Office of Inspector General
Semiannual Report to Congress

FY 1997

October 1, 1996 – March 31, 1997

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A Message from the Inspector General

I am pleased to submit my first *Semiannual Report* to Congress, Volume 1 of Fiscal Year 1997. This *Semiannual Report* highlights significant activities and accomplishments of the Office of Inspector General and the United States Postal Inspection Service from October 1, 1996 through March 31, 1997. By a mutual agreement between myself and the Chief Postal Inspector, this report was prepared jointly and provides audit and criminal statistics. 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 3013).

The Inspector General function for the U.S. Postal Service was performed during the first half of this semiannual period by the United States Postal Inspection Service. Since then, I have had the opportunity to establish a new Office of Inspector General. A more detailed description of my office is provided in the first section of this report. Because my immediate priority during this period was to establish the OIG, the audits and investigations cited in this report cover the activities and accomplishments of the U.S. Postal Inspection Service. The accomplishments of the Office of Inspector General were discussed during my testimony of March 19, 1997, before the House Subcommittee on the Postal Service.

During this reporting period, the Postal Inspection Service issued 215 audit reports and 308 Revenue and Asset Protection Program reports to postal management. A total of 50 contract audits questioned $1.8 million in post-award reviews and recommended price adjustments of $40.1 million in pre-reviews. The 104 audits of financial installations and district accounting offices, together with 278 revenue investigations, resulted in the identification of $34.2 million in revenue deficiencies. Inspection Service investigations resulted in the arrest of 5,351 individuals and the conviction of 4,841 individuals. Postal Inspection Service activity 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.

Since my appointment as Inspector General, I have gained an appreciation of the complexity of the programs and operations of the Postal Service. The Postal Service is focused on meeting the communication needs of its customers by improving performance, achieving new records for services and creating new products. As the Inspector General, I am committed to assisting the Postal Service with achieving these goals and contributing to its mission, programs and operations. One of my major goals is to introduce innovative methods to improve the processes of the Postal Service. Accordingly, my office will engage in proactive efforts with postal employees and management, offer consulting services and participate in joint projects with the Postal Inspection Service.

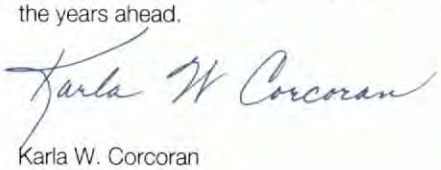
The dynamic work environment of the Postal Service requires innovative personnel to evaluate new systems and methods and ensure the integrity of financial and operational data. This methodology requires personnel committed to teamwork in both audits and investigations. I have begun to staff the OIG organization with people who share this vision, and over the next six months will continue to aggressively recruit highly qualified individuals for my office.

I want to acknowledge the support of the House and Senate staff, the Postal Service Governors and Postal Service employees. I would also like to thank the Inspectors General of the Department of Treasury, the National Aeronautics and Space Administration and the Federal Deposit Insurance Corporation; the Air Force Audit Agency; and the National Institutes of Health for their assignments of highly experienced personnel to serve on my transition team.

In particular, I wish to thank Kenneth J. Hunter, who served as the Inspector General for the past four years and continues to serve as the Chief Postal Inspector. I sincerely appreciate the assistance he has provided during our transition period. The Postal Inspection Service has proved to be invaluable in helping us understand the programs, activities and functions of the Postal Service. Clearly, we could not have accomplished as much as we have during this transition period without the cooperative efforts of the Postal Inspection Service.

These are exciting times at the Postal Service. Innovations are frequent and necessary for the Postal Service to meet the challenges it faces today and in the future. I look forward to working with management to ensure the Postal Service carries out its mission in the most economic, efficient and effective manner possible. I am confident the OIG will help the Postal Service meet these challenges.

Finally, I look forward to working with the Governors and Congress in the years ahead.



Karla W. Corcoran
Inspector General
April 30, 1997

Office of the Inspector General

Establishing a New Office of Inspector General

Since 1988, the Chief Postal Inspector has served as the Inspector General for the U.S. Postal Service. On September 30, 1996, Congress enacted legislation creating a new Office of Inspector General (OIG) within the Postal Service. The law required the Governors of the Postal Service to appoint an independent Inspector General within 90 days and establish an OIG within 60 days of the Inspector General's appointment. The Inspector General, who is independent of postal management, reports directly to the nine presidentially appointed Governors.

Karla Corcoran was sworn in as the new Inspector General on January 6, 1997. The first priority was to enter into an interim memorandum of understanding with the Chief Postal Inspector to ensure the U.S. Postal Inspection Service would continue to perform the responsibilities mandated by the Inspector General Act. Specifically, it was agreed that during the interim period the Postal Inspection Service would issue IG subpoenas, conduct OIG audits and investigations and inform the Inspector General of all significant activities of the Inspection Service. The OIG retained oversight authority for these activities. The agreement provided that these functions will be assumed by the OIG as positions in the new office are filled.

Transition Team

The second priority was to assemble a transition team. Twelve individuals from other federal agencies and the Postal Service, with diverse professional experience, were selected as team members. The transition team prepared a pay and benefits package and identified functions that are under the jurisdiction of the OIG and those that should be retained by the Inspection Service. The team also developed an organizational structure for performing those functions and a budget to fund OIG operations.

Office of Inspector General Progress

- *Pay and benefits package approved.*
- *Designation of functions approved.*
- *Law enforcement authority approved.*
- *FY 1997 budget request approved.*

Pay and Benefits

Development of a pay and benefits package was a necessary first step to begin staffing the new OIG. The legislation required the Postal Service to establish a pay and benefits package that was comparable to other OIGs. A decision was made to use a "pay band" system. This system was recognized by the National Performance Review as the preferred way to tie compensation to performance. The pay and benefits package was approved by the Governors in February 1997.

Designation of Functions

To identify the functions that would be performed by the OIG, the transition team worked with congressional staff, General Accounting Office representatives and Postal Service employees. The OIG will perform all functions involving systemic reviews. For example, the OIG will conduct audits of financial statements above the district level to focus on key events leading to the consolidated annual financial statement. The OIG will also audit postal-wide performance issues, systems development work, contract administration and new facilities construction contracts over $10 million. The Postal Inspection Service will continue to perform financial audits at the installation and district level, conduct local and area performance audits and perform pre-award and post-award contract audits.

The OIG will investigate briberies, kickbacks, conflicts of interest and service-wide investigations of the Postal Service, and will be actively involved in workers' compensation investigations by issuing subpoenas, investigating health-care providers and working with the Inspection Service as necessary. In addition, the OIG will conduct or work jointly with Postal Inspectors on significant embezzlement cases. All investigations involving Postal Service executives will be performed by the OIG. All other investigative work remains the primary responsibility of the Postal Inspection Service.

The transition team identified a number of program areas where additional or expanded work will be performed by the new OIG. For example, the OIG will review the Postal Service's rate-making processes, revenue-generation initiatives and labor-management issues. Further, the OIG will form a separate division responsible for overseeing the activities of the Postal Inspection Service. The designation of functions is shown in the chart on the opposite page.

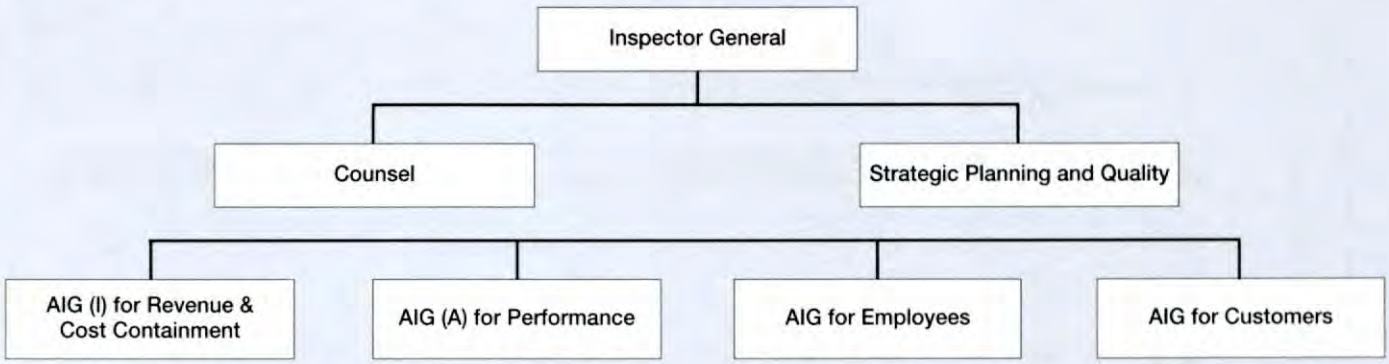
The transfer of audit functions will be completed within a five-year period, as depicted in the chart on page 4. The Postal Inspection Service will continue to perform certain audit functions to take advantage of resources already available at its field office locations. This division of responsibilities will enable the OIG to focus on service-wide issues, while retaining oversight of the Inspection Service's audits and the right to conduct any audit work considered necessary.

Designation of Functions

	Office of Inspector General*	Postal Inspection Service
Audit	■ Financial statements, including: – overall opinion audits – quality reviews of Inspection Service work	■ Financial statements, including installation and districts
	■ Postal-wide performance reviews	■ Area, district and local performance reviews ■ Service investigations
	■ Contract audits, except pre-award and post-award audits ■ Developmental audits	■ Pre-award and post-award contract audits
	■ Facility audits, including: – facilities construction contracts of $10 million or more – right of first choice on contracts valued between $5 – $10 million – leases of $1 million or more – repair and alterations of $1 million or more	■ Facility audits, including: – facilities construction contracts of $5 million or less – contracts between $5 – $10 million not performed by IG – leases under $1 million – repair and alterations under $1 million
Investigations	■ Revenue-focused audits (international mail)	
	■ Revenue cases, including: – bribery, kickbacks, conflicts of interest – systemic reviews	■ Revenue cases, including: – revenue loss detection – shares with IG on revenue task force and other groups
	■ Workers' compensation cases, including: – IG subpoenas – program monitoring	■ Primary responsibility for workers' compensation cases
	■ Tort claims, including: – serious incidents – liability reports	■ Tort claims
	■ Embezzlements (conduct/partner on cases of $100,000 or more)	■ Embezzlements under $100,000
	■ Expenditure cases, including: – bribery, kickbacks, and conflicts of interest – systemic reviews	■ Expenditure cases, including: – cases referred by IG – IMPAC card cases – local purchases or procurements
	■ Conduct/partner on cases involving executives	■ Emergency responses on cases involving executives ■ Internal and external crimes ■ Employee protection ■ Security ■ Fraud and prohibited mailings
	■ Inspection Service internal affairs: executives	■ Inspection Service internal affairs: non-executives
	■ Computer forensics	■ Forensic and technical services
	■ Hotline	
Other	**Additional OIG work:** ■ Oversight of the Postal Inspection Service ■ Postal rate-making programs and operations ■ Revenue generation ■ Labor management ■ Electronic commerce	

*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.

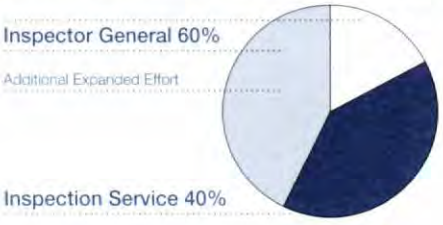
Office of Inspector General **Organizational Structure**



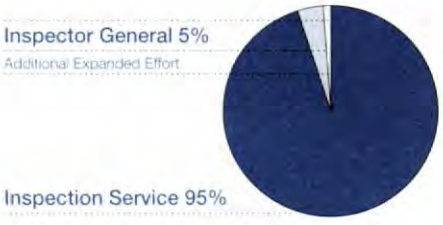
The Postal Inspection Service will continue to conduct investigations of crimes such as mail theft, postage meter fraud, mail bombs, assaults and homicides. In addition to conducting independent investigations, the OIG will work with Postal Inspectors on cases that address issues of mutual concern, such as aviation security. As with audit assignments, the OIG will oversee Inspection Service investigations. The distribution of the investigative workload is shown in the chart below.

The designation of functions, which is comparable to those performed in other OIGs, meets the requirements and goals of the Inspector General Act. It results in three categories of work: work performed by the Inspector General; work performed by the Inspection Service; and shared, but not duplicated, work. This distribution of workload leverages resources and minimizes any adverse impact the changes might have on Inspection Service employees. The Governors of the Postal Service approved this plan in March 1997, as well as a resolution authorizing the OIG to conduct investigations of postal offenses, carry firearms, serve subpoenas and warrants, and make arrests.

Distribution of Workload **Audit Functions: FY 2001**



Distribution of Workload **Investigative Functions: FY 2001**



Organizational Structure

The transition team next developed an organizational structure, shown above, to implement OIG functions. The structure was developed with the Assistant Inspectors General for Audit and Investigations, in compliance with the Inspector General Act, and supports the primary goals of the Postal Service. It will enable the OIG to conduct investigations and audits and keep the Governors of the Postal Service and Congress fully informed of Postal Service programs and operations.

Budget and Hiring

The transition team began to identify resource requirements after the Governors approved the designation of functions at the March 1997 Board of Governors meeting. The Governors concurrently approved an interim budget for the OIG of $5 million. During March, the team developed a proposed FY 1997 prorated budget based on an OIG staffing estimate for FY 1997 (Note: A $19.2 million budget request for FY 1997 was approved by the Governors.). A hiring plan for the OIG was developed and is being executed. Through March 31, 1997, 30 personnel were hired.

The OIG is currently processing congressional and customer inquiries and employee complaints, and a unit was established to ensure appropriate and timely attention to these critical areas. Permanent staffing for Hotline operations is a priority for the OIG. Other staffing priorities include the offices of the Counsel, Human Resources and Workers' Compensation. Staffing the Counsel and Workers' Compensation offices will permit the transfer of responsibility for issuing OIG subpoenas at an early date. Human Resource office staffing is required to fully implement the hiring plan. The goal of the OIG is to have sufficient positions filled by July 1997 to begin performing OIG audits and investigations.

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 during the time it served as the Inspector General and as it continues to perform this work 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 begins 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 and to protect postal employees and Postal Service assets.

During the period covered by this report, the Postal Inspection Service continued to perform all financial 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
- safeguard postal employees and the work environment
- protect Postal Service revenue and assets
- 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 and administrative support. The Postal Inspection Service comprises 28 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, postal remittances and security containers.

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
- writing, editing and publishing policy, reports, manuals, handbooks and consumer-oriented 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. Inspectors have an active leadership role in the Postal Security Action Group of the Universal Postal Union (UPU). The mission of the

Graduation day for Postal Inspectors, August 18, 1930.

UPU includes setting international security standards, reducing international mail losses and developing and assisting with international mail training programs.

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 Credit Card 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 Children 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.

Customer Focus

One of the many ways in which the U.S. Postal Inspection Service supports the Postal Service's goal to improve customer satisfaction is by partnering with major customers and suppliers in the financial, coupon rebate and mail-order industries. By examining mail fraud, mail theft and processing problems, Postal Inspectors and major customers identify improvements to help increase customers' confidence in the U.S. Mail. The Inspection Service's "Confidence in the Mail" subgoal is supported by three working groups: the Credit Card Mail Security Initiative, the Rebate Fraud Task Force and the Mail Order Initiative.

One reason why people have confidence in the mail is the U.S. Postal Inspection Service. Dedicated Postal Inspectors help ensure that customers can mail almost anything, from stocks and bonds to precious jewelry — and be assured that it will get where it's going safely. Postal Inspectors help businesses, too. Working with the financial industry, Inspectors helped reduce fraud from credit card thefts by over 50 percent in the past four years. The Credit Card Mail Security Initiative, formed by the Postal Inspection Service and major financial institutions, was directly responsible for this significant reduction in fraud losses. Similarly, the Rebate Fraud Task Force, formed by the Postal Inspection Service and major coupon rebate manufacturers, has significantly reduced the estimated $500 million in annual losses attributed to fraudulent coupon rebate submissions.

In May 1996, the most recent customer-based initiative sponsored by the Inspection Service was started with major mail-order companies to identify mail fraud, "nonreceipt" and processing issues of concern to the industry. The Mail Order Initiative, comprising various joint working groups, was established to identify and prevent common mail-order fraud schemes, such as multiple orders of merchandise made by fictitious names at various addresses. A Postal Inspector was designated as a "confidence coordinator" at each field division to focus on mail-order problems, and regular meetings are held with mail-order companies to discuss solutions to industry problems. Inspectors, postal employees and industry representatives are also working on a variety of projects to reduce nonreceipts, better inform mail-order participants and improve customer service.

Auditing

Auditing Postal Service Programs and Projects

Performance Audits

Performance audits are independent and objective evaluations of U.S. Postal Service operations, programs, facilities and systems. Postal Inspectors assigned to performance audits ensure their work conforms with the Comptroller General's *Government Auditing Standards* and the *Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Audit topics are selected annually from the results of a complex risk assessment process that focuses on high-risk areas. The scope and objectives of each audit are developed on an individual basis, with emphasis on producing value-added results for the Postal Service. High-risk areas are audited to ensure:

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

Although safeguarding assets and determining compliance with laws and regulations are requirements of every audit, performance audits go beyond these standards by seeking ways to improve process and program efficiency. The ultimate value of performance audits is displayed in recommendations that enhance customer satisfaction, strengthen employee effectiveness, contribute to the economic value of the Postal Service and promote the competitiveness of the Postal Service in the global communications market.

The performance audit risk assessment process, which began in FY 1995, annually examines the entire postal audit universe to identify areas with the most risk to the Postal Service. The highest risk areas selected for audit attention in FY 1997 align with the Postal Service's corporate goals and the core and enabling processes of its *CustomerPerfect!* "process management" model.

During the past six months, Postal Inspectors issued reports on the results of national coordination audits. Results of the audits follow.

Allied Workhours

Allied workhours are all mail processing workhours except those used directly for mail distribution at processing plants. The audit found this category of work was often not well-managed, resulting in lowered productivity and overstating efficiencies of automated equipment. Additionally, workhours related to automated equipment were incorrectly charged as allied workhours. Management agreed to implement audit recommendations, which could save the U.S. Postal Service over $200 million each fiscal year in workhours.

Business Mail

Several opportunities were identified to improve business mail services, including increasing on-time delivery and improving the overall process used to ensure proper postage is collected for business mail. Management agreed to implement recommendations to improve processes, including developing new systems to ensure mail meets established clearance times and measuring the performance and effectiveness of business mail acceptance units.

Enhance Workplace Behavior

The audit disclosed the U.S. Postal Service lacked the criteria necessary to determine the effectiveness of existing workplace behavior programs. Management agreed to establish a comprehensive approach to evaluating programs, including performing cost and benefit analyses and monitoring the evaluation process. This should ensure that "best practices" may be identified and replicated.

Postal Service Hiring Practices

Proper screening of applicants is critical to workplace safety and the protection of the mail and postal assets. This audit was conducted as part of an ongoing Inspection Service initiative to increase security for postal employees by helping management improve the hiring process. While previous audits of the process disclosed serious deficiencies, this audit found it had improved, but execution was inconsistent. Part of the process is to request the Office of Personnel Management (OPM) to obtain and review prior employment history, state and Federal Bureau of Investigation (FBI) criminal records, and military history; the audit found this was not requested for 30 percent of the new hires sampled. Apart from the OPM process, local police records are to be checked prior to hiring. The audit found this was not done for 17 percent of the new hires sampled. Management agreed to implement audit recommendations, including improving management of the process and its systems and measuring its effectiveness.

Collections

The audit found attention to collection testing was primarily focused on External First-Class (EXFC) locations tested by Price-Waterhouse, to the detriment of nonEXFC locations. Additionally, a high percentage of collection failures occurred on routes rotated or staffed with auxiliary assistance. Management agreed to implement recommendations for corrective action, including expanding Internal First-Class (INFC) programs to include nonEXFC locations and developing more cost-effective methods of managing INFC programs, while expanding coverage to nonEXFC locations.

Remote Bar Code System (RBCS)

One of the main objectives for conducting this audit was to assure postal management the RBCS system is reducing costs and improving service. The audit concluded that Postal Service Headquarters established and publicized well-defined RBCS goals and strategies, including indicators and targets, to reduce costs and improve service; they also made great strides towards making RBCS successful. While area and district managers had not defined their goals, Inspectors found that External First-Class (EXFC) scores were improving and most of the sites reviewed were at or below their work-hour budgets in mail processing, city delivery and customer service. Management agreed to implement Inspection Service recommendations for improvements, however, which included nationally adopting a "best practice" identified at some of the sites to increase efficiency; that is, process return-to-sender mail through the RBCS rather than manually or on the Multi-Position Letter Sorting Machine.

International Mail Performance

As part of our efforts to contribute to the Postal Service's international initiative, Postal Inspectors conducted a national audit of international mail performance. The review concluded that although the International Business Unit is responsible for international mail activities, they had no direct authority to manage international mail processing. We found common problems at the five airport mail centers that prevented the Postal Service from reaching international mail goals: processing international mail in an outdated infrastructure of postal facilities that usually processed domestic mail before international mail; using domestic ramp clerks at gateways to monitor international flight irregularities; the absence of sufficient fines for domestic carriers, and the inability to fine foreign carriers for mishandling international mail; and the lack of expediency of both U.S. Customs and the Postal Service in processing mail to and from U.S. Customs. Management agreed to all aspects of the findings and prepared a Decision Analysis Report requesting funds to establish international service centers, where accountability and authority will be consolidated with line authority for international mail distribution, transportation and processing.

City Delivery Street Management

The audit disclosed the Postal Service is not performing street management to effectively control the $7.3 billion annual cost of the 170,000 city carriers who deliver mail daily. By providing effective street management, the Postal Service should realize annual savings of $250 million. Postal Inspection Service recommendations agreed to by management include developing a standardized national street management program and establishing national guidelines for minimum requirements for training. Our recommendation to develop an enhanced street efficiency indicator to better assess delivery unit street performance is under study.

Mail Volume Measurement and Reporting Systems

Internal control weaknesses were found in all audited systems. Deficiencies included inaccurate data reported in each system. Causes were inherent system errors, human errors and deliberate fabrication of data. Management agreed to implement recommendations to ensure accurate and reliable mail volume data, including adding more training, increasing attention to compliance with guidelines, making system adjustments and developing new, more accurate systems.

Developmental Audits

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

- system costs are justified in relation to anticipated benefits
- needed security and internal controls are incorporated
- adequate documentation for maintenance procedures is contained in the system
- procedural requirements exist for backup and recovery of data
- 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 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 performed on new products and services and information-based systems, as well as automation, technology and business process reengineering projects.

The results of developmental audits are reported to the Board of Governors, the Postmaster General and other senior members of postal management. They provide an independent, constructive and protective service as the Postal Service strives to identify, develop and improve its business products and technologies.

Because of the length and complexity of new or redesigned developmental projects, an audit may be continued over several reporting periods. During the past six months, Postal Inspectors reported an audit of the new Flat Sorting Machine 1000 test results, which were considered by postal management and the Board of Governors in their decision to procure additional machines. The audit found the machine test was based on a mail sample with an inadequate mix of the difficult types of mail the machine was designed to handle. The first test of a production machine disclosed performance may have been lower than projected in the Postal Service's Decision Analysis Report. The machine also had a much higher jam rate than projected.

Financial Audits

Postal Inspectors conduct financial audits in compliance with standards published by the Comptroller General of the United States, the American Institute of Certified Public Accountants and the Institute of Internal Auditors. The 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 Inspection Service's opinion on the U.S. Postal Service's Consolidated Trial Balance. The audits are an integral part of the annual certification of the Postal Service's financial statements by the external auditors.

Financial audits include:

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

Financial Opinion Audits

Financial opinion audits are conducted at the San Mateo, Minneapolis and St. Louis Information Service Centers (ISCs) and at National Headquarters. Internal controls are evaluated, financial transactions are tested and capital assets are inventoried. Inspectors also review electronic data processing controls to determine compliance with management's policies.

The external auditors retained by the Board of Governors use the results of the audits to support their certification of the Postal Service's financial statements. Inspectors furnish findings and recommendations to management throughout the year to expedite corrective action. Final reports are issued at the end of the fiscal year to ISCs and the Postal Service's Finance Group. The reports include an opinion on the trial balances, as well as findings and recommendations.

Audit attention also is provided at selected field sites in support of the Opinion Audit Program. The reviews include the evaluation of property inventory records, construction-in-progress projects, vehicle maintenance facility inventories, rail and highway payments and imprest fund payments.

Observations of cost and revenue analysis (CRA) tests are conducted to determine compliance with established test procedures for U.S. Postal Service statistical programs. Inspectors conduct the reviews in conjunction with financial installation audits to provide external auditors additional information for their certification of the statistical collection process. The results of CRA reviews are provided to postal management and the external auditors.

The results of the three ISC opinion audits reported to management during the reporting period follow.

Minneapolis, MN

Continued internal control deficiencies for electronic funds transfer (EFT) were noted, and it was found that certain employees who terminated employment before the end of a pay period were paid for the entire period. Management stated they were in the process of devel-

oping a system to automatically accumulate and direct payment amounts directly to the EFT file. The new system is scheduled for implementation early in FY 1997. Management concurred with the need to program an edit in the payroll system to ensure terminated employees are not inadvertently paid for time not worked.

St. Louis, MO
Twelve findings with recommendations for improving internal controls were issued to postal management. These included weak controls over capital property inventories, incorrect lost or stolen money order listings, improperly valued capitalized leases and an inadequate payment and audit process for international accounts. Management agreed to implement recommendations to correct weaknesses, including transferring responsibility for the international accounting center to the accounting service center.

