



# Internal and External

## Mail Theft

**T**he American public has the right to expect its mail to be delivered on time and intact. As mandated by law, U.S. Mail should arrive unopened and in the mail receptacle for which it was intended. When the process is interrupted by theft, rifling, obstruction, or destruction of the mail, investigative responsibility comes under the jurisdiction of U.S. Postal Inspectors, who are charged with preserving the “sanctity of the seal.”

Mail thieves have a number of opportunities to steal mail. Every day, more than 690 million letters travel across the country and around the globe. The mail is delivered to about 150 million addresses six days of every week (with 1.8 million new addresses added every year).

Every day, those millions of mailpieces—First-Class letters, parcels, magazines, financial documents, business correspondence, Express and Priority Mail, registered mail, international mail and much more—are moved to their destinations by plane, ship, rail, truck, automobile, and human beings.

### Case Files:

#### Volume Attacks

► **In October and November 2002, criminals attacked 11 two-ton postal vehicles in the Upper East Side of New York City, resulting in the loss of certified, registered, and Express Mail parcels.** After Postal Inspectors acquired a video surveillance of four men attacking one of the vehicles and then fleeing in a van, they were able to identify and arrest one of the suspects in November. He is cooperating with Inspectors, and the investigation is continuing.

► **Chicago Postal Inspectors and U.S. Secret Service agents from the Chicago Organized Crime Task Force arrested three suspects in April 2003 on outstanding federal warrants.** The arrests stemmed from a two-and-a-half-year investigation into a criminal ring headed by one of the suspects. Ring members used checks stolen from the mail to manufacture counterfeit checks as part of a bank fraud scheme.

The suspects also negotiated stolen U.S. Treasury checks and credit cards obtained via identity theft. Inspectors and other task force members arrested 47 other suspects on charges of theft or forgery in state court. One suspect provided counterfeit driver’s licenses and credit cards to ring members.

A consent search of his home, incident to his arrest, resulted in the seizure of numerous pieces of evidence, including an official postal key, a computer, a credit card encoder and embosser, thousands of blank credit cards, driver’s licens-

es, a loaded handgun, printouts of guest information from a Chicago-area hotel (with thousands of customers’ names, addresses, and credit card numbers), and a list of the gang’s identity theft victims. The investigation is continuing.

► **On June 17, 2003, Postal Inspectors in San Francisco held press conferences to announce the arrest of 139 mail thieves as the result of Operation Mail Safe.** In one week, Inspectors and other agents fanned throughout San Francisco, San Jose, Sacramento, Fresno, Stockton, and Bakersfield to arrest mail theft and identity theft suspects. Similar operations took place in Honolulu, Maui, Reno, Phoenix, Albuquerque, and Salt Lake City, resulting in the arrests of 102 federal suspects and 37 state suspects.

Operation Mail Safe received national media coverage, as well as extensive local coverage. Inspectors employed a number of prevention countermeasures to help protect citizens, including modified postal locks, new security locking bars, and new high-security centralized box units in areas of risk. The Postal Inspection Service also mailed more than 100,000 postcards with theft prevention tips to postal customers in the San Francisco Bay area.

# Investigations

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

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

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

## Volume Attacks

The Postal Inspection Service devotes significant resources to preventing and investigating mail theft. Mail theft rings are its biggest con-

cern. While mail is in transit at airports or on the road, highly organized criminal groups—who may recruit airline employees, postal contractors, or postal employees to aid them—can make off with large volumes of mail.

Utah Postal Inspector Randy Tuckett recalls a brief talk with police this way: “So, you’re having a mail theft problem. Was it tweakers?” he asked. “Yeah,” police responded.

Exchanges like that, he said, are common as Postal Inspectors wage a growing battle along the Wasatch Front against what they say are loose-knit gangs of methamphetamine users, known as tweakers, who steal mail to support their drug habits.



The mail heists are made to find personal checks, which are “washed,” forged and then cashed, often with phony identification.

*From “Rise in Mail Thefts Linked to Meth Users,” The Salt Lake Tribune, June 25, 2003.*

Postal vehicles, collection and relay boxes, apartment mailbox panels, and neighborhood delivery and collection box units are commonly targeted by thieves in volume mail attacks. Volume mail attacks constitute an ongoing threat to postal customers and receive a high level of investigative attention.

# Identity Theft

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

## Case Files: Identity Theft

► **New York Postal Inspectors and other members of the Nigerian Interagency Task Force** initiated an identity theft investigation in early 2000 involving victims from Ohio, Michigan, and California. Task force members identified a suspect who had obtained stolen personal information from more than 21,000 credit reports and used it to open credit and bank accounts in victims' names.

On October 29, 2002, the task force executed a search warrant at

the home of the suspect and recovered several laptops, credit reports, and victims' personal information. They arrested the suspect and, on November 14, 2002, arrested a second man believed responsible for illegally accessing the Experian database to obtain thousands of credit reports.

► **In June 2003, New Jersey Postal Inspectors, FBI agents, U.S. Secret Service agents, and local police detectives** arrested 14 people and executed 20 search warrants in an identity theft investigation. The sus-

# Boston Postal Inspectors Bust Credit Card Ring

Postal Inspectors in Boston initiated a case on June 3, 2002, involving 57 Discover credit cards that were stolen from the U.S. Mail en route to New Jersey. After tracing the cards to cash advances made in Connecticut, Rhode Island, and New York, Inspectors captured an image of a suspect on a surveillance video. The man used at least 20 stolen credit cards to make cash advances in excess of \$300,000.

Two weeks later, a woman used a stolen Discover credit card and a fraudulent New Jersey driver's license to get a \$3,000 cash advance at the North Community Bank in East Granby, Connecticut. She then visited another North Community Bank in Granby and tried the same tactic, but with a different (also stolen) Discover card. Because Postal Inspectors had alerted the bank about the stolen cards, the manager called local police, who arrested the woman on

the spot. Postal Inspectors interviewed her and showed her a photo spread that included their first suspect, whom she identified as a Nigerian national. Inspectors then obtained a federal arrest warrant for the Nigerian on charges of access-device fraud.

