H.R. 1903** would enhance the ability of the government to improve its computer security. Under this bill, the National Institute of Standards and Technology would provide guidance to federal agencies concerning their computer systems, especially interconnected systems, and assess the use of cryptography technology for federal computer systems.

**S. 909** would address computer security concerns and the availability and use of encryption technology and other security systems. The bill contains provisions on criminal and civil statutes related to computer security and accessibility. It also contains exceptions related to law enforcement and national security investigations, encryption coding, encryption keys, voluntary compliance by the telecommunication industry and restrictions against government regulation of encryption technology and use.

#### **Crime**

**H.R. 1347, Graphic Postcard Act of 1997**, would amend 18 USC 1463 to make it illegal to mail items that display on the outside of the piece any material of a violent or clinically graphic character, or that is unsuitable for children under 18 years of age.

**H.R. 1538, District of Columbia Police Coordination Act of 1997**, would require 31 named federal law enforcement agencies, including the U.S. Postal Inspection Service, to enter into cooperative agreements with the Metropolitan Police Department. The agreements would include patrolling areas that "immediately surround the area of the agency's jurisdiction" and granting agency personnel the power of arrest. Some important issues, such as training and liability, are not addressed in the bill. Identical but voluntary provisions were provided in **H.R. 2015, Balanced Budget Act of 1997** (Public Law 105-33), with the addition of the United States Postal Police as a named agency, although it is a part of the Postal Inspection Service, which was

already named. In addition, the powers of Postal Police, as authorized by Congress, are limited to that of security guards, rather than law enforcement officers, as intended by this bill.

**H.R. 1745 and H.R. 1965** would reform federal forfeiture law. The main purpose of the bills is to provide uniformity by establishing one set of rules and procedures for all forfeitures conducted incident to federal crimes. Provisions in the bills would change procedures for cost bonds for seized property and establish procedures to allow owners to possess or use property that is subject to forfeiture according to court orders for its preservation. Other significant provisions would amend the Federal Torts Claim Act as it relates to property, seized but not forfeited, that is damaged due to negligence by law enforcement officers; establish forfeiture proceedings for individuals outside the United States; allow property to be released to pay expenses related to criminal defenses; and allow individuals to claim, under the Eighth Amendment, that excessive fines were ordered. The bills also would provide a uniform definition of "proceeds" for forfeitures, allow forfeiture proceeds and assets to be used to pay restitution to victims, and allow the government to impose pretrial restraints on substitute assets. Additional provisions apply to third-party transfers of property, including property of innocent owners and bona fide purchasers of value, and repress the motion for "discovery" in civil forfeiture proceedings if it could affect a related criminal investigation.

**H.R. 1756 and S. 1003** would coordinate efforts by federal, state and local law enforcement groups to combat the increase of financial crimes, money laundering, credit card fraud and counterfeiting. The Secretary of the Treasury would develop and implement a strategy to fight money laundering and related financial crimes. The plan would include prevention efforts; modify regulatory schemes and statutes to prevent the exploitation of financial systems; provide initiatives to improve the detection of money laundering; and make communication systems more compatible to give federal, state and local law enforcement groups easier access to information. The bill would establish a comprehensive approach to designating high risk areas where law enforcement groups should focus their efforts on investigating and prosecuting money laundering and financial crimes.

**H.R. 1847, Telemarketing Fraud Prevention Act of 1997**, would amend forfeiture provisions (18 USC 982a). For offenses under 10 USC 2326, the court would order the defendant to forfeit property "used or intended to be used" to commit an offense or that is traceable to the proceeds of an offense. The bill would also require that sentencing guidelines be raised by at least four levels if elements of 2326(1) are present; by eight levels if elements of 2326(2) are present; and by at least two levels if the defendant conducted activities in furtherance of the offense in a foreign country. The bill would enhance 2326 by adding conspiracy provisions.

**H.R. 2234 and H.R. 2319** would address consumer liability related to the unauthorized use of debit cards that are issued without unique identifiers, such as a fingerprint or retina scan. Consumers would not be liable for unauthorized charges unless the issuer notifies them of their liability and advises them they must promptly report any loss, theft or unauthorized use of a card code or access. Unauthorized use



of the card would be treated as an extension of credit, and cards could not be distributed without unique identifiers, unless certain validation requirements were met. In all cases, consumer liability would be limited and financial institutions would be required to recredit funds and fees related to the use of a debit card that was issued without customer identification protection.

**H.R. 2272, Comstock Cleanup Act of 1997**, would eliminate current statutory prohibitions against mailing and transmitting abortion-related material, including written and printed items.

**S. 518** would enhance a victim's right of restitution in a criminal case. Provisions in the bill give the court authority to restrain assets of a criminal defendant, by order or execution of performance bonds, to satisfy restitution orders; permit the disclosure of grand jury information to the government attorney assisting in the enforcement of criminal restitution orders; and authorize the use of credit reports to determine restitution amounts or enforce orders for restitution. Additional provisions require that the government notify victims of a defendant's conviction; of amounts subject to restitution; of the victim's right to submit information on the amount of the loss to a probation service; of the sentence hearing; and of the availability of a lien, in favor of the government, on behalf of victims. The economic circumstances of a defendant may not be considered in determining restitution. Other sections require that restitution be paid in installments and establish the victim's right to seek enforcement of a restitution order as a civil judgment.

**S. 682** would provide for consistent base funding for the National Guard drug interdiction program, which is used by the Postal Inspection Service.

**S. 837, Law Enforcement Protection Act of 1997**, would exempt qualified current and former law enforcement officers from state laws prohibiting the carrying of concealed firearms. Individuals must be authorized to carry firearms and possess written identification issued by their agencies. This and other similar bills, if enacted, would allow Postal Inspectors and OIG Special Agents to carry concealed weapons, but would not apply to Postal Police Officers. A similar bill, H.R. 218, was reported in the *Semiannual Report*, FY 1997, Volume 1.

**S. 1031, Federal Law Enforcement Officers' Good Samaritan Act of 1997**, would provide federal law enforcement officers, who intervene in certain situations to protect a life or prevent bodily injury, with additional protection from liability claims. The bill would amend federal tort claims law to provide that federal law enforcement officers are acting within the scope of their employment if they take any action, including the use of force, that they determine is necessary to protect a person from the imminent infliction of serious bodily injury, to provide immediate assistance to a person who has suffered serious bodily injury, or to prevent the escape of a person who has committed a crime of violence in their presence. The bill is of major importance to the Postal Inspection Service and the Office of Inspector General because it would expand the jurisdiction and tort immunity of federal law enforcement officers. Although they could still be charged for violations of state laws, their cases could be removed to federal courts where the provisions of this bill, if enacted, would apply.

## Environment

**S. 866, Environmental Protection Partnership Act**, would create a new chapter 177 in 28 USC, titled "Voluntary Audit Protection." The bill provides that, with exceptions, an environmental audit report prepared in good faith, or a finding, opinion or other communication made in good faith by a person or government entity related to the report, is not subject to discovery or admissible as evidence in any judicial action or administrative proceeding. Nondisclosure may be waived, and an "in camera" review by a judge is provided. Another provision states that a person or government entity that performs an environmental audit may not provide testimony in a proceeding related to a nondelegated, covered federal law without consent of the person or government entity that initiated the audit. Limited immunity also is provided to a person or government entity that makes a voluntary disclosure. If a state law provides protection in a state or local judicial action or administrative proceeding to enforce a state or local law (including a covered federal law), a qualifying person or entity would receive protection afforded by the applicable state law in lieu of protection under this bill.

**H.R. 1884, Voluntary Environmental Self-Evaluation Act**, contains a nondisclosure privilege and an immunity provision. The bill's definition of "covered entity" includes partnerships, associations or corporations regulated under an environmental law, including officers, agencies or agency employees. Section 3 provides that information contained in voluntary environmental self-evaluation reports, and testimony relating to a voluntary environmental self-evaluation, may not be used as admissible evidence in federal or state administrative or judicial proceedings under applicable federal environmental laws. Such information is also not subject to discovery in these proceedings. Certain exceptions apply, and an entity may waive the nondisclosure privilege. Section 4 provides that, when an entity discloses to the federal or state agency that administers an environmental law any information on the violation of that law as the result of a voluntary environmental self-evaluation it performed, the entity may not be prosecuted in a federal or state administrative, civil or criminal proceeding related to the violation. In certain circumstances, the information disclosed is inadmissible in any court or administrative proceeding.

**H.R. 2087, Polluter Pays Act of 1997**, would amend the Superfund Act by requiring that, notwithstanding other laws (with exceptions), anyone who causes the release or threatened release of a hazardous substance at any facility is liable for certain costs.

**H.R. 2222, Federal Facilities Clean Water Compliance Act of 1997**, would amend the Federal Water Pollution Control Act to clarify that the "United States hereby expressly waives any immunity otherwise applicable to the United States ..." with respect to certain clean water requirements, administrative authority, process and sanctions. It also contains provisions on Federal Facility Enforcement compliance orders.

**H.R. 1960, Electric Power Competition and Consumer Choice Act of 1997**, would modernize the Public Utility Holding Company Act of 1935, the Federal Power Act, the Fair Packaging and Labeling Act, and the Public Utility Regulatory Policies Act of 1978, to promote competition in the electric power industry. This and similar electric deregulation legislation could affect electrical costs for the Postal Service.



**S. 722, Electric Utility Restructuring Empowerment and Competitiveness Act of 1997**, would empower states to promote retail competition, provide tax benefits for utilities, deregulate wholesale sales of electrical energy and reform the Public Utility Regulatory Policies Act of 1978.

## Regulations

**Manufacture, Distribution and Use of Postal Security Devices and Information-Based Indicia.** The Postal Service promulgated a proposed rule to regulate the Information-Based Indicia Program (IBIP), new technology that produces postage on personal computers through the use of barcodes and cryptographic services. The technology will support Postal Service efforts to reduce fraud and the potential for misuse associated with current mechanical meters. The proposed rule was published at 62 *Federal Register* (FR) 14833 on March 28, 1997. Subsequently, the Postal Service published a proposed notice of specifications for IBIP postal security devices and indicia at 62 FR 37631 on July 14, 1997. Public comments were published at 62 FR 45471 on August 27, 1997.

**Strategic Plan for the U.S. Postal Service.** The Postal Service issued a request for public comments on the development of the Postal Service's Strategic Plan for 1998 through 2002, as required by the Government Performance and Results Act of 1993. The act requires the Postal Service and federal agencies to set strategic goals, measure performance and report on the results. It requires the development of a five-year strategic plan that includes the organization's mission statement, identification of its long-term strategic goals, and a description of how it intends to achieve the goals. The request for comments was published at 62 FR 15740 on April 2, 1997.