San Mateo, CA
The audit resulted in nine findings to improve internal controls relating to general inventory control, field processing and data input for the accounts payable system, outstanding travel advances and inaccurate data in the vehicle asset master file. An evaluation of the status of previous findings indicated four conditions were not corrected: proper imprest fund administration, timely removal of vehicles from the vehicle asset master file, unresolved reconciliation differences in inventory accounts and testing gasoline payments for accuracy. Management agreed to correct the deficiencies, including simplifying the year-end field accrual process to include only significant liabilities.

Financial Installation and District Accounting Office Audits

Financial installation audits support the Opinion Audit Program and include testing of internal control systems and verification of assets at 200 field sites. Field installations are selected for audit through a random sampling of all national offices, stratified according to projected annual revenue. Offices representing higher revenue and 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, with a 95-percent confidence level for projection of financial data.

Inspectors also evaluate the reliability of accounting and reporting procedures. Postal Service management uses the results of the audits for corrective action, and the external auditors apply the results in their evaluation of Postal Service financial systems.

As a result of increased centralization of accounting controls at district accounting offices, Postal Inspectors conduct individual evaluations of district offices and report on the control environments and security provided for computer systems.

During the past six months, Postal Inspectors reported the results of 68 financial installation and 36 district accounting office audits. The 104 audits identified a total of $1.5 million in revenue deficiencies.

The following paragraphs summarize some of the significant problems identified by Postal Inspectors conducting financial installation and district accounting office audits during the first six months of FY 1997.

Post Office Box and Caller Service
Procedures for administering Post Office Box and Caller Service were inadequate in some 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.

Business Mail Acceptance
Internal controls and operational procedures governing permit imprint and periodical mail were inadequate. 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 no assurances that revenue due was properly or fully collected, and there was a potential for revenue loss.

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

Meter Accounting & Tracking System (MATS)
Postal Inspectors found meters were not adequately examined and meter revenue was improperly verified, creating a potential area of revenue loss.

Trust Funds
Postal Inspectors found trust funds were not adequately verified and trust fund records were inadequately reconciled, resulting in the inaccurate reporting of finances.

Official Mail Accounting System (OMAS)
Postal Inspectors found that OMAS activity was not adequately reviewed and reported, resulting in revenue losses to the Postal Service.

Contract Audits

Postal Service procurements amount to approximately $7 billion annually and represent considerable opportunity for fraud, waste and abuse. Contract audits include the evaluation of Postal Service contracts and provide independent audit attention to costs associated with transportation, equipment, consulting services and facilities contracts. Many contract audits are performed on a request basis and assist procurement officials and legal staff in negotiating, awarding, administering and settling contracts. The Inspection Service allocates significant resources to audit pre-award proposals, cost reimbursement contracts, time and material contracts and contract claims.

Postal Inspectors review contract administration processes to ensure effective internal controls and procedures exist to manage Postal Service contract-related programs. If Postal Inspectors uncover internal control deficiencies or noncompliance issues, they report them to postal management with recommendations for corrective action or improvement to reduce vulnerability to fraud, waste or abuse.

During the past six months, Postal Inspectors reported the results of 50 contract audits. The review of $590 million in total costs resulted in the identification of a combined total of $41.9 million in recommended price adjustments or cost recoveries. The chart below reflects significant audit results for the past six months.

Significant Audit Results: October 1, 1996 – March 31, 1997

Commodity	Proposal or Contract Amount	Questioned Costs
Delivery Bar Code Sorter, Phase IV: Total Program	$318,710,445	$25,813,785
Priority End-to-End Measurement Study	9,296,069	1,693,807
Commercial Development of Old City Post Office	133,943,888	404,418
Continuation of Mail Transport Equipment Service Center	27,488,358	3,613,374
TOTAL	$489,438,760	$31,525,384

As a result of the Inspection Service audit follow-up process, management made a final decision during this reporting period on 31 contract audits reported in the current or prior fiscal years. The 31 audits represent a combined total of $49 million in recommended price adjustments or cost recoveries. Management avoided or recovered $23.9 million of this amount.

Facility Program Audits

The goal of facility program audits is to conduct independent appraisals of facility-related functions to assist postal management in minimizing financial and operational risks. The U.S. Postal Service's Facilities Group is responsible for providing and maintaining required space to support postal operations; these include customer service retail and delivery units, processing and distribution facilities, and office space for management and support services. Space is acquired through new construction, building purchases and leases. Existing facilities are maintained and upgraded through building improvement projects.

The primary objectives of the audits are to:

- Assess management's efforts in planning and organizing facility-related programs.
- Evaluate the quality of performance and the accomplishment of established goals.
- Provide analyses, recommendations and counsel on the effectiveness of internal controls.
- Determine compliance with policies, plans, procedures, laws and regulations.
- Attest to the reliability and integrity of financial and operating information and the economical and efficient use of funds.
- Identify opportunities for fraud, waste and abuse, including evidence of irregularities or illegal acts.

Facility program audits comply with standards set by the Comptroller General's *Government Auditing Standards*, the American Institute of Certified Public Accountants and the Institute of Internal Auditors; and they include performance, compliance and contract audits.

During the past six months, a risk-driven assessment process was used to identify and set priorities for audit attention under the new facility program. New comprehensive audit programs were developed, and final reports using the new programs will be presented in the next *Semiannual Report*.

Safeguarding

Safeguarding Postal Employees and the Work Environment

Assaults and Threats Involving Employees

The protection of postal employees continues to be a top priority of the Postal Inspection Service. Assaults on postal employees or threats made against them are taken seriously. 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.

During the past six months, Postal Inspectors investigated 778 assaults or credible threats and made 270 arrests. Of these, 265 assaults and threats were committed by nonemployees against postal employees.

Letter 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, a letter carrier at Lebanon, TN, was assaulted on December 3, 1996, by two individuals who had earlier approached him asking about a check that the carrier determined was addressed to a vacant apartment. The carrier was attacked with rocks and bottles, but fortunately did not require medical attention. The assailants were arrested separately on December 5 and December 16, 1996. Each was charged in federal district court with assault and aiding and abetting.

On September 30, 1996, a letter carrier was shot and wounded while delivering mail at an apartment complex in Memphis, TN; he was caught in a cross-fire between rival gangs. Postal Inspectors and local police identified several of the gang members, all of whom were juveniles. Inspectors arrested the suspects in October, charging them in state court with aggravated assault. Charges against two of the suspects were dismissed; the other two were found guilty and remanded to youth services. In November 1996, a man with a pump-action shotgun allegedly approached a letter carrier delivering his route in Phoenix, AZ. The man reportedly pursued the fleeing carrier, who jumped a three-foot fence and then a six-foot fence, and then fired blasts at him from a 12-gauge shotgun. The attacker was taken into custody about a block from the scene, and has been ordered to be held for psychiatric evaluation. The carrier survived the attack, but has not yet returned to work.

Postal Inspectors also investigate assaults and threats made by one employee against another. An example is the December 16, 1996, fatal shooting by a former mailhandler of a senior labor relations specialist in the parking lot of the Las Vegas General Mail Facility. The mailhandler had been removed from the Postal Service for falsification of time clock rings, and was recently informed of the final arbitration decision upholding his removal from the Postal Service. The victim in the incident was the advocate for the Postal Service in these same proceedings. After the shooting, the assailant surrendered to local police and provided a full confession. The assailant was charged in state court with capital murder; if convicted, he faces a possible death sentence. On January 14, 1997, a former letter carrier at Dana Point, CA, who was found guilty on August 6, 1996, of two counts of murder and related charges for the May 6, 1993, homicide of one employee and attempted murder of a second employee, was sentenced to seven consecutive and two concurrent life sentences; he was also fined $10,000.

On February 15, 1997, a manager of distribution operations at the Dayton, OH, Processing & Distribution Center was removed from the Postal Service for inappropriate conduct involving sexual harassment and racial discrimination. During the course of the investigation, Inspectors interviewed dozens of current and former employees, both male and female, and determined this had been an ongoing problem for over 10 years. In New Jersey, an employee arrested by Postal Inspectors for the August 1996 shooting of a supervisor at the Paterson Vehicle Maintenance Facility pleaded guilty in September 1996 to assault with intent to commit a felony and assault with a dangerous weapon to do bodily harm (see *Semiannual Report*, FY 1996, Volume 2, page 14). On February 21, 1997, the employee was sentenced in federal district court to five years and three months' imprisonment. He was also ordered to undergo a mental health evaluation and treatment while incarcerated, to be continued during parole at the discretion of his parole officer.

Postal Inspectors and Postal Police Officers charged with protecting postal employees are themselves not immune from attack while performing their duties. On December 4, 1996, an individual charged with assaulting with a deadly weapon and resisting a Postal Inspector was found guilty in federal district court in Tampa, FL, of ramming an Inspector's vehicle while attempting to evade arrest. Sentencing is pending. In another Florida investigation, an Inspector investigating the harassment of several letter carriers by a customer in St. Petersburg on February 10, 1997, was assaulted by the customer when the Inspector attempted to interview him at his residence. The man was subdued and arrested by the Inspector and charged in federal district court with assault on a federal agent.

An inmate at a Maine prison was sentenced to 21 years and 10 months in prison for mailing threatening communications (see *Semiannual Report*, FY 1996, Volume 2, page 14). The sentence is to be served consecutively to his identical September 1996 sentence on eight similar counts. The inmate mailed threatening communications to President Clinton, the governors of Maine and New Jersey, court officials, Postal Inspectors, Postal Police Officers and others. The 31-year-old violator will probably not be released from prison until he is over 73 years old.

A postal clerk, convicted in September 1996 of shooting two postal employees at the Palatine, IL, Processing & Distribution Center, was sentenced in federal district court on December 5, 1996, to a term of 16 years' imprisonment. The defendant pleaded guilty to two counts of attempted murder and one count of using a firearm in the commission of the crime (see *Semiannual Report*, FY 1996, Volume 2, page 14).

The Postal Service and the Postal Inspection Service remain committed to the prevention of workplace violence. Postal Inspectors actively take part in developing new strategies and programs to address workplace behavior. While employee training remains a high priority, the Postal Service continues to explore new approaches to promoting a safe workplace environment.

Robbery and Burglary

Violent crime continues to be a problem throughout society. Although the object of a robbery is to obtain money or property, it always involves force or the threat of force against its victims, and many victims suffer personal injury. According to the *Statistical Abstract of the United States, 1996*, 25 banks were robbed every day last year. Although the Postal Service has 40,000 facilities across the country, it experienced only 96 facility robberies in the entire year. Prevention and security measures have helped contain robberies of postal employees and facilities. The Postal Inspection Service places robberies among its highest priorities and continues to maintain efforts to reduce this crime; however, armed robberies increased during the first six months of FY 1997, despite continued aggressive investigative attention.

The Postal Inspection Service reports robberies under two categories: robberies of postal employees working in a postal facility and robberies of letter carriers or motor vehicle service (MVS) operators at work on the street. During this reporting period, there were 76 robberies committed against letter carriers and MVS operators and another 54 directed against employees at postal facilities. Overall, there were 130 robberies reported during the first six months of FY 1997, compared to 107 robberies reported in the same period last year, representing an increase of 21 percent.

The Los Angeles area continues to experience the highest number of postal robberies, accounting for more than 42 percent of the total reported nationwide during this period. The Los Angeles Division of the Inspection Service reported 54 robberies, compared to 32 robberies reported during the same period last year.

On October 16, 1996, an individual was indicted by a federal grand jury for the June 1996 murder of the Ruby, AK, postmaster. The man was charged with eight counts, including first-degree murder and the burglary and armed robbery of the Ester and Ruby, AK Post Offices. In February 1997, Attorney General Janet Reno authorized the U.S. Attorney's Office to seek the death penalty against the defendant.

In Phoenix, AZ, an individual was sentenced to 42 years and six months in prison for the September 1995 robbery of two carriers and the attempted murder of one of the carriers. On December 2, 1996, an individual responsible for the armed robberies of five southern California letter carriers was sentenced to 106 months in prison and faces deportation upon completion of his sentence. A man who robbed the North Hollywood Chandler, CA Postal Station was sentenced to serve nine years and nine months in prison and ordered to repay the Postal Service $2,070, which was stolen during the robbery in July 1996. In Louisville, KY, an individual was sentenced to eight years' imprisonment for robbing the Galleria Postal Store. In March 1997, a man facing a 33-count indictment for the armed robbery of 16 post offices and banks in New York was extradited from Costa Rica by U.S. Marshals and Postal Inspectors after escaping in December 1991 from the Baltimore City Detention Center in Maryland. Postal Inspectors located the man, who was a member of the "Forty Thieves" robbery ring, after confidential information allowed them to trace him through

A photo taken from a surveillance camera at the North Hollywood Chandler Station Post Office showed one of two men who, after entering the post office lobby, allegedly pointed a revolver at a postal clerk and demanded cash, money orders and a money order imprinter. The man and his accomplice then ran from the post office and took off in a getaway car waiting outside. The postal clerk had the presence of mind to write down the license plate number on his hand, allowing Postal Inspectors to locate and arrest the two suspects the same day. The clerk received a reward for his assistance.

phone calls he received in Costa Rica. Four individuals from New Orleans, LA, were sentenced in March 1997 on charges related to five carrier robberies. The robbers received sentences ranging from six months to ten years in prison, and one individual was ordered to repay the Postal Service for costs incurred as the result of counseling and workers' compensation benefits paid to victim letter carriers.

On January 23, 1997, a former 10-year veteran police officer, believed responsible for 10 post office robberies in West San Gabriel Valley, CA, pleaded guilty to two counts of robbing a postal facility and one count of using a firearm in the commission of a violent crime and was sentenced to 10 years and 10 months in federal prison. A former MVS driver was arrested for the armed robbery of a MVS driver and postal clerk at the Tarrant Branch Post Office in Birmingham, AL. An Oakland, CA, MVS driver responsible for 25 postal robberies over several years at the back docks of postal facilities was sentenced to two years in prison and three years' probation and was fined $5,000.

Post office robberies may involve participation by "insiders" — postal employees whose inside knowledge of operations aids a criminal enterprise. Insiders put the safety of their fellow employees and customers at risk, and many robberies could not or would not be committed without an insider's knowledge — knowing which postal truck is worth robbing or when an MVS driver with a high-value remittance will arrive at a loading dock. In one instance, a postal employee, his brother, his cousin and a friend were sentenced to prison terms ranging from 51 to 68 months for the sledge-hammer robbery of an MVS driver at the back dock of a postal facility in Upper Arlington, OH. A postal employee and another individual were arrested after Postal Inspectors searching the employee's residence recovered various items stolen in the robbery. A letter carrier at a postal facility in Gardena, CA, admitted to robbing a remittance from a co-worker at the back dock of the office on December 16, 1996. On December 2, 1996, Postal Inspectors arrested a Bronx, NY, letter carrier, who was charged with armed robbery, conspiracy and use of a weapon for his involvement in the January 1993 armed robbery and murder of a Bronx MVS driver; four other suspects were arrested in the case. In other court action on the case, two individuals were sentenced to life imprisonment without parole and a third was sentenced to 40 years in prison for their involvement in the crime.

The Postal Inspection Service investigates burglaries and attempted burglaries of postal-owned, -leased or contract facilities. Aggressive burglary countermeasures result in minimizing losses from postal burglaries. The Postal Service experienced 238 burglaries during the first six months of FY 1997, compared to 227 during the same period last year.

An Anchorage, AK, supervisor of customer service support was indicted for the October 10, 1996, burglary of the Fort Richardson, AK Post Office. Approximately $10,920 in stamp stock, mail and postal money orders was stolen during the burglary. Postal Inspectors who searched the 17-year postal veteran's residence recovered 18 postal money orders and some of the stamp stock taken during the burglary. A former employee of the Studio City Branch of the North Hollywood, CA Post Office was arrested for burglarizing the office and stealing postal computer equipment.

An individual responsible for 16 postal burglaries and over 50 commercial burglaries in four western states was arrested by Postal Inspectors in Oregon. A search of the suspect's motel room resulted in the recovery of approximately 125 postal money orders and a money order imprinter stolen during the burglary of the post office. In Warsaw, KY, two brothers were arrested inside a postal facility stealing mail containing food stamps and parcels; Postal Inspectors who searched the brothers' apartment recovered items of mail from previous burglaries.

The Postal Inspection Service will continue its efforts to reduce the vulnerability of postal facilities to criminal attack, using state-of-the-art alarm systems and other security measures.

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. There is a correlation 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 and violence.

The Postal Service is not alone in this problem. A study published for the Department of Justice, Bureau of Justice Assistance, by the Institute for Law and Justice and Hallcrest Systems, Inc., concluded that millions of workers across the country are drug users and that the workplace is the most common location for users to obtain drugs. For those so inclined, the workplace represents a controlled environment where drugs can be bought from co-workers with less fear of investigation by law enforcement officials.

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

Following a narcotics investigation conducted in FY 1996, Postal Inspectors, along with Los Angeles Police Department officers, arrested seven postal employees and three outside narcotics suppliers and searched four residences on January 17, 1997. Four of the seven employees worked at the Los Angeles Processing & Distribution Center, and three were employed at Worldway Airport Mail Facility. With the exception of two narcotics purchases, all drug deals were made on government property while the individuals were on duty. Postal Inspectors used electronic surveillance during each transaction.

In another drug-related case, a Dallas, TX, letter carrier was arrested for stealing a registered pouch destined for the Drug Enforcement Agency. The pouch contained over eight pounds of drugs worth $25,000. The carrier stated he was addicted to crack cocaine.

The Postal Inspection Service has been working closely with postal management to identify possible solutions to substance abuse in the workplace. Management clearly supports investigating such employee misconduct and taking appropriate action against offenders. The Employee Assistance Program provides an avenue for employees to obtain confidential help for substance-abuse problems.

Crime Prevention and Security

The Postal Inspection Service continues to devote significant resources to preventing crimes through employee and customer awareness programs and security measures. 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 is effective in detecting and deterring criminal activity and assisting in apprehending criminals.

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.

During this reporting period, the Inspection Service implemented the following actions:

- deployed high-security, modified arrow locks in San Francisco to prevent use of counterfeit keys in approximately 2,000 collection boxes
- deployed modifications to approximately 650 cluster boxes in the Phoenix area to improve protection from forced entry of the main access doors
- developed a plan to modify 3,300 collection boxes in Miami by installing three-point locking bars and modified arrow locks
- developed a plan to modify approximately 1,500 collections boxes in the San Diego area.

Aviation security continues to command the concern of the country. The White House Commission on Aviation Safety and Security recognized the efforts of the Postal Service to protect the mail from being used to target passenger aircraft. The commission recommended the Postal Service seek legislation that would permit mail to be randomly screened. To explore issues raised by the commission and further enhance aviation security, the Postmaster General appointed an Aviation Mail Security Committee. The committee, which comprises executives from critical postal functional areas, including a Postal Inspector, is charged with coordinating aviation security issues for the Postal Service.

In response to the first report of the White House Commission, airport security committees across the nation were directed to conduct security reviews. Postal Inspectors, who are active members of many of the committees, participated in the reviews at local airports.

After the crash of TWA Flight 800, the Postal Service re-examined its security practices to determine areas where it could be more responsive to aviation security concerns. Approximately 12 million pounds of mail are transported on aircraft each day. The Postal Service and the Postal Inspection Service continue to coordinate efforts with the Federal Aviation Administration (FAA) to ensure the safety of commercial aircraft and postal employees involved in moving the mail. Review procedures were developed to refine the security measures put in place and ensure compliance by local postal operations.

The Postal Service now requires airmail transportation contractors and subcontractors to conduct background checks on all employees hired after March 8, 1996, who handle U.S. Mail. The Inspection Service developed, in partnership with the Air Transport Association, a security survey specifically designed for airport mail centers. The employee background checks and the work of the joint security survey teams may be the reason mail theft at airports is decreasing. This is further discussed in the section of this report entitled, "Mail Theft, Money Order Abuse and Miscellaneous Crimes by Contractors and Other Non-Employees."

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 new and potential threats to postal operations.

Postal Crime Hotline

The Postal Crime Hotline for reporting fraud, waste and abuse was established in 1987. The Hotline's national toll-free telephone number (1-800-654-8896) is staffed 24 hours a day and provides Postal Inspectors with leads on a variety of possible criminal violations and administrative irregularities. In addition to calls involving fraud, waste and abuse, Postal Police Officers answering the Hotline receive, and refer for investigation, calls concerning alleged assaults, threats and potentially violent work situations.

The Inspection Service advertises the Postal Crime Hotline in various publications, targeting problem areas such as workers' compensation fraud, postage meter fraud and mail fraud. The Postal Crime Hotline number is printed in the Postal Inspection Service's Law Enforcement Report, a publication distributed to Better Business Bureaus, media representatives, other law enforcement agencies and consumer groups; and on educational posters concerning meter fraud, workers' compensation fraud and other employee- and customer-awareness efforts.

In January 1997, an anonymous caller to the Postal Crime Hotline reported that a window clerk in Louisiana was embezzling funds to cover gambling losses. Audits of the office had failed to catch the problem because the clerk temporarily borrowed stamp stock from another clerk who was not being audited at the time. After Postal Inspectors questioned the clerk about $9,800 found missing from his accountability, the clerk admitted to the crime. The clerk was removed from his position, and prosecution is pending.

From October 1, 1996 through March 30, 1997, the Postal Crime Hotline received a total of 17,410 calls from postal employees and the general public. The largest category of calls were consumer fraud queries (4,494 calls). Other calls reported incidents of mail theft; vandalism and tampering; assaults; threats; a volatile environment; willful delay of mail; drugs by mail; fraud, waste or abuse against the Postal Service; and referrals from outside agencies.

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, severe weather tested the efficiency of the Postal Service's emergency preparedness plans several times. On January 15, 1997, a Burlington Northern train derailed when a mud slide struck the train, forcing a number of cars, including six containing mail, into the Puget Sound. Three of the mail cars were recovered, but the other three remain buried under tons of mud while rescue efforts continue. The train cars contained Periodical and Standard Mail; no First-Class or Priority Mail was on board. Postal Inspectors coordinated security for the mail and acted as liaison between Burlington Northern's emergency command center and the Postal Service's Seattle transportation network manager. Recovered mail was dried and delivered.

After 14 tornadoes touched down in Arkansas in a five-hour period, several towns in the southwestern part of the state received extensive damage, and 24 fatalities were reported. In Jacksonport, the post office was completely destroyed. Postal Inspectors responded to the scene to help recover postal property and accountable items from the safe — the only item left intact at the scene.

During the first week of March, the Ohio and Licking Rivers caused major flooding in the states of Kentucky, Ohio and Indiana. Some post offices were evacuated and set up operations at alternate sites. Roads in many other towns were impassable, making mail delivery or pick-up impossible. Since Social Security and public assistance checks were due to be delivered during this disaster, emergency arrangements were made for recipients to pick up their mail, provided customers had picture identification. Postal Inspectors worked with postal officials to ensure the safety of employees and security of the mail, and Inspectors monitored postal assets and facilities to protect them from possible attack after evacuation.

After TWA Flight 800 crashed during the last reporting period, mail that was being transported on the flight was held by the Federal Bureau of Investigation and the National Transportation Safety Board (NTSB) pending completion of their investigation of the crash. During this time, Postal Inspectors maintained liaison with investigators and ensured security measures were taken to protect the mail. A total of 100 damaged mailbags was recovered from the crash, including 10 trays of letter mail, 2 trays of Registered Mail, 3 trays of Express Mail, 30 trays of flat mail and 10 bags of heavily damaged miscellaneous mail. The mail was finally released to Postal Inspectors, who transported it from the Calverton, NY, facility, where the wreckage was assembled, to the John F. Kennedy International Airport, where it was turned over to postal employees for sorting and distribution.

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

Protecting

Protecting Postal Service Revenue and Assets

The Revenue and Asset Protection Program (RAPP) is designed to concentrate on protecting Postal Service revenue and assets. System breakdowns, internal control deficiencies or revenue deficiencies identified during the course of RAPP investigations are reported to postal management for corrective action or collection. Similarly, evidence of criminal violations is presented to appropriate federal, state, or local prosecutors for criminal or civil action. Examples of civil remedies used to collect revenue resulting from false claims against the Postal Service can be found in the section of this report entitled, "Program Fraud Civil Remedies Act and False Claims Act."

Postal Inspectors' work in the area of RAPP includes expenditure, financial (including embezzlements by employees and at contract post offices), revenue investigations, fraudulent workers' compensation, tort investigations and fraud against the Postal Service.

Expenditure Investigations

Expenditure investigations include reviews of postal procurement and expenditure activities and false claims against the Postal Service. The Postal Inspection Service performs investigations 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 investigations may be self-initiated, requested by postal management, based on a tip from a customer or suggested anonymously through the Postal Crime Hotline. The results of the investigations are reported to postal management in summary reports that require corrective action by the Postal Service and to prosecuting attorneys for criminal, civil or administrative action.

Expenditure investigations may include cases of bribery, kickbacks or conflict of interest involving fraud against the Postal Service; false claims filed against the Postal Service; or allegations of fraud, waste or abuse in facilities, purchasing or transportation contracts. The investigations may involve executing search and seizure warrants, serving grand jury subpoenas, arresting suspects or providing courtroom testimony resulting in fines, forfeitures or restitution; suspensions or debarment; or other administrative action.

An Inspection Service investigation of an Ohio company resulted in a $4 million settlement, of which the Postal Service will receive just over $1 million. Postal Inspectors found that the company overcharged federal agencies for pension costs that were attributable to government contracts. Postal Inspectors also halted a fraudulent invoice scheme against the Postal Service in which a snow removal contractor's charges of $1.1 million were found to be inflated by approximately $600,000.