Postal Inspectors from Boston, New York, and New Jersey, with agents from the Secret Service and New York Police Department, executed a search warrant in Brooklyn in October 2002 at the residence of the Nigerian man. The team seized stolen credit cards, checks, and credit card numbers, plus fraudulent driver's licenses from three states—each with the man's photo—and arrested him.

The suspect identified several co-conspirators and admitted the stolen cards came from two other Nigerians. Inspectors arrested a Jamaican man in March 2003 in New Haven and

arrested one of the Nigerian suspects in July 2003 in Brooklyn. Inspectors learned the stolen cards came from suspects in New Jersey, Brooklyn, and Staten Island.

Postal Inspectors from Connecticut, New York, and New Jersey and other members of the Interagency Nigerian Organized Crime Task Force arrested another Nigerian co-conspirator in July 2003 and seized from him stolen credit cards, credit card numbers, Social Security numbers, and dates of birth, as well as credit bureau printouts and a bag of shredded credit cards, driver's licenses, credit

card inserts, and mailing envelopes.

On July 23, 2003, District of Connecticut Magistrate Judge Margolis ordered the suspect held without bond. The investigation is continuing.





**Case Files:**

**Employee Mail Theft**

pects allegedly stole information to fraudulently open credit card accounts, negotiate stolen checks, and lease luxury cars. Inspectors seized computers, electronic devices, and other hardware used to manufacture false IDs. Losses exceeded \$10 million.

▶ **A Chicago woman and her boyfriend used a mail bomb to murder her husband after fraudulently acquiring lines of credit in his name.** She was found guilty after a three-week trial in February 2003 and was sentenced in May to 15 years in prison for conspiracy to commit identity theft, 10 years for access-device fraud, five years for mail theft, and life in prison for conspiracy in the bombing murder of her husband (to be served concurrently). She was also ordered to pay more than \$142,942 in restitution and a \$400,000 special assessment. Two other suspects are awaiting sentencing.

▶ **On August 13, 2003, a federal grand jury in Louisiana returned an eight-count indictment against five Nigerians and an American for access-device fraud, ID fraud, and mail fraud.** The group allegedly diverted dozens of credit cards to addresses they rented at commercial mail receiving agencies. Postal Inspectors recovered from the suspects handwritten pages with victims' names, addresses, dates of birth, Social Security numbers, and credit card numbers. Instructions on how to access credit card accounts online were also found.

▶ **A letter carrier in Chicago was sentenced in July 2003 to six months' community confinement in a Salvation Army work-release center and three years' probation after pleading guilty to stealing U.S. Mail.** Postal Inspectors arrested the now-former employee in December 2002, after they recovered 3,722 pieces of mail from him, including 225 rifled greeting cards.

▶ **A rural letter carrier pled guilty in March 2003 to selling stolen postal keys.** Postal Inspectors determined he had sold a stolen postal "arrow key" to a suspect and given him an official Postal Service shirt. Both the key and shirt were used to steal more than 200 pieces of mail from two apartment complex mailboxes in Florida. Postal Inspectors and Polk County, Florida, deputies arrested the rural carrier in October 2002, and he was sentenced in July 2003 to 60 days in prison and three years' supervised release.

**Case Files:**

**Miscellaneous Crimes**

▶ **Postal Inspectors arrested a postal clerk in July 2003, who was a 38-year employee, after he brandished a cap pistol at the Ronald Reagan National Airport Mail Center.** The man was charged with brandishing an object similar in appearance to a firearm, a violation of Virginia Code. He pled not guilty on September 3, 2003.

▶ **Los Angeles Division Postal Inspectors arrested two men in July 2003 for passing stolen U.S. Treasury checks.** The men allegedly deposited the checks into fraudulent



**A** Virginia highway contract route driver pled guilty on November 21, 2002, to five criminal counts stemming from a complaint about large amounts of mail on his property. The driver—a former deputy sheriff—was responsible for preparing and delivering mail to five post offices in southeastern Virginia.

Washington Division Postal Inspectors executed a search warrant at the contractor's home and found mail filling three abandoned vehicles, pits filled with mail in the surrounding woods, and piles of mail beneath his mobile home.

The mostly First-Class and standard bulk business mail dated back about 10 years, through May 2002, and Inspectors needed three, nine-ton postal vehicles to transport it from the property.

The driver admitted he had taken the mail home and rifled it for money and other articles. He pled guilty to five felony counts of theft of mail by a postal employee and was sentenced on March 6, 2003, to three years in prison.

involve the U.S. Mail, Postal Inspectors have investigative jurisdiction.

Postal Inspectors work with bank and credit card issuers, financial institutions, retail merchants, credit bureaus, and government agencies to educate merchants and consumers about identity theft and provide guidance to victims.



In June 2003, Netflix, Inc., a major retailer that rents DVDs via the U.S. Mail, asked Los Angeles Postal Inspectors for help when it encountered problems with mail theft. Inspectors tracked the cause to four Netflix employees who worked in the mailroom and an outside co-conspirator, who together were believed to have stolen more than 1,000 DVDs—plus another 403 on the day of their arrests.

The employees opened the DVDs in the mailroom and placed them in the trash, then paid a collaborator to pick them up from Netflix's outside garbage dumpsters. They sold the stolen DVDs for \$2 to \$3 each. The employees lost their jobs, and prosecution is pending.

## Mail Theft by Employees and Contractors

U.S. Postal Service employees work conscientiously to move the nation's mail to its proper destination. They take their responsibilities seriously.

Unfortunately, a small number of employees abuse the public's trust. It is the job of the Postal Inspection Service to identify dishonest employees and take steps to have them prosecuted and removed from the Postal Service.

bank accounts and laundered the proceeds by purchasing postal money orders with debit cards from the accounts. They recruited bank tellers to help them deposit 100 stolen checks worth \$139,000 and low-level "runners" to cash the 43 money orders.