**Amendments to the Bylaws of the Board of Governors of the Postal Service.** The Postal Service Board of Governors adopted several bylaw revisions. One revision related to information postal management must furnish the board on significant new programs, policies and other initiatives. The Board of Governors also approved amendments to its bylaws to reserve to the board the approval of Postal Service plans and reports under the Government Performance and Review Act and reserve to the Board of Governors the transmission of semi-annual reports under the Inspector General Act. The amendments were published at 62 FR 41853 on August 4, 1997. An amendment to describe how costs for a developmental real estate project are determined, relative to the \$10 million threshold set for Board of Governor approval of capital investment projects, was published at 62 FR 43642 on August 15, 1997.

**Definition and Registration of Money Services Businesses.** The Department of the Treasury promulgated a proposed rule amending the Bank Secrecy Act to require certain "money service" businesses to register with Treasury and maintain a list of its agents that could be examined by appropriate law enforcement agencies. The proposed rule would revise the definition of financial institution concerning the Postal Service at 31 C.F.R. 103.11(n)(9). Under the current regulation, the Postal Service is considered a financial institution only with respect to the sale of money orders; under the proposed regulation, the Postal Service would be considered a financial institution with respect to its provision of any money service products. The proposed rule was published at 62 FR 27890 on May 21, 1997.

**Remission or Mitigation of Forfeitures.** The Postal Service promulgated a final rule amending and adopting regulations that govern how petitions are processed for remission and mitigation of civil forfeitures by the Postal Inspection Service. The purpose of the revision was to ameliorate harsh results in individual forfeiture cases and provide relief to innocent individuals whose property is used by others for criminal purposes. The rule establishes a comprehensive set of procedures to govern the petition process, clarifies provisions in existing rules, distinguishes the bases for remission and mitigation, addresses inadequacies in the rules resulting from the increased use of forfeiture by federal law enforcement agencies, promotes consistent and predictable decisions on petitions, and recognizes the interests of crime victims in forfeited money and other properties. The final rule was published at 62 FR 31726 on June 11, 1997, and will be codified at 39 C.F.R. 233.7.

**Placement of Commercial Antennas on Federal Property.** The General Services Administration issued a bulletin that provides all federal agencies, including the Postal Service, with guidelines for placing commercial antennas on federal property, in accordance with President Clinton's memorandum of August 10, 1995, "Facilitating Access to Federal Property for the Siting of Mobile Services," and Section 704(c) of the Telecommunications Act of 1996, Public Law 104-104. The bulletin was published at 62 FR 32611 on June 16, 1997.

**Postal Rates.** The Postal Service published notices of changes in permanent rates for Classroom Periodicals at 62 FR 33142 on June 18, 1997, and for certain Periodicals and Nonprofit mail at 62 FR 39946 on July 25, 1997. The Postal Rate Commission issued a notice that the Postal Service filed a request for a recommended decision on proposed changes in domestic postal rates and fees and certain mail classifications. The proposed rate and fee changes affect all classes of mail. The Postal Service maintains that, without the changes, it would incur a revenue deficiency of approximately \$2.4 billion in 1998, which contradicts 39 USC 3631. Under the proposed changes, the price of a First-Class stamp would increase from 32 cents to 33 cents, and basic postage for a postcard would increase from 20 cents to 21 cents. The Postal Service is also proposing a prepaid reply mail category at a discounted rate of 30 cents, which would benefit the public served by large-volume mailers, such as utility and credit card companies. The notice was published at 62 FR 39660 on July 23, 1997. The Postal Rate Commission gave notice that the Postal Service filed a request to establish a provisional packaging service at 62 FR 42270 on August 6, 1997.



**National Environmental Policy Act Implementing Procedures.** The Postal Service promulgated a proposed rule that would revise existing procedures and categorical exclusions governing the Postal Service's compliance with the National Environmental Policy Act (NEPA). The proposals were based on experience with existing regulations and new policies and infrastructure that were implemented since the restructuring of the Postal Service in 1992. The proposed changes are intended to comply with the requirements of NEPA, while improving quality and reducing administrative processes and preparation. They require Postal Service officials to consider the potential environmental impacts of major postal actions. The proposed rule was published at 62 FR 42958 on August 11, 1997.

**Federal Law Enforcement Dependents Assistance Program.** The Department of Justice promulgated a final rule issuing regulations to comply with the Federal Law Enforcement Dependents Assistance (FLEDA) Act of 1996. FLEDA will be administered by the Bureau of Justice Assistance and provide financial assistance in the form of higher education payments to children and spouses of federal law enforcement officers whose deaths or permanent and total disabilities in the line of duty resulted in the payment of benefits under the Public Safety Officer Benefits Program. The Postal Inspection Service provided comments supporting the rule when it was first proposed. The final rule was published at 62 FR 37713 on July 15, 1997.

**Expansion of Global Package Link.** Global Package Link is an international mail service designed for mail-order companies that send merchandise to other countries. The service was established in Japan, Canada and the United Kingdom. During the reporting period, the Postal Service published interim rules extending Global Package Link service to Brazil, Chile and Germany (62 FR 17072, April 9, 1997); the People's Republic of China (62 FR 25515, May 9, 1997); Mexico and Singapore (62 FR 45160, August 26, 1997); France (62 FR 47558, September 10, 1997); and Hong Kong (62 FR 49915, September 24, 1997).

**Aircraft Operator Security.** The Federal Aviation Administration (FAA) of the Department of Transportation promulgated a proposed rule to amend airplane operator security regulations. The proposal would increase the number of air carriers that must have security programs to include those that enplane from or deplane onto a sterile area. Further, it would clarify training requirements for air carrier security personnel and clarify procedures for transporting passengers under armed escort, for allowing law enforcement personnel to fly armed, and for air carriers to acknowledge receipt of FAA directives. The FAA proposal was published at 62 FR 41730 on August 1, 1997, and will be codified in 14 C.F.R., part 108.

**Privacy Act.** The Postal Service published a notification of new and modified systems for Privacy Act records at 62 FR 18375 on April 15, 1997; 62 FR 25980 on May 12, 1997; 62 FR 30898 on June 5, 1997; and 62 FR 37631 on July 14, 1997.

**Debt Collection.** The Postal Service and the Department of Veterans Affairs (VA) issued a proposed rule to conduct a computer-matching program that would identify postal employees who are delinquent in repaying debts to benefit programs administered by the VA. If the VA

is unable to recover debts through voluntary payments, salary offsets may be pursued under the provisions of the Debt Collection Act of 1982. The proposed rule was published at 62 FR 44304 on August 20, 1997.

**Domestic Mail Manual Changes.** The *Domestic Mail Manual* is incorporated by reference in the Code of Federal Regulations. During this reporting period, the Postal Service published the following final rules, proposed rules and notices.

A final rule revising ancillary service endorsements mailers use to request a new address or provide instructions on how to handle undeliverable-as-addressed mail was published at 62 FR 24340 on May 5, 1997. A proposed rule amending procedures for delivering mail to a commercial mail receiving agency was published at 62 FR 45366 on August 27, 1997. A final rule establishing standards for experimental, nonletter-size business reply mail categories and fees was published at 62 FR 25751 on May 9, 1997. A proposed rule amending standards for Nonprofit Standard Mail rates was published at 62 FR 47178 on September 8, 1997. A proposed rule to add sectional center facility sack levels to presort requirements for nonletter-size Periodical publications was published at 62 FR 48191 on September 15, 1997. A notice of pending revisions to Publication 401, *Guide to the Manifest Mailing System*, was published at 62 FR 36585 on July 8, 1997. Final rules revising standards that affect fees for, and certain attributes of, special services were published at 62 FR 26085 on May 12, 1997, and 62 FR 31512 on June 10, 1997. Finally, a final rule of all amendments to be included in Issue 52 of the *Domestic Mail Manual* that were not previously published in the *Federal Register* was published at 62 FR 30457 on June 4, 1997.



# Appendices



# Appendix A

## Reports Issued to Postal Management

April 1 – September 30, 1997

**Contract Audits (AC)** are conducted to ensure efficiency, effectiveness and economy in the procurement process. Postal Inspectors independently appraise costs related to transportation, services, equipment, facilities and consulting contracts and provide timely responses to requests for audits of proposals, claims and accounting systems on a pre- and post-award basis. Postal Inspectors also perform defective pricing, procedural compliance and self-initiated reviews related to procurement activities.