The Postal Inspection Service's review of IMPAC card purchases disclosed managers failed to comply with procurement regulations and provided inadequate oversight over credit card use, resulting in questionable expenditures of funds, prohibited purchases, account misstatements and the overall appearance of unethical conduct. Managers are implementing recommendations for improvements, including strengthening internal controls and providing more management oversight to ensure compliance with existing regulations.

Postal Inspectors also identified opportunities for improvement in the areas of project approval, accounting procedures and internal controls. Management agreed to implement the Inspection Service's accounting and contracting recommendations, but disagreed with our finding on deficient internal controls related to Board of Governor project approval. The Postal Inspection Service held the position that three facility development initiatives related to the "Postal Square" project were actually one project requiring Board of Governor funding approval. Postal management's position was that the three initiatives were unrelated and were therefore funded at appropriate levels of authority.

Financial Investigations

Financial investigations are conducted at the request of postal management; are self-initiated, based on an analysis of accounting data obtained from our Financial Exception Reporting System (FERS); or are performed as the result of information Postal Inspectors receive through customer complaints or from our Postal Crime Hotline. FERS identifies unfavorable trends or significant variations in activity that may indicate criminal activity, mismanagement or deficient internal controls. For example, an analysis of postage sales and postage stock on hand at the Afton, NY Post Office led Postal Inspectors to an embezzlement of approximately $102,000 by the postmaster.

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. Criminal investigative attention is initiated if potential criminal activity is identified during self-initiated financial investigations, and future losses are minimized by reporting to postal management any deficiencies found in systems or procedures so that corrective action may be taken. For example, a window clerk at Huntington, NY, admitted taking postal funds after $27,000 was discovered missing. Postal Inspectors found the clerk's supervisor allowed her to audit herself, which was not in compliance with established policies and procedures.

During this reporting period, Postal Inspectors identified 258 postal employees for embezzling approximately $4.2 million. Examples of financial investigations reported during this period follow.

Employee Embezzlements

Employee embezzlements may include, for example, employees who steal money from cash drawers and sophisticated kiting schemes involving postal money orders or falsified financial records. For example, a bulk mail technician at the Kent, OH Post Office pleaded guilty to money order violations after admitting he created fictitious and inflated requests for postage refunds for bulk mailers. He was sentenced to 15 months' confinement and ordered to pay restitution of $182,311. In other cases, a former postmaster in Colonial Beach, VA, was sentenced in federal court to one year in prison and two years' probation and was ordered to pay $79,321 restitution for converting over $100,000 in postal funds to his own use by depositing in the bank less than was documented in postal records. In southern Indiana, a vending technician was sentenced to five months in prison and full restitution of the $111,159 he stole.

Following a two-month investigation, Postal Inspectors identified three clerks at a Postal Store in Kensington, MD, that were embezzling funds from the store's accountability. The photos shown here, taken by a surveillance camera set up by Inspectors, catches one of the clerks in the act of folding cash at the counter before slipping it into his pocket; he is believed to have stolen approximately $70,000. The clerk was removed from employment, and prosecution is pending.

Financial investigations may reveal bribery, collusion between employees, or between employees and outsiders. During this reporting period, a bulk mail technician from the Melrose Park, IL Post Office pleaded guilty to charges of bribery. The clerk demanded money from postal customers in exchange for processing mail that was incorrectly prepared. In Austin, TX, two men and their business were indicted on 41 charges of bribing a postal bulk mail employee to accept mail without paying postage. The scheme caused a loss to the Postal Service of approximately $1 million.

In a case of collusion, three clerks from the Rockville, MD Post Office, and a sister of one of the clerks, were convicted of conspiracy, misappropriation of postal funds, theft of public money and money order violations. The scheme involved the theft and forgery of fraudulent checks presented to the Postal Service in exchange for cash or money orders. Two of the clerks received sentences of eight and ten months' imprisonment and were ordered to pay restitution totaling $7,100. In another case of collusion, a Ronkonkoma, NY, couple was arrested for a scheme in which they bribed a bulk mail acceptance employee to avoid full payment for their mailings. The Postal Service received one-third of the payment, the postal clerk received one-third and the business kept one-third.

Unfortunately, financial investigations sometimes involve employees of significant tenure and experience. A 19-year employee in Baton Rouge, LA, pleaded guilty and was sentenced for misappropriation of postal funds after attempting to disguise the theft as postal disbursements. A 20-year window clerk in Arlington, VA, pleaded guilty to misappropriation of postal funds and was sentenced to four months in prison and full restitution of $15,945. A third case involved a 21-year employee and supervisor who admitted falsifying office productivity and performance records.

An important element of our 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. When an employee is covered under the Federal Employee Retirement System (FERS), however, the Postal Service is generally unable to recover stolen funds through such offsets. The recovery of lost funds is an important part of financial investigations. During this reporting period, a window clerk in Los Angeles, CA, was ordered to pay restitution of $25,000 after pleading guilty to converting over $82,000 in money order funds to her own use. The clerk voluntarily forfeited her retirement funds to cover the debt.

Postal Retail Stores

The Postal Service has opened over 460 modern retail establishments nationwide, called "Postal Stores," in which merchandise, including stamps, is on open display for the customer. Unlike traditional postal retail operations, window clerks at Postal Stores do not have individual stamp accountabilities. Postal Inspectors are involved in the planning and security of these facilities, as well as in the investigation of theft by employees or outsiders.

Losses at Postal Stores occur from internal and external theft. During this period, Postal Inspectors arrested a heroin addict who admitted stealing approximately $50,000 worth of stamps from five postal retail stores in the Washington, DC, area during the previous six months. The suspect defeated the stores' security measures. In Atlanta, a postal clerk at the Hartsfield International Airport Postal Store was identified for embezzlement of money order funds exceeding $10,000.

Contract Post Offices

The Postal Service has contracted 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 benefits customers, who enjoy the convenience of conducting postal business while they purchase merchandise offered at the contractor's retail establishment. Many of the same opportunities that exist for postal employees to embezzle postal funds also exist for contract employees.

Two significant cases of contract station losses were investigated this period. In San Juan, PR, a contractor was arrested after a shortage of $56,753 was tied to money orders that were sold but unreported. In Guam, the owner and operator of a contract unit was also indicted for money order violations after an investigation revealed he embezzled approximately $8,100.

As with other embezzlements, Postal Inspectors seek to minimize losses by recovering stolen funds from the responsible party: the contractor or the contractor's bonding company. Investigative reports by Postal Inspectors often provide a basis for the postal contracting officer to terminate a contract when an embezzlement is discovered. For example, the Manoa Contract Station in Hawaii was closed on the same date an audit by Postal Inspectors disclosed a shortage of $111,322. The investigation is continuing.

Revenue Investigations

Revenue investigations are initiated incident to customer complaints, postal management requests, confidential or anonymous tips, and information received from other government agencies. Postal Inspectors also develop investigative leads by generating data base comparisons and mailer profile reports to reveal suspicious activity that may warrant further attention.

Revenue investigations include reviews of specific mailing programs to ensure internal controls are operating as intended. Investigative attention is directed at individuals or firms that abuse special mailing privileges or programs.

Postal Inspectors gave priority attention during the past six months to the unauthorized use of postage meters, underpayment of postage on bulk presorted mail, abuse of nonprofit and periodical mailing privileges and the Official Mail Accounting System (OMAS). Once sufficient data is accumulated on losses and causes, national recommendations will be presented to postal and local management. The majority of the revenue deficiencies identified in audits or investigations reported during this period may be prevented by training employees on proper mail acceptance procedures.

Postal Inspectors conducting a national review of OMAS in FY 1995 identified $62 million in revenue deficiencies and $26 million in overcharges that occurred between FY 1991 and FY 1994, representing one of the largest revenue deficiencies in the history of the Postal Inspection Service. Postal Inspectors determined that, over the past several years, deficient internal controls and a lack of training resulted in the Postal Service's failure to collect significant revenue owed by

government agencies. Inspectors proposed the Postal Service revamp OMAS by collecting postage from government agencies through a payment card system. Postal management supported the proposal, and in calendar year 1997 began piloting the new program in conjunction with other modifications designed to better track OMAS mailings and services.

Postal Inspectors reviewing operations at a postal facility in Baltimore documented an OMAS revenue deficiency of over $2.2 million. During installation of the new Meter Accounting Tracking System (MATS), which was adopted by postal management as part of a meter revenue protection initiative, an alert MATS coordinator found a discrepancy that she reported to Postal Inspectors. Inspectors traced the problem to seven postage meters that were used since 1994 without paying for postage. It was determined that postal employees failed to follow proper procedures for collecting government postage under OMAS. In the past six months, Postal Inspectors reported to postal management revenue deficiencies in OMAS of approximately $7.3 million.

In Amityville, NY, the former owner of a mailing business pleaded guilty in federal court to using a malfunctioning meter and not paying for the majority of the postage used; he was ordered to repay nearly $2.3 million to the Postal Service and pay a $250,000 fine. The malfunction was undetected by the meter company and the post office because neither followed proper procedures. Also in New York, two owners of a Brooklyn company were indicted by a federal grand jury for counterfeiting postage meter stamps. Specialists at an Inspection Service Forensic Laboratory examined mail recovered by Postal Inspectors during a search of the business and found the counterfeit postage was produced by duplicating equipment rather than legitimate postage meters. Postal losses, dating back to August 1992, are estimated at $1.2 million.

In another case, the work of Postal Inspectors in San Francisco and Kansas City resulted in the arrest of an individual believed responsible for passing over 100 counterfeit checks at post offices throughout the western part of the country. In Philadelphia, five brothers and their corporation, a mailing service, pleaded guilty and agreed to pay full restitution of $543,999 related to using a postage meter reported as lost or stolen to imprint mail; sentencing is pending. In Boston, an individual was sentenced to 27 months in prison and 36 months' probation for using counterfeit checks to purchase postage. Postal losses are estimated at over $50,000. In El Cajon, CA, two of the owners and operators of a commercial mail receiving agency and a third individual were indicted on charges of counterfeiting stamps and meter imprints to avoid payment for postage sold through the business. Postal Inspectors recovered counterfeit postage, including Express Mail stamps worth $10.75 each and Priority Mail stamps worth $3 each, and the equipment allegedly used to produce them.

Postal Inspectors in Bloomsburg, PA, documented a revenue deficiency of over $6.9 million that resulted when a nonprofit agency included prohibited advertising or promotional items for insurance, travel, credit cards or other products in nonprofit mailings. A total of 817 separate mailings with content violations were identified. An investigation in Glasgow, KY, identified a $480,367 revenue deficiency resulting from the failure of postal employees at Hartford, CT, to detect catalogs included with a publication otherwise eligible for periodical rates (catalogs are ineligible for periodical rates). Management agreed to implement Inspection Service recommendations to regularly schedule rate eligibility reviews of publications and collect the $480,367 revenue deficiency.

In Bowie, MD, a man was sentenced in federal court to 36 months' probation and 2 months' home confinement and was ordered to pay $10,800 restitution for tampering with a postage meter to avoid paying postage for 10 years, an estimated loss of over $95,000. Postal Inspectors discovered the scheme as the result of a lead from finance office employees who regularly sample metered mail. In October 1996, the owner and publisher of a small newspaper was arrested by Postal Inspectors in New York on a complaint filed in U.S. District Court. Inspectors alleged that the publisher underreported approximately 2,000 pieces of mail each month over a one-year period, misrepresented the total number of paid mail subscriptions and claimed a presort discount that he did not qualify for. Total losses to the Postal Service are estimated at $137,789. Also in New York, Postal Inspectors identified eight mailers for revenue deficiencies totaling approximately $70,000, relating to claiming preferred in-country rates they were not entitled to. Inspectors used computerized exception reports to identify the deficiencies.

Postal Inspectors reported the results of 278 revenue investigations during this reporting period, identifying over $32.7 million in revenue deficiencies. Approximately $16.7 million of this amount related to revenue deficiencies identified during reviews of Standard Mail, and $7.3 million related to discrepancies in the Official Mail Accounting System (OMAS).

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 administration of the Federal Employees' Compensation Act (FECA) is handled by the Office of Workers' Compensation Programs (OWCP) of the Department of Labor (DOL). 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 $5.4 billion future liability in workers' compensation claims since Postal Service reorganization in 1971. In the first half of FY 1997, the Postal Service paid injured employees approximately $13.6 million in continuation-of-pay benefits, nearly $88.7 million in medical benefits and about $184.7 million in compensation benefits. Total workers' compensation costs for this period were approximately $287 million.

After a postal employee told her physician in September 1990 that, because of her emotional state, she was unable to enjoy life and could barely get up in the morning, the Office of Workers' Compensation accepted her stress claim for compensation. Postal Inspectors, however, found the employee was attending college since the fall of 1990, had obtained a teaching credential in music, was working on her master's degree and was employed at the library of a public high school — for class credit. Inspectors took this photo of the employee in August 1996 at Knott's Berry Farm, a local amusement park where she held an annual pass, and observed her attending the park five times in two months. Subsequently, compensation benefits for the employee were canceled, at a cost savings of $907,153 to the Postal Service.

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.

DOL regulations require individuals receiving workers' compensation benefits to report outside income, and their benefit payments are reduced accordingly; however, Postal Inspectors continue to uncover incidents of unreported outside income. During this period, for example, a retired postal employee in Rochester, NY, pleaded guilty to making false statements to obtain workers' compensation. Postal Inspectors disclosed he ran a sporting goods store for over 25 years while alleging he was totally disabled by a back injury suffered in July 1971. Other cases involved employees operating general contracting, nursery, used car and auction businesses. One claimant had an application pending to purchase a McDonald's franchise at the time of his arrest for workers' compensation fraud.

Claimants must report self-employment and outside income to DOL, even if it is earned in a family business. In Houston, TX, compensation benefits to a former letter carrier were terminated after Inspectors disclosed the carrier acted as an agent for an auto brokerage company owned by his son. In Westminster, CA, Postal Inspectors revealed an allegedly disabled distribution clerk opened and operated a cafe with her husband. The clerk was supposedly totally disabled from a lower back sprain, but Inspectors observed her working at the cafe, where her duties involved carrying five-gallon buckets of soup. In another instance, DOL terminated compensation benefits after Postal Inspectors revealed a former window clerk in Clearwater, FL, assisted his wife with the daily operation of a beachfront motel.

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. The projected savings of the monthly FECA payment through age 70 is the amount referred to as "cost avoidance." For example, a maintenance technician in Dallas, TX, pleaded guilty to making false statements to obtain workers' compensation benefits after Postal Inspectors linked him to a heating and air conditioning business. In addition to court-ordered restitution of $30,000, the case represents a lifetime savings to the Postal Service of over $708,000.

In many cases, the type of unreported work being performed requires the same body movements that were restricted by the employee's physician. For example, a Buzzards Bay, MA, mailhandler was indicted by a federal grand jury on 17 counts. While allegedly disabled due to a back injury, the man worked as a maintenance worker, operated a dump truck and ran an ice delivery company. Another mailhandler entered a guilty plea in the Southern District of Florida after Inspectors revealed he could bend, stoop, lift and carry heavy objects beyond his alleged limitations; the claimant was active in the sale of antiques and collectibles. In another case, DOL discontinued compensation to a letter carrier after finding she was capable of doing "power walks." In one instance, she walked over five miles without a rest.

Workers' compensation investigations often involve a variety of fraudulent activity. A former employee pleaded guilty to fraud after an investigation by Postal Inspectors revealed she failed to report earnings she received as an independent contractor. In addition, the claimant submitted claims to two insurance companies for prescriptions and services that were already paid by DOL.

The seriousness of workers' compensation fraud may be reflected in the sentencing of convicted individuals. A former New York City letter carrier was sentenced in a Jacksonville, FL, federal court to 13 months in prison and 3 years' probation for workers' compensation fraud. Another former letter carrier was sentenced to eight months in prison and ordered to pay $41,164 in restitution for overpaid benefits. He was working 30 to 35 hours a week and earning $50,000 a year in the Miami area while claiming total disability. Following another investigation by Postal Inspectors, a clerk from Corpus Christi, TX, was sentenced to six months' probation after receiving workers' compensation benefits since 1973. While claiming total disability, the claimant owned and operated two convenience stores, trained quarter horses for profit and sold real estate.

In other instances, Postal Inspectors uncover 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 former Van Nuys, CA, postal supervisor was arrested for FECA fraud after an Inspection Service investigation disclosed she received a higher rate of compensation for claiming she was married with a dependent. Actually, the claimant was divorced and claimed her nephew as a dependent. She also misrepresented her physical condition.

Individuals receiving workers' compensation have an obligation to work, if able, within the medical restrictions set by their physicians. The Postal Inspection Service assists the Postal Service in locating claimants who may be able to work, thus facilitating the employees' return to their jobs. In Albany, NY, after a clerk was observed selling cotton candy and operating a concession business, she accepted a limited-duty job offer and returned to work at the Postal Service, representing a lifetime savings of $725,088. In similar cases, employees with back, knee and wrist injuries were found exceeding their medical limitations and subsequently agreed to return to employment with the Postal Service. The lifetime cost-avoidance savings for these employees is over $3.8 million.

Applicants for employment with the Postal Service who fail to disclose prior injuries may be subject to administrative or criminal action. A former employee in New Jersey, for example, who is a U.S. Air Force Reserve lieutenant colonel, was found guilty by a federal jury for making false statements. The fraudulent statements allowed the employee to obtain full compensation payments from DOL for a back injury he sustained while on active duty with the Air Force.

The workers' compensation program is also subject to abuse by individuals outside the government. The vast majority of medical providers used by postal employees injured on the job have the best interests of their patients at heart; however, 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, one investigation involves a therapist with a Ph.D. who allegedly billed both the claimant and DOL for the same services.

Postal employees who have a responsibility to administer the FECA program may be subject to administrative or criminal action if they fail to perform their duties properly. During this reporting period, a postmaster was reduced in grade and voluntarily forfeited certain pay and benefits for failing to properly report on-the-job injuries and process completed DOL forms as required.

Postal Inspectors conducted 330 workers' compensation fraud investigations this reporting period and identified 173 individuals for workers' compensation violations. Also during this period, the Postal Inspection Service saved the Postal Service approximately $47 million in cost avoidance through its workers' compensation investigations.

Tort Investigations

The Postal Inspection Service routinely provides investigative attention to tort claims received by the Department of Justice or the General Counsel's Office of the Postal Service. Based on Inspection Service reports, visual surveillance and interviews of involved individuals, claims are adjudicated, often minimizing the Postal Service's potential liability. In other instances, courtroom testimony by Postal Inspectors may be required to establish that the injuries sustained were not as disabling as alleged.

For example, Postal Inspectors were asked to investigate a $2 million tort suit filed against the Postal Service. The case involved a motor vehicle accident that occurred when a Postal Service truck collided with the rear end of a plaintiff's automobile. Based on an investigation by Postal Inspectors, the court instead ordered the Postal Service to pay the plaintiff a total of $151,322.23. In Miami, Postal Inspectors investigated a $5 million personal injury tort claim filed against the Postal Service and documented activities they found were inconsistent with the alleged limitations. As a result, the plaintiff's award was reduced to $77,000.

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 Postal Inspection Service uses 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 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. The statute allows federal agencies to protect their programs from fraud. Program fraud cases are 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, 5 PFCRA cases were referred to the Civil Practice Section for administrative action.

For example, Postal Inspectors investigated a publishing company that mailed advertising booklets as Standard, permit imprint mail. Postage for permit imprint mail is calculated by weighing the mail and verifying the weight on the customer's paperwork. Over a period of several months, Inspectors found the publishing company was entering weight totals that were about one-third less than what was mailed. The customer told Inspectors the postage was paid at another post office, but there was no evidence of such a payment. After a PFCRA claim was filed against the customer, the company repaid the Postal Service $22,800.

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 36 new postage stamp designs. The designs included adhesive and pressure-sensitive stamps in sheet and booklet forms. During this period, the first linerless pressure-sensitive coils for consumers and commercial mailers were introduced.

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

The value of finished products is not the only concern of the Postal Inspection Service. Waste material at contractors' sites must also be carefully controlled to protect Postal Service revenue and the integrity of issued stamps. Current printing contracts require extensive security and accountability, and Postal Inspectors routinely check contractors' adherence to the 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.

In mid-December, Postal Inspectors arrested a former printing contractor, charging 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 alleges the stamps were removed from the printing plant rather than destroyed, which is the standard procedure for misprinted material. Since the stamps were not acquired through a proper postal transaction, they are considered stolen government property. The commemorative stamp was formally issued on April 26, 1995. A total of 141 of the stamps were resold for $800,000, and efforts are underway to recover the stamps. In Philadelphia, Postal Inspectors arrested a man responsible for the theft of $144,000 in unissued postage stamps.

Preserving

Preserving the Integrity of the Postal System

The United States Postal Service is the world's largest postal system. Customers rightly take for granted that a letter correctly addressed and mailed will be properly delivered. Today's Postal Service is in the communications business, competing with other companies and technologies for the opportunity to deliver America's messages. Its future success depends on its ability to become more businesslike and competitive. It is the job of the U.S. Postal Inspection Service to add value to postal services, including ensuring the security of items entrusted to the U.S. Mail.

While the internal audit program addresses the financial security and timely delivery of the mail, Inspection Service criminal investigations target violators of statutes intended to protect postal customers, the Postal Service and its employees from those who would compromise the integrity of the mail system. Postal Inspectors investigate the theft or mistreatment of mail by outsiders or postal employees. Misuses of the mail system that compromise the public's trust can be fatal, such as the mailing of bombs, or emotionally devastating, such as the false promise of a miracle health cure by a mail-fraud scam artist.

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

Despite technological advances in the electronic transfer of financial data, the U.S. Mail remains a primary pipeline for transporting financial information and devices — a fact well understood by criminals. Mail theft activity, particularly by organized groups, continues to present a risk to the nation's mail security. Postal vehicles, mail collection boxes, apartment and neighborhood delivery units (also called "cluster boxes"), and residential mailboxes are all attractive targets for these groups. Nationally, volume losses of mail are up 62 percent compared to the same period last year. More resourceful criminals may recruit company mailroom employees, airline or contract baggage handlers, postal employees or juveniles to act as their sources for stolen mail. Still others divert mail to addresses under their control by submitting false changes of address.

During this reporting period, theft by airport employees at airport mail facilities experienced a reduction, compared to the same period last year. The Postal Inspection Service credits the reduction in airport thefts to increased prevention efforts resulting from our working partnerships with the airlines and improved employee screening requirements. While an improvement can be seen in the reduced thefts at airports, these thefts still occur. A recent case in Miami resulted in the arrest of two airline subcontractor employees and the recovery of 976 Treasury checks valued at over $1 million. At the Los Angeles International Airport, a container of registered mail was stolen by several airline employees. An Inspection Service investigation disclosed that the employees were also responsible for the theft of a second container of registered mail a few weeks earlier.

Investigations of criminal enterprises, particularly groups of Nigerian nationality, consume a large portion of Inspection Service enforcement resources. Nigerian nationals, responsible for the theft of mail and related offenses, were arrested in a number of U.S. cities, including New York, Chicago, Miami, Philadelphia, Atlanta, Newark, Houston, San Francisco, Washington, DC, Jacksonville, New Orleans, Tampa, Boston and Gary, IN. A sampling of significant cases involving Nigerians follows.

Nine people, including a man on prison furlough (stemming from a credit card fraud conviction), were arrested by Postal Inspectors in Houston for a scheme centered on the theft of credit cards from apartment mailboxes. In San Francisco, three Nigerians were arrested in a credit card fraud scheme that involved one suspect who stole financial transaction instruments at an institution's mailroom; the other two used personal identifier information taken from hospital records to activate stolen credit cards.

Nigerian mail theft and credit card fraud activity often supports narcotics distribution activity. In Chicago, Postal Inspectors, agents from the Federal Bureau of Investigation, agents from the Immigration & Naturalization Service and Chicago police arrested six Nigerians and executed search warrants on numerous sites in connection with credit card fraud and narcotics investigations. Inspectors found that a Nigerian group was using proceeds realized through credit card fraud activity to finance narcotics trafficking. A huge amount of money may be obtained through credit card fraud: Inspectors participating in the South Florida Organized Fraud Task Force assisted in the arrest of 32 Nigerians suspected of working in a credit card fraud ring responsible for financial losses of at least $1.5 million.

The Inspection Service recognizes the financial impact of Nigerian criminal enterprises on the Postal Service and its customers. It has combined resources with other federal and local law enforcement agencies to form task forces in 10 U.S. cities to disrupt ongoing criminal operations. In addition, the Inspection Service is a member of and participates in the multi-agency Nigerian Criminal Enterprises (NCE) Working Group.

Russian organized crime is another foreign criminal enterprise responsible for significant mail theft activity, particularly in New York. Postal Inspectors arrested four individuals involved in negotiating $225,000 in U.S. Treasury checks, stolen from letter carrier carts in south Brooklyn. Two other individuals, also arrested in New York, were responsible for stealing mail from at least 10 postal depository mailboxes. One of the two men was a mail theft recidivist — arrested on three prior occasions for the same offense.

Criminal operatives have increasingly recruited others to steal mail or otherwise further their fraud schemes. In many cases, these "recruits" are young people. In Boston, four individuals, including two juveniles, were arrested after Postal Inspectors observed them going from mailbox to mailbox in at least four Massachusetts towns. Search warrants executed on their residence resulted in the recovery of 165 stolen credit cards. Juveniles from San Juan, PR, were recruited to pretend to deliver flyers for a local supermarket. While placing the flyers in mailboxes, they removed government checks. As much as $60,000 a month in checks was stolen before Postal Inspectors disrupted the scheme.

