Asset Forfeiture and Money Laundering

The U.S. Postal Service issues one-third of all domestic money orders sold in the United States, valued at $30 billion a year. In FY 2001, this translated into the sale of more than 228 million postal money orders nationwide. The U.S. Postal Inspection Service is charged with safeguarding the integrity of all postal money orders and protecting them from criminal misuse.

Asset Forfeiture

The Postal Inspection Service uses asset forfeiture laws to combat financial crimes, as well as drug trafficking and child exploitation conducted through the mail. FY 2001 marked the Inspection Service's first full year of operation under the Civil Asset Forfeiture Reform Act of 2000 (CAFRA). Like other law enforcement agencies with forfeiture authority, the Postal Inspection Service has adjusted its legal processes and procedures to ensure full compliance with the new law. Extra training for Forfeiture Specialists, Inspector-Attorneys and field Inspectors has enabled them to incorporate the new provisions in their investigations.

CAFRA gives law enforcement officers a more direct means of seizing the financial proceeds of a crime and returning it to the victims. This provision has been especially helpful in cases of mail fraud: When there are no known victims of a crime to reimburse via forfeited criminal assets, the ill-gotten gains may instead be used to offset law enforcement costs and thwart ongoing criminal ventures.

Postal Inspectors seized 421 assets and secured 485 forfeitures in FY 2001. Forfeiture activity by Inspectors this fiscal year netted $9.8 million. The Postal Inspection Service equitably shared $3.7 million with other federal, state and local law enforcement agencies. Additionally, Postal Inspectors are sometimes able to return seized property to victims of fraud using the asset forfeiture process. The new legislation is likely to increase victim restitution.

◆ Between November 2000 and June 2001, Postal Inspectors in St. Louis, MO, seized approximately $927,650 in assets as the result of a mail fraud investigation. Inspectors found that several suspects had acted as third parties in personal injury settlements, dealing with attorneys from both sides. Instead of depositing plaintiffs' funds into a U.S. government security, they diverted the money to other, unauthorized uses, including the purchase and operation of a supermarket chain that eventually went bankrupt. Victims lost approximately $60 million.

◆ Postal Inspectors served seizure warrants in October 2000 on bank accounts in New York, collecting $587,300. The warrants related to an ongoing investigation of the structured purchases of postal money orders at several New York post offices. A judicial forfeiture action is pending in the Eastern District of New York.

◆ On May 15, 2001, the operators of a group of Massachusetts-based companies pled guilty to mail fraud and related charges in an advance-fee scheme that defrauded novice inventors. The operators provided the inventors with false and misleading information on their patenting and marketing services, which were not only ineffective but completely useless. One defendant agreed to forfeit all of his assets, including his residence, a ski chalet and a walk-in mausoleum. Another agreed to forfeit 50 percent of his ownership in his residence. The value of the forfeited assets is estimated at $700,000 to $1 million. Three remaining defendants are scheduled to stand trial in late 2001.

Money Laundering

Because the Postal Service is considered a non-bank financial institution, it must comply with the reporting requirements of the Bank Secrecy Act (BSA). The Postal Inspection Service is responsible for supporting the Postal Service's BSA compliance by analyzing postal money order transactions and investigating criminals who use them and other postal financial products to launder illicit proceeds and avoid federal reporting requirements.

Illicit proceeds may include money gained through narcotic sales, the smuggling of illegal aliens, tax evasion or the selling of counterfeit merchandise. Following are examples of money laundering cases investigated by Postal Inspectors during the past fiscal year.

◆ Postal Inspectors and agents from the New York El Dorado Money Laundering Task Force arrested a man in November 2000 on charges of money laundering. Their investigation revealed he was operating as an unlicensed money remitter who wired narcotics proceeds overseas and illegally structured financial transactions. Undercover meetings with the defendant caught him laundering approximately $400,000 in U.S. currency through a bank account in London, for which he charged a five percent commission. About $175,000 of the laundered money was converted to postal money orders and deposited in the defendant's bank account for personal use.

◆ Postal Inspectors in New York arrested two men on December 13, 2000, for conspiracy to launder money. The men were involved in the structured purchase of money orders and had mailed nine suspect Express Mail parcels with fictitious return addresses to businesses and individuals in Miami, FL. At the time of the arrests, Postal Inspectors seized $55,390 in U.S. currency and $38,300 in money orders. A subsequent consent search of the subjects' residence uncovered $154,500 in money orders, $13,500 of which were postal money orders, in 17 Express Mail parcels. The investigation is continuing.

◆ Postal Inspectors in Southern California seized $345,492 from two bank accounts in January 2001 after finding evidence they were being used for structured financial transactions via the purchase of postal money orders. On February 2, Inspectors seized $148,000 from two accounts at another California bank that were also being used for deposits of structured postal money orders. The investigation is continuing.

◆ Postal Inspectors and agents from the High Intensity Financial Crimes Area (HIFCA) Task Force in San Juan, PR, arrested a man on March 29, 2001, for money laundering violations. He purchased postal money orders at various postal stations from January 2000 through March 2001, with each purchase totaling less than $3,000. Postal Inspectors and agents seized $133,356.

The Inspector in Charge of the New York Metro Division was presented with this $3 million forfeiture check as a result of an Inspection Service investigation of rebate fraud through the mail. Postal Inspectors determined that four men who operated a chain of supermarkets in New York had illegally redeemed manufacturers' coupons for items not purchased at their stores, bringing them a profit of more than $5 million. The $3 million check represents the Inspection Service's equitable share of the net proceeds of the forfeiture.

◆ A man agreed to forfeit $100,000 to the government in May 2001 as a result of a money laundering investigation by Postal Inspectors and Internal Revenue Service agents. He bought 184 postal money orders on at least 15 dates at 12 post offices in New Jersey. His purchases evaded the reporting requirements of Title 31 of the U.S. Code.

◆ U.S. Marshals in Massachusetts served a warrant and motion for forfeiture in April 2001 on an insurance company and a bank, resulting in the seizure of $251,603 from the defendant's account. The forfeiture resulted from a Postal Inspection Service investigation of postal money orders purchased in transactions calculated to avoid federal reporting requirements. Postal Inspectors determined that, on 19 occasions, the defendant had purchased 198 postal money orders from 26 postal facilities in central Massachusetts.