Case Number	Contractor or Facility	Questioned Costs	Unsupported Costs	Recommendations That Funds Be Put to Better Use
181-1191292-AC(1)	Accu-Sort Systems, Inc.	\$0	\$0	\$10,312,313
181-1191574-AC(1)	Frankel and Company, Inc.	0	0	438,239
181-1204340-AC(1)	Key Handling Systems, Inc.	0	0	0
181-1204341-AC(1)	Key Handling Systems, Inc.	0	0	129,326
181-1204343-AC(1)	Key Handling Systems, Inc.	0	0	134,283
181-1204345-AC(1)	Key Handling Systems, Inc.	0	0	0
181-1204348-AC(1)	Key Handling Systems, Inc.	0	0	336,308
181-1204349-AC(1)	Key Handling Systems, Inc.	0	0	0
181-1204350-AC(1)	Key Handling Systems, Inc.	0	0	722,503
181-1206189-AC(1)	Independent Postal Financial Consultants, Inc.	0	0	0
181-1207631-AC(1)	ElectroCom Automation, L.P.	0	0	103,714
181-1208148-AC(1)	Freeman-Darling Construction Company	0	0	0
181-1208267-AC(1)	Building Restoration Corporation	0	0	153,425
181-1208458-AC(1)	Young & Rubicam, Inc.	0	0	0
181-1208530-AC(1)	ElectroCom Automation, L.P.	0	0	283,626
181-1209366-AC(1)	Crisplant, Inc.	0	0	649,813
181-1211002-AC(1)	SELCO Steel Erectors Company, Inc.	0	0	185,371
181-1211010-AC(1)	SELCO Steel Erectors Company, Inc.	0	0	112,906
181-1211016-AC(1)	SELCO Steel Erectors Company, Inc.	0	0	182,818
181-1211025-AC(1)	SELCO Steel Erectors Company, Inc.	0	0	258,122
181-1211033-AC(1)	SELCO Steel Erectors Company, Inc.	0	0	280,106
181-1211038-AC(1)	SELCO Steel Erectors Company, Inc.	0	0	833,456
181-1211514-AC(1)	Siemens ElectroCom, L.P.	0	0	20,151
181-1212404-AC(1)	Carter Control Systems, Inc.	0	0	118,058
181-1212405-AC(1)	Carter Control Systems, Inc.	0	0	0
181-1212407-AC(1)	Carter Control Systems, Inc.	0	0	21,578
181-1212414-AC(1)	Carter Control Systems, Inc.	0	0	11,071
181-1212417-AC(1)	Carter Control Systems, Inc.	0	0	10,596
181-1212419-AC(1)	Carter Control Systems, Inc.	0	0	0
181-1212586-AC(1)	Siemens ElectroCom, L.P.	0	0	3,496,865
181-1213327-AC(1)	Motion Systems, L.C.	0	0	491,132
181-1213328-AC(1)	Motion Systems, L.C.	0	0	545,692
181-1213329-AC(1)	Motion Systems, L.C.	0	0	561,088
181-1213330-AC(1)	Motion Systems, L.C.	0	0	132,622
181-1213332-AC(1)	Motion Systems, L.C.	0	0	569,652
181-1213335-AC(1)	Motion Systems, L.C.	0	0	518,265
181-1214294-AC(1)	Midwest Conveyor Company, Inc.	0	0	62,330
181-1214303-AC(1)	Midwest Conveyor Company, Inc.	0	0	44,112
181-1214767-AC(1)	R. G. Research, Inc.	0	0	11,970
181-1215266-AC(1)	Siemens ElectroCom, L.P.	0	0	210,822
181-1215301-AC(1)	Siemens ElectroCom, L.P.	0	0	39,308
181-1215426-AC(1)	North Coast Software, Inc.	0	0	26,983
181-1215545-AC(1)	Carter Control Systems, Inc.	0	0	52,347
181-1215548-AC(1)	Rapistan Demag Corporation	0	0	0
181-1216190-AC(1)	Siemens ElectroCom, L.P.	0	0	719,385
181-1216442-AC(1)	Motion Systems, L.C.	0	0	0
181-1216733-AC(1)	Siemens ElectroCom, L.P.	0	0	157,749
181-1216979-AC(1)	Motion Systems, L.C.	0	0	468,177
181-1217444-AC(1)	ROF Economic and Financial Consulting, Inc.	0	0	62,317
181-1217791-AC(1)	Mailcode, Inc.	0	0	105,827
181-1218347-AC(1)	Siemens ElectroCom, L.P.	0	0	196,086
181-1219737-AC(1)	Siemens ElectroCom, L.P.	0	0	70,832
182-1204523-AC(1)	Sabey Corporation	667,988	0	0
182-1208522-AC(1)	Masi Research Consultants, Inc.	103,647	44,205	0
182-1209355-AC(1)	Smithsonian Institution	1,020,438	0	0
182-1210145-AC(1)	Kinco, Inc.	2,921	0	0
182-1213081-AC(1)	The Roybal Corporation	43,820	3,264	0
182-1217970-AC(1)	Korte Construction Company	0	0	0
183-1214057-AC(1)	UNARCO Material Handling	39,897	0	0
184-1188650-AC(1)	Lee Hill, Inc.	0	0	0
184-1199437-AC(1)	Christensen Associates, Inc.	0	0	0
184-1207660-AC(1)	Lee Hill, Inc.	0	0	0
186-1217780-AC(1)	Mailcode, Inc.	0	0	0
186-1218849-AC(1)	Motoman, Inc.	0	0	0
187-1200685-AC(1)	Site Selection Procedures for Lithonia, GA Facility	0	0	0
190-1200337-AC(2)	Masi Research Consultants, Inc.	163,819	0	0
190-1201793-AC(2)	ElectroCom Automation, L.P.	0	0	0
190-1205820-AC(2)	New Breed Leasing Corporation	0	0	0
190-1212424-AC(2)	Kyla, Inc.	19,077	0	0
192-1201117-AC(2)	TAD Resources International, Inc.	0	0	0
192-1201136-AC(2)	Independent Postal Financial Consultants	0	0	0
192-1211696-AC(2)	PhotoAssist, Inc.	0	0	0
192-1214689-AC(2)	New Breed Leasing Corporation	1,275,096	0	0
192-1214768-AC(2)	Advanced Information Systems, Inc.	36,265	0	0
193-1199371-AC(1)	ElectroCom Automation, L.P.	0	0	0
193-1209688-AC(2)	ElectroCom Automation, L.P.	0	0	0
<b>TOTAL</b>		<b>\$3,372,958</b>	<b>\$47,469</b>	<b>\$23,841,343</b>



**Financial Opinion Audits (AD)** are annual reviews of financial transactions, assets and controls at the three information service centers (ISCs) and selected field installations. Postal inspectors review physical, personnel and data security controls to determine whether they are effective and comply with postal policies.

Case Number	Location	Subject
004-1196382-AD(1)	Salem, VA 24153	Imprest Fund Audit
004-1200905-AD(1)	Cleveland, OH 44101	Imprest Fund Audit
004-1213630-AD(1)	Raleigh, NC 27611	Imprest Fund Audit
007-1199652-AD(1)	San Mateo, CA 94497	EDP Controls
007-1200363-AD(1)	Minneapolis, MN 55401	EDP Controls

**Financial Installation Audits (AF1)** are performed at offices chosen through a random selection process. Offices are randomly selected from a list of all offices and stratified by projected revenue. During the reviews, internal controls are evaluated and assets are verified to determine the reliability of the Postal Service's financial system.

Case Number	Location	Case Number	Location	Case Number	Location
011-1197112-AF(1)	Flushing, NY 11351	012-1199676-AF(1)	Olympia, WA 98501	014-1197692-AF(1)	Houlika, MS 38850
011-1197117-AF(1)	New York, NY 10199	012-1199686-AF(1)	Elkhart, IN 46515	014-1197695-AF(1)	Idyllwild, CA 92549
011-1197118-AF(1)	Smithtown, NY 11787	012-1202033-AF(1)	New Castle, DE 19720	014-1197698-AF(1)	Big Pine, CA 93513
011-1197194-AF(1)	St. Paul, MN 55101	012-1202035-AF(1)	West Chester, PA 19380	014-1198080-AF(1)	Gnadenhuetten, OH 44629
011-1197233-AF(1)	Waseca, MN 56093	012-1202037-AF(1)	Ft. Washington, PA 19034	014-1198083-AF(1)	Navarre, OH 44662
011-1197338-AF(1)	Green Bay, WI 54303	012-1202043-AF(1)	State College, PA 16801	014-1198084-AF(1)	Burton, OH 44021
011-1197400-AF(1)	Portland, OR 97208	013-1197114-AF(1)	East Islip, NY 11730	014-1198267-AF(1)	Enosburg Falls, VT 05450
011-1197476-AF(1)	San Juan, PR 00936	013-1197231-AF(1)	Warroad, MN 56763	014-1198355-AF(1)	Corner, GA 30629
011-1197482-AF(1)	Baton Rouge, LA 70821	013-1197351-AF(1)	Bartlett, IL 60103	014-1198333-AF(1)	Arcola, IL 61910
011-1197660-AF(1)	Los Angeles, CA 90052	013-1197359-AF(1)	Lancaster, WI 53813	014-1199694-AF(1)	Beaver, UT 84713
011-1197662-AF(1)	Las Vegas, NV 89199	013-1197402-AF(1)	Mariposa, CA 95338	014-1200660-AF(1)	Finley, ND 58230
011-1197663-AF(1)	Albuquerque, NM 87101	013-1197403-AF(1)	Troutdale, OR 97060	014-1200663-AF(1)	Foley, MN 56329
011-1197671-AF(1)	Compton, CA 90221	013-1197420-AF(1)	Point Pleasant, WV 25550	014-1202057-AF(1)	Mt. Bethel, PA 18343
011-1197679-AF(1)	Jackson, MS 39205	013-1197486-AF(1)	Bayville, NJ 08721	014-1202304-AF(1)	Liberty Hill, TX 78642
011-1197879-AF(1)	San Antonio, TX 78284	013-1197680-AF(1)	Tehachapi, CA 93561	015-1197200-AF(1)	Nelson, WI 54756
011-1198081-AF(1)	Akron, OH 44309	013-1197684-AF(1)	Walls, MS 38680	015-1197254-AF(1)	Ayr, NE 68925
011-1198351-AF(1)	Augusta, GA 30901	013-1197897-AF(1)	Navasota, TX 77868	015-1197309-AF(1)	Ogden, KS 66517
011-1198860-AF(1)	Colorado Springs, CO 80903	013-1197898-AF(1)	Rusk, TX 75785	015-1197311-AF(1)	Meta, MO 65058
011-1198946-AF(1)	St. Cloud, MN 56301	013-1198229-AF(1)	Darien, CT 06820	015-1197355-AF(1)	Scandia, WI 54977
011-1199077-AF(1)	Spartanburg, SC 29301	013-1198266-AF(1)	Woodstock, VT 05091	015-1197423-AF(1)	Wallace, WV 26448
011-1199078-AF(1)	Capitol Heights, MD 20790	013-1198353-AF(1)	Jasper, AL 35501	015-1197424-AF(1)	Glenwood, WV 25520
011-1199216-AF(1)	Durham, NC 27701	013-1198354-AF(1)	Pell City, AL 35125	015-1197478-AF(1)	French Gulch, CA 96033
011-1199219-AF(1)	Raleigh, NC 27611	013-1198370-AF(1)	Bogalusa, LA 70427	015-1197694-AF(1)	Gamaliel, AR 72537
011-1199325-AF(1)	Denver, CO 80299	013-1198857-AF(1)	Larned, KS 67550	015-1197696-AF(1)	Maynard, AR 72444
011-1199685-AF(1)	Lansing, MI 48924	013-1198861-AF(1)	Tekamah, NE 68061	015-1197697-AF(1)	Pineville, AR 72566
011-1199692-AF(1)	Grand Rapids, MI 49599	013-1199210-AF(1)	Union, SC 29379	015-1197699-AF(1)	Pruden, TN 37851
011-1199697-AF(1)	Maple Grove, MN 55311	013-1199211-AF(1)	Atlantic Beach, NC 28512	015-1197864-AF(1)	Brandy Station, VA 22714
011-1202005-AF(1)	Lancaster, PA 17604	013-1199212-AF(1)	Ridgely, MD 21660	015-1197865-AF(1)	Fishing Creek, MD 21634
011-1202023-AF(1)	Southampton, PA 18966	013-1199213-AF(1)	Apex, NC 27502	015-1197902-AF(1)	Joinville, TX 75658
012-1197198-AF(1)	Aberdeen, SD 57401	013-1199221-AF(1)	Mauldin, SC 29662	015-1197934-AF(1)	Hopeton, OK 73746
012-1197356-AF(1)	Tinley Park, IL 60477	013-1199330-AF(1)	Hiawatha, KS 66434	015-1198189-AF(1)	Angelica, NY 14709
012-1197397-AF(1)	Campbell, CA 95008	013-1199690-AF(1)	Decatur, IN 46733	015-1198264-AF(1)	Newbury, VT 05051
012-1197398-AF(1)	Helena, MT 59601	013-1199696-AF(1)	Midvale, UT 84047	015-1198265-AF(1)	Hebron, NH 03241
012-1197399-AF(1)	San Rafael, CA 94901	013-1202046-AF(1)	Phoenixville, PA 19460	015-1198459-AF(1)	Penokee, KS 67659
012-1197672-AF(1)	Perris, CA 92570	013-1202048-AF(1)	Narberth, PA 19072	015-1198953-AF(1)	Steinhatchee, FL 32359
012-1197675-AF(1)	Oceanside, CA 92054	013-1202053-AF(1)	Bellwood, PA 16617	015-1198954-AF(1)	Evinston, FL 32633
012-1198085-AF(1)	Lorain, OH 44052	013-1202054-AF(1)	Everett, PA 15537	015-1199689-AF(1)	Milhausen, IN 47261
012-1198232-AF(1)	Randolph, MA 02368	014-1197252-AF(1)	Shelton, NE 68876	015-1200649-AF(1)	Kenneth, MN 56147
012-1198233-AF(1)	Keene, NH 03431	014-1197258-AF(1)	Cairo, NE 68824	015-1200657-AF(1)	Avon, SD 57315
012-1198352-AF(1)	Thomaston, GA 30286	014-1197395-AF(1)	St. David, AZ 85630	015-1201436-AF(1)	Carlisle, SC 29031
012-1198952-AF(1)	Brooksville, FL 34601	014-1197474-AF(1)	Cobb, CA 95426	015-1201856-AF(1)	Redvale, CO 81431
012-1199214-AF(1)	Bristol, VA 24201	014-1197689-AF(1)	Centerville, TN 37033	015-1201857-AF(1)	Woodrow, CO 80757
012-1199215-AF(1)	Woodbridge, VA 22191	014-1197690-AF(1)	Corryton, TN 37721	015-1205477-AF(1)	Lyerly, GA 30730
012-1199327-AF(1)	Lees Summit, MO 64063	014-1197691-AF(1)	Ecu, MS 38841	015-1217783-AF(1)	Beulah, CO 81023