Inspectors identified the two debit cards used to purchase the money orders, totaling \$23,200, at post offices in Los Angeles and Van Nuys, California. To date, Bank of America has received \$89,000 in reclamations from the U.S. Treasury Department for the fraudulently cashed checks. One of the suspects pled guilty in August 2003.

**New York Postal Inspectors discovered in December 2002 that 72 counterfeit postal money orders totaling \$50,400 had been cashed.** All were from a bogus company and were made payable to 12 people in Brooklyn and Connecticut. More

counterfeit money orders, worth more than \$400,000, began appearing in Brooklyn, and Inspectors noted similarities between the two groups.

They identified several women who admitted they were being paid to open bank accounts and pass along the associated ATM and PIN numbers. Inspectors arrested three suspects on charges of bank fraud.

**Postal Inspectors investigating the theft of money orders at the Beverly, Letcher, and Line Fork Post Offices in Kentucky identified the suspects' vehicle when they attempted to cash the money orders.** The suspects wrecked a stolen car in April 2003 after fleeing Kentucky State Troopers, who arrested them. The two suspects admitted stealing the money orders, as well as mail in local mailboxes, while looking for checking account information. Prosecution is pending.



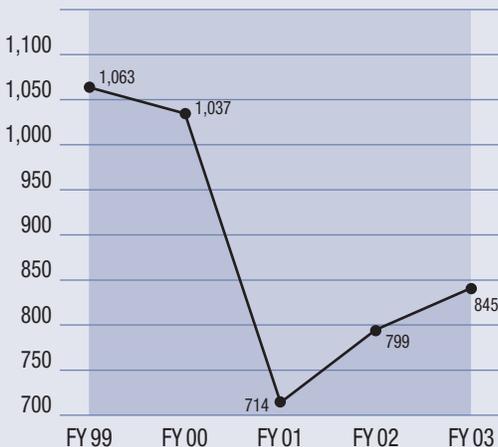
**A** Postal Inspector arrested a Postal Service custodian from the Roy Royall Station in Houston, Texas, in February 2003. After Inspectors analyzed postal records and conducted a surveillance of the employee, they found he had been stealing gas credit cards from the station and using them to sell discounted gas to dump truck drivers. Losses exceeded \$54,000. He lost his job with the Postal Service, and prosecution is pending.



# Homicides, Assaults, and Threats

The U.S. Postal Inspection Service is committed to ensuring employee safety in the workplace. Postal Inspectors investigated 845 postal-related assaults and credible threats during FY 2003 and made 356 arrests. Inspectors seek prosecution in assault cases when appropriate.

Assaults and Threats: Five-Year Trend



**Case Files:**

**Homicides, Assaults, and Threats**

▶ A man who entered the lobby of the Lakeside, California, Post Office on May 28, 2003, and took four postal employees hostage at gunpoint was charged with kidnapping with the use of a firearm. He carried an SKS assault rifle and a backpack with more than 200 rounds of ammunition.

The suspect demanded to speak with the San Diego district manager's office, and hostages were then able to speak with Postal Inspectors who had responded to that office. Hostage negotiators from the local sheriff's office spoke with the suspect via a cell phone and finally convinced him to release the four employees. The incident lasted about four hours, and no employees suffered physical injuries.

▶ The Postal Inspection Service held a press conference on December 23, 2003, the six-month anniversary of the murder of a full-time letter carrier in Pittsburgh, Pennsylvania. The press conference was held at the site where the carrier was shot and killed after he stepped outside

his marked postal vehicle, which was parked at the Crafton-Ingram Shopping Center on June 23, 2003.

The Postal Inspection Service initiated the event to reinforce its commitment to solving the case, and Inspectors used the opportunity to distribute an updated version of a reward poster, offering up to \$100,000 for information leading to the arrest and conviction of the person or persons responsible for the murder. Postal Inspectors and officers from the Allegheny County Police Department are conducting the investigation.



**UPDATE**

**Inspectors might have new lead in postman shooting**

By Jeffrey Widmer  
Staff Writer

Postal inspectors investigating the murder of a Green Tree mailman shot and killed at the Crafton-Ingram Shopping Center in June may have a new lead in the investigation. Last month...

Smith's killing to be on the same lead as the agency's "Amoribraz" investigation, he said. "Amoribraz" refers to the 2000 news U.S. anthrax attacks that occurred in October and November 2001. Five people died and others were sickened by anthrax powder used in the mail — including at least postal workers who returned to work, Richards said. "I believe Smith was someone who knew someone who knew someone who knew connections to the anthrax and did his dirty work," Richards said. "I believe Smith was an old man who drove a white van and only had a few days left to live."

Richardson said the missing piece to Clayton J. Smith's puzzling death is finding the postal carrier postal used to...

that day, four months later. We realize that... Smith, a Green Tree mailman for nine years, was standing outside his van in a shaded area during the afternoon hours when several witnesses said they heard a popping sound. Smith cry for... the Crafton and Ingram areas for months, asking residents and business owners if they saw or heard anything suspicious or heard anything suspicious in the posted at businesses in the Crafton-Ingram Shopping Center asking for information leading to the arrest of the person(s) responsible. A 380 automatic handgun was found in the murder. Smith spoken to more residents, asking them if they had seen anything suspicious or if they sold the murder. Postal Service continues investigation leading to the person(s) responsible for the murder. With information is call postal inspectors at 797-7000 or the tip line at 1-877-...

**REWARD up to \$100,000**

For information leading to the arrest and conviction of the person(s) responsible for the murder of Clayton J. Smith, a Green Tree mailman, who was shot and killed on June 23, 2003, at 2:30 p.m. at the Crafton-Ingram Shopping Center.

Letter Carrier Clayton J. Smith, the deceased, lived in Collins, WV, and his family and friends resided in Chikara and Toronto, OH, Collins, WV, and Pittsburgh, PA.