The Postal Inspection Service is also proactive in identifying measures to prevent theft and the fraudulent use of financial transaction devices sent through the mail. The Credit Card Mail Security Initiative is the best example of these efforts. The Inspection Service works closely with mailers to develop measures to make mail more secure and less attractive to criminals. Various other programs and working groups established through this project have been successful in reducing credit card fraud losses over the past several years. The newest working group formed in conjunction with this initiative is examining issues that relate to identity takeover schemes. The group is developing measures to protect consumers, financial institutions and the Postal Service from the impact of these schemes. The Inspection Service has formulated a similar initiative for the mail-order industry. The "Confidence in the Mail" group is examining measures to reduce theft and fraud among the many companies using the U.S. Mail to ship merchandise.

An example of a sophisticated scheme involving the "theft" of identities of credit-worthy individuals was investigated by Postal Inspectors in New York and investigators from the district attorney's office. Fifteen individuals were arrested in a scheme involving the unauthorized use of credit information and fraudulent credit card applications. Losses to the issuing banks topped $1.8 million. As is often the case, a string of commercial mail receiving agencies (CMRAs) throughout the area were used to receive the mail.

Registered mail containing postal remittances and customers' registered mail has been an increasingly popular target of mail thieves in the last several years. As a result, the Postal Service has changed its methods of handling registered mail during highway transportation. The new procedures require highway contract route (HCR) drivers to sign for registered mail and then obtain a clearance when turning in the mail to its destination post office. Also, a "Nil-Bil" system is being implemented, which requires verification of receipt for each registered mail pouch on designated transportation routes. Training was provided in January 1997 for both postal managers and Inspectors working to implement the new procedures.

Some examples of registered mail losses include the identification in December 1996 of an HCR driver in Van Nuys, CA, for stealing over $15,471 in postal remittances. In November 1996, an HCR driver in New Cuyama, CA, was identified for the theft of a register remittance containing $3,285; and in December 1996, a register destined for Riviera Beach, FL, containing $2,766, was stolen by an HCR driver. The driver was also suspected of stealing three other registered mail remittances that were dispatched on his route and never received.

Investigative and preventive efforts directed at postal money order violations continue to be aggressively pursued. During this reporting period, 14 counterfeit money orders and 542 altered postal domestic money orders were reported, as compared to 8 counterfeit and 372 altered money orders identified during the same period last year.

Criminals continue to work to defeat the improved versions of money orders. Three individuals were indicted on January 8, 1997, for their roles in defrauding banks by means of altered postal money orders. Two of the individuals arrested served time at the prison in Parchman, MS, where money order altering was on the rise until Inspection Service prevention and security efforts curtailed the problem.

Mail Theft and Miscellaneous Crimes by Employees

It is both a legal obligation and a business necessity for the U.S. Postal Inspection Service to protect the sanctity of the mail. Postal Inspectors are committed to reducing mail theft to maintain the public confidence in the Postal Service. Crimes committed by postal employees, such as stealing or destroying letters or parcels, negatively affect the public's trust in the U.S. Postal Service and generate extra costs to the Postal Service through indemnity claims and other costs. The Postal Inspection Service is currently working with major mailers to prevent mail theft and identify theft at an early stage to significantly reduce its effects on customers. The Credit Card Mail Security Initiative and the Confidence in the Mail Initiative, mentioned in earlier sections of this report, are examples of the work of the Inspection Service to prevent mail theft.

The Postal Inspection Service is aggressively working to reduce losses in the mailing industry, especially by working with major mailers. During this reporting period, Postal Inspectors in Philadelphia found that a postal mailhandler was rifling parcels shipped by a major mailer for a shopping network; the employee admitted to rifling over 500 parcels in just two months. Inspectors also identified a mailhandler at another Philadelphia area facility stealing parcels shipped by other major mailers. Federal prosecution is anticipated in both cases.

In a case investigated by Postal Inspectors in North Hills, CA, a temporary clerk was sentenced to 18 months in prison for stealing over 100 credit cards, resulting in a greater than $250,000 loss for a California bank. In the Los Angeles area, Postal Inspectors identified a supervisor, a clerk and a mailhandler for stealing credit cards from the mail at the Santa Clarita Processing & Distribution Center (P&DC).

A former expediter at the Atlanta P&DC was found guilty in federal court of stealing $18,308 in food stamps. Since his arrest in June, food stamp losses in south Georgia dropped significantly. A Kansas City, MO, clerk was also convicted on charges of mail theft after Inspectors found he stole from the mail more than $20,000 in food stamps. In another case, a clerk at the Atlanta Airport Mail Center was apprehended stealing cash from Express Mail packages. He admitted to stealing for the past five months, and had $2,500 in cash from such thefts at the time of arrest. A former clerk at the Nashville Airport Mail Facility had been stealing credit cards from the mail since 1994 and supplying them to an Atlanta-based Nigerian credit card ring. He was sentenced to 33 months in prison, 3 years' probation and immediate deportation upon his release from prison; he was also ordered to pay $492,805 in restitution.

Postal Inspectors in Cleveland solved a complex case in which mail was stolen from collection boxes with no visible means of entry. Through the use of hidden cameras, Inspectors identified, and later caught in the act, a motor vehicle service (MVS) driver who was using a collection/relay box key to steal mail in the middle of the night. In Philadelphia, a postal clerk pleaded guilty to three counts related to the theft and fraudulent use of $2.5 million in checks, credit cards and other negotiable items stolen from the mail. The clerk was sentenced in January 1997 to one year and three months' imprisonment and three years' supervised release and was ordered to pay a $5,000 fine.

Even registered mail, the most secure service offered by the Postal Service, is not immune to attack. A postal custodian in the Miami area was indicted in federal court for the theft of a $290,248 registered postal remittance. When interviewed by Postal Inspectors, they found him in possession of heroin while on postal property. In Kansas City, MO, a registered mail clerk was identified as responsible for multiple thefts of registered mail between September 1996 and March 1997, resulting in losses of more than $350,000 in postal remittances. In Lafayette, LA, a casual employee admitted to stealing over $281,000 since January 1997. Postal Inspectors recovered $8,370 from his apartment.

Delay and destruction of mail continues to be a problem. A Washington, DC, letter carrier was identified for theft, rifling and delay of mail. Postal Inspectors recovered the following from an apartment abandoned by the carrier: rifled First-Class Mail, five trays of letter mail, three tubs of Standard Mail flats, three tubs of Periodicals, 22 First-Class flats and three parcels, all of which were dated from March through May 1996. Postal management suspended the carrier, and prosecution is pending.

At a postal station in New York, Inspectors arrested a postal supervisor for the delay and destruction of 2,800 pieces of First-Class Mail, 130 Periodicals, 4,300 pieces of Standard Mail and 900 pieces of political mail. The employee reportedly explained she was overwhelmed with work and under pressure from her managers to keep up. In a case reminiscent of a recent Washington, DC, incident, Postal Inspectors searching the residence of a recently removed Milwaukee letter carrier recovered approximately 890 pounds of mixed classes of undelivered mail dating back to 1993. The recovery operation was hampered by an infestation of insects and human excrement covering a portion of the mail. The carrier had been removed from service as a result of a prior Inspection Service investigation of delivery irregularities.

In Cornelius, NC, Postal Inspectors found that a postmaster was discarding deliverable mail in the post office dumpster before the clerks sorted it. At the time of their investigation, Inspectors recovered 1,056 pieces of deliverable mail. Postal Inspectors in Boston arrested a letter carrier with 17 years of service for the delay or destruction of several thousand pieces of Standard Mail and a few pieces of First-Class Mail. A Lockport, NY, full-time letter carrier admitted to delaying a large amount of mail over the past year. Postal Inspectors recovered from him 3,672 pieces of mail, including 1,647 pieces of political campaign mail. The U.S. Attorney accepted the case for prosecution.

During this reporting period, 501 employees were identified for theft, delay or destruction of mail.

Mail Bombings

The Postal Inspection Service considers mail bomb investigations a top priority because of the danger these devices present to both postal customers and postal employees. Such recent events as the letter bombs allegedly mailed to this country from Alexandria, Egypt, the investigation and speculation surrounding the tragedy of TWA Flight 800, and the Oklahoma City bombing have heightened the concern of postal customers, government agencies and postal employees.

To address these concerns and better protect the public, the Postal Inspection Service has stepped up its efforts to educate postal customers and employees on how to identify parcels that should be deemed suspicious. As a result of these preventive measures, Postal Inspectors across the country are responding to an increasing number of calls regarding suspicious parcels. During the first six months of FY 1997, Inspectors reported 1,022 such calls, compared to 399 during the same period last year.

Over the last five years the Inspection Service has investigated an average of 16 mail bombings per year nationwide; in the first half of FY 1997, 18 bombs were known to have been sent through the U.S. Mail.

Twelve of the 18 bombs mailed during this reporting period allegedly originated from Alexandria, Egypt, with destinations in Washington, DC; New York, NY; and Leavenworth, KS. Postal Inspectors responded to this rare and sudden wave of terrorism, screening thousands of letters and recovering two of the letter bombs in the mailstream prior to their delivery. Fortunately, each of the 12 bombs was properly identified as suspicious and handled accordingly before inflicting personal injuries and damage. The Postal Inspection Service is continuing to work with members of the Federal Bureau of Investigation's Terrorist Task Force in this ongoing investigation.

Training and equipment provided to Postal Inspectors allow for prompt response to customers and employees to protect them from the threat of a bomb explosion. Inspectors are trained to recognize the common characteristics of mail bombs and are proficient in the use of X-ray equipment to identify the contents of suspicious parcels. These efforts make the Postal Service a safer place to work and help instill confidence in its customers.

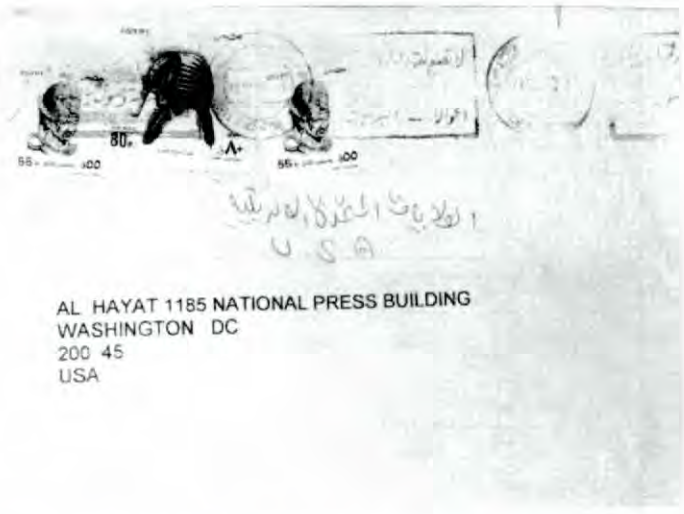
The Postal Inspection Service operates a state-of-the art National Forensic Crime Laboratory, and its highly trained technicians are an important part of conducting mail bomb investigations. Well-trained Inspectors and forensic experts are key to the successful prosecution of those responsible for mailing these deadly devices. Inspectors and laboratory technicians take extraordinary steps when processing mail bomb crime scenes, seeking clues that will lead them to the bomber.

Postal Inspectors and crime laboratory technicians were recently praised for their assistance in an investigation of an Air Force officer who sent a mail bomb to his wife at her Millbrook, AL, home in September 1995. The Assistant U.S. Attorney commented on the level of dedication and professionalism demonstrated by Postal Inspectors and technicians throughout the investigation, in which a guilty plea was secured from the defendant.

This past February in an Alabama state court, a defendant was given the death penalty for the 1989 mail bomb sent to a United States Circuit Court judge at his residence, killing the judge and severely injuring his wife. The case was the result of a joint investigation by Postal Inspectors, the Federal Bureau of Investigation (FBI) and the Bureau of Alcohol, Tobacco and Firearms (ATF).

In Clifton Park, NY, Postal Inspectors, New York State Police investigators and special agents of the ATF solved a tragic bombing incident involving a parcel disguised to look as though it had been delivered through the mail. The parcel, which was actually placed in a family's mailbox on Christmas eve, exploded and injured a 10-year-old girl as she opened it that evening. A suspect identified in the case is now deceased, an apparent suicide.

Postal Inspectors continue to investigate explosive devices placed in customers' mailboxes and postal collection boxes. While some devices placed in mailboxes are intended as pranks, those made from dry ice, pipes or chemicals may inflict substantial property damage, severe bodily injury and even death. Postal Inspectors investigated 107 such incidents so far this year.



Shown here is one of the 12 letter bombs allegedly mailed from Alexandria, Egypt, to the office of an Arabic newspaper in Washington, DC, and addresses in New York and Leavenworth, KS. Postal Inspectors screened thousands of letters and recovered two of the letter bombs in the mailstream prior to their delivery. Fortunately, every one of the 12 bombs was properly identified as suspicious and handled accordingly without personal injury or damage.

Child Pornography and Sexually Oriented Advertisements

Child Pornography

Child pornography and the sexual exploitation of children continue to be serious problems plaguing society. The rapid growth of computer ownership and use of the Internet have resulted in new sources, markets and even access to children for the child sexual abuser. Offenders who communicate on-line or via e-mail frequently use the U.S. Mail to exchange child pornography, assuming it to be a safe haven for the reliable and anonymous mail trafficking of this illicit material.

The U.S. Postal Inspection Service has long been recognized as a leading law enforcement agency in the battle against those who sexually exploit children through the production and distribution of child pornography. Since the passage of the Child Protection Act of 1984, Postal Inspectors have conducted over 2,800 investigations, resulting in the arrest and conviction of more than 2,450 individuals who relied upon the U.S. Mail to distribute and receive child pornography. In the first six months of FY 1997, Postal Inspectors arrested 71 individuals, and 98 were convicted as a result of Inspection Service investigations of child pornography.

A Maryland man pleaded guilty on March 21, 1997, after his arrest by Postal Inspectors and U.S. Customs agents for mailing videotapes of child pornography into the United States. The suspect's mailings and related sexual activities were reported by a young man who had been molested by the suspect, his former camp counselor. Tragically, both the young man who reported the suspect and his older brother, who was also sexually molested by the defendant, committed suicide.

In January 1997, a defendant who used the Internet and U.S. Mail to traffic in child pornography was convicted in a Maryland federal court on child pornography charges. State prosecutors are also pursuing rape charges against the defendant, stemming from videotaped movies recovered by Postal Inspectors that depicted the defendant sexually abusing preteen and teenage girls he befriended as a coach.

A husband and wife were sentenced in an Alabama federal court in March 1997, to 135 months and 51 months' imprisonment, respectively, after Postal Inspectors charged them with using the U.S. Mail in violation of child pornography statutes. The judge cited a pattern of activity involving the sexual exploitation of a child in handing out the sentences. The couple had pleaded guilty after three of the children they sexually exploited, including a rape victim, stepped forward to testify against them. A similar case in Indiana resulted in imprisonment for a man who sexually molested three female victims between 15 and 16 years old.

In October 1996, a man was sentenced in an Alabama state court to four life sentences for rape, sexual abuse and possession of obscene material involving children under the age of 17. The sentence followed his federal conviction and sentence of 20 years' incarceration on child pornography charges brought by Postal Inspectors. The defendant, who had formulated plans to kidnap and rape a child, burglarize children's homes and commit violence, will begin serving his life sentences after completing his federal sentence.

In addition to enforcing federal laws proscribing the use of the U.S. Mail as a conveyance to distribute or receive child pornography, the Postal Inspection Service continues to be actively involved, both nationally and internationally, with initiatives aimed at curbing the sexual exploitation of children.

On the national level, the Postal Inspection Service has an active role as a member of the Federal Agency Task Force for Missing and Exploited Children, which includes members of the Morgan P. Hardiman Task Force. The mission of the task force is to coordinate federal resources and services to effectively address the needs of missing and exploited children. The task force recently produced and distributed a directory of the many services, programs, publications and training opportunities that are available to address issues of child sexual exploitation, child pornography, child abductions and missing children cases.

Internationally, the Postal Inspection Service has played an important role in Interpol's Standing Working Party on Crimes Against Minors since the group's founding in 1991. Postal Inspectors regularly make presentations and provide training on child sexual exploitation issues to delegates from other countries.

For over 200 years, Postal Inspectors have protected the mail and U.S. citizens, ensuring that the public's confidence in the U.S. Mail is not undermined. In this regard, the Postal Inspection Service remains committed to aggressively pursuing individuals who use the U.S. Mail to traffic in child pornography and perpetuate the sexual exploitation of children. Moreover, the needless suffering and loss of the young men and women affected by these crimes underscore the value of the work of the Inspection Service in this area.

Sexually Oriented Advertisements

To respond to customers' concerns about unsolicited, sexually oriented advertisements (SOAs), the Postal Inspection Service implemented a new form, 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 SOAs or pandering materials.

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.

UNITED STATES POSTAL SERVICE

Application for Listing and/or Prohibitory Order

There is something you can do about unwanted sexually oriented advertising in your mail.

Here's what to do if you wish to apply for a Prohibitory Order against a particular mailer whose advertising offers to sell matter you consider erotically arousing or sexually provocative.

- Complete the Application for Prohibitory Order section on page 2.
- If applicable, complete the Information About Your Children section, providing full names and birth dates.
- Provide mailer information.
- Sign and date the application in the Authorization section and submit it with the offending mailpiece (which must be delivered to any post office. Keep pages 1 and 3 for your records.

When your application has been processed, we will send you information about the effective date of your order and the procedure for reporting a violation of your protected status.

The Prohibitory Order program provides a deterrent to continued mailings by a specific mailer advertising a product or service you consider extremely arousing or sexually provocative. Your Prohibitory Order would be violated if, 30 days or more after receiving it, the mailer sends you any further mail.

Here's how to be placed on the Postal Service's list of those not wishing to receive sexually oriented advertisements through the mail.

- Complete the Application for Listing section on page 2.
- If applicable, complete the Information About Your Children section, providing full names and birth dates.
- Sign and date the application in the Authorization section and submit it to any post office. Keep pages 1 and 3 for your records.

When your application has been processed, we will send you information about the effective date of your listing and the procedure for reporting a violation of your protected status.

The prohibitory list provides a deterrent to the mailing of unsolicited sexually oriented advertisements to protected persons. It would be a violation of your protected status if anyone mailed such a mailing to you when your name and address have been on the list more than 30 days.

The Postal Inspection Service issued a new version of a form, shown at left, that simplifies the process for customers wishing to file a notice with the Postal Service to stop delivery of sexually oriented advertisements or pandering materials.

Forfeiture

Forfeiture provisions exist under a number of federal statutes for which the Postal Inspection Service has jurisdiction. The statutes include:

- narcotics trafficking
- financial crimes, including:
  - –money laundering
  - –FIRREA (Financial Institutions Reform, Recovery and Enforcement Act of 1989)
  - –RICO (Racketeering Influenced Corrupt Organization Act)
- child pornography
- SUAs (specific unlawful activities), including:
  - –mail theft
  - –mail fraud

Through the use of forfeiture, the Postal Inspection Service effectively hinders profit-motivated crimes such as mail fraud, money laundering and narcotics trafficking through the U.S. Mail. As a result of an Inspection Service investigation in Michigan, two defendants pleaded guilty to RICO charges and agreed to forfeit a total of $12 million. The defendants, along with three other individuals, also pleaded guilty to various health care fraud charges for their involvement in a scheme causing over $25 million in losses to the Medicare Program. Operators of the scheme, which marketed supplies to nursing homes nationwide, received Medicare reimbursements for health care products they never provided and for products that were not reimbursable or were considered unnecessary. Other significant cases involving asset forfeiture are highlighted in the "Narcotics" and "Use of the Mail to Defraud" sections of this report, following this section.

Because forfeiture is such a powerful sanction, Congress has recognized the potential for its misuse and continues to create legal safeguards to protect the rights of the individual. The Postal Inspection Service shares this concern and places a high priority on its training efforts to ensure the judicious application of forfeiture statutes. Postal Inspection Service policy is designed with 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. Inspector-Attorneys and Forfeiture Specialists meet regularly to ensure that Inspection Service forfeiture policies and procedures are in tune with recent legal decisions and the Department of Justice's policies and procedures. Moreover, a comprehensive quality review program is in place to monitor and enforce strict compliance with established Department of Justice and Postal Inspection Service requirements.

The Postal Inspection Service is an active participant of the Department of Justice's equitable sharing program. The Inspection Service shared $8.9 million in forfeited assets during this reporting period 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

Postal Inspectors led a federal task force that executed 16 search warrants in Orlando, FL, on a cocaine- and heroin-by-mail trafficking organization. Nineteen members of the smuggling ring were arrested, and seizures included $17.9 million in cash and certificates of deposit. The case began in February 1996, when Inspectors in San Juan, PR, interdicted two Express Mail parcels containing $176,000 in cash and a third Express Mail parcel containing two kilos of cocaine. Above, a Postal Inspector counts some of the money seized at the beginning of the investigation; at right, $4.5 million seized from a suspect's residence in Ft. Meyers, FL.

available due to budget constraints, particularly at the local level. The Postal Inspection Service also received $2.6 million in equitable shares from other federal and local law enforcement agencies for contributions to joint cases. These figures are much higher than our normal sharing activity over a six-month period due to the equitable sharing of $9.3 million, which was forfeited in FY 1996 from two investment firms (see the *Semiannual Report*, FY 1996, Volume 1, page 38). The Department of Justice authorized the distribution of the equitable shares during this reporting period. As the lead agency for the forfeiture aspects of this task force investigation, the Inspection Service was responsible for processing the distribution of the shares.

In addition to the ability to share and receive property and proceeds through the equitable sharing process of the Forfeiture Program, as a direct result of Inspection Service seizures, assets such as vehicles and electronic equipment are placed into official law enforcement use. Further, forfeited funds are used to purchase items for law enforce-

ment use such as weapons and data base services. Any funds remaining after the disbursements are turned over to the postal forfeiture fund to supplement the Postal Service's law enforcement responsibilities. A total of $3.6 million was deposited into the postal forfeiture fund during this period.

During this reporting period, the Postal Inspection Service initiated 243 seizures and secured 140 forfeitures. While forfeiture activity transcends almost all areas of the Inspection Service's investigative activity, a significant number of forfeitures are related to money laundering and narcotics violations.

Money Laundering

In 1986, Congress enacted and revised several statutes for prosecuting money laundering offenses and forfeiting property involved in such offenses. Further revisions in 1988 directed the Postal Service to enter into an agreement with the Department of Treasury to ensure a coordinated effort into 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 the Postal Inspection Service additional tools to prevent the unwitting involvement of the Postal Service in money laundering schemes.

The Postal Inspection Service has conducted numerous investigations aimed at eliminating money laundering since the statutes were enacted. In January 1997, a defendant was convicted in Louisiana federal court on 29 counts of mail fraud, wire fraud and money laundering for an advance-fee loan scheme that defrauded over 20 victims of more than $1 million. The defendant charged victims advance fees as collateral for loans; however, no loans were funded, and the defendant used his victims' money to further the scheme and moved the money within different accounts to hide the source of the funds.

The Postal Inspection Service works with DEA, IRS, the Federal Bureau of Investigation (FBI) and U.S. Customs Service (Customs) to target drug-related, postal money order laundering activities through participation 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 data bases maintained at FinCEN.

In addition, a multi-agency task force, the Interagency Coordination Group (ICG), was made operational this reporting period. Comprising members of the 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 majority of Inspection Service money laundering investigations are related to the laundering of narcotics proceeds. The following section highlights other significant investigations and initiatives in this area.

Narcotics and Other Prohibited Mailings

A major goal of the Postal Service is to ensure the safety of employees. To help achieve this, Postal Inspectors investigate the illegal mailing of injurious articles such as controlled substances, weapons and hazardous materials.

The most common nonmailable items are controlled substances. The primary objectives of the Postal Inspection Service are to rid the mail of illegal narcotics and prevent violence associated with drug trafficking. Postal Inspectors accomplish this through interdictions and seizures and by dismantling illicit drug-mailing organizations. Postal Inspectors, working with other law enforcement agencies, arrested 911 individuals for trafficking drugs and laundering drug money via the U.S. Mail during this reporting period. Additionally, Inspectors seized over $20.1 million in drug proceeds, 64 weapons, 46 vehicles and 9,470 pounds of illicit narcotics.

During this reporting period, the Postal Inspection Service initiated a long-term attack to cripple the organized mailing of narcotics from southern California. An intensive drug interdiction was conducted at seven mail processing facilities in the Los Angeles basin and San Diego. Postal Inspectors seized 764 parcels containing 5,599 pounds of marijuana, over $1.2 million in cash, 33 pounds of cocaine, 14 pounds of methamphetamine and 2 pounds of PCP. Seventy-five members of drug-mailing gangs were arrested. Three members of a large-scale ring, responsible for the distribution of over 1,200 pounds of marijuana via Express Mail from Los Angeles to destinations throughout the United States, received sentences ranging from 37 months to 100 months in federal prison; a fourth member was sentenced to 12 months of electronic monitoring.

On November 19, Postal Inspectors, Orlando police and special agents from the Drug Enforcement Agency (DEA) and Internal Revenue Service (IRS) executed 16 federal search warrants in Orlando, FL, on a cocaine- and heroin-by-mail trafficking organization. Nineteen members of the organization were arrested. Forfeiture seizures included $17.9 million in cash and certificates of deposit, 8 houses, 16 vehicles and 5 watercraft. The case began in February 1996, when Inspectors in San Juan, PR, interdicted two Express Mail parcels containing $176,000 in cash and a third Express Mail parcel containing two kilos of cocaine. The organization imported in excess of 1,000 kilos of cocaine and several kilos of heroin into the United States via Express Mail and other smuggling techniques.

On January 22, San Francisco Division Postal Inspectors arrested four members of a "methamphetamine-by-mail" distribution ring, bringing the total arrested in the group to 33. The ring was responsible for stealing credit cards from the mail and mailing six kilos of methamphetamine and cocaine a month.