**District Accounting Office Audits (AF2)** are conducted to evaluate district accounting office controls and the security provided for computers. The audits supplement financial installation audits.

Case Number	Location
016-1199079-AF(2)	Washington, DC 20066
016-1213753-AF(2)	New Orleans, LA 70140

**Expenditure Investigations (EI)** are performed to identify fraud, waste and abuse in procurement activities and improve the integrity of procurement processes. The investigations are conducted based on requests from management, customer complaints and judgmental selections.

Case Number	Location	Subject
195-1211263-EI(1)	North Metro, GA 30903	Procurement Activity Review
195-1211267-EI(1)	Atlanta, GA 30301	New Lease Construction Project
195-1212675-EI(1)	Fox Valley, IL 60599	Administration of Employee Incentive Award Program
195-1216758-EI(1)	Chicago, IL 60607	Procurement Activity Review
461-1208622-EI(1)	Effingham, IL 62401	Vehicle Parts Administration
463-1172826-EI(1)	Cranston, RI 02951	Relocation Policies Compliance Investigation
463-1186580-EI(1)	Chicago, IL 60607	Vehicle Expense Review
463-1215619-EI(1)	Frankfort, KY 40601	IMPAC Credit Card Review
565-1199447-EI(1)	Washington, DC 20260	Antenna Site Manager Solicitation, Evaluation & Selection
565-1204471-EI(1)	Charlotte, NC 28204	Postal Service Facilities Contracts Review
566-1206722-EI(1)	Washington, DC 20260	IMPAC Credit Card Review
569-1212845-EI(1)	Louisville, KY 40213	IMPAC Credit Card Review
RG-97001	Atlanta, GA 30304	Postmaster Installation Ceremony Cost Review

**Financial Investigations (FI)** are designed to protect postal financial assets from internal theft or misuse. The investigations also assess risks and evaluate internal controls to prevent financial loss.

Case Number	Location	Case Number	Location
016-1198260-FI(2)	San Francisco, CA 94188	017-1217654-FI(2)	Plantersville, MS 38862
016-1199774-FI(2)	Fort Smith, AR 72904	017-1217699-FI(2)	New Orleans, LA 70113
016-1203534-FI(2)	Boston, MA 02210	017-1218083-FI(2)	Lavonia, TN 38348
016-1214980-FI(2)	Dighton, MA 02715	017-1218897-FI(2)	Sunset, TX 76270
016-1215087-FI(2)	North Dighton, MA 02764	017-1219182-FI(2)	Smithdale, MS 39664
016-1220063-FI(2)	Wellesley, MA 02467	017-1219267-FI(2)	Newark, NJ 07101
017-1187881-FI(2)	Chicago, IL 60669	017-1220325-FI(2)	West Kingston, RI 02892
017-1198692-FI(2)	Lovettsville, VA 22080	017-1220375-FI(2)	Robbins, TN 37852
017-1198693-FI(2)	Waterford, VA 22190	017-1220658-FI(2)	Texarkana, TX 75501
017-1201552-FI(2)	Chicago, IL 60669	017-1220790-FI(2)	Bradley, IL 60915
017-1206153-FI(2)	Perry, OH 44081	017-1220791-FI(2)	Coffeen, IL 62017
017-1206974-FI(2)	White Plains, NY 10610	017-1221200-FI(2)	San Antonio, TX 78284
017-1208370-FI(2)	Flint Hill, VA 22627	017-1221411-FI(2)	Paxton, IL 60957
017-1208409-FI(2)	Enville, TN 38332	017-1221413-FI(2)	Farmer City, IL 61842
017-1208410-FI(2)	Idlawild, TN 38346	017-1221534-FI(2)	Mt. Vernon, KY 40456
017-1208505-FI(2)	Fryburg, PA 16326	017-1221968-FI(2)	St. Jacob, IL 62281
017-1208511-FI(2)	Langleth, PA 15054	824-1215021-FI(3)	Orlando, FL 32862
017-1209102-FI(2)	West Middlesex, PA 16159	827-1215528-FI(1)	Napa, CA 94558
017-1209430-FI(2)	Waldport, OR 97394	828-1205234-FI(1)	Bremerton, WA 98310
017-1210625-FI(2)	Admire, KS 66830	830-1194928-FI(1)	Alpaugh, CA 93201
017-1213648-FI(2)	Newark, NJ 07101	830-1215324-FI(1)	Willits, CA 95490
017-1213681-FI(2)	Piney Woods, MS 39148	830-1217405-FI(1)	West New York, NJ 07093
017-1213689-FI(2)	East Orange, NJ 07017	831-1216424-FI(1)	Manhasset, NY 11030
017-1215296-FI(2)	Codonus, PA 17311	833-1211690-FI(1)	Fresno, CA 93706
017-1215483-FI(2)	Wayne, NJ 07470	840-1205235-FI(2)	Seattle, WA 98109
017-1215897-FI(2)	Tazewell, TN 37879	840-1216872-FI(2)	Cincinnati, OH 45202
017-1217470-FI(2)	Memphis, TN 38173	840-1218804-FI(2)	Tacoma, WA 98409
017-1217653-FI(2)	Vardaman, MS 38878		



**Facility Program Audits (FPA)** provide independent appraisals of facility-related functions to assist postal management in minimizing financial and operational risk.

Case Number	Facility	Subject
098-1201621-FPA(1)	Boise, ID 83701	P&DC New Construction-Owned Project Review
238-1210959-FPA(1)	Queens, NY 11431	P&DC Workroom Floor Replacement
238-1211314-FPA(1)	Baltimore, MD 21301	P&DC Elevator Upgrade
238-1211315-FPA(1)	Philadelphia, PA 19101	BMEU Relocation
238-1213138-FPA(1)	Queens, NY 11431	P&DC Elevator Platform Repair
238-1213862-FPA(1)	Boston, MA 02100	Mattapan Retail Postalization Project Renovation
238-1214262-FPA(1)	Washington, DC 20260	L'Enfant Plaza Building Renovations
238-1216308-FPA(1)	Potomac, MD 20854	Bolger Center Dormitory Remodeling
239-1208922-FPA(1)	Oakland, CA 94523	P&DC Lease Review
239-1209192-FPA(1)	Raleigh, NC 27668	Central Mail Facility Lease Review, HiTech Building
239-1209319-FPA(1)	Philadelphia, PA 19101	AMC Ground Lease II Review
239-1212571-FPA(1)	Elk Grove, IL 60007	Surface Hub Lease Review
239-1213033-FPA(1)	Milwaukee, WI 53201	GMF/VMF Lease Review
239-1213137-FPA(1)	Keamy, NJ 07032	P&DC Lease Review
239-1213139-FPA(1)	Baltimore, MD 21301	P&DC Lease Review
239-1213601-FPA(1)	Indianapolis, IN 48206	P&DC & VMF Lease Review
239-1213714-FPA(1)	Mount Vernon, NY 10550	Westchester MSC Lease Review
267-1208088-FPA(2)	Atlanta, GA 30304	GMF Chiller/Cooling Tower Replacement
267-1209024-FPA(2)	Long Beach, CA 91102	District Review of Indefinite-Quantity Construction Contracts
267-1211262-FPA(2)	Chicago, IL 60669	VMF HVAC Replacement
267-1212117-FPA(2)	Denver, CO 80202	Redesign of PEDC & Administrative Offices
267-1212120-FPA(2)	Seattle, WA 98158	AMF Roof Redesign & Replacement
267-1212118-FPA(2)	Everett, WA 98203	P&DC Repair & Alteration Projects
267-1212292-FPA(2)	Eugene, OR 97401	P&DC Plant Expansion Project
267-1214182-FPA(2)	Pikeville, KY 41501	Post Office Renovation
267-1214661-FPA(2)	Memphis, TN 38100	BMC HVAC Replacement
267-1216026-FPA(2)	Midway, CA 92655	P&DC Facility Renovation Project
267-1216029-FPA(2)	San Diego, CA 92101	Downtown Station Renovation
267-1216030-FPA(2)	Van Nuys, CA 91409	Main Office Roof Replacement Project
267-1216031-FPA(2)	Pasadena, CA 91109	Plaza & Alameda Station Renovation
267-1218376-FPA(2)	Dallas, TX 75222	Southwest Area Building Improvement
267-1219294-FPA(2)	St. Louis, MO 63155	GMF Roof Repair
268-1202435-FPA(2)	Chicago, IL 60669	Riverside Plaza Lease Review
FAC 97001	Chicago, IL 60607	Sugar House Renovation Project Review

**Performance Audits (PA)** focus on national systems and procedures and field operations. The audits provide independent evaluations of major activities, identify and capture operational savings and alert management to areas where service and efficiency can be improved.

