

UNITED STATES POSTAL INSPECTION SERVICE

# ANNUAL REPORT

# 2016



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# WHO WE ARE

The U.S. Postal Service backs its mail service with the protection of its own federal law enforcement agency—the U.S. Postal Inspection Service. We are the law enforcement, crime prevention, and security arm of the Postal Service. We provide the investigative and security resources that ensure America's confidence in the U.S. Mail. It's our mission: support and protect the Postal Service and its employees, infrastructure and customers; enforce the laws that defend the nation's mail system from illegal or dangerous use; and ensure public trust in the mail.

We work to assure that American businesses can safely dispatch funds, securities, and information through the mail, that postal customers can entrust their correspondence to the mail, and that postal employees can work in a safe environment.

Our Postal Inspectors are federal law enforcement officers who carry firearms, make arrests, execute federal search warrants, and serve subpoenas. The 1,280 Inspectors enforce roughly 200 federal laws covering crimes that include fraudulent use of the U.S. Mail and the postal system. Our Security Force of armed, uniformed Postal Police Officers, numbering 611, are assigned to protect critical postal facilities. Our national information technology infrastructure supports users at nearly 200 sites nationwide, and our offices are linked nationally via a private law enforcement network.

An additional 581 technical and administrative professionals support the effort nationwide and at the National Forensic Laboratory. There, a state-of-the-art facility is staffed by highly trained forensic scientists and technical specialists who play a key role in identifying, apprehending, prosecuting and convicting individuals responsible for postal-related criminal offenses. They provide scientific and technical expertise to the criminal and security investigations of the Postal Inspection Service.

Our Postal Inspectors investigate postal-related crimes, such as identity theft, mail bombs, postal robberies and burglaries. And they protect against the use of the mail to launder drug money, defraud customers, traffic in illegal drugs and exploit children.

The security part of the mission means ensuring postal employees, customers and some 32,000 postal facilities are safe from criminal attack. Whether dealing with mail thieves in colonial times, stagecoach robbers in the 1800s, gangsters in the 1930s, the Unabomber in the 1980s and '90s, or anthrax mailings in this century—Postal Inspectors are there.

If it has anything to do with safeguarding the safety, security and integrity of the nation's mail system from criminal misuse, we do it. And we've been doing it—and doing it successfully—since our inception 241 years ago, on August 7, 1775.

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**SECURITY.  
LAW  
ENFORCEMENT.  
PRESERVING THE  
TRUST.**

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# MESSAGE FROM THE CHIEF



The American public trusts us to keep the mail safe. Despite the many changes to the Postal Service since its inception, there is this constant held by its customers: Americans have the right to mail and receive letters and packages with every expectation that no one will tamper with or steal their mail. We in the Postal Inspection Service help deliver on that expectation. We do it by protecting the U.S. Postal Service, its employees and customers, and by enforcing the laws that defend the nation's mail system from illegal or dangerous use.

Law enforcement is a rewarding and challenging profession. Last year was a particularly challenging time for all of us in law enforcement. I am proud of the professionalism and leadership our Postal Inspectors and Postal Police Officers displayed. Remaining vigilant and protecting postal employees remains our top priority. Postal Inspectors visited postal facilities as part of our Safe and Secure Program, educating more than 132,000 employees on steps to take in an active shooter situation.

There are criminals out there who want to steal mail from your mailbox and fraudsters who want to send scams to your mailbox. As Postal Inspectors, we investigate these crimes and bring these criminals to justice. Our enforcement efforts last year resulted in 5,351 arrests and 4,448 convictions. One example of our success is the dismantling of one of the largest mail fraud cases in history, a psychic scam that victimized more than a million Americans out of over \$180 million. Inspectors also seized mailpieces containing more than 37,000 pounds of illegal narcotics and \$23.5 million in drug-trafficking proceeds. Our investigations of the use of the mail to sexually exploit children resulted in 46 arrests and indictments.