The mixture of mail theft, mail fraud, narcotics crimes and money laundering by criminal rings is not unusual. In January, five members of a ring pleaded guilty in Maryland to charges related to the laundering of several million dollars from the United States to Nigeria. The ring was involved in credit card fraud, bank fraud, mail fraud, narcotics trafficking and money laundering. Assets to be forfeited include three homes, four cars and $14,000 in cash. A total of 14 individuals were indicted in this ring, and 6 have pleaded guilty.

Postal Inspectors monitor international mail records for indications of drug money laundering. In January 1997, a former New York City letter carrier and a member of a Colombian cocaine drug-trafficking organization pleaded guilty in a New Jersey federal court for conspiracy to launder $2.6 million via Express Mail from New Jersey to Colombia, South America. The defendants, who will remain incarcerated until their April 1997 sentencing, were arrested by Postal Inspectors as they mailed two drug money parcels at the North Bergen Post Office in Newark, NJ. Newark Postal Inspectors seized a total of 22 parcels containing $332,988 of drug proceeds mailed in Newark and destined for Colombia, South America. The Postal Inspection Service is forfeiting the cash.

Parcel squads, comprising Postal Inspectors and local police officers, have been established in several cities throughout the United States, most recently in the Bronx, NY. Postal Inspectors take the lead in investigations involving the U.S. Mail, while local police lead private courier investigations. Intelligence is shared, since traffickers often shift between using the mail and employing private couriers to transport drugs and drug-related proceeds.

Postal Inspectors participate in activities of the Office of National Drug Control Policy (ONDCP) and the Organized Crime Drug Enforcement Task Force (OCDETF). During this reporting period, Postal Inspectors assisted ONDCP to develop the Clinton administration's strategy in response to Propositions 200 and 215, regarding the use of illegal narcotics for medicinal purposes. The U.S. Postal Service has pledged to continue to aggressively pursue the detection and seizure of Schedule I controlled substances trafficked via the U.S. Mail, and to arrest those using the mail to distribute Schedule I drugs. Postal Inspectors also attend monthly OCDETF meetings of the Washington Agency Representatives Group (WARG) and investigate OCDETF cases related to the U.S. Mail. One such investigation involved the organized gang mailing of crack cocaine from the Los Angeles, CA, area to Indianapolis, IN. Two gang members entered guilty pleas in an Indiana federal court to cocaine distribution charges. One defendant was sentenced to 135 months in prison and 10 years' supervised release and was fined $5,000, and the second defendant awaits sentencing.

The mailing of illegal weapons is also of concern to the Postal Inspection Service. During this reporting period, Postal Inspectors reviewed a sampling of mail destined for Puerto Rico as part of an overall law enforcement effort to reduce escalating violence from narcotics trafficking. As a result, San Juan Inspectors seized seven Express Mail parcels containing eighteen 9mm semiautomatic firearms and one .45-caliber pistol.

Postal Inspectors continue to work cooperatively with the U.S. Department of Agriculture, California Department of Agriculture, and Hawaii Department of Agriculture to deter the mailing of diseased plants and plant pests. During this reporting period, Postal Inspectors worked with these groups to enhance postal regulations governing agricultural inspections. In conjunction with the California Department of Agriculture, the Inspection Service sponsored development of a training video for postal employees on how to identify suspect parcels for inspection by county and state agriculture personnel.

Use of the Mail to Defraud

Postal Inspectors have been fighting consumer fraud since the mail fraud statute was first enacted in 1872. The company name, address and "product" may change, but con artists take advantage of the state of the economy and current trends to adjust their schemes accordingly. Because it is essential that customers have confidence in the U.S. Mail, Postal Inspectors are intent on preserving the integrity of the mail through vigorous law enforcement, public education and crime prevention efforts. With today's fast-paced society and modern technology, the magnitude of mail fraud schemes is much greater and impacts more people than ever. Postal Inspectors, with the aid of consumers, consumer groups, other law enforcement agencies and industry partners, work to stay abreast of the latest schemes.

Montana Freemen

A recent scheme targeting financial institutions is the production and distribution of bogus "comptroller warrants" to pay off debts. Members of a Montana group, who refer to themselves as "Freemen," initiated the scheme and passed on the idea to others via training sessions. On March 10, 1997, the ringleader of a southern California faction of the Montana Freemen was sentenced in U.S. District Court, Central District of California, to 16 and one-half years in federal prison and a $1.2 million forfeiture of cash and assets and was ordered to pay a $2,600 fine. During sentencing, the judge stated, "It is you who have dropped an atomic bomb on the banking system," referring to her scheme of selling bogus comptroller warrants, resembling U.S. Treasury checks, at seminars she ran. As a result, over $900 million of fraudulent warrants were presented or mailed to banking institutions and creditors nationwide in payment of debts. One of two other defendants recently sentenced pleaded guilty to 13 felony counts and received a four-year prison term, was ordered to pay a $12,000 fine and was subject to forfeiture of all property and cash resulting from the scheme; the other defendant was sentenced to two years of probation. Two other defendants await sentencing.

Certified Bankers Check — Comptroller Warrant

No. 0670

Date Sept. 21, 1995

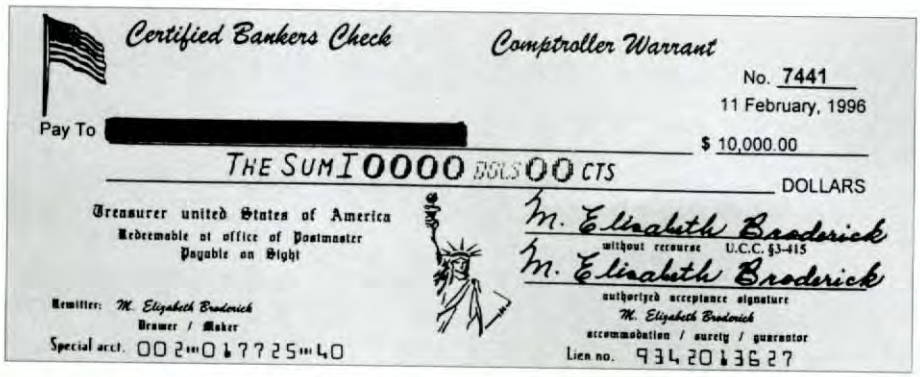
PAY TO: Larry Vogt and First Tier Bank $805,454.00

$805,454.00¢ DOLLARS

Treasurer united States of America
Redeemable at office of PostMaster
Payable on Sight

Remitter: LeRoy M. Schweitzer
Drawer/Maker
special acct. 8520709406 Lien no. 9300020280

LeRoy M. Schweitzer
UCC § 3-415
LeRoy M. Schweitzer
authorized acceptance signature
LeRoy M. Schweitzer
accommodation/surety/guarantor



Certified Bankers Check — Comptroller Warrant

No. 7441

11 February, 1996

Pay To [redacted] $ 10,000.00

THE SUM 10000 DOLS 00 CTS DOLLARS

Treasurer united States of America
Redeemable at office of Postmaster
Payable on Sight

M. Elisabeth Broderick
without recourse U.C.C. §3-415
M. Elisabeth Broderick
authorized acceptance signature
M. Elisabeth Broderick
accommodation / surety / guarantor

Remitter: M. Elisabeth Broderick
Drawer / Maker
Special acct. 002⑈017725⑈40 Lien no. 934201636 27

These fraudulent "certified" bank checks, "Redeemable at office of Postmaster," were circulated throughout the United States by individuals associated with the Montana Freemen. In a recent case investigated by Postal Inspectors, the ringleader of a southern California faction of the Freeman was sentenced in U.S. District Court, Central District of California, to over 16 years in federal prison and a $1.2 million forfeiture of cash and assets and was ordered to pay a $2,600 fine.

In San Francisco, CA, two of four individuals were found guilty of felonies and two others pleaded guilty to mail fraud, bank fraud, conspiracy and filing false claims with the Internal Revenue Service after they issued more than $50 million in fraudulent comptroller warrants. All four are awaiting sentencing. In Raleigh, NC, a Montana Freemen leader and his co-defendant were convicted on 11 felony counts related to using $14 million in fraudulent comptroller warrants to pay off a $3 million tax liability and purchase items, such as vehicles, that were transported to Montana to the "Freemen Ranch." The scheme involved two other individuals who entered into prior plea agreements.

Telemarketing Schemes

Scams such as phony sweepstakes, contests and lotteries continue to generate a large number of consumer complaints. While dollar losses are relatively small per transaction, victims tend to be repeatedly solicited in an insidious cycle as their names and addresses are passed along to other crooked promoters. Victims may have no idea they are being duped and continue to play and pay, hoping they will eventually win the elusive cash jackpot. During this reporting period, the Postal Inspection Service reported 86 arrests and 80 convictions as the result of investigations into telemarketing fraud.

Postal Inspectors remind consumers that legitimate sweepstakes are advertising or promotional devices in which cash prizes or items are awarded to participants. Winners must be determined by chance, either by drawing or by pre-selected numbers assigned by the promoter to potential participants — which is why ads for such promotions sometimes claim, "you may have already won." In either case, participation is, by law, free — no purchase or entry fee may be required to win.

The Inspection Service places a high priority on protecting the most vulnerable in society, such as the elderly and disadvantaged, who are disproportionately victimized through mail-fraud schemes. Sophisticated mailing lists target senior citizens, who are often living alone and susceptible to persistent salespeople. Seniors continue to be victimized at an alarming rate by sweepstakes scams, bogus guaranteed prize promotions, foreign lotteries, work-at-home schemes, easy credit scams, fake employment opportunities and bogus money-making schemes. Many seniors are victimized repeatedly through sales of victim lists and by unscrupulous operators who offer to help recover their previous losses — for a fee, which of course is payable in advance.

In Tempe, AZ, Postal Inspectors investigated an operation that defrauded over 1,000 elderly victims of more than $4 million in a telemarketing scheme. This operation required individuals to purchase health and beauty products to qualify for prizes. The two owners of the corporation were each sentenced to 14 years in prison, and the court ordered $3.2 million in restitution. On March 10, 1997, the leader of a telemarketing operation with an estimated $27 million in profits, mostly from elderly victims, pleaded guilty in Buffalo, NY, to a single count of conspiracy to a RICO violation. Instead of fabulous prizes, victims received overpriced vitamins and cleaning supplies. The man's plea exposes him to a possibly lengthy prison term, along with forfeiture and court-ordered restitution.

On March 28, the operator of a "prize scheme" that netted over $10 million from tens of thousands of victims was sentenced in the Southern District of New York to 41 months in prison, was prohibited from working in the direct mail or telemarketing business and voluntarily agreed to forfeit money and assets. Two other defendants were scheduled to be sentenced in May 1997. The defendants are expected to forfeit money and assets valued at $3.2 million.

A Williamsburg, VA, man agreed to forfeit cash and three pieces of real estate valued at $3.6 million for his role in mailing over 15 million unsolicited postcards that made fraudulent misrepresentations to 1.4 million consumers across the country. Victims were advised they were approved for a $5,000 credit limit and encouraged to call a "900"

number for more information. The calls generated $23 million in gross revenue. The operator was sentenced in December 1996 to 27 months in prison and 2 years' supervised release.

Work-at-Home Schemes

In February 1997, a husband and wife in Tennessee were sentenced for their roles in a work-at-home scheme that defrauded victims of over $1 million. Both defendants received sentences of 87 months in prison and 3 years' supervised release, were ordered to pay $1.1 million in fines and restitution, forfeit $1.2 million and pay a special assessment of $8,600 each. The couple charged victims $49 for a start-up kit to determine whether they had the skills required by the company; however, the couple bought completed work from only 59 of 30,000 individuals who mailed them money and refunded the $49 to only 5,500 of the victims.

Educational Schemes

Educational schemes, such as offerings of college scholarships and college degrees by mail, are also investigated by Postal Inspectors under the mail fraud statute. One recent case involved a defendant who was given the maximum sentence of five years in prison plus a $125,000 fine for offering post-graduate degrees by mail from a New Orleans "university." The scheme misled prospective students about the school's accreditation status; although it had over 5,000 students, the school was unaccredited. Forfeiture of $10.75 million in cash and a mansion worth $1.5 million was ordered and will be used for restitution to the victims. Any funds remaining after restitution will be equitably shared among the participating federal and local law enforcement agencies, including the Postal Inspection Service, the Federal Bureau of Investigation and the Internal Revenue Service.

In another education-related scheme, Postal Inspectors from New York and Los Angeles arrested the operator of a California business who sold answers to national standardized exams, such as the GMAT. Exam takers in New York provided answers to an operator in California, who passed on the answers to clients waiting to take the test. The operators charged clients a fee of $6,000 and guaranteed an exam score of 650 out of 800 possible points.

Investment Scams

Phony investment scams that use the mail are another area of fraudulent activity investigated by Postal Inspectors. During this reporting period, the Postal Inspection Service reported 83 arrests and 73 convictions related to investigations of investment fraud. The president of a developmental corporation pleaded guilty in U.S. District Court in Los Angeles to a two-count information charging him with securities fraud and income tax evasion. The defendant operated a classic Ponzi scheme that defrauded thousands of investors out of approximately $150 million through the sale of oil and gas limited partnerships. In a recent case in the Southern District of Illinois, an individual who perpetrated several different frauds, causing losses of $3 million, was sentenced to five years in prison and five years' supervised release. Restitution of $690,875 was ordered for his victims, most of whom were of retirement age. The defendant used investors' funds as part of a Ponzi scheme to pay promised financial returns to earlier investors.

In Peoria, IL, a man pleaded guilty to a scheme in which he recruited investors for financially struggling companies, convincing owners to turn over their businesses by promising to infuse them with needed capital. Investors' funds were not used as promised, and the companies failed. Losses crossed several states and amounted to over $3 million.

As a result of one of the largest insider-trading investigations of the New York financial markets since the takeover-merger boom of the 1980s, a defendant was ordered in the Second Circuit Court of Appeals to pay a $1 million fine. Another individual in New York pleaded guilty to a scheme that spanned almost 11 years and defrauded investors out of $4 million. Thirty investors were induced to place their money in a "Trust B" fund that the operator claimed was fully guaranteed, with an interest rate of at least 18 percent. No such investment opportunity existed, and the money was instead used to support the operator's lavish lifestyle.

Insurance Fraud

Insurance companies are often targets of large-scale fraudulent schemes conducted through the mail. During this reporting period, 113 suspects were arrested and 78 individuals were convicted as the result of Postal Inspection Service investigations related to insurance fraud. In the Western District of Pennsylvania, 59 individuals, who were mostly immigrants from the former Soviet Union, were indicted in a scheme involving staged accidents that defrauded insurance companies of approximately $5 million to $10 million. Most of the defendants negotiated plea agreements. One lead defendant was sentenced to 37 months' imprisonment and ordered to pay restitution of $150,000. After an investigation by Postal Inspectors in Alabama, a defendant was sentenced to seven years in prison and ordered to pay $250 a month towards court-ordered restitution totaling $365,842. The man was involved with a West African ring that operated staged accident schemes and defrauded 39 insurance companies.

A Brooklyn man was sentenced to 18 months in prison and ordered to pay a $7,500 fine and $1.8 million in court-ordered restitution for his fraudulent activities as a health insurance cooridinator for union locals. He offered union memberships to the general public, so new enrollees received group coverage although many had serious existing conditions that kept them from obtaining health insurance on their own; the man also misrepresented the groups' claim histories. Due to this combined fraud, insurance industry losses exceeded $17 million. In New Haven, CT, an insurance agent was sentenced to five years' probation and ordered to make $128,500 in restitution to clients whose money he had converted to his own personal use.

Health Care Fraud

Postal Inspectors participate in various health care task forces throughout the country to partner with other law enforcement agencies in the fight against health care fraud. During this reporting period, Postal Inspectors reported 93 arrests and 81 convictions as the result of investigations related to health care fraud.

In February 1997, the Inspection Service participated in a press conference held by Attorney General Janet Reno announcing a $325 million civil settlement against a clinical laboratory for filing false Medicare and Medicaid claims. The case was one of the largest civil health care fraud settlements ever reached and the largest settlement of any case involving claims under the Qui Tam provisions of the False Claims Act, which permit private citizens to sue on behalf of the United States. The settlement does not preclude the filing of criminal charges. The effort was hailed as a model for joint efforts by law enforcement groups working to stem health care fraud.

A health care task force comprising several different law enforcement agencies in Texas, including the Inspection Service, shut down an operation involving four weight-loss clinics in the Dallas/Fort Worth area that advertised a "free" weight-loss program. After scheduling appointments and obtaining insurance information, clients were given $750 worth of unnecessary medical tests. The tests were billed to insurance carriers under a false patient diagnosis, since weight loss is not a covered treatment. Over 10,000 patients were seen, resulting in approximately $7.5 million in losses for over 200 insurance carriers and self-insured businesses. The defendants' sentences ranged from imprisonment to home confinement, as well as the surrender of medical licenses and court-ordered restitution. Two defendants awaiting sentencing agreed to pay criminal fines of $200,000 and $50,000, respectively.

A pharmacist in Des Moines, IA, became the second largest Medicaid pharmacy claimant when he submitted, over a four-year period, over 128,000 claims totaling $2.7 million. A review of 33,000 claims identified 11,000 as fraudulent, representing $238,000. The pharmacist was sentenced to 15 months in prison, one year of supervised release, and restitution of $120,001.

Rebate Fraud

The Postal Inspection Service formed a partnership with major industry representatives in 1995 to combat the serious problem of mail-in rebate fraud. Manufacturers estimated that rebate fraud costs the industry $500 million a year. The working group participated in a number of prevention efforts, including the production of a manual for manufacturing groups on how to prevent rebate fraud. The group also developed a data base to consolidate rebate loss information. Postal Inspectors use a multipronged attack against criminals who prey on the rebate industry, issuing voluntary discontinuance letters, applying civil or administrative remedies and forfeiting assets; or, when appropriate, pursuing criminal prosecution.

As a result of these efforts, the Inspection Service secured 880 signed letters from individuals who volunteered to discontinue fraudulent mail-in rebate activity. Savings to manufacturers are projected to be approximately $100 million during this fiscal year. One investigation by Postal Inspectors disclosed that a Florida brother and sister were using approximately 720 variations of their names and addresses and receiving more than 50 pieces of mail daily. A False Representation Order was issued to return all incoming mail to the sender to prevent further victim losses.

Because of its success, this approach is now being duplicated in a new initiative with the mail-order industry to address mail theft and mail fraud losses from a "total problem resolution aspect." The initiative encompasses education and prevention, as well as administrative, civil and criminal remedies. The approach incorporates the talents of industry and law enforcement to secure and protect the U.S. Mail from fraudulent schemes, the primary purpose being to increase confidence in the mail. A recent investigation by Postal Inspectors in the Washington, DC, area, uncovered a West African ring that defrauded at least 10 major mail-order companies of $1.8 million in merchandise ordered without payment, which it fenced for cash. The group used approximately 120 different addresses and a variety of names to obtain the merchandise. To date, eight individuals were indicted, six were convicted and two remain fugitives.

Internet Fraud

A recent example of internet fraud was the participation by Postal Inspectors in a national "Surf Day," sponsored by the Federal Trade Commission (FTC). Four federal agencies and 70 state and local law enforcement officials from 24 states identified operators of over 500 World Wide Web sites on the Internet that may be promoting illegal pyramid schemes in violation of state and federal laws. Site operators were sent e-mail messages describing the characteristics of illegal pyramids and providing the FTC's home page address on the Web to help entrepreneurs and consumers distinguish between illegal pyramids and legal multilevel marketing plans. Officials revisited 370 Web sites to determine the impact of their messages. They found that 18 percent of the sites were either removed or revised and 21 sites received requests for documentation from the FTC or the State Attorney General to back stated claims.

Cooperation Among Agencies

In keeping with the Attorney General's emphasis on cooperation among law enforcement agencies, and to maximize limited resources, Postal Inspectors have established strong ties with other organizations. Inspectors are active in various fraud-related task forces and are members of the Department of Justice's Health Care Fraud, Telemarketing, and Securities and Commodities working groups; the Council on White Collar Crime; and the Bank Fraud and Insurance Fraud working groups; along with other federal law enforcement and regulatory organizations. Inspectors routinely work with state and local law enforcement groups to target fraudulent operators.

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. During the first six months of FY 1997, Inspectors made 281 crime presentations to civic and fraternal organizations. Inspection Service prevention and media efforts resulted in 1,950 print and electronic media interviews and 382 published articles in postal and nonpostal publications.

For National Consumers' Week, in late October, the Inspection Service released its first compendium of the "Five Biggest Lies Told to Consumers," as gleaned from the thousands of mail fraud complaints received from the public. Media attention was extensive.

In December 1996, the Inspection Service joined with the American Association of Retired Persons (AARP) and the National Association of Attorneys General (NAAG) in an innovative public education initiative aimed at telemarketing fraud victims. For two days, volunteers from AARP, state and local consumer protection agencies, the Florida Attorney General's Office, the Postal Inspection Service and the Federal Bureau of Investigation (FBI) turned the tables on crooked boiler room operators. Using lists of previous victims of telemarketing fraud, volunteers telephoned 5,000 individuals to warn them of the dangers of telemarketing fraud in the hope of preventing their further victimization.

This unusual crime prevention effort was highlighted during a press conference attended by national print and electronic media representatives. Brief presentations by AARP, NAAG, the FBI, the Chief Postal Inspector and a telemarketing fraud victim, among others, were featured. The Chief Inspector participated in a number of interviews with local television stations via satellite from the hotel in Ft. Lauderdale. Media coverage was widespread, helping to deliver the message that telemarketing fraud is a serious crime. The concept is now being rolled out by state Attorneys General, based on the model exhibited in Ft. Lauderdale, with assistance from Postal Inspectors.

In an exciting new partnership with MGM Interactive and the Department of Justice's Office of International Affairs, Inspection Service media experts are working on the development of a World Wide Web project called "True Crime Stories." MGM is producing the site as they would produce a new television show. The interactive Internet "show" will be patterned after crime television shows that feature unsolved cases and fugitives, but will allow visitors to browse multimedia files from a vast range of unsolved criminal cases. Video, audio, graphics and text on cases ranging from homicides and narcotics to arms trade and computer crime will be featured on the site. Other agencies participating in the project include the FBI, the Drug Enforcement Agency, U.S. Customs, the Bureau of Alcohol, Tobacco and Firearms, the U.S. Secret Service and Interpol.

A Postal Inspector who acts as a public information officer representing the Postal Inspection Service in Milwaukee, WI, is interviewed by the producer of the television show "Contact 6," which targets consumer protection issues. In this particular segment the Inspector provided charity fraud prevention tips.

The Inspection Service has developed a series of posters to educate postal personnel on common fraud schemes being used on customers. The posters will be inserted regularly in the Postal Service's publication, the *Postal Bulletin*, and may be used as the basis for prevention talks to employees or placed in postal facilities. The first poster in the series was issued in March 1997, on the topic of foreign lotteries. Subsequent posters will cover sweepstakes scams, short-paid postage schemes, bogus ads for postal jobs and fraud against the elderly.

Postal Inspectors attend and exhibit information at selected conventions and trade shows where a crime prevention message can be effectively delivered to large numbers of consumers, business mailers or postal personnel. The presentation given by Postal Inspectors on mail-center security, for example, explains the need for businesses to pay special attention to personnel-hiring practices — especially for personnel who work in a company's mail-center operation. Inspectors address physical-security concerns, and the need for reliable internal controls is examined in detail. A presentation on mail-bomb screening and detection provides attendees with an opportunity to custom-design a mail-bomb screening program to complement physical-security controls already in place. Postal Inspectors also provide training on how to respond to telephone bomb threats and the problem of suspicious "placed" devices discovered in the workplace or on company property.

The Postal Inspection Service maintains a "home page" on the World Wide Web as another avenue for distributing prevention messages. Information about the Postal Inspection Service, and, more importantly, advice on how consumers can protect themselves from being victimized by postal-related crimes, is located at the following address: www.usps.gov/websites/depart/inspect/.

Injunctions and Other Civil Procedures

In addition to conducting criminal investigations, the U.S. Postal Inspection Service protects consumers from false or fraudulent mailings through the use of several civil statutes. In less severe cases, operators of questionable promotions agree to a voluntary discontinuance. This is an agreement to discontinue the operation of the specific promotion. Should the promoter violate the agreement, formal action may be initiated. In certain cases where more formal action is appropriate, a consent agreement is obtained and filed with the Postal Service's Judicial Officer. Normally, a promoter signs a consent agreement to discontinue the scheme or lottery charged in a complaint. If the agreement is violated, the Postal Service may file a breach petition to withhold the promoter's mail pending additional administrative proceedings.

Through the Judicial Officer, the Postal Service is empowered under 39 USC 3005 to issue False Representation Orders and Cease and Desist Orders. These orders require the promoter to stop engaging in the cited schemes and direct that all mail be returned to the sender. Further, they forbid payment of postal money orders connected to the scheme and require the return of money to those who purchased the money orders. Violators of Cease and Desist Orders may be subject to civil penalties under 39 USC 3012.

When more immediate relief to protect the consumer is warranted, the Postal Service has a number of effective enforcement options available. Title 39 USC 3003 enables the Postal Service, upon determining that an individual is using a fictitious, false or assumed name, title or address in conducting or assisting activity in violation of 18 USC 1302 (lottery), 1341 (mail fraud) or 1342 (use of a fictitious name or address), to withhold mail until proper identification is provided and the person's right to receive the mail is established. Under 39 USC 3004, the Postal Service may withhold mail upon determining it is addressed to places that are not the residence or regular business address of the person, enabling the receiver to escape identification. Title 39 USC 3007 allows the Postal Service to seek a Temporary Restraining Order and a Preliminary Injunction from a U.S. District Court Judge to detain mail until administrative proceedings conclude. In addition, a U.S. District Court judge may hold a hearing on alleged fraudulent activity and issue a restraining order or injunction enjoining the operation pursuant to 18 USC 1345.