Anyone with information should call U.S. Postal Inspectors 24 hours at 1-800-468-4677. All information will be kept strictly confidential.

**A shooting mystery**

FEDS. FAMILY OF SLAIN POSTAL CARRIER SEEK PUBLIC'S HELP

Joe Mandak  
Associated Press Writer

CRAFTON — U.S. Postal Inspectors repaired their offer of a \$100,000 reward and asked the public to help them trace a postal carrier who was slain on June 23 in a Pittsburgh suburb. The job in this Pittsburgh suburb six months ago. Janice Schick, who had been engaged to postal carrier Clayton J. Smith of Collins, W.Va., credited the reason she wants the killer caught: her 8-day-old son that Smith fathered. Jacob Clayton Smith, look at this — this innocent life that has to grow up with a daddy now. So please help me find the man who shot my son. Schick, 25, of Carnegie, Pa., said. Schick, Smith's mother and two sisters at the postal inspection two days after the shooting. The 42-year-old...

APJ-JOHN HELLER

ANDREW RICHARDS, postal inspector, said the missing piece to Clayton J. Smith's puzzling death is finding the postal carrier postal used to...



▶ **Postal Inspectors investigated the murder of an employee of Earl's True Value Hardware store in Fredericksburg, Virginia, who was found dead on July 14, 2003, in a contract postal unit in the store.** Postal Inspectors, FBI agents, and members of the Stafford County

Sheriff's Office responded to the scene. The employee was completing "close-out" duties when she was attacked, but there were no eyewitnesses to the crime.

Postal Inspectors and other members of the Homicide Task Force identified a suspect through evidence recovered from the crime scene, and arrested him on September 13, 2003, after executing a search warrant at his home. He is being held without bond, and further prosecution is pending.



▶ **A man convicted in 1981 of murdering a postal contractor in Eatontonville, Florida, in October 1979 was executed at the Florida State Prison on December 9, 2002, after numerous postponements.** Linroy Bottoson abducted Catherine Alexander from a contract postal station after imprinting 37 postal money orders for what was then the maximum amount allowable of \$400 each. Postal Inspectors found Alexander with 16 stab wounds and severe injuries that resulted from being run over by a vehicle multiple times.

In this aerial photo, some of the 100 or so local, state, and federal officials can be seen during the kidnapping of a letter carrier in Miami, Florida, on January 31, 2003. Postal Inspectors responded to the scene after a report that an unidentified male had jumped into a postal mail truck at NW 185th Street and 39 Court.

Inspectors positioned their car four vehicles behind the postal truck in pursuit of the hijacker. During the slow-speed chase, the suspect fired two shots, one from a .357 Magnum and

the other from a .380 Baikal pistol, but, fortunately, missed both the police and Inspectors on his trail. Four hours later, the suspect released the carrier, who was unharmed; the suspect surrendered an hour later.

After a one-week trial, the jury took only an hour to find the man guilty. He was sentenced on August 5, 2003, to three consecutive terms of life in prison. A co-conspirator, who had been observed near the vehicle, was also arrested and later received a six-year prison term and five years' probation.



## Robberies and Burglaries

**R**obberies are a threat to postal employees, jeopardize the public's trust in the mail, and attack the financial integrity of the Postal Service. Postal Inspectors in all parts of the country receive expert training on how to safeguard employees and facilities against criminals. But the U.S. Mail and post offices will likely remain a compelling target for larceny.

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

Postal Inspectors also investigate robberies of postal remittances and trucks, as well as “highway contract route” trucks, that transport valuable registered mail. This type of robbery often depends on the “inside” knowledge of a postal employee who can



### Case Files: Robberies

▶ **Postal Inspectors arrested a full-time distribution clerk at the West Jersey Processing and Distribution Center (P&DC) in Whippany, New Jersey, on October 23, 2002, for bank robbery.** Inspectors and FBI agents identified the suspect's latent fingerprints on bank notes he used while committing four bank robberies in New Jersey.

An Automated Fingerprint Identification System “hit” was obtained on the employee, and he was arrested without incident at his home in East Orange. The investigation linked the employee to 27 bank robberies in five states since 1998. He was sentenced in August 2003 to 13 years in prison and was ordered to pay restitution of \$105,000.

▶ **An investigation by Washington Division Postal Inspectors and members of the Baltimore, Maryland, Police Department led to the March 2003 indictment of three men for the December 20, 2002, robbery of the Govan's Station Post Office in Baltimore and the January 3, 2003, robbery of a McDonald's restaurant.**

The men were charged in a six-count indictment with conspiracy to assault with intent to rob, use of a firearm during the commission of a robbery, and violations of the Hobbs Act for obstructing and affecting interstate commerce by robbery. The three men were sentenced on October 16, 2003. One man received an eight-year jail term and the other two were each sentenced to 11 years in prison.

▶ **Two West Virginia men pled guilty on July 17, 2003, for their part in the armed robbery of a highway contract route (HCR) driver at the Sissonville, West Virginia, Post Of-**

fice. In February 2000, a man brandishing a gun approached the HCR driver at the rear dock of the post office. As he tied the driver's hands, an accomplice entered the truck. A clerk inside the post office (which had been properly secured) called 911 while the men made several attempts to enter the building.

Postal Inspectors identified a postal clerk as a suspect, and arrested three others believed to be involved in the robbery. The first suspect was sentenced in August 2003 to more than 10 years in prison and three years' supervised release, and was ordered to pay \$75,241 in restitution to the U.S. Postal Service.

The second suspect was sentenced in October 2003 to more than five years in prison and five years of supervised release, and was ordered to pay \$32,246 in restitution. The third suspect was also sentenced in October to 12 years in prison and five years of supervised release, and was ordered to pay \$75,241 in restitution. Another man was previously sentenced for his role in the crime.