Inspectors ensure the safety of the mail with state-of-the-art equipment to identify hazardous substances and suspicious items. Our mail screenings added a layer of protection at the Republican and Democratic National Conventions. Specially trained Postal Inspectors operated our 53-foot, mobile mail-screening trailer, customized to detect chemical, biological, radiological, nuclear, and explosive threats in the mail. Inspectors and other specialists screened more than 39,000 pieces of U.S. Mail and parcels from commercial shippers. No harmful mailpieces were detected at either venue. During the year Inspectors also responded to more than 2,500 incidents involving suspicious items, substances, powders, or liquids in the mail or at postal facilities with no resulting fatalities.

Our expert forensic staff counted many successes in the past year playing a key role in identifying, apprehending, prosecuting and convicting individuals responsible for postal-related criminal offenses. They provide scientific and technical expertise to the criminal and security investigations of the Postal Inspection Service.

We've redoubled our efforts on the consumer front to ensure postal customers are protected from fraud that arrives via the mail. Educating postal customers to avoid scams is their best protection. We reach a wide audience with our Consumer Alert News Network, now in its fourth year. More than 500 segments have been produced and aired on the 120 TV stations in the network. Each segment reaches about 3.8 million viewers. Our anti-fraud efforts reach a million viewers each week through "The Inspectors," a half-hour, Emmy Award-winning show airing on Saturday mornings on the CBS network. The goal is simple: help consumers preserve their health, welfare and financial well-being. We strive to offer the best-protected mail system in the world. For that, I thank our dedicated employees, whose work ensures America's trust in the U.S. Mail.

# MEET OUR LEADERS



**Gary Barksdale**  
Deputy Chief Inspector  
Headquarters Operations



**Gregory Campbell Jr.**  
Deputy Chief Inspector  
Western Field Operations



**Sandra L. Spector**  
Inspector in Charge  
Office of Counsel



**Maryann J. Rizzo**  
Director  
Business Operations



**Keith E. Milke**  
Deputy Chief Inspector  
Northern Field Operations



**Teresa L. Thome**  
Deputy Chief Inspector  
Eastern Field Operations



**Kevin M. Niland**  
Deputy Chief Inspector  
Strategic Initiative

*The Executive Committee of the U.S. Postal Inspection Service considers and sets the organizational direction of the agency; focusing on all matters encompassing strategic planning, policy, development, investment and risk programs, workplace issues and succession planning. The members serve as a liaison to the U.S. Postal Service's leadership team and other law enforcement and investigative agencies. Committee members include the Chief Postal Inspector, the Deputy Chief Inspectors, the Inspector in Charge of the Office of Counsel and the Director of Business Operations.*

# FIGHTING MAIL FRAUD

U.S. Postal Inspectors investigate crimes in which the U.S. Mail is used to further a scheme—whether the scheme originated in the mail, by telephone, or on the internet. The use of the U.S. Mail to defraud another of money or property constitutes mail fraud.

The mail fraud statute, the nation's oldest consumer protection law, was first enacted in 1872 to prohibit illicit mailings for the purpose of executing a fraudulent scheme. Postal Inspectors vigorously pursue mail fraud in all its forms, whether familiar scams such as Ponzi schemes or newer frauds that blend the use of the internet, telemarketing and the mail. It is still our best defense against criminals who conduct fraudulent schemes via the mail.

Any item sent through the U.S. Mail must also comply with the Deceptive Mail Prevention and Enforcement Act. This statute provides for the nonmailability of certain deceptive mailings relating to sweepstakes, skill contests and facsimile checks and provides civil penalties for such. Although many sweepstakes are legitimate marketing tools, under this law, Postal Inspectors examine questionable promotions and review complaints from postal customers about potentially fraudulent mailings. It grants the Postal Service subpoena powers to obtain records and authorizes administrative hearings to determine the legality of mailings suspected of violating the law. Under the authority of the act, mail is stopped from delivery to the violator and returned to sender. The Postal Service may also impose severe penalties on violators. In 2016, Postal Inspectors investigated 431 cases of mail fraud, making over 500 arrests which resulted in 420 convictions.