By convincing the court to withhold mail while a case is argued, Postal Inspectors have been successful in limiting the extent of victimization. Action taken under these statutes does not preclude criminal charges against the same target. Moreover, Inspection Service investigations may result in restitution to the victims.

Civil statutes allow Postal Inspectors to take quick action against a scheme before a large number of individuals are victimized. During this reporting period, 20 False Representation Orders (FROs) were issued against foreign lottery promoters. This enabled Postal Inspectors to stop mailed-in responses to the schemes (most containing checks) from leaving the United States and to return them to the senders, preventing victim losses.

Civil statutes also allow Postal Inspectors to assist businesses nationwide in halting failure-to-pay schemes and credit card fraud. When Inspectors learn of individuals who order merchandise under fictitious names or addresses, action is taken to withhold the mail. In 49 cases, Postal Inspectors put an immediate halt to this type of fraud.

Civil procedures may be used to resolve a variety of mail fraud schemes. Priority attention is given to medical quackery fraud schemes that are potentially harmful. Cease and Desist Orders were issued against such schemes as an electronic device claiming to "electrocute parasites and bacteria that cause cancer and AIDS;" an insole purporting to cause weight loss by stimulating certain points of the users' feet; a formula claiming to cure acne, shingles, psoriasis and poison oak; and a product touted as a treatment for breast cancer, cirrhosis of the liver, gangrene and Alzheimer's disease.

An investigation into a fraudulent newspaper subscription renewal scheme resulted in the issuance of a Withholding Mail Order against two post office boxes in California, returning all mail to the senders and thus halting the scheme. Another false billing scheme requesting payment for nonexistent medical bills resulted in the issuance of a False Representation Order. Actions were taken against several other false billing schemes, including fraudulent "yellow page" advertisements and phony state tax solicitations.

The issuance of a Temporary Restraining Order put a quick stop to a holiday scam that pictured a Lamborghini Diablo car priced at $250,000, and solicited consumers to purchase a test drive; an investigation determined there was no vehicle available. Additional attention resulted in the execution of a Consent Order to Cease and Desist.

Con artists promoting work-at-home schemes often target people who are unable to work outside their homes but are in need of extra income. Victims typically include the elderly, the physically challenged and the unemployed. The most common work-at-home scheme is envelope stuffing. Quick action was taken by Postal Inspectors to stop a Seattle, WA, promoter who was receiving approximately 40 checks a day; and an Abilene, TX, promoter doing business under several different names. In both instances, False Representation Orders were issued, which prevented the promoter from receiving incoming mail and returned all mailed-in responses to the schemes (most containing checks) to the senders.

These examples demonstrate the commitment of the Postal Inspection Service to protect customers from misuse of the U.S. Mail.

International Postal Security

The Postal Security Action Group (PSAG) of the Universal Postal Union is chaired by the Chief Postal Inspector. First organized in 1990, PSAG now comprises postal security officials from 27 member nations, each committed to the concept that "Postal Security Makes Business Sense." The PSAG has three major priorities:

- prevention of injuries to people due to dangerous goods in the mail.
- prevention of the loss or theft of mail entrusted to postal administrations by customers.
- prevention of revenue and asset losses by postal administrations.

In fulfillment of the group's priorities, the PSAG continued to engage in a wide variety of international activities. PSAG's recent work includes the presentation of training programs emphasizing postal security techniques. In November 1996, Postal Inspectors from the United States conducted a training course in Cairo, Egypt, which was attended by postal security representatives from 21 Arabic-speaking countries. A second course was recently presented in Bangkok, Thailand, and was attended by 45 students from the Asian Pacific region. The courses focused primarily on how countries may work together to identify and correct mail-loss problems and other quality-of-service issues. Since 1991, the PSAG has trained over 900 people from over 140 countries.

U.S. Postal Inspectors conducted airport security surveys at Bangkok, Thailand; Panama City, Panama; Paramaribo, Surinam; and the Caribbean Islands of St. Kitts and St. Navis. The surveys focused on improved quality of service for customers. Special emphasis was given to teaching foreign postal administrations proper security techniques as part of the survey process.

Representation before international groups concerned with aviation security included the participation of a Postal Inspector from the United States in deliberations of the European Air Carriers' Conference on security procedures for air mail. This important international body formulates air cargo and mail regulations for European air carriers, and its regulations are often adopted as worldwide standards.

A representative from the Postal Inspection Service also represented the PSAG before the World Aviation Security Conference of the International Air Carriers' Association, to ensure that the world's postal administrations' views on mail transported by air are were fully represented.

Forensic and Technical Services

The successful conclusion of criminal investigations and the conviction of offenders are often dependent upon the technical area of forensic scientific analysis of evidence. Photography, spectrographic and chemical analyses, and fingerprint and handwriting technology are just a few of the laboratory tools that assist Postal Inspectors in identifying offenders. The National Forensic Laboratory, located at Dulles, VA, and its four field laboratories support field investigations through timely processing of physical, chemical and documentary evidence. Forensic experts from the laboratories are on 24-hour call to process crime scenes during major violent crime investigations, such as mail bombs and murders. Inspection Service forensic chemists assist in the chemical analysis of suspected controlled substances transported through the mail.

Computers have become an integral part of society, including those areas involving crime. Computer technology is now a tool of criminal activity, used in frauds against businesses, financial institutions and the Postal Service. During this reporting period, the Inspection Service National Forensic Laboratory expanded its capabilities to include the forensic analysis of computer evidence. The Forensic Laboratory expects to continually improve its expertise in this field to meet this growing concern.

U.S. Postal Inspection Service forensic experts made 111 court appearances during this reporting period to provide testimony in prosecuting offenders they helped identify. Forensic experts also conducted 2,258 forensic examinations and identified 841 violators of postal statutes during the same period.

The Forensic and Technical Services Division is responsible for selecting and distributing security and surveillance equipment to the field. The division also oversees selecting, training and qualifying Postal Inspectors to conduct polygraph examinations. Postal Inspector/Examiners administered 620 polygraph examinations on 255 cases during this reporting period and contributed to the solution of approximately 79 cases as a result of pre-test and post-test interviews conducted incident to those examinations.

Training

During the first six months of FY 1997, the Postal Inspection Service held 36 in-service training courses throughout the country in over two dozen subject areas. More than 700 students attended skill- and knowledge-based sessions designed and delivered by outside consultants and internal subject-matter experts. In addition to these elective sessions, Postal Inspectors received 16 hours of firearms and threat management training during the same period. A total of 47 newly appointed Postal Police Officers each received over 300 hours of basic training at the Federal Law Enforcement Training Center, at Glynco, GA, before starting their new assignments.

Distance Learning Centers, located at 100 Inspection Service offices, provided hundreds of additional hours of training to more than 600 Inspection Service students. The Inspection Service also implemented a comprehensive national program for evidence handling in March 1997. Training for this program will be completed during a five-month period, using the "distance learning network." The course will save the Inspection Service an estimated $600,000 over the cost of traditional classroom-based training.

No new Postal Inspectors were appointed during this reporting period, nor are any appointments anticipated in the upcoming year. The Inspection Service is reducing the number of Postal Inspector positions, corresponding to work to be transferred to the new Office of Inspector General.

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 October 1, 1996 through March 31, 1997, 1,183 pieces of legislation were reviewed for potential impact on the Postal Service, and 364 affecting the Postal Service's revenue, operations and program activities were analyzed. During this same period, the Inspection Service reviewed 217 proposed and final regulations, including directives and instructions of the Postal Service. As a part of this 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. 22, Postal Reform Act of 1997. Title I of the act would redesignate job titles of the Board of Governors and certain officers of the Postal Service.

Title II of the act would address general authorities of the Postal Service. It would permanently authorize the employment of guards by the Postal Service and define their authority on postal property under provisions of the Protection of Public Property Act, June 1, 1948. Since the Postal Reorganization Act was enacted, this authority was temporarily granted each year through the appropriations process. Title II would also amend when an appeal of a post office closing is considered timely by requiring the appeal to be postmarked within 30 days of notification, rather than requiring it to be received by the Postal Rate Commission within 30 days.

Title III would establish a temporary, presidentially appointed Postal Employee-Management Commission. The commission would have seven nonpostal members, who would evaluate and recommend solutions to employee-management problems of the Postal Service. The commission would submit annual reports and would cease operations after its third report.

Title IV would revise the involvement of the Department of the Treasury in Postal Service banking, borrowing and investments. The Postal Service would have the discretion to deposit funds as it deems appropriate and directly deposit excess funds in U.S. government obligations without having to seek the assistance or approval of the Treasury. Postal debt would no longer be financed by the Federal Financing Bank, and the Treasury authority to purchase Postal Service obligations prior to public offering would be eliminated.

Title V would repeal transitional appropriations and those for public service costs, revenue forgone and certain compensatory appropriations. The provisions would have a negative financial impact on the Postal Service. Transitional and public service cost appropriations for FY 1997 amounted to $120.6 million.

Title VI would address current provisions relating to postal rates, classes and services. The act would require the Postal Service to accept change-of-address orders from addressees who terminated their relationships with commercial mail receiving agencies and require the forwarding of their mail without compensation. This requirement would have a negative financial and operational impact on the Postal Service. **H.R. 447** contains identical provisions. Title VI would also enhance the powers of the Postal Rate Commission to include issuing subpoenas and ordering depositions and responses to interrogatories. Other provisions ensure the security and confidentiality of information furnished by the Postal Service to the commission. The Postal Service would be permitted to offer volume discounts, subject to certain requirements.

Title VII would address current provisions relating to the transportation, carriage and delivery of mail. It would amend statutes to limit letter mail, which is protected by private express statutes, to items with postage less than $2. This would remove private express protection of categories of mail that generate approximately $4 billion in revenue. Title VII would also authorize a three-year mailbox demonstration project, allowing nonpostage-bearing matter to be deposited in mailboxes. The Postal Inspection Service is concerned about potential mail theft and identity theft problems created by unlimited access to mailboxes.

Title VIII contains provisions that would permit the Postal Service to directly appeal decisions of the Merit Systems Protection Board to the Court of Appeals for the Federal Circuit. Currently, the appeals are made by the Department of Justice.

Title IX contains proposed criminal and civil enforcement provisions. Provisions to protect employees would include the coverage of contract employees entrusted with mail under the assault statute, a new federal anti-stalking statute and amendments to the postal robbery statute. Consumer protection from unsolicited, sexually oriented advertisements would be enhanced through increased civil penalties for violations. Postal employee and public safety would be enhanced through a new hazardous-matter statute, which would authorize civil penalties of up to $25,000 per violation.

Title X would establish a new postal rate-setting process. Mail would be divided into "noncompetitive" and "competitive" categories. Noncompetitive mail would include First-Class Mail, Periodicals and Standard Mail, except Parcel Post. Rates would be established through a price cap based on the Gross Domestic Product, less an adjustment factor determined every five years by the Postal Rate Commission; prices could be adjusted annually by the Postal Service. Competitive mail would include Priority Mail, Expedited Mail, Parcel Post, international mail and special services. The Postal Service would price competitive products based on market conditions, as long as prices cover costs and contribute to Postal Service overhead. Provisions include test-marketing experimental products. Antitrust laws would be applied to the Postal Service for competitive products. The Postal Rate Commission would be required to review information submitted annually by the Postal Service to ensure prices are set in accordance with the above provisions and that delivery and performance standards are met. If the commission found the Postal Service was not in compli-

such as property tax statements, summonses or jury-duty pay mandated by federal or state law, but for which no federal or state money is provided to local governments for associated administrative costs.

Ethics

H.R. 416, Foreign Agents Compulsory Ethics in Trade Act of 1997, would amend federal ethics laws to restrict certain high-ranking federal employees and Members of Congress from serving as agents or attorneys for a foreign government, country or political party. The bill would permanently bar such employees from representing a foreign government, but permit with limitations the representation of foreign citizens, organizations or corporations domiciled within the United States.

Personnel

H.R. 103 and **S. 173** would address the increase in use of private security services and concerns about qualifications for those performing this work by establishing a national requirement for background security checks and the fingerprinting of employees as part of all state licensing or certification processes.

Several bills were introduced that would amend the Family and Medical Leave Act of 1993. **H.R. 109** and **H.R. 191** would amend the act to allow employees to take up to 24 hours of leave during a 12-month period for parental involvement such as school-related activities and to accompany children or elderly relatives to medical or dental appointments. **S. 280** would amend the act to give employees up to 24 hours of unpaid leave in any 12-month period to participate in a son or daughter's school activity or to participate in literacy training under a family leave program. Employees may use accrued annual leave for any part of the 24 hours of leave. **S. 367** would amend the act to allow leave to be taken to care for a child or parent of the employee if the child or parent is addressing domestic violence and its effects or because the employee is addressing domestic violence or its effects and is unable to perform the functions of the employee's position. "Addressing domestic violence and its effects" is broadly defined to include seeking medical or legal assistance, attending support groups or obtaining psychological counseling, participating in safety planning or any other activity required as the result of domestic violence that must be undertaken during work hours.

H.R. 240, Veterans Employment Opportunities Act of 1997, would prohibit agencies from denying consideration to preference-eligible applicants for certain positions in the competitive service or excepted service and would expand veterans' rights during layoffs. In addition to other provisions, the bill states that amendments to 5 USC 3304(f) will apply with respect to the Postal Service as if it were an agency within the meaning of such provisions.

H.R. 634 and S. 295, Teamwork for Employees and Managers Act of 1997, would amend the National Labor Relations Act (NLRA) to provide that legitimate employee involvement programs cannot be deemed as unfair labor practices. The bill would reverse the 1992 decision of the National Labor Relations Board in the case of Electromation, which stated that joint employer-employee committees violate the NLRA prohibition against "employer-dominated" labor organizations. The act would be amended to permit voluntary employee involvement programs. The bill, if enacted, would apply to the Postal Service under 39 USC 1209. President Clinton vetoed a similar bill in 1996.

H.R. 26, H.R. 445, H.R. 1009 and **S. 262** would amend the 1996 federal law prohibiting domestic violence misdemeanants from owning or possessing firearms and ammunition (Section 658 of Public Law 104-208). H.R. 26 and S. 262 would provide that the prohibition does not apply if the conviction occurred before the law was enacted (September 30, 1996). H.R. 445 would provide that the prohibition does not apply to government entities. H.R. 1009 would repeal the law. The law applies to Postal Inspectors, Postal Police Officers and Office of Inspector General (OIG) special agents who are required to carry firearms as part of their official duties.

H.R. 983 and **S. 63** would provide that claimants cannot be required to seek arbitration of claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, Section 1977 of the Revised Statutes of the United States, the Equal Pay Requirement under the Fair Labor Standards Act of 1938 or the Family and Medical Leave Act of 1993.

S. 46 and S. 188, Civil Rights Restoration Act of 1997, would amend 42 USC 2000e-2(j) to make it an unlawful employment practice for certain entities to grant preferential treatment to an individual or group with respect to employment or union membership or on the basis of race, color, religion, sex or national origin; however, entities may recruit individuals of an underrepresented race, color, religion, sex or national origin to expand the applicant pool.

S. 47 and S. 189, Freedom of Speech Act, would prohibit executive branch agencies, officers or employees from issuing policy establishing an additional class of individuals protected against discrimination in federal employment, with certain statutory exceptions.

Crime

H.R. 218, Community Protection Act of 1977, and **H.R. 339** would amend Title 18, United States Code, to permit current and former law enforcement officers to carry concealed handguns in states that prohibit the carrying of concealed handguns. Individuals must be "qualified" (authorized to carry a firearm) and possess written identification issued by their agencies. H.R. 339 would create a national standard for carrying certain concealed firearms by authorizing a person who has a valid permit to carry a concealed firearm in one state to transport and carry it in another state. The bills, if enacted, would allow Postal Inspectors and OIG special agents to carry concealed weapons.

H.R. 275, Effective Antiterrorism Tools for Law Enforcement Act of 1997, a bill to combat domestic terrorism, would amend Title 18, United States Code, to give the Federal Bureau of Investigation (FBI) access to records of common carriers, public accommodation facilities, physical storage facilities and vehicle rental facilities in counterintelligence and counterterrorism cases. The bill would provide that provisions to prohibit using intercepted wire or oral communications as evidence in violation of the Federal Criminal Code shall not apply to their disclo-

sure by the United States in a criminal trial or grand jury hearing of the contents of a wire or oral communication, or evidence derived from them, unless the violation involved an interception under provisions covering specified emergency situations or bad faith by law enforcement; and authorize wiretaps for any felony that involves or may involve domestic terrorism or international terrorism. Further, the bill would authorize temporary emergency wiretaps for terrorist crimes; define "domestic terrorism" as "any activities that involve violent acts or acts dangerous to human life that are a violation of the criminal laws of the United States or of any state and which appear to be intended to intimidate or coerce a civilian population or to influence the policy of a government by intimidation or coercion, or to affect the conduct of government by assassination or kidnapping;" expand the authority for multipoint (also called "roving") wiretaps; authorize the Attorney General to request military assistance for offenses involving chemical and biological weapons; and criminalize the use of chemical weapons in attacks against citizens and property of the United States.

H.R. 695, Security and Freedom Through Encryption (SAFE) Act, and **S. 377, Promotion of Commerce On-Line in the Digital Era (PRO-CODE) Act of 1997,** would amend Title 18, United States Code, to permit the use and sale of encryption software and hardware without government interference, except for law enforcement purposes, and allow the export of encryption software if a product with comparable security features is commercially available from foreign suppliers. The purposes of the bills are to allow Americans to use the best technology and strongest security available, aid law enforcement in preventing piracy and white-collar crime on the Internet and preclude legislation that would give the federal government access to computers by means of a key escrow system, requiring computer users to put keys to decode their encrypted communications into a central data bank. The bills are applicable to the Postal Service's electronic commerce programs which use encryption and to Postal Inspection Service and OIG investigations of computer-related crimes.

S. 3, Omnibus Crime Control Act of 1997, would modify the exclusionary rule to permit the admission of evidence obtained as a result of an improper search or seizure carried out in good faith, confessions that are given voluntarily and intercepted communications not involving government misconduct. Other provisions would exempt former or current law enforcement officers from state laws prohibiting concealed weapons and guarantee certain rights of victims of federal crimes. Provisions that apply specifically to postal crimes include an enhanced penalty for a murder committed in the course of a postal robbery and an amendment to the burglary statute to cover postage stamp vending machines, wherever located, that are owned by the Postal Service. Another section would clarify the "use of the mail" language in the statute regarding the transportation of a person for illegal sexual activity.

Juvenile justice reform is addressed in several parts of the legislation and includes the prosecution of youthful offenders as adults for crimes of violence and drug-trafficking offenses and disclosure of juvenile criminal records for official purposes. Other provisions are directed at gang crimes and would address criminal activities committed by street gangs, penalize the solicitation or recruitment of individuals to participate in gang crimes and add gang-related crimes as predicate offenses under the RICO statutes. Similar initiatives are included in **S. 362, Anti-Gang and Youth Violence Act of 1997; H.R. 810, Anti-Gang and Youth Violence Act of 1997; and S. 54, Federal Gang Violence Act,** to address the compelling concerns of juvenile and gang violence. Some common issues in the bills are changes to laws regarding prosecuting juvenile offenders as adults for serious crimes and modifying federal juvenile delinquency proceedings, especially in the areas of prehearing detention, speedy trial rights and case disposition.

S. 171 would add a general "attempt" statute to Title 18, United States Code, for offenses in which attempt is not currently included. In addition, the legislation would establish rules of procedure for the charging of attempt, the burden of proof and the pleading of affirmative defenses.

In the area of electronic surveillance, **S. 170, Clone Pager Authorization Act of 1996,** would permit the monitoring of clone pagers in the same manner as pen registers and trap-and-trace devices. Court orders would be required to install and use a clone pager and the court would be authorized to order a pager provider to assist law enforcement. **S. 3** contains a provision that would permit wire or electronic interceptions by law enforcement officers if one of the parties to the communication is an inmate or in custody. In addition, it adds a criminal penalty for the interception of cellular telephone communications.

Victims rights are the subject of several bills that have been introduced. **H.R. 924, Victim Rights Clarification Act of 1997 (Public Law 105-6, March 19, 1997),** adds a new statute to Title 18 of the United States Code to ensure that federal crime victims or their families that attend and observe a criminal trial are not precluded from testifying at any resulting sentence hearing. **S.J. Res. 6** proposes a constitutional amendment to protect the rights of victims of crime by providing the following rights: of notice, to attend public proceedings, to be heard, to be given notice of a release or related proceeding, to final disposition of proceedings, restitution, and the consideration of the victim's safety in any decisions regarding a defendant's release from custody.

S. 386, Medicare Modernization and Patient Protection Act of 1997, would create a Medicare fraud statute in Title 18, United States Code, based on violations of Sections 1341 and 1343. The bill would also establish penalties, mandatory restitution and criminal forfeiture for Medicare fraud offenses.

In the area of forfeiture, **H.R. 428, Innocent Owners Forfeiture Protection Act of 1997,** would prohibit the forfeiture of property interest of any innocent owner due to the criminal conduct of another. **H.R. 474, Telemarketing Fraud Prevention Act of 1997,** would amend civil and criminal forfeiture statutes to make all proceeds of forfeitures related to violations of the telemarketing fraud statute available for use for the national information hotline established under Section 250008 of the Violent Crime Control and Law Enforcement Act of 1994. The act would also give payment of court-ordered restitution priority over payment of fines or criminal forfeiture.

Environment

H.R. 1194, Federal Facilities Clean Water Compliance Act of 1997, would revise 33 USC 1323 regarding Federal Facilities Pollution Control. The bill clarifies that departments, agencies or instrumentalities of the federal government with jurisdiction over any property or facility engaged in activities resulting in the discharge or runoff of pollutants must comply with federal, state, interstate and local requirements for controlling and abating water pollution and management in the same manner and to the same extent as individuals are subject to such requirements. Paying reasonable service charges is included, such as fees or charges assessed in connection with processing and issuing permits; renewing permits; amending permits; reviewing or preparing plans, studies or documents; and inspecting and monitoring facilities; as well as any other nondiscriminatory charges assessed in connection with federal, state, interstate or local water pollution regulatory programs. The bill provides that the United States waives any immunity otherwise applicable with respect to any referenced substantive or procedural requirement. Administrative enforcement actions are provided, and funds collected by a state from the federal government as penalties or fines may only be used for projects to improve the environment.

H.R. 1195, Federal Facility Superfund Compliance Act of 1997, would require departments, agencies and instrumentalities of the United States comply with federal, state, interstate and local requirements, both substantive and procedural, regarding response actions related to the management of hazardous substances, pollutants or contaminants in the same manner and to the same extent as any nongovernmental entity. The bill waives immunity otherwise applicable to the United States regarding such substantive or procedural requirements. Reasonable service charges include a wide variety of fees. Funds collected by a state from the federal government for penalties and fines must be used only for projects relating to protection of the environment.

H.R. 550, Nonpoint Source Water Pollution Prevention Act of 1997, would amend the Federal Water Pollution Control Act. The bill would require the President to issue regulations for preventing and controlling nonpoint sources of water pollution on land owned or managed by the federal government. The regulations must require random, periodic monitoring by the Director of the Geological Survey. The new language does not limit state or Presidential authority in requiring that additional controls be implemented over nonpoint sources on federal land.

A number of bills were introduced relating to brownfields (contaminated industrial sites) and Superfund issues. **S. 8, Superfund Cleanup Acceleration Act of 1997,** would rewrite the Superfund hazardous waste cleanup program. The bill provides for revitalizing brownfields and would enhance the state role pertaining to national priorities list facilities. The bill provides for Community Response Organizations to improve coordination between citizens and the government and creates certain liability exceptions and limitations. It amends the Superfund provision on federal facilities to allow the transfer of certain authorities to states. It also contains a provision limiting the criminal liability of federal officers, employees and agents and allows for innovative technologies for remedial action at federal facilities. **S. 18, Brownfields and Environmental Clean-up Act of 1997,** contains grants for revitalizing brownfield sites. It clarifies liability exemptions for certain prospective purchasers and innocent landowners. **H.R. 1120, Community Revitalization and Brownfield Cleanup Act of 1997,** would provide certain grants for revitalizing brownfield areas. Title II of the bill provides that the Environmental Protection Agency assist states in establishing and enhancing voluntary response programs. Title III of the bill would clarify the liability of innocent landowners and prospective purchasers.

Regulations

Mailing Restrictions on Domestic Packages Weighing 16 Ounces or More. The Postal Service promulgated a final rule revising its *Domestic Mail Manual* to implement new restrictions on depositing domestic packages weighing 16 ounces or more into collection boxes. Under the rule, such packages may not be deposited into street, lobby and apartment boxes or left in rural mailboxes; instead, the packages must be presented by the sender at a post office. A sender known to a postal delivery employee may also give such packages to a city, rural or highway contract letter carrier. This final rule extends provisions previously adopted for similar packages sent to international destinations. The restrictions were promulgated to enhance airline security and protect the traveling public, postal employees and postal contractors who transport U.S. Mail. The Postal Service developed the changes in package collection procedures in consultation with the Federal Aviation Administration. The final rule was published at 61 *Federal Register* 52702 on October 8, 1996.