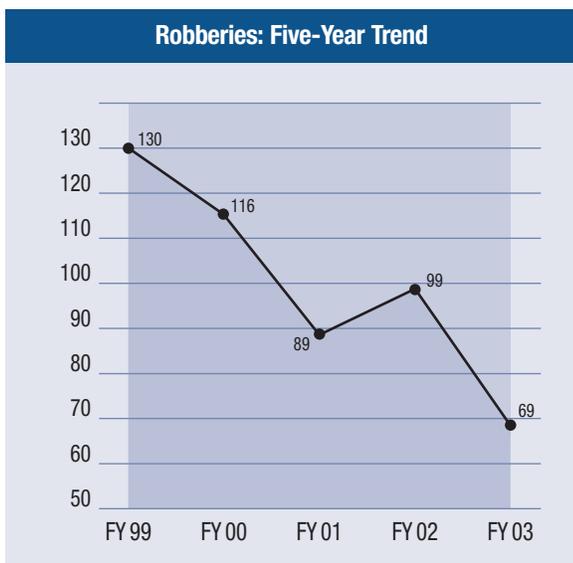
▶ **Postal Inspectors identified four people suspected in the attempted hijacking of a North Carolina HCR driver.** The driver was traveling between post offices on September 10, 2002, when a suspect on a motorcycle alerted three accomplices. One man blocked the highway with his BMW while two others emerged from nearby woods.

In a harrowing escape, the HCR driver crouched down in his seat and accelerated around the BMW as shotgun blasts hit his truck. Postal Inspectors identified the suspects and, with the assistance of local sheriff's deputies, arrested all four in April 2003. One of the suspects was a former HCR driver who had alleged he was the victim of a hijacking in

### Robberies in FY 2002 and FY 2003

	Facility		Carrier		Other		TOTAL	
	FY 02	FY 03						
with physical injury	3	7	3	3	0	1	6	11
with death	0	2	0	0	0	0	0	2
without physical injury	41	28	22	9	30	19	93	56
<b>TOTAL</b>	<b>44</b>	<b>37</b>	<b>25</b>	<b>12</b>	<b>30</b>	<b>20</b>	<b>99</b>	<b>69</b>

### Robberies: Five-Year Trend



provide important details to an accomplice on truck arrivals and departures.

At top is a chart that provides statistics on robberies that occurred in the past two fiscal years; above is a graph depicting five-year robbery trends. Postal Inspectors attribute the drop in the number of robberies that occurred during FY 2003 to recent prevention strategies and countermeasures,

stealing parcels on different nights. Inspectors then conducted a surveillance of the office and saw a man using a key to enter the facility and begin filling a duffle bag with mail parcels.

After his arrest, the man admitted he had burglarized the post office at least 12 times in the past six months, using a key he got from his former wife, who was a full-time custodian. Postal Inspectors have identified a second suspect, and the investigation is continuing.

January 2002. Two suspects pled guilty on September 24, 2003, to conspiracy and firearm charges. Prosecution is pending for other suspects identified by Postal Inspectors.

### Case Files: Burglaries

► **Charlotte Division Postal Inspectors and Smith County, Tennessee,** detectives arrested a man and a woman on April 11, 2003, as they were attempting to negotiate “bait” postal money orders stolen that day during the burglary of the Hickman, Tennessee, Post Office. The couple pried open a locked window and entered the service window area, but were unable to break into the safe. They pled guilty one week later to burglarizing the post office, as well as two local businesses, and were each sentenced to two years of probation.

► **On May 19, 2003, San Francisco Division Postal Inspectors arrested** a man in the act of burglarizing the Cedar Station Post Office in Fresno, California. Inspectors initiated the investigation after receiving customer complaints about missing parcels. A video surveillance of the office yielded images of two men

► **St. Louis Division Postal Inspectors arrested two men in June 2003,** one of whom was already incarcerated at the Iowa State Penitentiary. The men were charged with burglary, receiving stolen government property, and possessing stolen money orders related to the June 16, 2001, burglary of the St. Catherine Contract Postal Unit in St. Paul, Minnesota.

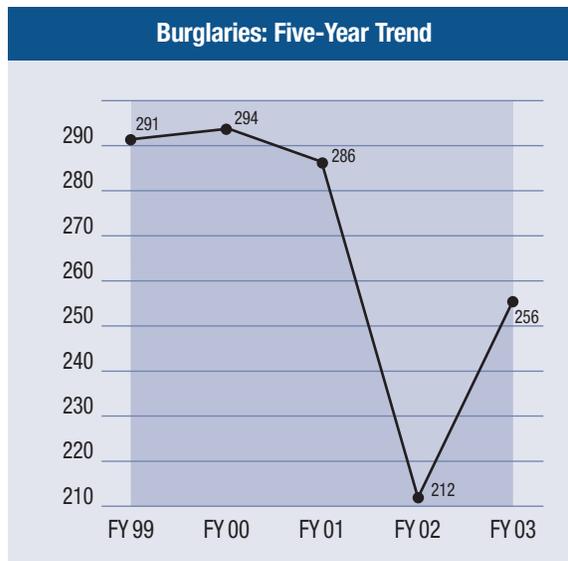
The safe containing postal money orders and the money order imprinter was also taken. One of the suspects pled guilty in July 2003 to possessing a stolen money order, and the other pled guilty in August 2003 to the burglary. Inspectors arrested three other suspects for cashing more than \$22,000 in money orders stolen during the break-in.



such as installing locks, lighting, or surveillance cameras at facilities as needed, as well as talking with postal employees and emphasizing robbery prevention tips whenever possible. Inspectors aggressively and thoroughly investigate all postal robberies and attempted robberies.

### Burglaries

The U.S. Postal Inspection Service continued its investigations of burglaries during FY 2003, although rates remained relatively stable. A few problems remained in rural areas of the country. About 81 percent of the burglaries in FY 2003 resulted in losses of less than \$1,000,



or the theft of fewer than 100 postal money orders. The graph above depicts postal burglary trends over the past five fiscal years.