## **MASSIVE INSURANCE FRAUD LEADS TO 37 YEAR SENTENCE**

A 40-year-old Maryland businessman paid himself \$96,000 a month, lived in a multi-million dollar house in Florida, and purchased luxury cars including a Bentley and Aston Martin with his ill-gotten insurance scam proceeds. He stole more than \$100 million in premiums from victims and used the money for his own personal benefit.

The suspect was president and chairman of an insurance corporation and a predecessor company. Both companies were located in Maryland and provided liability insurance primarily to customers in the entertainment industry, including bars, adult entertainment venues, nightclubs, concert tours, and special events. He created

false financial documents, including bank statements, letters of credit, and confirmations of bank account balances to falsely represent the financial status of his companies. He also sent false emails, management representation letters, financial statements, and other documents to auditors.

He used the name and identity of a bank official to create a false bank confirmation. He used a Post Office box to further his scheme.

From 2008 through 2013, more than 5,000 policyholders paid more than \$100 million in premiums for insurance coverage that never existed, while the defendant continued to pay himself. When the fraud scheme

came to light, policyholders were forced to purchase new policies to protect themselves or face potential bankruptcy if claims were filed against their businesses. Individuals who filed claims against policyholders failed to receive appropriate compensation because the insurance companies never had sufficient capacity to cover their loss exposure.

The defendant was sentenced to 37 years in prison. He was convicted for obstruction of justice, and the court found it was probable that he had been plotting to harm the government officials and others involved in the investigation. The judge also ordered him to pay restitution of \$137 million.

### PSYCHIC MAIL SCAM AMONG LARGEST IN HISTORY

One of the largest mail fraud cases in history victimized more than one million Americans, who sent the defendants payments totaling more than \$180 million. The widespread scam targeted many elderly or those in financial distress. Eight individuals and entities were operating an international multi-million dollar mail-fraud scheme in the name of alleged psychics.

The mail fraud scheme used letters purportedly written by two psychics sent to consumers through the U.S. mail. The solicitations urged victims to purchase various products and services in order to ensure that the foreseen good fortune would come to pass. In reality, the solicitations were identical, mass produced form letters sent to tens of thousands of recipients throughout the United States every month. Many who received the solicitations were vulnerable victims, including the desperate, elderly and infirm.

Postal Inspectors arrested one suspect just as he was ready to board a plane destined for overseas. The other suspects were also arrested and charged with operating fraudulent schemes and telemarketing campaigns.

In May 2016, the defendants all agreed to settle the case and be bound by a permanent injunction. The injunction bars them from making various claims in advertisements sent through the U.S. Mail,

including claims that products offered for sale will increase the recipient's odds of winning the lottery or bring the recipient luck or good fortune. They are also barred from using the U.S. Mail to distribute any advertisements, solicitations or promotional materials on behalf of any psychics, clairvoyants or astrologers.

The consent decree also authorized the U.S. Postal Inspection Service to return any money or personal checks sent to the defendants and detained by the Postal Inspection Service. The investigation is ongoing.

**OVER  
1 MILLION  
PSYCHIC FRAUD  
VICTIMS  
SUFFERED LOSSES  
OF OVER  
\$180 MILLION**



# PROTECTING POSTAL CUSTOMERS

As the federal law enforcement, crime prevention, and security arm of the Postal Service, the Postal Inspection Service works to protect the American public from fraudulent use of the U.S. Mail. Postal Inspectors respond to complaints and conduct investigations about hundreds of issues from mail theft to sweepstakes scams and illegal foreign lotteries. These types of investigations involve crimes that use the mail to facilitate fraud against consumers, business and government.

Preventing crimes is the second way we protect customers. Armed with the right knowledge, almost anyone can recognize a fraudulent scheme and make the right decision—to stay away. For this reason, Postal Inspectors work to educate the American public about current fraud trends. Postal Inspectors rely not only on their investigations and interventions of suspected criminal activity, but on consumer education to proactively alert the American public about crimes involving the mail.