Address Correction Information. The Postal Service promulgated a proposed rule to revise its *Domestic Mail Manual* to change the ancillary service endorsements that mailers use to request a new address and provide the Postal Service with instructions on how to handle undeliverable-as-addressed (UAA) mail. The variations of endorsements and the words currently used ("Address Correction" or "Postage Guaranteed") often confuse mailers, postal employees and recipients. Under the proposed rule, only three ancillary service endorsements will be available: "Address," "Return," or "Change," followed by "Service Requested." The endorsements will be the same for all classes of mail. The proposed rule was published at 61 *Federal Register* 53280 on October 10, 1996.

Forfeitability of United States Savings Bonds. The Department of the Treasury promulgated a final rule amending the regulations governing United States Savings Bonds to provide explicit notice to buyers that the bonds are subject to federal judicial or administrative forfeiture. The final rule was published at 61 *Federal Register* 53822 on October 15, 1996, and will be codified in 31 C.F.R. Part 353.

Civil Penalties for Violations of Postal Orders. The Postal Service promulgated a final rule to implement civil penalties for violations of Postal Service orders to discontinue false representations and lotteries through the mail and allow adjustments to civil monetary penalties administered by the Postal Service. Under 39 USC 3012, the Judicial Officer of the Postal Service, acting on a satisfactory evidentiary basis, may issue a mail return or cease and desist order against anyone engaged in conducting a scheme or device for obtaining money or

property through the mail by false representation (including mailing matter that is nonmailable) or engaged in conducting a lottery, gift enterprise or scheme for distributing money or real or personal property by lottery, chance or drawing of any kind. Any person who fails to comply with the order shall be liable to the United States for a civil penalty in an amount not to exceed $11,000 for each day such person continues to engage in the prohibited conduct. The final rule was published at 61 *Federal Register* 56450 on November 1, 1996, and will be codified as 39 C.F.R. 233.12.

Delegation of Authority to Settle Administrative Claims Under the Federal Torts Claims Act. The Department of Justice promulgated a final rule delegating authority to the Postmaster General to settle administrative claims presented under the Federal Tort Claims Act where the amount of the settlement does not exceed $200,000. The final rule was published at 61 *Federal Register* 66220 on December 17, 1996, and will be codified in 28 C.F.R. Part 14.

Ethics Guidance Concerning Waiver of 18 U.S 208, Acts Affecting a Personal Financial Interest. The Office of Government Ethics (OGE) promulgated a final rule describing circumstances under which the conflict of interest prohibitions of 18 USC 208(a) would be waived. Section 208(a) prohibits executive branch employees from participating in an official capacity in matters where they have a financial interest. The statute is intended to prevent employees from allowing personal interests to affect their official actions and to protect government processes from actual or apparent conflicts of interests. In certain cases, however, the nature and size of financial interest or the nature of the matter in which employees would act are unlikely to affect their official actions. Under the rule, OGE describes financial interests that are too remote or inconsequential to affect the integrity of services of employees and are therefore subject to waiver of the conflict-of-interest prohibitions. The final rule was published at 61 *Federal Register* 66830 on December 18, 1996, and will be codified in 5 C.F.R. Part 2640.

Global Package Link. The Postal Service, after considering and responding to the objections of its competitors, promulgated a final rule implementing regulations for Global Package Link, an international mail service designed for mail-order companies sending merchandising packages to other countries. The final rule was published at 62 *Federal Register* 631 on January 6, 1997, and will be codified in 39 C.F.R. Part 20.

Access to Social Security Records for Law Enforcement Purposes. The Social Security Administration (SSA) promulgated final rules on privacy and disclosure of official records and information collected and maintained by SSA. Under the Privacy Act, records may be disclosed for law enforcement purposes under certain conditions. Under the rules, SSA may disclose information to a law enforcement agency when a violent crime such as murder or kidnapping has been committed and the individual about whom the information is being sought has been indicted or convicted of the crime; and when necessary to investigate or prosecute fraud or other criminal activity involving the social security program and other income or health-maintenance programs, including governmental pension programs (such as the Federal Employees Retirement System), Medicare and Medicaid. Such information could be useful to Inspector General and Postal Inspection Service investigations.

Appendices

Appendix A

Reports Issued to Postal Management

October 1, 1996 – March 31, 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
181-1171740-AC(1)	Young & Rubicam, Inc.	$0	$0	$0
181-1191065-AC(1)	Electrocom Automation, L.P.	0	0	1,210,568
181-1191672-AC(1)	Frankel & Company	0	0	0
181-1192313-AC(1)	WEFA Group	0	0	0
181-1193463-AC(1)	Mechanized Systems Design, Inc.	0	0	0
181-1195309-AC(1)	Electrocom Automation, L.P.	0	0	25,813,785
181-1196498-AC(1)	Electrocom Automation, L.P.	0	0	5,207,157
181-1196572-AC(1)	Caldwell Architects, Inc.	0	0	0
181-1198258-AC(1)	Gridcore Systems International	0	0	338,700
181-1198956-AC(1)	TEK Data Technologies, Inc.	0	0	564,716
181-1198957-AC(1)	TEK Data Technologies, Inc.	0	0	0
181-1199373-AC(1)	New Breed Leasing Corporation	0	0	496,586
181-1200816-AC(1)	American Protective Services, Inc.	0	0	0
181-1200819-AC(1)	Mid-West Conveyor Company, Inc.	0	0	564,583
181-1201891-AC(1)	Electrocom Automation, L.P.	0	0	338,760
181-1203018-AC(1)	Price-Waterhouse, LLP	0	0	1,693,807
181-1203719-AC(1)	Siegling America, Inc.	0	0	16,240
181-1205463-AC(1)	Videojet Systems International, Inc.	0	0	0
181-1205522-AC(1)	New Breed Leasing Corporation	0	0	3,613,374
181-1205609-AC(1)	FANUC Robotics of North America, Inc.	0	0	280,966
181-1205711-AC(1)	Christensen Associates, Inc.	0	0	0
181-1206029-AC(1)	The Tyden Seal Company	0	0	11,670
181-1208459-AC(1)	King-Casey, Inc.	0	0	0
182-1187366-AC(1)	National Postal Museum	506,907	42,813	0
182-1195703-AC(1)	Coakley & Williams Construction Company, Inc.	14,582	0	0
182-1197531-AC(1)	The Stichler Design Group, Inc.	0	0	0
182-1200637-AC(1)	Premis Corporation	0	0	0
182-1207097-AC(1)	Rick Flake Industrial Development	55,356	0	0
183-1190748-AC(1)	Young & Rubicam, Inc.	0	0	0
183-1193208-AC(1)	FCB/Leber Katz Partners	180,774	0	0
183-1194260-AC(1)	Automated Network Systems	66,190	0	0
183-1195824-AC(1)	Birmingham-Jefferson Civic Center	112,378	0	0
183-1198812-AC(1)	Quality Tile Roofing, Inc.	80,348	0	0
184-1199433-AC(1)	Christensen Associates, Inc.	55	0	0
184-1199436-AC(1)	Christensen Associates, Inc.	2,182	0	0
184-1203149-AC(1)	King-Casey, Inc.	14,542	0	0
184-1203150-AC(1)	King-Casey, Inc.	247,133	0	0
184-1203153-AC(1)	King-Casey, Inc.	42,946	0	0
185-1091083-AC(1)	Economics America, Inc.	362	0	0
186-1191277-AC(1)	Sandvik Sorting Systems, Inc.	0	0	0
186-1195780-AC(1)	Unisite, Inc.	0	0	0
186-1195831-AC(1)	FANUC Robotics of North America, Inc.	0	0	0
187-1168350-AC(1)	U.S. Postal Service Licensing Program	0	0	0
187-1200818-AC(1)	Employee Social and Recreation Committee Funds	0	0	0
190-1182814-AC(2)	Hines Square 678, Inc.	404,418	0	0
190-1183838-AC(2)	The Austin Company	0	0	0
190-1199526-AC(2)	Atlanta Testing and Engineering	37,951	0	0
192-1201139-AC(2)	Foster Associates, Inc.	601	0	0
193-1178893-AC(2)	Electrocom Automation, L.P.	0	0	0
193-1201979-AC(2)	New Breed Leasing Corporation	0	0	0
TOTAL		**$1,766,725**	**$42,813**	**$40,150,912**

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
001-1174880-AD(1)	San Mateo, CA 94497	FY 1996 ISC Opinion Audit
001-1177545-AD(1)	St. Louis, MO 63166	FY 1996 ISC Opinion Audit
001-1178584-AD(1)	Minneapolis, MN 55401	FY 1996 ISC Opinion Audit
001-1195216-AD(1)	Washington, DC 20260	Review of Board of Governors' Expenses
001-1195218-AD(1)	Washington, DC 20260	Officers' Travel and Representation Expenses for FY 1996
004-1188442-AD(1)	Hoboken, NJ 07030	Imprest Fund Audit
004-1194494-AD(1)	Hoboken, NJ 07030	Imprest Fund Audit
007-1153768-AD(1)	San Mateo, CA 94497	FY 1996 Audit of Electronic Data Processing Controls
007-1178585-AD(1)	Ft. Snelling, MN 55111	FY 1996 Audit of Electronic Data Processing Controls
010-1164256-AD(1)	Washington, DC 20260	USPS Government Transportation Account Internal 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
011-1197192-AF(1)	Sioux Falls, SD 57102	013-1197687-AF(1)	Desert Hot Springs, CA 92240
011-1197327-AF(1)	Aurora, IL 60507	013-1197688-AF(1)	Madison, MS 39110
011-1197392-AF(1)	Oakland, CA 94615	013-1197889-AF(1)	Rockwall, TX 75087
011-1197394-AF(1)	Honolulu, HI 96820	013-1198076-AF(1)	Hillsboro, OH 45133
011-1197664-AF(1)	Tucson, AZ 85726	013-1198350-AF(1)	Ellenwood, GA 30049
011-1197681-AF(1)	Nashville, TN 37229	013-1198862-AF(1)	Caruthersville, MO 63830
011-1197682-AF(1)	Memphis, TN 38101	013-1199674-AF(1)	Ortonville, MI 48462
011-1197683-AF(1)	Dyersburg, TN 38024	013-1199681-AF(1)	Clearfield, UT 84015
011-1197739-AF(1)	Philadelphia, PA 19104	013-1199684-AF(1)	Hobart, IN 46342
011-1197882-AF(1)	Ft. Worth, TX 76161	013-1199699-AF(1)	Standish, MI 48658
011-1197887-AF(1)	New Orleans, LA 70113	014-1197667-AF(1)	Myrtle Creek, OR 97457
011-1198075-AF(1)	Louisville, KY 40231	014-1198079-AF(1)	Ripley, OH 45167
011-1198231-AF(1)	Brockton, MA 02402	014-1198186-AF(1)	Barker, NY 14012
011-1198854-AF(1)	Peoria, IL 61601	014-1198188-AF(1)	Whitney Point, NY 13862
011-1198942-AF(1)	Miami, FL 33152	014-1199332-AF(1)	Fayette, MO 65248
011-1198944-AF(1)	Ft. Lauderdale, FL 33310	014-1199335-AF(1)	Oakwood, IL 61858
011-1199217-AF(1)	Roanoke, VA 24022	014-1199336-AF(1)	Anderson, MO 64831
011-1199326-AF(1)	Lincoln, NE 68501	014-1199691-AF(1)	Tekonsha, MI 49092
012-1197340-AF(1)	Morton Grove, IL 60053	015-1197312-AF(1)	Delia, KS 66418
012-1197393-AF(1)	Union City, CA 94587	015-1197368-AF(1)	Pigeon Falls, WI 54760
012-1197676-AF(1)	El Cajon, CA 92020	015-1197396-AF(1)	Tinnie, NM 88351
012-1197677-AF(1)	Moreno Valley, CA 92553	015-1197421-AF(1)	Yatesboro, PA 16263
012-1197740-AF(1)	New Castle, PA 16108	015-1197665-AF(1)	Hammond, OR 97121
012-1198948-AF(1)	Sarasota, FL 34230	015-1197666-AF(1)	Avon, MT 59713
012-1198951-AF(1)	Mango, FL 33550	015-1197899-AF(1)	Scurry, TX 75158
012-1199222-AF(1)	Washington, NC 27889	015-1197933-AF(1)	Whitharral, TX 79380
012-1199679-AF(1)	Jeffersonville, IN 47130	015-1198077-AF(1)	Artemus, KY 40903
012-1202032-AF(1)	Newark, DE 19711	015-1198078-AF(1)	Garfield, KY 40140
013-1197113-AF(1)	Ardsley, NY 10502	015-1198851-AF(1)	Buffalo, NY 62515
013-1197116-AF(1)	Montauk, NY 11954	015-1199688-AF(1)	Bryant, IN 47326
013-1197363-AF(1)	Flossmoor, IL 60422	015-1200665-AF(1)	Waldorf, MN 56091
013-1197401-AF(1)	Ewa Beach, HI 96706	015-1201435-AF(1)	Adams Run, SC 29426
013-1197472-AF(1)	Ridgefield, NJ 07657	015-1202303-AF(1)	Hardin, TX 77561
013-1197473-AF(1)	Cayey, PR 00736		
013-1197477-AF(1)	Pennington, NJ 08534		

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
016-1195567-AF(2)	Springfield, MA 01101
016-1195568-AF(2)	Manchester, NH 03103
016-1195866-AF(2)	Grand Rapids, MI 49501
016-1195925-AF(2)	Akron, OH 44309
016-1195926-AF(2)	Louisville, KY 40231
016-1196009-AF(2)	Charlotte, NC 28228
016-1196010-AF(2)	Greensboro, NC 27420
016-1196014-AF(2)	Milwaukee, WI 53201
016-1196016-AF(2)	Sioux Falls, SD 57117
016-1196037-AF(2)	New Orleans, LA 70113
016-1196041-AF(2)	Flushing, NY 11351
016-1196042-AF(2)	New York, NY 10199
016-1196057-AF(2)	San Antonio, TX 78284
016-1196076-AF(2)	Portland, ME 04101
016-1196078-AF(2)	Boston, MA 02205
016-1196080-AF(2)	Macon, GA 31201
016-1196081-AF(2)	Denver, CO 80266
016-1196082-AF(2)	Albuquerque, NM 87102
016-1196190-AF(2)	Jackson, MS 39205
016-1196196-AF(2)	Nashville, TN 37229
016-1196219-AF(2)	San Jose, CA 95101
016-1196221-AF(2)	Portland, OR 97208
016-1196425-AF(2)	Bellmawr, NJ 08031
016-1196790-AF(2)	Las Vegas, NV 89199
016-1196791-AF(2)	Los Angeles, CA 90052
016-1197022-AF(2)	Philadelphia, PA 19104
016-1197058-AF(2)	Tampa, FL 33622
016-1197885-AF(2)	Ft. Worth, TX 76161
016-1198444-AF(2)	Indianapolis, IN 46298
016-1199075-AF(2)	Charleston, WV 25350
016-1203277-AF(2)	Edison, NJ 08699
016-1203278-AF(2)	Philadelphia, PA 19104
016-1203279-AF(2)	Springfield, MA 01101
016-1203280-AF(2)	Manchester, NH 03103
016-1203281-AF(2)	Miami, FL 33152
016-1205025-AF(2)	San Juan, PR 00936

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

Case Number	Location	Subject
070-1190582-SI(1)	National	Classification Reform Implementation Review
070-1196249-SI(1)	San Juan, PR 00936	External First-Class Measurement System Review
071-1204862-SI(2)	LaSalle, IL 61301	Mail Processing Review
072-1195232-SI(2)	Whippany, NJ 07999	Computerized Forwarding Section Review
072-1196683-SI(2)	Bellmawr, NJ 08099	Priority Mail Service
072-1199668-SI(2)	Carbondale, IL 62901	Mail Service Review
072-1200505-SI(2)	York, PA 99999	Observation of Mail Conditions
072-1202544-SI(2)	Louisville, KY 40231	Observation of Mail Conditions
072-1202924-SI(2)	Reading, PA 19601	Observation of Mail Conditions
072-1203832-SI(2)	Chicago, IL 60669	Missent and Missorted Mail
073-1201586-SI(2)	New York, NY 10116	Observation of Mail Conditions
073-1202052-SI(2)	W. Palm Beach, FL 33406	Observation of Mail Conditions
073-1202325-SI(2)	St. Louis, MO 63199	Observation of Mail Conditions
073-1202714-SI(2)	Philadelphia, PA 19101	Observation of Mail Conditions
091-1190673-SI(2)	Farmington Hills, MI 48333	Observation of Mail Conditions
091-1196610-SI(2)	Springfield, IL 62708	Observation of Mail Conditions
091-1199553-SI(2)	Bellmawr, NJ 08099	Observation of Political Mail Process
096-1195199-SI(3)	Chicago, IL 60669	Mail Service Review
096-1205493-SI(3)	New York, NY 10001	Mail Service 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
021-1200661-PA(1)	National Audit of Business Mail
022-1204271-PA(1)	National Audit of International Mail Processing Operations
025-1168053-PA(1)	National Audit of Collections
025-1185448-PA(1)	National Audit of City Delivery Street Management
026-1200672-PA(1)	National Audit of Mail Volume Measurement & Reporting Systems
027-1200673-PA(1)	National Audit of International Mail Performance
028-1200656-PA(1)	National Audit of Postal Service Hiring Practices
028-1200658-PA(1)	National Audit of Remote Bar Code System
028-1200669-PA(1)	National Audit: Enhance Workplace Behavior
034-1181680-PA(1)	National Audit of Allied Workhours
038-1203754-PA(2)	Sorting & Distributing Processes, New York, NY 10001
039-1192679-PA(2)	Air Transportation Operations, Mid-Atlantic Area
040-1197744-PA(2)	Military Installation Review, Newport, RI 02840
041-1193154-PA(2)	Delivery Operations Audit, Allegheny Area
043-1190214-PA(2)	Collection Management System, Denver, CO 80299
046-1205156-PA(2)	Purchasing Review, San Bruno, CA 94099
050-1197982-PA(3)	External First-Class Measurement System, Allegheny Area
051-1195278-PA(3)	Review of Pickup Service, New York District
051-1200936-PA(3)	Customer Satisfaction Review, Topeka, KS 66603
052-1189980-PA(3)	Remote Encoding Center, Kearny, NJ 07032
052-1193389-PA(3)	Installation Service Audit, Blytheville, AR 72315
052-1193697-PA(3)	Installation Service Audit Follow-Up, Traverse City, MI 49684
052-1195710-PA(3)	Loop Mail, Denver, CO 80299
052-1196645-PA(3)	External First-Class Measurement System, Mississippi District
052-1197599-PA(3)	Installation Service Audit, Atlanta District
311-1184975-PA(3)	Business Mail Entry Unit Procedures, Cincinnati, OH 45250
312-1183353-PA(3)	Secondary Operations Review, Queens P&DC, Flushing, NY 11351
312-1197051-PA(3)	Service Conditions, Morgan P&DC, New York, NY 10001
313-1192650-PA(3)	Delivery Point Sequence Program, Seattle, WA 98111
314-1189115-PA(3)	Operational Safety, Newark, NJ 07102
314-1201534-PA(3)	Mail Measurement & Recording in Delivery Units, Gateway District
319-1199769-PA(3)	Self-Adhesive Stamp Usage, New York, NY 10001

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
195-1167974-EI(1)	Washington, DC 20260	Realty Asset Management Investigation
195-1208221-EI(1)	Edison, NJ 08899	Procurement Activities Review
462-1198064-EI(1)	Carson City, NV 89701	Highway Contract Route Contract Administration
463-1183060-EI(1)	Chicago, IL 60669	Procurement Procedures, Chicago, IL Bulk Mail Center
566-1180105-EI(1)	Washington, DC 20260	International Merchant Purchase Authorization Card Review
566-1189214-EI(1)	Washington, DC 20260	International Merchant Purchase Authorization Card Review
566-1198978-EI(1)	Bellmawr, NJ 08099	Fuel Taxes
566-1203133-EI(1)	Dayton, OH 45401	Postal Service Purchasing Contracts

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
017-1190221-FI(2)	McKeesport, PA 15134
017-1193653-FI(2)	Kansas City, MO 64111
017-1194594-FI(2)	Huntington, OR 97907
017-1195771-FI(2)	Ronkonkoma, NY 11779
017-1197816-FI(2)	Dyer, IN 46311
017-1198345-FI(2)	Grafton, ND 58237
017-1199810-FI(2)	Gladstone, OR 97207
017-1200817-FI(2)	Winston Salem, NC 27102
017-1202471-FI(2)	Northville, MI 48167
017-1205043-FI(2)	Campo, CA 91906
017-1205044-FI(2)	Potrero, CA 91963
017-1206154-FI(2)	Middlefield, OH 44062
017-1209110-FI(2)	Vaughn, WA 98394
820-1197220-FI(1)	Detroit, MI 48232
827-1199901-FI(1)	San Francisco, CA 94114
827-1201713-FI(1)	St. Louis, MO 63104
827-1204147-FI(1)	Sacramento, CA 95813
830-1200904-FI(1)	Cleveland, OH 44101
839-1199859-FI(1)	Parsippany, NJ 07054
839-1204479-FI(1)	Sacramento, CA 95813
842-1204705-FI(1)	San Francisco, CA 94112
843-1204071-FI(1)	N. Bergen, NJ 07047

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
061-1206864-RI(1)	Salem, MA 01970	Postage Meters
061-1206961-RI(1)	Providence, RI 02904	Postage Meters
062-1185840-RI(1)	Los Angeles, CA 90046	Standard Mail
062-1187651-RI(1)	New York, NY 10028	Cooperative Mail
062-1187950-RI(1)	Bronx, NY 10451	Nonprofit Mail
062-1188902-RI(1)	Mineola, TX 75773	Nonprofit Mail
062-1189035-RI(1)	Farmington, MN 55024	Nonprofit Mail
062-1191483-RI(1)	Plymouth, MI 48170	Nonprofit Mail
062-1191510-RI(1)	Owatonna, MN 55060	Nonprofit Mail
062-1191550-RI(1)	Jamestown, ND 58402	Nonprofit Mail
062-1191630-RI(1)	Bloomington, IN 47402	Nonprofit Mail
062-1191643-RI(1)	Joplin, MO 64801	Nonprofit Mail
062-1191647-RI(1)	Madison, WI 53715	Nonprofit Mail
062-1191897-RI(1)	Minneapolis, MN 55401	Nonprofit Mail
062-1191898-RI(1)	Sioux Falls, SD 57102	Nonprofit Mail
062-1192281-RI(1)	Lynchburg, VA 24504	Nonprofit Mail
062-1192915-RI(1)	Culver City, CA 90230	Nonprofit Mail
062-1193559-RI(1)	Saginaw, MI 48605	Nonprofit Mail
062-1193560-RI(1)	Joplin, MO 64801	Nonprofit Mail
062-1193781-RI(1)	Louisville, KY 40231	Nonprofit Mail
062-1193940-RI(1)	Fargo, ND 58108	Nonprofit Mail
062-1193948-RI(1)	Glasgow, KY 42141	Nonprofit Mail
062-1194146-RI(1)	Washington, DC 20006	Nonprofit Mail
062-1194363-RI(1)	Bloomington, MN 55420	Nonprofit Mail
062-1194449-RI(1)	Grand Forks, ND 58202	Nonprofit Mail
062-1194795-RI(1)	Washington, DC 20066	Nonprofit Mail
062-1195465-RI(1)	Washington, DC 20004	Nonprofit Mail
062-1195731-RI(1)	Annapolis, MD 21401	Nonprofit Mail
062-1195853-RI(1)	Alexandria, VA 22314	Nonprofit Mail
062-1195856-RI(1)	Alexandria, VA 22314	Nonprofit Mail
062-1196147-RI(1)	Arlington, VA 22201	Nonprofit Mail
062-1196185-RI(1)	Quantico, VA 22134	Nonprofit Mail
062-1196237-RI(1)	Alexandria, VA 22314	Nonprofit Mail
062-1196245-RI(1)	Washington, DC 20069	Nonprofit Mail
062-1196832-RI(1)	Omaha, NE 68144	Nonprofit Mail
062-1199359-RI(1)	Detroit, MI 48233	Nonprofit Mail
062-1199558-RI(1)	Manhattan, KS 66502	Nonprofit Mail
062-1199964-RI(1)	New Ulm, MN 56073	Nonprofit Mail
062-1200014-RI(1)	Bloomsburg, PA 17815	Nonprofit Mail
062-1200180-RI(1)	Daytona Beach, FL 32114	Nonprofit Mail
062-1200195-RI(1)	St. Louis, MO 63155	Nonprofit Mail
062-1200482-RI(1)	Waseca, MN 56093	Nonprofit Mail
062-1201388-RI(1)	Rensselaer, IN 47978	Nonprofit Mail
062-1201500-RI(1)	Oklahoma City, OK 73111	Nonprofit Mail
062-1201707-RI(1)	Louisville, KY 40253	Periodical Mail
062-1201795-RI(1)	Monrovia, CA 91016	Nonprofit Mail
062-1202040-RI(1)	Denton, TX 76204	Nonprofit Mail
062-1202044-RI(1)	Hurst, TX 76054	Nonprofit Mail
062-1202329-RI(1)	St. Louis, MO 63155	Nonprofit Mail
062-1202630-RI(1)	Chicago, IL 60666	Nonprofit Mail
062-1202670-RI(1)	Dallas, TX 75260	Nonprofit Mail
062-1202824-RI(1)	Los Angeles, CA 90012	Nonprofit Mail
062-1203118-RI(1)	Omaha, NE 68114	Cooperative Mail
062-1203179-RI(1)	Oklahoma City, OK 73125	Nonprofit Mail
062-1203350-RI(1)	Grand Forks, ND 58202	Cooperative Mail
062-1203600-RI(1)	Danbury, CT 06810	Nonprofit Mail
062-1203650-RI(1)	N. Dartmouth, MA 02747	Nonprofit Mail
062-1203926-RI(1)	Bellmawr, NJ 08031	Nonprofit Mail
062-1204018-RI(1)	Lexington, KY 40511	Periodical Mail
062-1204097-RI(1)	Liberty, MO 64068	Nonprofit Mail
062-1204102-RI(1)	Minot, ND 58702	Nonprofit Mail
062-1204210-RI(1)	Lindale, TX 75771	Nonprofit Mail
062-1204440-RI(1)	Cincinnati, OH 45221	Nonprofit Mail
062-1204518-RI(1)	Milwaukee, WI 53203	Nonprofit Mail
062-1204681-RI(1)	Washington, DC 20036	Nonprofit Mail
062-1204746-RI(1)	Washington, DC 20002	Nonprofit Mail
062-1204827-RI(1)	Edison, NJ 08899	Nonprofit Mail
062-1205123-RI(1)	Oklahoma City, OK 73109	Nonprofit Mail
062-1205282-RI(1)	Boston, MA 02205	Nonprofit Mail
062-1205286-RI(1)	Boston, MA 02205	Nonprofit Mail
062-1205357-RI(1)	Aurora, IL 60504	Nonprofit Mail