Photo by Postal Inspector Allen L. McHenry

# Revenue and Financial Investigations

Postal Inspectors determine which products and sources of revenue pose the highest financial risks to the Postal Service and target their investigations accordingly. For the past several years, postage fraud schemes involving large-scale business mailers have been a priority, especially mailers who use metered postage and those who claim pre-sorted discount rates of postage.

Postal Inspectors measure the effectiveness of their revenue investigations by the number of postage fraud schemes they identify and successfully resolve. In addition,

Revenue Investigation Results in FY 2003	
Criminal cases	113
Criminal convictions*	54
Civil cases resolved*	9
Amount ordered or agreed to be paid as a result of a civil prosecutive action*	\$8.8 million
Voluntary restitution*	none
Court-ordered restitution—criminal*	\$11.9 million

\*May be related to cases from prior reporting periods.

## Case Files: Revenue Investigations

▶ **A Colorado mailer signed a \$2.4 million settlement agreement on July 23, 2003, as the result of intentionally underpaying postage.** Although the Salida Post Office was only two blocks from the mailer's business, Postal Inspectors found the company had been taking its large mailings to an office 13 miles away. That office, which was not equipped to handle large mailings, accepted the mail at incorrect, lower postage rates and then transported it by truck to the Salida Post Office.

The mailer actually had sophisticated software to compute the correct postage, but continued to exploit the situation at the remote office. Approximately 8 million pieces of underpaid mail were processed through the office. Postal Inspectors are reviewing operating procedures at the small office.

▶ **A Norcross, Georgia, man who Postal Inspectors alleged had manipulated postal vending machines was sentenced on April 24, 2003, to 27 months in prison and was ordered to pay \$3,700 in restitution.** The man altered pennies so they would be accepted as dimes in postal vending machines. After depositing 200 altered pennies into postal machines, which "read" them as being worth \$20, he would select the lowest-priced stamp items, allowing him to receive the maximum amount of change in dollar coins. Inspectors estimated he had deposited approximately 154,000 of the altered pennies into the machines.

▶ **A man in Lewisville, Texas, who owned a third-party mailing business, was sentenced on May 16, 2003, to 27 months in prison and**

three years of supervised release, and was ordered to pay approximately \$66,000 in restitution to his victims. An investigation by Postal Inspectors and agents from the FBI found the owner had overbilled customers by more than \$100,000 by using a stolen post office dater to create fictitious postage statements as proofs of mailings. The man also obtained loans and credit cards, via the U.S. Mail, in the name of one of his business partners, resulting in charges of mail fraud.

▶ **A New York interstate truck driver was sentenced on January 9, 2003, to one year in prison and three years of supervised release, and was ordered to pay full restitution of \$17,840 to the Postal Service for writing bad checks at post offices.** Postal Inspectors determined the driver was a member of a gang that wrote bad checks to buy stamps, which they would turn over to the ringleader in return for 50 percent of the stamps' value.

The ringleader resold the stamps and pocketed the cash. Inspectors arrested seven co-conspirators. Four others have already been sentenced and were ordered to pay a combined \$38,069 in restitution. Another suspect is awaiting trial.

## Case Files: Civil Prosecutions

▶ **As the result of a seven-year investigation by Postal Inspectors, the U.S. Attorney's Office in New Jersey filed a civil complaint against a Carlstadt company.** The company had presented 21 fraudulent checks to cover more than \$652,000 worth of mailings. Postal Inspectors deter-

*continued on page 42*



tion to stopping the scheme, the “resolution” may involve sending the perpetrator to jail, recouping lost funds if possible and, as appropriate, collecting fines and penalties from the perpetrators. The chart below left summarizes Postal Inspection Service revenue investigations this past fiscal year.

U.S. Postal Inspectors concluded eight major investigations in FY 2003 involving the underpayment of postage by large-scale, commercial mailers. Postage fraud schemes are generally complex due to the many postal operations and postage rate structures, and can pose a problem for prosecutors trying to present the case to a jury.

### **Civil Prosecutions**

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

### **Financial Investigations**

The majority of financial investigations conducted by the U.S. Postal Inspection Service comprise employee embezzlements. Postal Inspectors have uncovered a range of embezzlement schemes used by postal employees: failing to report postal retail sales and using the cash for personal expenses; delaying the reporting of postal sales to fund personal, short-term loans; stealing postal stamps, retail products, or packaging products; and covering shortages in postal funds by submitting bogus reimbursements for nonexistent or inflated business expenses.

Postal Inspectors conducted 572 embezzlement investigations during FY 2003 and identified more than \$5.4 million in postal losses.

## Case Files

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mined the company knew it had insufficient funds to back the checks. In March 2003, the judge ordered the company to pay the Postal Service triple damages of nearly \$2 million, and \$210,000 in penalties, as provided by ACE.

- ▶ **A publisher in Jamesburg, New Jersey, signed a \$3.7 million settlement agreement on July 3, 2003, in lieu of a civil trial.** Postal Inspectors determined the publisher had been submitting false mailing documents for three years. The deception allowed him to pay lower postage for 10 of his publications. The settlement represented nearly double the revenue the publisher owed the Postal Service.

## Case Files:

### Financial Investigations

- ▶ **A former postal manager of the Longworth House Office Building Station for the U.S. House of Representatives was sentenced on June 26, 2003, to 14 months in prison and three years of probation, and was ordered to pay \$199,620 in restitution for stealing postal funds.** Postal Inspectors found the manager had issued money orders to himself and spent other postal funds on personal items.
- ▶ **A former window clerk from the Market Square Station in Philadelphia, Pennsylvania, was sentenced on June 6, 2003, to three months in prison and three years of probation, and was ordered to pay \$119,000 in restitution for stealing postal funds.** An Inspection Service investigation disclosed the clerk had

posted fictitious expenses on her daily financial reports and did not input various revenue transactions to her retail terminal. She used the excess money for personal expenses.