Case Number	Subject
020-1156014-PA(1)	National Audit of International Surface Airlift Mail
025-1199752-PA(1)	National Audit on Compliance with the Privacy Act
029-1200485-PA(1)	National Audit of Revenue, Pieces and Weight
029-1217968-PA(1)	National Audit on Excessive Overtime Usage
030-1200654-PA(1)	National Audit on Mail Recovery Centers
037-1212722-PA(2)	Mail Condition Review, Chicago, IL 60669
040-1204362-PA(2)	Route Inspection Process, St. Louis, MO 63199
043-1198127-PA(2)	Retail Store Operations, Mid-Atlantic Area
045-1207154-PA(2)	Effect of Classification Reform on LDC-17 Workhours, Ft. Worth, TX 76161
050-1189226-PA(2)	Quality of Distribution & Dispatch Operations, Belmar, NJ 08099
052-1196663-PA(3)	Postal Operations, Newark AMC, Newark, NJ 07102
052-1197599-PA(3)	Service Improvements Review, Atlanta, GA 30304
052-1204763-PA(3)	Installation Service Audit, Richmond, VA 23232
052-1207333-PA(3)	Installation Service Audit, Charlottesville, VA 22906
052-1207755-PA(3)	Installation Service Audit, Atlanta, GA 30321
052-1208973-PA(3)	Installation Service Audit, Jackson, MS 39201
052-1210182-PA(3)	Installation Service Audit, Charlotte, NC 28219
052-1210843-PA(3)	Installation Service Audit, Cleveland, OH 44101
052-1210845-PA(3)	Installation Service Audit, Akron, OH 44301
052-1213086-PA(3)	Purchasing Review, Buffalo, NY 14240
310-1196684-PA(3)	Workers' Compensation Program Chargebacks, Kansas City, MO 64195
312-1208553-PA(3)	Installation Service Audit, San Jose, CA 95101
314-1213519-PA(3)	Review of Mail Processing, Oakland, CA 94615
314-1216557-PA(3)	Postal Service Contract Service Review, New York, NY 10116
316-1200599-PA(3)	Mail Volume Hours, Detroit, MI 48232
317-1200937-PA(3)	HVAC Systems Review, Mid-America District
319-1217590-PA(3)	OWCP Review, Phoenix, AZ 85036



**Revenue Investigations (RI)** ensure that postal revenue is properly assessed and collected. Priority is given to investigating alleged schemes to avoid payment of postage and to identify, pursue and seek actions against violators through civil, administrative and criminal remedies. Postal inspectors also investigate operations at postage meter manufacturers' home and branch offices.

Case Number	Location	Subject
062-1167802-RI(1)	Boston, MA 02205	Cooperative Mail
062-1181298-RI(1)	Denver, CO 80217	Cooperative Mail
062-1191651-RI(1)	Chicago, IL 60605	Standard Mail
062-1192283-RI(1)	Fredericksburg, VA 22406	Standard Mail
062-1192645-RI(1)	Denver, CO 80204	Cooperative Mail
062-1194577-RI(1)	Lakewood, CA 90711	Standard Mail
062-1198744-RI(1)	Sioux City, IA 51101	Cooperative Mail
062-1200368-RI(1)	Duluth, MN 55806	Standard Mail
062-1200369-RI(1)	St. Cloud, MN 56301	Standard Mail
062-1200373-RI(1)	Long Prairie, MN 56347	Standard Mail
062-1201310-RI(1)	Los Angeles, CA 90027	Nonprofit Mail
062-1204025-RI(1)	Minneapolis, MN 55440	Standard Mail
062-1205020-RI(1)	Oklahoma City, OK 73109	Periodical Mail
062-1207485-RI(1)	Denver, CO 80217	Nonprofit Mail
062-1205714-RI(1)	Charleston, WV 25313	Standard Mail
062-1205948-RI(1)	Milwaukee, WI 53203	Standard Mail
062-1206828-RI(1)	Oklahoma City, OK 73125	Nonprofit Mail
062-1207104-RI(1)	Boston, MA 02210	Standard Mail
062-1207105-RI(1)	Boston, MA 02210	Standard Mail
062-1208771-RI(1)	Belmawr, NJ 08099	Standard Mail
062-1208949-RI(1)	Belmawr, NJ 08099	Standard Mail
062-1209482-RI(1)	Paxton, IL 60957	Standard Mail
062-1209752-RI(1)	Bloomington, IN 47402	Standard Mail
062-1209756-RI(1)	Portland, OR 97208	Standard Mail
062-1209893-RI(1)	Shepherdsville, KY 40165	Standard Mail
062-1210087-RI(1)	Hyannis, MA 02601	Cooperative Mail
062-1210184-RI(1)	Minneapolis, MN 55401	Standard Mail
062-1210199-RI(1)	Vincennes, IN 47591	Standard Mail
062-1210494-RI(1)	Huntington, WV 25704	Standard Mail
062-1210575-RI(1)	Baltimore, MD 21233	Standard Mail
062-1210990-RI(1)	Pewaukee, WI 53072	Standard Mail
062-1211168-RI(1)	San Antonio, TX 78230	Periodical Mail
062-1211193-RI(1)	Durham, NC 27708	Standard Mail
062-1211271-RI(1)	Oklahoma City, OK 73125	Standard Mail
062-1211305-RI(1)	Petersburg, VA 23805	Standard Mail
062-1211306-RI(1)	Richmond, VA 23242	Cooperative Mail
062-1211442-RI(1)	Lincoln, NE 68508	Standard Mail
062-1211566-RI(1)	Portland, OR 97208	Standard Mail
062-1211604-RI(1)	Indianapolis, IN 46206	Standard Mail
062-1212269-RI(1)	Tampa, FL 33630	Standard Mail
062-1212730-RI(1)	Indianapolis, IN 46239	Standard Mail
062-1212768-RI(1)	Oklahoma City, OK 73125	Standard Mail
062-1212868-RI(1)	Port Richey, FL 34668	Standard Mail
062-1213024-RI(1)	Boston, MA 02210	Standard Mail
062-1213412-RI(1)	Omaha, NE 68127	Standard Mail
062-1213734-RI(1)	Kalamazoo, MI 49009	Standard Mail
062-1213736-RI(1)	Detroit, MI 48232	Standard Mail
062-1213747-RI(1)	Indianapolis, IN 46206	Standard Mail
062-1213749-RI(1)	Rushville, IN 46173	Standard Mail
062-1213923-RI(1)	San Diego, CA 92102	Nonprofit Mail
062-1213968-RI(1)	Los Angeles, CA 90036	Standard Mail
062-1214010-RI(1)	Washington, DC 20066	Standard Mail
062-1214025-RI(1)	Shepherdsville, KY 40165	Periodical Mail
062-1214094-RI(1)	Rockville, IN 47872	Standard Mail
062-1215010-RI(1)	Columbus, OH 43215	Standard Mail
062-1215131-RI(1)	Atlanta, GA 30304	Standard Mail
062-1215132-RI(1)	Hiawasse, GA 30546	Standard Mail
062-1215510-RI(1)	Waco, TX 76702	Standard Mail
062-1215958-RI(1)	Omaha, NE 68124	Standard Mail
062-1216901-RI(1)	Ayer, MA 01432	Standard Mail
062-1217338-RI(1)	Tacoma, WA 98411	Nonprofit Mail
062-1217905-RI(1)	Atlanta, GA 30306	Standard Mail
062-1218163-RI(1)	New Richmond, WI 54017	Nonprofit Mail
062-1218257-RI(1)	Macon, GA 31298	Standard Mail
062-1218500-RI(1)	Shepherdsville, KY 40165	Periodical Mail
062-1218501-RI(1)	Shepherdsville, KY 40165	Periodical Mail
062-1218766-RI(1)	Memphis, TN 38173	Nonprofit Mail
062-1218988-RI(1)	Royal Oak, MI 48068	Standard Mail
062-1220461-RI(1)	St. Paul, MN 55117	Standard Mail
064-1196708-RI(1)	Salinas, CA 93901	First-Class Mail
064-1198131-RI(1)	Oakland, CA 94615	First-Class Mail
064-1202030-RI(1)	New York, NY 10001	Business Mail Entry Unit Review
064-1206603-RI(1)	Washington, DC 20066	Express Mail Corporate Account
064-1207540-RI(1)	Offutt AFB, NE 68113	Standard Mail
064-1208461-RI(1)	Pittsburgh, PA 15220	International Mail
064-1209296-RI(1)	Columbus, OH 43228	First-Class Mail
064-1210178-RI(1)	Jacksonville, FL 32256	First-Class Mail