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062-1205695-RI(1)	Eugene, OR 97401	Nonprofit Mail
062-1206423-RI(1)	Ft. Worth, TX 76161	Nonprofit Mail
062-1206424-RI(1)	Ft. Worth, TX 76161	Nonprofit Mail
062-1206618-RI(1)	Winston Salem, NC 27101	Nonprofit Mail
062-1206698-RI(1)	Columbus, OH 43216	Nonprofit Mail
062-1206720-RI(1)	Miami, FL 33152	Nonprofit Mail
062-1206828-RI(1)	Oklahoma City, OK 73125	Nonprofit Mail
062-1208462-RI(1)	Boyertown, PA 19512	Nonprofit Mail
062-1208483-RI(1)	St. Louis, MO 63155	Nonprofit Mail
062-1209053-RI(1)	Winchester, OR 97495	Nonprofit Mail
064-1192586-RI(1)	Owings Mills, MD 21117	First-Class Mail
064-1195005-RI(1)	Fargo, ND 58102	First-Class Mail
064-1195747-RI(1)	Baltimore, MD 21233	First-Class Mail
064-1197627-RI(1)	Tampa, FL 33634	First-Class Mail
064-1198130-RI(1)	Logan, UT 84321	Business Reply Mail
064-1198205-RI(1)	Clearwater, FL 34615	First-Class Mail
064-1198668-RI(1)	Baltimore, MD 21236	First-Class Mail
064-1199083-RI(1)	Allendale, MI 49401	First-Class Mail
064-1200104-RI(1)	Sanford, FL 32772	First-Class Mail
064-1200107-RI(1)	Boston, MA 02210	First-Class Mail
064-1200832-RI(1)	Newton, MA 02106	First-Class Mail
064-1201317-RI(1)	Orlando, FL 32801	First-Class Mail
064-1201772-RI(1)	High Point, NC 27261	First-Class Mail
064-1201790-RI(1)	Irving, TX 75038	First-Class Mail
064-1202061-RI(1)	Brooklyn, NY 11256	Underpayment of Postage
064-1203811-RI(1)	Kansas City, KS 66115	First-Class Mail
064-1204310-RI(1)	Portland, OR 97208	First-Class Mail
064-1204457-RI(1)	Hamtramck, MI 48212	Business Reply Mail
064-1204543-RI(1)	Chicago, IL 60626	First-Class Mail
064-1204561-RI(1)	Boston, MA 02210	First-Class Mail
064-1204630-RI(1)	Boston, MA 02210	First-Class Mail
064-1206307-RI(1)	Denville, NJ 07834	Postage Meters
064-1207352-RI(1)	Detroit, MI 48203	First-Class Mail
064-1208742-RI(1)	New Brunswick, NJ 08901	Postage Meters
065-1180065-RI(1)	Los Angeles, CA 90036	Periodical Mail
065-1191790-RI(1)	Berea, OH 44017	Periodical Mail
065-1191996-RI(1)	Murfreesboro, TN 37130	Periodical Mail
065-1192514-RI(1)	Berea, OH 44017	Periodical Mail
065-1193554-RI(1)	Boston, MA 02210	Periodical Mail
065-1195912-RI(1)	Louisville, KY 40231	Periodical Mail
065-1196088-RI(1)	Duluth, MN 55806	Periodical Mail
065-1196090-RI(1)	St. Cloud, MN 56301	Periodical Mail
065-1196091-RI(1)	Mankato, MN 56001	Periodical Mail
065-1196095-RI(1)	Long Prairie, MN 56347	Periodical Mail
065-1196670-RI(1)	Lexington, KY 40511	Periodical Mail
065-1197025-RI(1)	Washington, MO 63090	Periodical Mail
065-1197031-RI(1)	Madison, WI 53708	Periodical Mail
065-1197508-RI(1)	Cincinnati, OH 45250	Periodical Mail
065-1197509-RI(1)	Cincinnati, OH 45250	Periodical Mail
065-1197510-RI(1)	Cincinnati, OH 45250	Periodical Mail
065-1197511-RI(1)	Cincinnati, OH 45250	Periodical Mail
065-1197733-RI(1)	Sparta, IL 62286	Periodical Mail
065-1197785-RI(1)	Cave City, KY 42127	Periodical Mail
065-1198421-RI(1)	Glenwood, NJ 07418	Periodical Mail
065-1198477-RI(1)	Austin, TX 78701	Periodical Mail
065-1198486-RI(1)	Louisville, KY 40207	Periodical Mail
065-1198697-RI(1)	Louisville, KY 40201	Periodical Mail
065-1198698-RI(1)	Louisville, KY 40216	Periodical Mail
065-1199033-RI(1)	Poplar Bluff, MO 63901	Periodical Mail
065-1199034-RI(1)	Kirksville, MO 63501	Periodical Mail
065-1199036-RI(1)	St. Louis, MO 63155	Periodical Mail
065-1199574-RI(1)	Boston, MA 02210	Periodical Mail
065-1199891-RI(1)	Covington, KY 41011	Periodical Mail
065-1200181-RI(1)	Daytona Beach, FL 32114	Periodical Mail
065-1200182-RI(1)	Daytona Beach, FL 32114	Periodical Mail
065-1200222-RI(1)	Cincinnati, OH 45234	Periodical Mail
065-1200241-RI(1)	Cape Girardeau, MO 63701	Periodical Mail
065-1200860-RI(1)	Springfield, IL 62703	Periodical Mail
065-1201242-RI(1)	Willoughby, OH 44094	Periodical Mail
065-1201305-RI(1)	Pasadena, CA 91102	Periodical Mail
065-1201328-RI(1)	Pasadena, CA 91102	Periodical Mail
065-1201387-RI(1)	Charlotte, NC 28228	Periodical Mail
065-1202192-RI(1)	Cincinnati, OH 45202	Periodical Mail
065-1203388-RI(1)	Louisville, KY 40231	Periodical Mail
065-1203483-RI(1)	Lexington, KY 40507	Periodical Mail
065-1203618-RI(1)	Springfield, IL 62703	Periodical Mail
065-1204100-RI(1)	Liberty, MO 64068	Periodical Mail
065-1205515-RI(1)	Mattoon, IL 61938	Periodical Mail
065-1205565-RI(1)	Memphis, TN 38101	Periodical Mail

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065-1205599-RI(1)	Nashville, TN 37229	Periodical Mail
065-1205715-RI(1)	Memphis, TN 38134	Periodical Mail
065-1205761-RI(1)	Akron, OH 44309	Standard Mail
065-1205855-RI(1)	Memphis, TN 38184	Periodical Mail
065-1205910-RI(1)	Anniston, AL 36201	Periodical Mail
065-1205976-RI(1)	Miami, FL 33152	Periodical Mail
065-1206076-RI(1)	Orlando, FL 32801	Periodical Mail
065-1206320-RI(1)	Los Angeles, CA 90036	Periodical Mail
065-1206321-RI(1)	Los Angeles, CA 90095	Periodical Mail
065-1206605-RI(1)	Akron, OH 44309	Periodical Mail
065-1206681-RI(1)	Salem, OH 44460	Periodical Mail
065-1207372-RI(1)	Memphis, TN 38101	Periodical Mail
065-1207698-RI(1)	Kent, OH 44240	Periodical Mail
065-1207773-RI(1)	New Orleans, LA 70113	Periodical Mail
065-1207775-RI(1)	New Orleans, LA 70113	Periodical Mail
065-1207926-RI(1)	Ft. Lauderdale, FL 33310	Periodical Mail
065-1208081-RI(1)	Memphis, TN 38101	Periodical Mail
065-1208201-RI(1)	Dyersburg, TN 38024	Periodical Mail
065-1208572-RI(1)	Cincinnati, OH 45234	Periodical Mail
065-1208573-RI(1)	Cincinnati, OH 45234	Periodical Mail
065-1208575-RI(1)	Cincinnati, OH 45234	Periodical Mail
065-1208930-RI(1)	Lincoln, NE 68521	Periodical Mail
066-1184620-RI(1)	Houston, TX 77251	Standard Mail
066-1194512-RI(1)	Ontario, CA 91761	Standard Mail
066-1197001-RI(1)	San Juan, PR 00936	Standard Mail
066-1198707-RI(1)	Boston, MA 02210	Nonpayment of Postage
066-1199018-RI(1)	St. Peter, MN 56082	Standard Mail
066-1199452-RI(1)	Addison, TX 75001	Standard Mail
066-1200864-RI(1)	St. Louis, MO 63155	Standard Mail
066-1201528-RI(1)	Hamtramck, MI 48212	Standard Mail
066-1202928-RI(1)	Jonesboro, AR 72401	Standard Mail
066-1203223-RI(1)	Tampa, FL 33647	Standard Mail
066-1203970-RI(1)	St. Petersburg, FL 33716	Insufficient Fund Check
066-1204056-RI(1)	Corozal, PR 00783	Standard Mail
066-1204624-RI(1)	Tampa, FL 33630	Insufficient Fund Check
066-1205514-RI(1)	Mattoon, IL 61938	Standard Mail
066-1206780-RI(1)	Braintree, MA 02184	Washed Postage Stamps
066-1207070-RI(1)	Buffalo, NY 14202	Manifest Mail
066-1208446-RI(1)	Stone Mountain, GA 30086	Standard Mail
066-1208808-RI(1)	Edgewater, NJ 07020	Bulk Mail Acceptance Procedures
067-1198696-RI(1)	Athens, OH 45701	Insurance Fee Assessment
068-1183722-RI(1)	Franklin Park, IL 60131	Revenue Loss Investigation
068-1184992-RI(1)	San Francisco, CA 94188	Business Reply Mail
068-1186010-RI(1)	Bala Cynwyd, PA 19004	Plant Load Review
068-1198433-RI(1)	Union City, CA 94587	Permit Imprint Mail
068-1198434-RI(1)	Fremont, CA 94538	Metered Mail
068-1199801-RI(1)	Ft. Worth, TX 76161	Postage Meter Overset
068-1203062-RI(1)	Anaheim, CA 92803	Address Correction Fees
068-1203894-RI(1)	Glen Allen, VA 23058	Bulk Mail Fees
068-1204297-RI(1)	McMinnville, OR 97128	Insufficient Fund Check
068-1204311-RI(1)	Tigard, OR 97223	Postage Meter Overset
068-1205955-RI(1)	Mt. Prospect, IL 60056	Standard Mail
068-1206634-RI(1)	Seward, NE 68434	Delayed Mail
068-1207168-RI(1)	St. Petersburg, FL 34620	Stamps on Consignment Program
068-1208485-RI(1)	Vinton, VA 24179	Bulk Mail
069-1159919-RI(2)	Southfield, MI 48076	Nonprofit Mail
069-1177339-RI(2)	Capitol Heights, MD 20791	Stamps on Consignment Program
069-1194428-RI(2)	Anderson, SC 29625	Postage Meters
069-1196709-RI(2)	Fresno, CA 93706	Standard Mail
069-1198225-RI(2)	Richmond, VA 23232	Systems and Procedures Review
069-1198289-RI(2)	Memphis, TN 38101	Expedited Mail
069-1199170-RI(2)	Burlington, KY 41005	Short-Paid Metered Mail
069-1203378-RI(2)	Cleveland, OH 44101	Caller Service
069-1205950-RI(2)	Mt. Prospect, IL 60056	Postage Payments
069-1206581-RI(2)	Garden Grove, CA 92643	Postage Meters
090-1174853-RI(1)	Portland, OR 97208	Official Mail Accounting System
090-1183391-RI(1)	Philadelphia, PA 19101	Official Mail Accounting System
090-1183595-RI(1)	Des Moines, IA 50318	Official Mail Accounting System
090-1186082-RI(1)	Atlanta, GA 30304	Official Mail Accounting System
090-1195323-RI(1)	Spokane, WA 99202	Official Mail Accounting System
090-1195547-RI(1)	Cassopolis, MI 49031	Official Mail Accounting System
090-1195548-RI(1)	Coldwater, MI 49036	Official Mail Accounting System
090-1195552-RI(1)	Roscommon, MI 48653	Official Mail Accounting System
090-1195554-RI(1)	Bad Axe, MI 48413	Official Mail Accounting System
090-1195556-RI(1)	Lapeer, MI 48446	Official Mail Accounting System
090-1195557-RI(1)	Benton Harbor, MI 49022	Official Mail Accounting System
090-1195905-RI(1)	San Diego, CA 92134	Official Mail Accounting System
090-1195977-RI(1)	Bay City, MI 48707	Official Mail Accounting System
090-1195981-RI(1)	East Tawas, MI 48730	Official Mail Accounting System

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090-1195984-RI(1)	East Lansing, MI 48823	Official Mail Accounting System
090-1196238-RI(1)	Baltimore, MD 21227	Official Mail Accounting System
090-1196454-RI(1)	Kalkaska, MI 49646	Official Mail Accounting System
090-1196457-RI(1)	Big Rapids, MI 49307	Official Mail Accounting System
090-1196458-RI(1)	Mt. Pleasant, MI 48858	Official Mail Accounting System
090-1196762-RI(1)	Medford, OR 97501	Official Mail Accounting System
090-1198463-RI(1)	Greenville, TX 75401	Official Mail Accounting System
090-1198582-RI(1)	Marshall, MI 49068	Official Mail Accounting System
090-1198670-RI(1)	Bellaire, MI 49615	Official Mail Accounting System
090-1198712-RI(1)	Corunna, MI 48817	Official Mail Accounting System
090-1198801-RI(1)	St. Johns, MI 48879	Official Mail Accounting System
090-1199385-RI(1)	Kalamazoo, MI 49001	Official Mail Accounting System
090-1200644-RI(1)	Pittsburgh, PA 15290	Official Mail Accounting System
090-1200840-RI(1)	Charlestown, WV 25350	Official Mail Accounting System
090-1201752-RI(1)	Cadillac, MI 49601	Official Mail Accounting System
090-1202806-RI(1)	Smyrna, GA 30080	Official Mail Accounting System
090-1202834-RI(1)	Washington, DC 20066	Official Mail Accounting System
090-1203164-RI(1)	Tampa, FL 33622	Official Mail Accounting System
090-1203319-RI(1)	Manteno, IL 60950	Official Mail Accounting System
090-1203438-RI(1)	Kansas City, MO 64111	Official Mail Accounting System
090-1203671-RI(1)	Atlanta, GA 30341	Official Mail Accounting System
090-1203812-RI(1)	Kansas City, MO 64108	Official Mail Accounting System
090-1204253-RI(1)	Vancouver, WA 98668	Official Mail Accounting System
090-1204745-RI(1)	Memphis, TN 38173	Official Mail Accounting System
090-1205095-RI(1)	Memphis, TN 38173	Official Mail Accounting System
090-1205173-RI(1)	Washington, DC 20260	Official Mail Accounting System
090-1205556-RI(1)	Memphis, TN 38173	Official Mail Accounting System
090-1205729-RI(1)	Enumclaw, WA 98022	Official Mail Accounting System
090-1205934-RI(1)	St. Louis, MO 63134	Official Mail Accounting System
090-1206466-RI(1)	Washington, DC 20066	Official Mail Accounting System
090-1206558-RI(1)	Norwalk, CT 06851	Postage Meter Overset
090-1207173-RI(1)	Seattle, WA 98109	Official Mail Accounting System
090-1208099-RI(1)	Memphis, TN 38173	Official Mail Accounting System
090-1208256-RI(1)	Cleveland, OH 44101	Official Mail Accounting System
384-1164225-RI(1)	Des Moines, IA 50318	Business Reply Mail
384-1186771-RI(1)	Richmond, VA 23232	Caller Service
384-1190281-RI(1)	Atlanta, GA 30304	Caller Service
384-1195477-RI(1)	Plymouth, MA 08360	Standard Mail
388-1172002-RI(1)	Amityville, NY 11701	Postage Meters
654-1127275-RI(1)	Santa Cruz, CA 96050	International Mail
654-1172757-RI(1)	Selma, AL 36701	Periodical Mail
654-1194099-RI(1)	Midwest Area	Official Mail Accounting System
923-1173277-RI(1)	Omaha, NE 68114	First-Class Mail
923-1187924-RI(1)	Portland, OR 97208	First-Class Mail
923-1199380-RI(1)	Wheeling, IL 60090	Business Mail Acceptance
923-1204208-RI(1)	Oklahoma City, OK 73198	Business Mail Acceptance
923-1207444-RI(1)	Jonesboro, AR 72401	Business Mail Acceptance
924-1174180-RI(1)	Burlington, VT 05401	First-Class Mail
924-1199081-RI(1)	Kalamazoo, MI 49009	First-Class Mail

Appendix B

Contract Audit Findings and Settlements

For Period Ending March 31, 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*	25	$3,723,155	$20,451
Reports requiring a management decision that were issued during the reporting period	16	1,809,538	42,813
TOTAL	**41**	**$5,532,693**	**$63,264**
Reports for which a management decision was made during the reporting period (i + ii)	18	$1,624,050	$0
(i) Dollar value of disallowed costs		$769,768	
(ii) Dollar value of costs not disallowed		$854,282	
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	23	$3,908,643	$63,264
Reports for which no management decision was made within six months of issuance (Note 1)	5	$810,560	$11,351
Reports for which no management decision was made within one year of issuance (Note 2)	7	$379,086	$9,100

*A total of $3,804,426 was subtracted from the beginning total, based on the results of additional audit attention that reduced questioned costs in one case.

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
1033655-AC(1)	Electrocom Automation, L.P.	$61,290	$0
1172845-AC(1)	Electrocom Automation, L.P.	63,142	0
1178975-AC(1)	HK Systems, Inc.	26,532	11,351
1183079-AC(1)	King-Casey, Inc.	353,962	0
1185084-AC(1)	Fourth Shift Corporation	305,634	0
TOTAL		**$810,560**	**$11,351**

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
1033653-AC(1)	Electrocom Automation, L.P.	$177,492	$0
1033654-AC(1)	Electrocom Automation, L.P.	26,415	$0
1151214-AC(1)	A.R. Lithographers, Inc.	38,378	9,100
1171467-AC(1)	CUI, Inc.	1,769	0
1171743-AC(1)	Greenleaf Steel Rule & Die Corporation	67,399	0
1171746-AC(1)	Renaissance Division of The Lesher Corporation	10,259	0
1121181-AC(2)	Electrocom Automation, L.P.	57,374	0
TOTAL		**$379,086**	**$9,100**

Appendix C

Recommendations That Funds Be Put to Better Use

For Period Ending March 31, 1997

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period*	26	$75,657,740
Reports requiring a management decision that were issued during the reporting period	16	254,262,776
TOTAL	**42**	**$329,920,516**
Reports for which a management decision was made during the reporting period	16	$261,523,128
(i) Value of recommendations implemented by management		$237,293,420
(ii) Value of recommendations that management did not recover		$24,229,708
(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	26	$68,397,388
Reports for which no management decision was made within six months of issuance (Note 1)	8	$13,135,562
Reports for which no management decision was made within one year of issuance (Note 2)	5	$15,375,628

*A total of $14,671,350 was subtracted from the beginning total, based on the results of a revised audit in one case and pending the results of a revised audit 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
1171732-AC(1)	King-Casey, Inc.	$174,475
1185837-AC(1)	American Locker Security Systems	396,667
1186636-AC(1)	Auth Florence Manufacturing Company	123,342
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.	34,875
TOTAL		**$13,135,562**

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
1155605-AC(1)	Litco International, Inc.	$4,870,975
1165940-AC(1)	Electrocom Automation, L.P.	8,370,460
1174199-AC(1)	Price-Waterhouse	1,554,077
1180586-AC(1)	Electrocom Automation, L.P.	224,138
1181291-AC(1)	Cortron, Inc.	355,978
TOTAL		**$15,375,628**

Appendix D

Unresolved Reports and Resolution of Findings

For Period Ending March 31, 1997

Description	Number of Reports	Number of Findings
Reports Unresolved at Beginning of Period		
— Reports Issued Before 4-1-96	10	15
— Reports Issued Prior Period 9-30-96	27	41
TOTAL	**37**	**56**
Reports Issued This Period 3-31-97	476	433
TOTAL REPORTS (Note 1)	**513**	**489**
Reports Resolved		
— Issued Before 4-1-96	6	10
— Issued Prior Period 9-30-96	26	40
— Issued This Period 3-31-97	423	313
TOTAL RESOLVED	**455**	**363**
Reports Unresolved as of 3-31-97		
— More Than One Year 4-1-96 (Note 2)	4	5
— More Than Six Months 9-30-96 (Note 3)	1	1
— Less Than Six Months	53	120
TOTAL UNRESOLVED	**58**	**126**
— 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 still working on a new reparables accounting system scheduled for implementation in FY 1997. Instructions to emphasize need to submit receiving reports is pending.
1153645-AD(1)	FY 1995 Financial Opinion Audit, San Mateo, CA – An enhanced process to capitalize equipment is being tested. A standard data base format and implementation instructions are scheduled for completion this fiscal year.
1154884-AD(1)	FY 1995 Financial Opinion Audit, St. Louis, MO – Working on enhancements to electronically pass contract termination data to the National Accounts Payable System. Target date for completion is this fiscal year.
1174652-RI(1)	Second-Class Mail Review, Cincinnati, OH – Revenue deficiency was appealed and is still under review by the Rates and Classification Service Center, along with other appeals from the mailer.

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

Case Number	Condition
1174882-AD(1)	FY 1996 Opinion Audit of Electronic Data Processing Controls, San Mateo, CA – Pending the establishment of procedures to: ensure Accounts Payable Accounting and Reporting System (APARS) payment data is properly tracked to the appropriate history files; and access purged APARS II data files.

Appendix E

Summary of Actions Under 39 USC 3005

October 1, 1996 – March 31, 1997

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease and Desist Orders
Advance fee	0	3	0	3
Boiler rooms/Telemarketing	1	1	1	1
Contests/Sweepstakes	2	1	0	1
Coupon fraud	2	2	2	2
Directory solicitations	0	0	0	0
Distributorships	0	0	0	0
Employment	0	0	0	0
False billings	3	2	1	3
Fraud against government agencies	0	0	0	0
Fraud against the U.S. Postal Service	1	0	1	1
Insurance	0	0	0	0
Investments	1	1	0	1
Loans	0	0	1	0
Lotteries	20	1	20	1
Medical	2	3	2	5
Memberships	0	0	0	0
Merchandise:				
Failure to furnish	1	1	1	1
Failure to pay	1	1	1	1
Misrepresentation	0	0	0	0
Miscellaneous	4	3	0	2
Solicitations	0	0	0	0
Travel	0	0	0	0
Work at home	4	4	4	5
TOTAL	**42**	**23**	**34**	**27**

Other Administrative Actions	
Administrative Action Requests	22
TROs and Preliminary Injunctions Requested	7
TROs and Preliminary Injunctions Issued	7
Cases Using Direct Purchase Authority	0
Refusals of Direct Purchase Authority	0
Civil Penalties Imposed	0
Expenditures Incurred for:	
Test Purchases	0
Expert Testimony	0
Witness Travel	0
Withholding Mail Orders Issued	67
Voluntary Discontinuances	913

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. Soliciting funds through the mail for 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 Midyear 1997

Type of Crime	Arrests	Convictions*
Revenue and Asset Protection Program		
Expenditure Investigations	5	13
Financial Investigations	162	143
Workers' Compensation Fraud	16	15
Revenue Investigations	45	40
Robbery	72	60
Burglary	156	133
Miscellaneous External Crimes (includes counterfeit and contraband postage, money order offenses, vandalism and arson)	275	241
Assaults Against Employees (includes threats and assaults against on-duty postal employees)	270	186
Employee Narcotics Cases (includes employees and non-employees selling narcotics on postal property)	24	30
Mail Theft by Employees (includes theft and possession of stolen mail)	266	281
Mail Theft by Non-Employees or Contractors (includes theft and possession of stolen mail)	2,150	1,933
Miscellaneous Employee Crimes (includes theft of postal property and sabotage of equipment)	33	30
Bombs/Explosive Devices	56	42
Mailing of Controlled Substances (includes narcotics, steroids, drug-related proceeds and drug paraphernalia)	911	820
Mailing of Child Pornography, Obscenity or Sexually Oriented Advertisements	76	104
Mailing of Miscellaneous Nonmailables (includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents)	26	32
Mail Fraud	808	738
TOTAL	**5,351**	**4,841**

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

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

Postal Inspection Service Division Boundaries

For assistance with postal-related problems of a law enforcement nature, please contact your nearest Inspection Service Division.

Atlanta Division
P.O. Box 16489
Atlanta, GA 30321-0489
404/608-4500
Fax: 404/608-4505

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Buffalo, NY 14202-3796
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704/329-9120
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