- ▶ **A former postmaster in Wayne, West Virginia, was sentenced on February 24, 2003, to six months in prison and two years of probation, and was ordered to pay \$67,264 in restitution for embezzling postal funds.** Postal Inspectors determined the postmaster had stolen more than \$166,000 in postage sales and post office box rental fees.

- ▶ **A former sales and services associate (SSA) from the Columbia University Finance Unit in New York City was sentenced on March 17, 2003, to one year in prison and three years of probation, and was ordered to pay \$144,469 in restitution for embezzling postal funds.** An Inspection Service investigation found the man had withheld six of the unit's cash deposits. He concealed his activities for more than a year by manipulating postal funds and falsifying postal records.

- ▶ **A Postal Inspection Service investigation of more than \$40,000 in stamp stock losses at the Sandston, Virginia, Post Office resulted in convictions for two former SSAs who had embezzled postal funds.** One SSA was sentenced on May 16, 2003, to 14 months in prison and three years of probation, and was ordered to pay \$10,773 in restitution. The other was sentenced to five years of probation and was ordered to pay \$20,790 in restitution.

# Workers' Compensation Fraud

Compensation and medical benefits paid to postal employees who sustain injuries while on duty are a major expense for the Postal Service, which is responsible for funding workers' compensation benefits. The Postal Service has accrued approximately \$7.1 billion in future liability for workers' compensation claims since its reorganization in 1971.

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

As a proactive measure to identify and eliminate fraudulent claims earlier in the claims process, Postal Inspectors' efforts this past fiscal year emphasized continuation-of-pay (COP) investigations. U.S. Postal Inspection Service investigations in FY 2003 resulted in \$152 million in long-term, cost-avoidance savings and another



**Case Files:**

**Employment Fraud**

► **Postal Inspectors arrested a Rocky Mount, North Carolina, letter carrier in April 2003 for making false statements to obtain workers' compensation benefits.** After a referral from the Injury Compensation Unit, Inspectors determined the disabled carrier was holding a job, although he failed to report his income to the Department of Labor (DOL).

He collected more than \$33,000 in benefits based on false information he provided. The carrier lost his job and pled guilty to making false statements in June 2003. DOL terminated his benefits in July, and sentencing for the carrier was scheduled for 2004.

► **A letter carrier in Fresno, California, was sentenced on May 28, 2003, for making false statements to obtain federal employees' compensation.** Postal Inspectors received an anonymous tip that the supposedly disabled carrier had been running a tree-trimming business for 10 years and did not report his income to DOL, or the fact that he was able to work.

When Postal Inspectors confronted him about his activities, the employee admitted his job included chopping down trees, raking leaves, cutting firewood, and loading wood onto his pickup truck. As a result of the Inspection Service investigation, the now-former employee was sentenced to five years' probation and ordered to pay restitution of \$174,737. The Postal Service realized a future cost savings of \$590,750.

► **A clerk in San Francisco, California, was indicted for workers' compensation fraud on April 24, 2003, just six days before the statute**

of limitations for her case would have expired. She had claimed a back injury in 1975 and then switched between the Office of Workers' Compensation Program and the Office of Personnel Management to file disability claims before resuming employment with the Postal Service in 1981.

Within 30 days of returning to her job, she reported a recurrence of the back injury and went on the periodic rolls. DOL rated her as having no wage-earning or re-employment potential for an indefinite period. Postal Inspectors, however, found she had been actively working in a family business and as a notary since 1987. An undercover surveillance of her activities by Postal Inspectors and DOL-OIG agents provided evidence of her false claims.

► **A mail processor in Providence, Rhode Island, pled guilty in December 2002 to making false statements related to workers' compensation.** Postal Inspectors found that, although she claimed she was totally disabled, the employee was working as an operations manager for a trucking company from an office set up in her home. She handled the postal highway contract route for the business, worth about \$3 million a year in revenue, and coordinated all nonpostal contracts as well.

Inspectors set up surveillance on the employee and captured video images of her actually driving a highway contract route, transporting drivers, and refueling trucking company vehicles. When confronted with the evidence, she pled guilty to the charges and resigned from the Postal Service.

She was sentenced on March 7, 2003, to four months of home confinement with electronic moni-



**F**ollowing a five-day trial that featured 17 witnesses and 63 items of evidence, a postal clerk in Jacksonville, Florida, was convicted in October 2002 on three counts of workers' compensation fraud. The clerk was working in a limited-duty capacity due to bilateral carpal tunnel syndrome. But when she injured herself again and was categorized as totally disabled, the Department of Labor placed her on the periodic rolls in April 2001.

Postal Inspectors received a tip about an Internet Web site where the employee advertised herself as "an American watercolor artist" who specialized in painting animals from photographs. Acting undercover, an Inspector visited her studio to learn about her business, and the "disabled" clerk painted several portraits for the Inspector, charging her standard fee of \$165 each.

Postal Inspectors learned she was not reporting her income to DOL and, worse, she vowed to the undercover officer that "they [the Postal Service] would pay her until she retired." She also revealed plans to move her studio to a new home that she and her husband were having built—financed in part by the \$2,247 she was fraudulently collecting each month in tax-free benefits.

Instead, thanks to U.S. Postal Inspectors, on June 20, 2003, the now-former postal clerk was sentenced to five months' imprisonment, five months' home detention, and two years' supervised release. She also was ordered to pay \$34,231 in restitution to the Postal Service. The Postal Service realized a future cost savings of \$508,470 as a result of the investigation.

\$10.3 million in COP cost savings, totaling \$162.3 million in cost savings for the Postal Service.

The Postal Inspection Service initiates criminal investigations when it suspects individuals of defrauding the Federal Employees' Compensation Act (FECA), helping to safeguard Postal Service expenses. It also refers to the Postal Service any matters that may require administrative action.

Inspectors work closely with Injury Compensation offices to flag potentially fraudulent claims. The Postal Inspection Service also has oversight and responsibility for the Contract Fraud Analyst Program, which provides contract fraud analysts to assist Inspectors in investigating suspect claims.