Case Number	Location	Subject
064-1211433-R(1)	Omaha, NE 68127	First-Class Mail
064-1211826-R(1)	Pittsburgh, PA 15290	First-Class Mail
064-1213187-R(1)	New York, NY 10001	First-Class Mail
064-1213416-R(1)	Capitol Heights, MD 20791	Express Mail Corporate Accounts
064-1213462-R(1)	Boston, MA 02210	First-Class Mail
064-1215928-R(1)	Boston, MA 02205	First-Class Mail
064-1216139-R(1)	Ft. Myers, FL 33901	Standard Mail
064-1216532-R(1)	Mount Clemens, MI 48046	Business Reply Mail
064-1220569-R(1)	Bellwood, IL 60104	First-Class Mail
065-1164851-R(1)	Shelby, NC 28151	Periodical Mail
065-1180072-R(1)	San Antonio, TX 78230	Periodical Mail
065-1183773-R(1)	San Francisco, CA 94105	Periodical Mail
065-1192578-R(1)	Saratoga, CA 95070	Periodical Mail
065-1196093-R(1)	Rochester, MN 55901	Periodical Mail
065-1196095-R(1)	Long Prairie, MN 56347	Periodical Mail
065-1204091-R(1)	Ashland, NE 68003	Periodical Mail
065-1204830-R(1)	Sparta, NJ 07871	Periodical Mail
065-1205228-R(1)	Atlanta, GA 30304	Periodical Mail
065-1205491-R(1)	Danville, KY 40422	Periodical Mail
065-1206319-R(1)	Los Angeles, CA 90014	Periodical Mail
065-1207061-R(1)	Columbus, OH 43216	Periodical Mail
065-1209187-R(1)	Pittsburgh, PA 15290	Periodical Mail
065-1210444-R(1)	Oklahoma City, OK 73198	Periodical Mail
065-1210453-R(1)	Berea, OH 44017	Periodical Mail
065-1211255-R(1)	Memphis, TN 38173	Standard Mail
065-1212074-R(1)	Colorado Springs, CO 80903	Periodical Mail
065-1212328-R(1)	Flora, IL 62639	Periodical Mail
065-1212371-R(1)	Berea, OH 44017	Periodical Mail
065-1212900-R(1)	Fostoria, OH 44820	Periodical Mail
065-1213207-R(1)	Irvine, CA 92619	Periodical Mail
065-1213212-R(1)	Irvine, CA 92619	Periodical Mail
065-1213217-R(1)	Irvine, CA 92619	Periodical Mail
065-1213238-R(1)	Youngstown, OH 44504	Periodical Mail
065-1213299-R(1)	Fullerton, CA 92834	First-Class Mail
065-1213311-R(1)	Kent, OH 44240	Periodical Mail
065-1213937-R(1)	Lancaster, PA 17604	Periodical Mail
065-1213938-R(1)	Lancaster, PA 17604	Periodical Mail
065-1214026-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1214040-R(1)	Lufkin, TX 75904	Business Mail Acceptance Review
065-1214655-R(1)	Bay City, MI 48707	Periodical Mail
065-1214919-R(1)	San Fernando, CA 91345	Periodical Mail
065-1214971-R(1)	Nashville, TN 37229	Standard Mail
065-1215181-R(1)	Denton, TX 76204	Periodical Mail
065-1215295-R(1)	Chicago, IL 60669	Periodical Mail
065-1215392-R(1)	Minneapolis, MN 55401	Periodical Mail
065-1216544-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1217293-R(1)	Kutztown, PA 19530	Standard Mail
065-1217469-R(1)	Covington, TN 38019	Periodical Mail
065-1217576-R(1)	Los Angeles, CA 90036	Periodical Mail
065-1217821-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1217899-R(1)	Memphis, TN 38101	Periodical Mail
065-1218351-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1218487-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1218488-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1218489-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1218492-R(1)	Shepherdsville, KY 40165	Periodical Mail
065-1219183-R(1)	Memphis, TN 38104	Periodical Mail
065-1221308-R(1)	Lebanon, TN 37087	Periodical Mail
066-1207334-R(1)	Kankakee, IL 60901	Standard Mail
066-1208273-R(1)	San Francisco, CA 94188	Standard Mail
066-1210718-R(1)	Chester, PA 19013	Standard Mail
066-1210862-R(1)	St. Michael, MN 55376	Standard Mail
066-1211977-R(1)	Pittsburgh, PA 15290	First-Class Mail
066-1214039-R(1)	Lufkin, TX 75904	Standard Mail
066-1214044-R(1)	Waco, TX 76702	Standard Mail
066-1214045-R(1)	Little Rock, AR 72205	Standard Mail
066-1215972-R(1)	Thomaston, GA 30286	Standard Mail
066-1220321-R(1)	Birmingham, AL 35242	Bulk Mail Acceptance Review
068-1178841-R(1)	Tallahassee, FL 32301	Business Mail Entry Unit Review
068-1200129-R(1)	Riverside, NJ 08075	Business Mail Entry Unit Review
068-1203559-R(1)	Cleveland, OH 44101	Nonsufficient Fund Checks
068-1208434-R(1)	S. San Francisco, CA 94080	Postage Meters
068-1209886-R(1)	Mount Pulaski, IL 62548	Post Office Box
068-1211412-R(1)	Pittsburgh, PA 15290	Insufficient Fund Checks
068-1214791-R(1)	Asbury Park, NJ 07712	Business Mail Entry Unit Review
068-1217112-R(1)	Livermore, CA 94550	Bulk Mail Acceptance Review
068-1217269-R(1)	Overton, TX 75684	Business Mail Entry Unit Review
068-1218206-R(1)	Oldsmar, FL 34677	Business Mail Entry Unit Review
068-1219782-R(1)	Baton Rouge, LA 77315	Bulk Mail Entry Unit Review
068-1220535-R(1)	Chicago, IL 60701	Mail Review
068-1221295-R(1)	Houston, TX 77315	Business Reply Mail
069-1179886-R(2)	Orlando, FL 32862	Revenue Protection Investigation
069-1183453-R(2)	Jacksonville, FL 32203	Revenue Protection Investigation

Case Number	Location	Subject
069-1187466-R(2)	Lakeland, FL 33805	Business Mail Entry Unit Review
069-1187986-R(2)	Lincolnwood, IL 60645	Standard Mail
069-1188728-R(2)	Washington, DC 20066	Business Mail Entry Unit Review
069-1192466-R(2)	Virginia Beach, VA 23450	Caller Service Fees
069-1192468-R(2)	Chesapeake, VA 23320	Caller Service Fees
069-1195247-R(2)	Norfolk, VA 23501	Caller Service Fees
069-1197824-R(2)	Woodland Hills, CA 91364	Presort Postage
069-1204037-R(2)	Frederick, MD 21701	Postage Meters
069-1209538-R(2)	Austin, TX 78744	First-Class Mail
069-1209613-R(2)	Midlothian, VA 23112	Expedited Mail
069-1210292-R(2)	St. Louis, MO 63199	Postage Meters
069-1211507-R(2)	Bala Cynwyd, PA 19004	International Surface Airlift Mail
069-1212461-R(2)	Minneapolis, MN 55401	Express Mail Corporate Account
069-1213798-R(2)	Memphis, TN 38118	Expedited Mail
069-1214629-R(2)	Dallas, TX 75247	Postage Meters
069-1214679-R(2)	St. Louis, MO 63199	Postage Meter Oversight
069-1214920-R(2)	Paramount, CA 90723	Postage Meters
069-1215045-R(2)	Boston, MA 02210	Business Reply Mail
069-1215046-R(2)	Boston, MA 02115	Business Reply Mail
069-1218632-R(2)	Boston, MA 02210	Business Reply Mail
069-1218766-R(2)	Nashville, TN 37229	Nonprofit Mail
069-1220259-R(2)	Miami, FL 33127	Postage Meters
069-1220537-R(2)	Washington, DC 20011	Postage Meters
090-1173287-R(1)	Omaha, NE 68114	Official Mail Accounting System
090-1181837-R(1)	Richmond, VA 23232	Official Mail Accounting System
090-1181838-R(1)	Richmond, VA 23232	Official Mail Accounting System
090-1190276-R(1)	Miami, FL 33152	Official Mail Accounting System
090-1194028-R(1)	Greensboro, NC 27401	Official Mail Accounting System
090-1195322-R(1)	Billings, MT 59101	Official Mail Accounting System
090-1195558-R(1)	Grand Rapids, MI 49599	Official Mail Accounting System
090-1202468-R(1)	San Francisco, CA 94188	Official Mail Accounting System
090-1202935-R(1)	Franklin Park, IL 60131	Official Mail Accounting System
090-1203263-R(1)	Oakland, CA 94615	Official Mail Accounting System
090-1203270-R(1)	West Sacramento, CA 95799	Official Mail Accounting System
090-1205475-R(1)	Hartford, CT 06101	Official Mail Accounting System
090-1206799-R(1)	Atlanta, GA 30303	Official Mail Accounting System
090-1208022-R(1)	Durham, NC 27701	Official Mail Accounting System
090-1208456-R(1)	Atlanta, GA 30345	Official Mail Accounting System
090-1209177-R(1)	Jacksonville, FL 32203	Official Mail Accounting System
090-1209701-R(1)	Memphis, TN 38173	Postage Meters
090-1209890-R(1)	Springfield, IL 62701	Official Mail Accounting System
090-1210303-R(1)	Hamilton, MT 59840	Official Mail Accounting System
090-1210306-R(1)	Miles City, MT 59301	Official Mail Accounting System
090-1211548-R(1)	Providence, RI 02901	Official Mail Accounting System
090-1212304-R(1)	Phoenix, AZ 85012	Official Mail Accounting System
090-1212472-R(1)	San Juan, PR 00936	Official Mail Accounting System
090-1212734-R(1)	Austin, TX 78720	Official Mail Accounting System
090-1212807-R(1)	Phoenix, AZ 85029	Official Mail Accounting System
090-1212940-R(1)	Miami, FL 33152	Official Mail Accounting System
090-1214422-R(1)	Richmond, VA 23232	Official Mail Accounting System
090-1215550-R(1)	San Juan, PR 00936	Official Mail Accounting System
090-1215930-R(1)	Albuquerque, NM 87101	Official Mail Accounting System
090-1215931-R(1)	Phoenix, AZ 85026	Official Mail Accounting System
090-1216518-R(1)	Jay, OK 74346	Official Mail Accounting System
090-1216907-R(1)	Portland, ME 04101	Official Mail Accounting System
090-1216908-R(1)	Manchester, NJ 03101	Official Mail Accounting System
090-1217285-R(1)	El Segundo, CA 90245	Official Mail Accounting System
090-1217288-R(1)	Los Angeles, CA 90052	Official Mail Accounting System
090-1217290-R(1)	Gardena, CA 90247	Official Mail Accounting System
090-1217291-R(1)	Torrance, CA 90503	Official Mail Accounting System
090-1217729-R(1)	Christiansted, VI 00820	Official Mail Accounting System
090-1218290-R(1)	Pago Pago, AS 96799	Official Mail Accounting System
090-1218317-R(1)	Harlan, KY 40631	Official Mail Accounting System
090-1220943-R(1)	Sebring, FL 33870	Official Mail Accounting System
090-1220944-R(1)	Dade City, FL 33525	Official Mail Accounting System
090-1220945-R(1)	St. Petersburg, FL 33730	Official Mail Accounting System
090-1220946-R(1)	Tampa, FL 33630	Official Mail Accounting System
381-1155919-R(1)	Culver City, CA 90232	Postage Meters
381-1158091-R(1)	Bensalem, PA 19020	Postage Meters
381-1210788-R(1)	Andover, NJ 07821	Meter Impressions
384-1186131-R(1)	Chicago, IL 60669	Permit Imprint Mail
384-1193079-R(1)	Brockton, MA 02401	Premium Pay Investigation
384-1200460-R(1)	Cincinnati, OH 45231	Shortpaid Metered Mail
384-1205088-R(1)	St. Louis, MO 63199	Postage Meters
384-1206431-R(1)	Pittsburgh, PA 15290	Nonsufficient Fund Check
384-1207833-R(1)	Peoria, IL 61601	Business Mail Entry Unit Review
384-1211326-R(1)	Dallas, TX 75247	Postage Meters
384-1216638-R(1)	St. Croix, VI 00820	Express Mail Corporate Accounts
388-1199171-R(1)	Cincinnati, OH 45234	Postage Meters
388-1205000-R(1)	Norwalk, CT 06851	Postage Meters
388-1209507-R(1)	Memphis, TN 38173	Postage Meter Oversight
388-1209794-R(1)	Atlanta, GA 30324	Postage Meters
388-1209801-R(1)	Atlanta, GA 30336	Postage Meters
388-1216113-R(1)	New York, NY 10012	Postage Meter



Case Number	Location	Subject
654-1208391-R(1)	Pittsburgh, PA 15290	Standard Mail
659-1163230-R(1)	Mountain View, CA 94043	Business Mail Acceptance
659-1201685-R(1)	Philadelphia, PA 19101	Bad Checks
920-1215326-R(1)	Smyrna, GA 30082	Official Mail Accounting System
922-1189987-R(1)	Elk Grove Village, IL 60007	Manifest Mail
922-1215487-R(1)	Charlotte, NC 27601	First-Class Mail
923-1205985-R(1)	Chester, PA 19013	Business Mail Entry Unit Review
923-1207579-R(1)	Asbury Park, NJ 07712	Business Mail Entry Unit Review
924-1162145-R(1)	Brookfield, WI 53005	First-Class Mail
924-1174177-R(1)	Buffalo, NY 14240	Postage Meters
924-1202681-R(1)	Tampa, FL 33634	Standard Mail
924-1205231-R(1)	Charlotte, NC 27601	Manifest Mailings

**Service Investigations (SI)** involve the evaluation of service performance. The investigations also protect postal customers and respond to congressional inquiries.