During the course of their investigations this past fiscal year, Postal Inspectors identified 380 individuals for defrauding the workers' compensation program and arrested 45 employees for workers' compensation fraud.

## Employment Fraud

Postal Inspectors primarily seek prosecution in workers' compensation fraud cases, as it is the best deterrent and prevents

toring, two years' probation, and 50 hours of community service, and was ordered to pay restitution to the Postal Service of \$42,846. Further, she is permanently disbarred from ever again receiving workers' compensation benefits. The Postal Service realized a long-term cost savings of \$517,590 as a result of the investigation.

► **On February 19, 2003, a clerk at a vehicle maintenance facility in San Diego, California, was convicted of insurance-related workers' compensation fraud after pleading guilty in August 2002.** Postal Inspectors determined the clerk was employed as a tow truck operator and mechanic while claiming he was totally disabled and could not work for the Postal Service. He also failed to report his income and misrepresented his physical abilities to DOL and the Postal Service.

As a result of the investigation, the clerk lost his job and was sentenced to five years' probation and 200 hours of community service, and was ordered to pay \$17,000 in restitution to the Postal Service. The Postal Service also realized a future cost savings of \$526,742.

► **A former postal clerk in Tulsa, Oklahoma, was convicted and sentenced on March 11, 2003, for making false statements to obtain federal employees' compensation.** In December 1991, the clerk was placed on the periodic rolls after straining her back and displacing a lumbar disc, and she then relocated to Sarasota, Florida.

Postal Inspectors there determined she got a job at a local call center but was not reporting her income or her ability to work to the Department of Labor and the Postal Service. The clerk provided Inspec-

tors with a sworn statement admitting to the deception, stating, "I know I lied on Form 1032, but I was afraid of losing my monthly check. I am terribly sorry."

The claimant was scheduled to turn herself in, but she instead fled to Tulsa, her hometown. Inspectors in Tulsa found and arrested her and, under an agreement between the U.S. Attorney Offices in Oklahoma and Florida, she was tried in Oklahoma. The clerk lost her job and was sentenced to five years of probation and ordered to pay restitution of \$28,205. The Postal Service achieved a future cost savings of \$515,591.

► **A former full-time postal clerk in Newark, New Jersey, was convicted of mail fraud after Postal Inspectors found he was working as a massage therapist while claiming to the Postal Service he was unable to work.** The clerk claimed to be totally disabled after falling and injuring his back on the job, but Inspectors determined he failed to report his income to DOL and was lying about his inability to work.

The clerk lost his job and pled guilty to workers' compensation fraud in November 2002. He was sentenced to a year of probation and was ordered to pay \$5,102 in restitution to the Postal Service; Inspectors recovered another \$21,943 in benefits. The Postal Service realized a future cost savings of more than \$1 million as a result of the investigation.

### Case Files: Misrepresentations of Physical Abilities

► **A letter carrier in White Plains, New York, was sentenced on April 11, 2003, to one year in prison and**



two years' probation, contingent upon completing 100 hours of community service, for making false statements to obtain workers' compensation. Postal Inspectors determined the now-former letter carrier had tried to get witnesses of a vehicle accident to lie about it. He told his supervisor he was unable to work and was in bed for five days following the incident.

Inspectors revealed he was actually quite busy, acting as referee in a basketball game three days after the accident and at least eight times during the period he was allegedly unable to work. In what Inspectors refer to as a "front-end" investigation, the claimant was kept from collecting automatic monthly benefits and was ordered to pay the Postal Service \$1,312 in restitution.

► **A postal clerk in Champaign, Illinois, was sentenced on August 29, 2003, to one year in prison and three years' supervised release for defrauding the workers' compensation program and stealing government money.** Postal Inspectors and agents from the DOL-OIG found he was deliberately concealing income he earned from an auction house he owned and ran—at the same time he claimed to be totally disabled.

The clerk lost his job and was ordered to pay restitution of \$35,252 to the Postal Service and \$29,523 to the Social Security Administration. The Postal Service achieved a long-term cost avoidance of \$779,945 as a result of the investigation.

► **On May 27, 2003, a letter carrier in Atlanta, Georgia, was sentenced to five years' probation and was ordered to pay \$24,150 in restitution to the Postal Service after pleading guilty to workers' compensation fraud.** The carrier claimed she was

unable to work after she injured her left elbow and back when a dog tried to attack her on her route. But when physical therapy staff asked why she stopped her therapy, she replied, "None of your business."

Postal Inspectors conducted a surveillance of the carrier and discovered that she routinely appeared at her doctor's office to obtain needed paperwork without wearing a brace or needing any assistance. But when she came to the office for an appointment, she wore a neck brace and requested help from the staff. An independent medical examiner cleared her for full duty, resulting in a long-term cost avoidance of \$386,925 for the Postal Service.

► **A New Orleans, Louisiana, mail handler pled guilty on January 9, 2003, to workers' compensation fraud.** After less than four months on the job, DOL accepted her claim that she injured her left back, right shoulder, and spine when she lifted a heavy sack of mail. After receiving her salary and medical compensation for two years, the employee returned to work full time in a "limited-duty" status.

Three hours into her first day back, she claimed to be in so much pain she had an ambulance take her to the hospital. Her disability claim, however, was denied by DOL, which stated "fact of injury not established."

Postal Inspectors investigated the woman and determined she had falsified medical documents, resulting in her arrest. She lost her job and was sentenced to six months in prison, four months of home confinement upon her release from prison, and two years of supervised release.

the resumption of benefit payments. By law, future payments are barred to anyone convicted of workers' compensation fraud.

Prosecution generally is based on showing that the allegedly disabled claimant is receiving outside earnings and failing to report them to the Department of Labor (DOL).

### Misrepresentations of Physical Abilities

Another form of fraud Inspectors uncover in the workers' compensation program involves employees who misrepresent the extent of their physical abilities. The efforts of Postal Inspectors in obtaining prosecution in these cases have been increasingly successful.