Case Number	Location	Subject
070-1178811-SI(1)	Vineland, NJ 08360	Mail Service Review
070-1210790-SI(1)	Allen Park, MI 48101	Mail Service Conditions Review
070-1211683-SI(1)	Paraguay, South America	International Service Review
070-1211890-SI(1)	Chicago, IL District	Collection Box Relabeling Review
071-1175187-SI(2)	Kearny, NJ 07099	Mail Distribution Review
071-1204992-SI(2)	Ft. Worth, TX 76161	Mail Service Conditions
071-1207711-SI(2)	Chicago, IL 60669	Great Lakes Area EXFC Compliance Review
072-1194256-SI(2)	Wilmington, DE 19850	Delaware Service Project
072-1206435-SI(2)	San Guano, PR 00936	External First-Class Mail Measurement Review
072-1206438-SI(2)	Newark, NJ 07101	P.O. Box and Commercial Mail Receiving Agency Review
072-1213038-SI(2)	Pasadena, CA 91109	Mail Service Review
072-1214388-SI(2)	St. Louis, MO 63199	AMC Review
072-1216869-SI(2)	Columbus, OH 43216	Express Mail Review
073-1202050-SI(2)	Miami, FL 33152	Observations of Mail Conditions
091-1201129-SI(2)	Memphis, TN 38173	Observations of Mail Conditions
096-1201395-SI(3)	Phoenix, AZ 85036	Observations of Mail Conditions
096-1211470-SI(3)	Tuscaloosa, AL 35487	Observations of Mail Conditions

# Appendix B

## Contract Audit Findings and Settlements

For Period Ending September 30, 1997

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned
Reports for which no management decision was made at the beginning of the reporting period	23	\$3,908,643	\$63,264
Reports requiring a management decision that were issued during the reporting period	10	\$3,420,427	\$47,469
<b>TOTAL</b>	<b>33</b>	<b>\$7,329,070</b>	<b>\$110,733</b>
Reports for which a management decision was made during the reporting period (i + ii)	8	\$474,405	\$11,351
(i) Dollar value of disallowed costs		\$122,784	
(ii) Dollar value of costs not disallowed		\$351,621	
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	25	\$6,854,665	\$99,382
Reports for which no management decision was made within six months of issuance (Note 1)	9	\$1,533,441	\$42,813
Reports for which no management decision was made within one year of issuance (Note 2)	7	\$834,775	\$9,100

**Note 1 – Reports for which no management decision was made within six months of issuance:**

Case Number	Contractor/Facility	Questioned Costs	Unsupported Costs Included in Questioned
1182814-AC(2)	Hines Square 678, Inc.	\$404,418	
1187366-AC(1)	Smithsonian-National Postal Museum	549,720	\$42,813
1193208-AC(1)	FCB/Leber Katz Partners	180,774	
1199526-AC(2)	Atlanta Testing and Engineering	37,951	
1201139-AC(2)	Foster Associates, Inc.	601	
1203149-AC(1)	King Casey, Inc.	14,542	
1203150-AC(1)	King Casey, Inc.	247,133	
1203153-AC(1)	King Casey, Inc.	42,946	
1207097-AC(1)	Rick Flake Industrial Development	55,356	
<b>TOTAL</b>		<b>\$1,533,441</b>	<b>\$42,813</b>

**Note 2 – Reports for which no management decision was made within one year of issuance:**

Case Number	Contractor/Facility	Questioned Costs	Unsupported Costs Included in Questioned
1121181-AC(2)	ElectroCom Automation, L.P.	\$57,374	
1151214-AC(1)	A.R. Lithographers	38,378	\$9,100
1171467-AC(1)	CUI, Inc.	1,769	
1171743-AC(1)	Greenleaf Steel Rule & Die Corporation	67,399	
1171746-AC(1)	Renaissance Division of Leshar Corporation	10,259	
1183079-AC(1)	King Casey, Inc.	353,962	
1185084-AC(1)	Fourth Shift Corporation	305,634	
<b>TOTAL</b>		<b>\$834,775</b>	<b>\$9,100</b>



# Appendix C

## Recommendations That Funds Be Put to Better Use

For Period Ending September 30, 1997

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period*	26	\$63,173,991
Reports requiring a management decision that were issued during the reporting period	45	\$55,819,573
<b>TOTAL</b>	<b>71</b>	<b>\$118,993,564</b>
Reports for which a management decision was made during the reporting period	14	\$39,658,655
(i) Value of recommendations implemented by management		\$34,958,088
(ii) Value of recommendations that management did not recover		\$4,700,567
(iii) Value of recommendations that management did not agree to implement		\$0
Reports for which no management decision was made by the end of the reporting period	57	\$79,334,909
Reports for which no management decision was made within six months of issuance (Note 1)	6	\$30,911,468
Reports for which no management decision was made within one year of issuance (Note 2)	10	\$23,120,207

\*A total of \$5,223,397 was subtracted from the beginning total, based on the results of a revised audit in one case and no contract negotiation in a second case.

### Note 1 – Reports for which no management decision was made within six months of issuance:

Case Number	Subject	Recommendations That Funds Be Put to Better Use
1183353-PA(3)	Secondary Operations, Queens P&DC	\$300,000
1195309-AC(1)	ElectroCom Automation, L.P.	25,813,785
1200819-AC(1)	Mid-West Conveyor Company, Inc.	564,583
1201891-AC(1)	ElectroCom Automation, L.P.	338,760
1205522-AC(1)	New Breed Leasing Corporation	3,613,374
1205609-AC(1)	Fanuc Robotics North America, Inc.	280,966
<b>TOTAL</b>		<b>\$30,911,468</b>

### Note 2 – Reports for which no management decision was made within one year of issuance:

Case Number	Subject	Recommendations That Funds Be Put to Better Use
1165940-AC(1)	ElectroCom Automation, L.P.	\$8,370,460
1171732-AC(1)	King Casey, Inc.	174,475
1174199-AC(1)	Price-Waterhouse	1,554,077
1180586-AC(1)	ElectroCom Automation, L.P.	224,138
1181291-AC(1)	Cortron, Inc.	355,978
1187389-AC(1)	ElectroCom Automation, L.P.	2,799,714
1192269-AC(1)	ElectroCom Automation, L.P.	89,068
1193077-AC(1)	ElectroCom Automation, L.P.	338,834
1194800-AC(1)	ElectroCom Automation, L.P.	9,178,587
1195161-AC(1)	ElectroCom Automation, L.P.	34,876
<b>TOTAL</b>		<b>\$23,120,207</b>

# Appendix D

## Unresolved Reports and Resolution of Findings

For Period Ending September 30, 1997

Description	Number of Reports	Number of Findings
Reports Unresolved at Beginning of Period		
— Reports Issued Before 10-1-96	5	6
— Reports Issued Prior Period 3-31-97	53	120
<b>TOTAL</b>	<b>58</b>	<b>126</b>
Reports Issued This Period 9-30-97	545	464
<b>TOTAL REPORTS (Note 1)</b>	<b>603</b>	<b>590</b>
Reports Resolved		
— Issued Before 10-1-96	1	2
— Issued Prior Period 3-31-97	44	106
— Issued This Period 9-30-97	510	414
<b>TOTAL RESOLVED</b>	<b>555</b>	<b>522</b>
Reports Unresolved as of 9-30-97		
— More Than One Year 10-1-96 (Note 2)	4	4
— More Than Six Months 3-31-97 (Note 3)	9	14
— Less Than Six Months	35	50
<b>TOTAL UNRESOLVED</b>	<b>48</b>	<b>68</b>
— Reports Resolved With Significant Revised Management Decisions	0	0
— Reports Resolved Where Management Did Not Agree to Implement All Findings	0	0

**Note 1 – Contract Audit (AC) activity is included in Appendices A & B.**

**Note 2 – List of reports pending more than one year:**

Case Number	Condition
1130250-AD(1)	FY 1994 Financial Opinion Audit, San Mateo, CA – Management is preparing instructions on FOB origin payments to emphasize the need to submit receiving reports. The instructions are scheduled for implementation in FY 1998.
1153645-AD(1)	FY 1995 Financial Opinion Audit, San Mateo, CA – An enhanced process to capitalize equipment using a standard database format is scheduled for testing and completion in FY 1998.
1154884-AD(1)	FY 1995 Financial Opinion Audit, St. Louis, MO – Working on enhancements to electronically transmit contract termination data to the National Accounts Payable System. Target date for completion is FY 1998.
1174652-R(1)	Second-Class Mail Review, Cincinnati, OH – A revenue deficiency was appealed and is still under review by the Rates & Classification Service Center, along with other appeals from the mailer.

**Note 3 – List of reports pending more than six months:**

Case Number	Condition
1168350-AC(1)	Internal Control Audit of USPS Licensing – The Stamp group is developing a new licensing agreement that clearly states that guaranteed minimums are cumulative throughout the life of the contract and is resolving issues on paying royalties for products sold to the Postal Service.
1200818-AC(1)	BMC Social and Recreational Fund – Management began implementing recommendations on accountability recordkeeping and annual audits. A new audit is scheduled for no later than January 1998.
1174880-AD(1)	FY 1996 Financial Opinion Audit, San Mateo, CA – Management is working on a programming change to vendor payment screens, to be implemented by January 1998. A management decision on issuing a fleet card for gasoline purchases is pending.
1198978-EI(1)	Reimbursement for PA State Fuel Taxes Paid – Applications for 1995 and 1996 tax rebates for the Philadelphia District were submitted to the state and are being processed.
1183353-PA(3)	Secondary Operations Review, Queens P&DC – Management is implementing strategic plans to increase use of flat and small parcel automation equipment.
12100195-R(1)	Nonprofit Mailings, Concordia Publishing House – Mailer has appealed the revenue deficiency to the RCSC, Chicago, IL. The appeal is still in progress.
1199033-R(1)	Revenue Protection, Poplar Bluff, MO – Mailer has appealed the revenue deficiency with Rates and Classification. The appeal is still in process.
1200241-R(1)	Revenue Protection, Cape Girardeau, MO – Mailer has appealed a portion of the revenue deficiency to Rates and Classification through business mail entry in Springfield. The appeal is still in progress.
1203832-SI(2)	Chicago Central Facility, Chicago, IL – Management has not implemented recommendations on mail flow and delayed First-Class Mail.



# Appendix E

## Summary of Actions Under 39 USC 3005

April 1 – September 30, 1997

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease and Desist Orders	Other Administrative Actions
Advance fee	1	1	3	1	Administrative Action Requests 95
Boiler rooms/Telemarketing	0	0	0	0	TROs and Preliminary Injunctions Requested 4
Contests/Sweepstakes	2	1	0	1	TROs and Preliminary Injunctions Issued 4
Coupon fraud	4	4	1	4	Cases Using Direct Purchase Authority 0
Directory solicitations	0	0	0	0	Refusals of Direct Purchase Authority 0
Distributorships	2	0	0	0	Civil Penalties Imposed 0
Employment	3	3	3	3	Expenditures Incurred for:
False billings	6	5	3	6	Test Purchases 0
Fraud against government agencies	0	0	0	0	Expert Testimony 0
Fraud against the U.S. Postal Service	0	0	0	0	Witness Travel 0
Insurance	0	0	0	0	Withholding Mail Orders Issued 73
Investments	0	0	0	0	Voluntary Discontinuances 984
Loans	0	0	0	0	
Lotteries	36	1	35	1	
Medical	2	2	0	2	
Memberships	0	0	0	0	
Merchandise					
Failure to furnish	1	1	3	1	
Failure to pay	5	5	4	6	
Misrepresentation	8	4	2	8	
Miscellaneous	2	0	0	1	
Solicitations	0	0	0	0	
Travel	0	0	0	0	
Work at home	7	3	3	4	
<b>TOTAL</b>	<b>79</b>	<b>30</b>	<b>57</b>	<b>38</b>	

### Scheme Definitions

**Advance fee.** Obtaining fees purporting to secure buyers or obtain loans.

**Boiler rooms/Telemarketing.** An office or suite of offices with banks of telephones and telephone solicitors. Their function is to sell a product by means of high-pressure techniques.

**Contests/Sweepstakes.** Schemes in which the respondent is required to pay a fee to obtain prizes of money, gifts or other items of value. "Prizes" are either never shipped or are inferior to what was promised.

**Coupon fraud.** Redeeming cents-off coupons or manufacturers' rebates when no merchandise was actually purchased; establishing fictitious stores, clearinghouses or addresses; submitting counterfeit coupons or rebates by consumers.

**Directory solicitations.** Solicitation of advertising or renewal in the guise of invoices for advertisement in business directories.

**Distributorships.** Pyramid schemes in which it is mathematically impossible for all participants to recoup their investments. The emphasis is not on the sale of the product, but on getting others to participate.

**Employment.** Soliciting money for information or assistance in obtaining nonexistent or misrepresented jobs.

**False billings.** Mailing solicitations in the guise of billings.

**Fraud against government agencies.** Any scheme that attempts to defraud any U.S. government agency except the U.S. Postal Service.

**Fraud against the U.S. Postal Service.** Any scheme that attempts to defraud the U.S. Postal Service.

**Insurance.** Investigation of insurance-related fraud involving false claims, false advertising on the availability of insurance, or the collection of premiums for nonexistent policies.

**Investments.** Misrepresented opportunities to invest in commodities, gems, metals, stocks, bonds, certificates of deposit, mutual funds, IRAs, coins, stamps, art etc.

**Loans.** Mailings soliciting money for information on nonexistent or misrepresented loans.

**Lotteries.** Advertisements seeking money or property by mail for participation in schemes to win prizes through chance.

**Medical.** Sales by mail of misrepresented health products or services, including fraudulent medical degrees.

**Memberships.** Failure to provide services advertised in connection with organization membership.

**Merchandise failure to furnish.** A mail order operator that does not provide the ordered merchandise.

**Merchandise failure to pay.** Mail order merchandise that is acquired without providing any payment.

**Merchandise misrepresentation.** Mail order merchandise or services that are materially misrepresented in advertising.

**Miscellaneous.** Any other scheme not described in a specific category.

**Solicitations.** Fraudulent solicitation of funds through the mail for alleged charitable, religious or minority-oriented groups and similar causes or organizations.

**Travel.** Fraudulent vacation or travel opportunities.

**Work at home.** Schemes, such as envelope stuffing, which do not provide actual home employment.

# Appendix F

## Criminal Statistics FY 1997

### SUMMARY OF ARRESTS

Type of Crime	Oct-Mar	Apr-Sept	TOTAL
<b>Revenue and Asset Protection Program</b>			
Expenditure Investigations	5	7	12
Financial Investigations	162	130	292
Workers' Compensation Fraud	16	27	43
Revenue Investigations	45	51	96
<b>Robbery</b>	72	75	147
<b>Burglary</b>	156	129	285
<b>Miscellaneous External Crimes</b> (includes counterfeit and contraband postage, money order offenses, vandalism and arson)	275	312	587
<b>Assaults Against Employees</b> (includes threats and assaults against on-duty postal employees)	270	256	526
<b>Employee Narcotics Cases</b> (includes employees and non-employees selling narcotics on postal property)	24	17	41
<b>Mail Theft by Employees</b> (includes theft and possession of stolen mail)	266	245	511
<b>Mail Theft by Non-Employees or Contractors</b> (includes theft and possession of stolen mail)	2,150	2,154	4,304
<b>Miscellaneous Employee Crimes</b> (includes theft of postal property and sabotage of equipment)	33	35	68
<b>Bombs/Explosive Devices</b>	56	60	116
<b>Mailing of Controlled Substances</b> (includes narcotics, steroids, drug-related proceeds and drug paraphernalia)	911	946	1,857
<b>Mailing of Child Pornography, Obscenity or Sexually Oriented Advertisements</b>	76	88	164
<b>Mailing of Miscellaneous Nonmailables</b> (includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents)	26	48	74
<b>Mail Fraud</b>	808	737	1,545
<b>TOTAL</b>	<b>5,351</b>	<b>5,317</b>	<b>10,668</b>

### SUMMARY OF CONVICTIONS\*

Type of Crime	Oct-Mar	Apr-Sept	TOTAL
<b>Revenue and Asset Protection Program</b>			
Expenditure Investigations	13	10	23
Financial Investigations	143	143	286
Workers' Compensation Fraud	15	28	43
Revenue Investigations	40	43	83
<b>Robbery</b>	60	62	122
<b>Burglary</b>	133	129	262
<b>Miscellaneous External Crimes</b> (includes counterfeit and contraband postage, money order offenses, vandalism and arson)	241	287	528
<b>Assaults Against Employees</b> (includes threats and assaults against on-duty postal employees)	186	200	386
<b>Employee Narcotics Cases</b> (includes employees and non-employees selling narcotics on postal property)	30	16	46
<b>Mail Theft by Employees</b> (includes theft and possession of stolen mail)	281	235	516
<b>Mail Theft by Non-Employees or Contractors</b> (includes theft and possession of stolen mail)	1,933	2,183	4,116
<b>Miscellaneous Employee Crimes</b> (includes theft of postal property and sabotage of equipment)	30	21	51
<b>Bombs/Explosive Devices</b>	42	54	96
<b>Mailing of Controlled Substances</b> (includes narcotics, steroids, drug-related proceeds and drug paraphernalia)	820	852	1,672
<b>Mailing of Child Pornography, Obscenity or Sexually Oriented Advertisements</b>	104	70	174
<b>Mailing of Miscellaneous Nonmailables</b> (includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents)	32	44	76
<b>Mail Fraud</b>	738	795	1,533
<b>TOTAL</b>	<b>4,841</b>	<b>5,172</b>	<b>10,013</b>

\*Convictions reported in this time frame may be related to arrests made in prior reporting periods.



# Index

## Inspector General Reporting Requirements

Legal Reference*	Subject	Page
4(a)(2)	Review of proposed legislation and regulations .....	44
5(a)(1&2)	Significant problems, abuses and deficiencies disclosed and recommendations for corrective action	
	Performance .....	9
	Developmental .....	10
	Financial .....	11
	Contract .....	12
	Revenue .....	16
5(a)(3)	Significant recommendations previously reported and awaiting management action .....	61
5(a)(4)	Summary of matters referred to prosecutive authorities	
	Internal abuse .....	17
	External attacks .....	24
	Fraud against the Postal Service .....	14 - 21
	Criminal abuse .....	29
5(a)(5)	Summary of reports to Postmaster General under Section 6(B)(2) .....	None
5(a)(6)	List of audit reports issued .....	App. A
5(a)(7)	Summaries of significant audit reports	
	Performance .....	9
	Developmental .....	10
	Financial .....	11
	Contract .....	12
	Revenue .....	16
5(a)(8)	Statistical Tables .....	App. A - D
5(a)(9)	Recommendations that funds be put to better use .....	App. C
5(a)(10)	Summaries of audit reports issued before commencement of reporting period for which no management decision has been made by end of reporting period .....	App. B - D
5(a)(11)	Description and explanation of reasons for significant revised management decision made during reporting period .....	App. D
5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement .....	App. D

\*References are to Public Law 100-504, the 1988 Amendments to  
the Inspector General Act of 1978.

To report potential fraud, waste or abuse, call the Postal Service's OIG Hotline at 1-888-877-7644. Your call may save the government millions of dollars.

The OIG Hotline is a nationwide, toll-free number, available 24 hours a day. All calls are confidential, and you may remain anonymous. Or, you may contact the Office of Inspector General, U.S. Postal Service, 475 L'Enfant Plaza SW, Washington, DC 20260-0020, or send an e-mail to [OIGHOTL@email.usps.gov](mailto:OIGHOTL@email.usps.gov).