## DELIVERING TRUST WEBSITE

The Postal Inspection Service maintains an extensive website—[www.deliveringtrust.com](http://www.deliveringtrust.com)—designed solely for the purpose of educating and assisting customers. The site provides information on scams before they hit mailboxes. It also features educational videos to help raise awareness of these scams and educate consumers on how to avoid becoming the latest victim, through a series of public service announcements (PSAs). While scams may change from time to time, the warning signs, such as sounding too good to be true, or being pressured to act right away, remain the same.

## CONSUMER ALERT NEWS NETWORK

Another key component of the Inspection Service's consumer awareness and fraud-prevention outreach campaign is the Consumer Alert News Network (CANN). These taped program segments focus on alerting the American public to mail fraud and other postal crimes. During each segment, a victim of a scam shares his or her experience and Postal Inspectors discuss the scam, describing how criminals find their targets and the consequences of these crimes. The segments are intended to resonate with viewers who could potentially become targets of scams. Prevention tips and resources are provided at the end of each segment.

Currently in its fourth year, six CANN video segments are distributed to 120 local television station news departments across the country each month. To date, more than 500 segments have been distributed with an estimated reach of 3.8 million viewers per segment. Each station also airs a companion PSA that warns of the dangers of mail fraud schemes.



### **THE INSPECTORS TELEVISION SERIES**

“The Inspectors” is a scripted half-hour dramatic television series about Postal Inspectors, which debuted in October 2015. Currently in its second season, the series teaches viewers of all ages how to avoid becoming crime victims. It demonstrates the integral role of the Postal Inspection Service in investigating postal crimes and protecting American citizens from fraud.

Stories are pulled from the case files of the Postal Inspection Service. Technical advisors from the Inspection Service provide input and oversight into the story development and script writing.

The advisors also provide detailed information on cases, crime trends, and prevention concepts that provide the inspiration used to develop the fictional cases enacted in the series.

CBS stations air the show at varying times on Saturday mornings. The drama series has been recognized with several awards including, a Daytime Emmy, three Telly Awards, two Cynopsis Media Social Good Awards and a Parents’ Choice Recommended Award.

***If it sounds too good to be true, it usually is. Dont be fooled!***

***“This investment is low-risk and provides a higher return than you can get anywhere else.”***

***“You have to make up your mind right away.”***

***“You can put the shipping and handling charges on your credit card.”***

***“You’ve been specially selected to hear this offer.”***

***“You’ll get a wonderful free bonus if you buy our product.”***

***“You’ve won a valuable free prize.”***

***“You’ve won big money in a foreign lottery.”***

# ASSISTING CRIME VICTIMS

The emotional impact of fraud and financial crimes can be devastating. Victims are left in critical need of services to reduce the trauma they experience, and assistance to help restore a sense of normalcy to their lives.

To address these issues and assist victims of crime involving the mail, the Postal Inspection Service works diligently to ensure that victims get the prompt, high-quality assistance they need. Also helping them navigate their way through the criminal justice system. Postal Inspectors conduct important outreach regularly, contacting victims offering support and guidance.

This compassionate and effective response to victims makes a significant impact, helping them feel more comfortable and confident in an unfamiliar criminal justice system.

## SERVING VICTIMS, BUILDING TRUST AND RESTORING HOPE

From 2006 until 2009, a 58-year-old Nevada man defrauded 267 victim investors in Canada and the U.S., of more than \$17 million. The majority of the money went to support his lavish lifestyle. The Postal Inspector assigned to the case kept in close contact with almost all of the 267 victims; contacting them all and ensuring they were apprised of the fraudster's sentencing, their rights, and assisting them with their financial and emotional recovery.

The Postal Inspector also obtained eight victim impact letters and six victims testified in court during the sentencing hearing. The Inspector, an advocate for victim impact letters, helps to provide a voice for victims affected by crime. In October 2015 the scammer was sentenced to 151 months in federal prison for operating a Ponzi scheme and ordered to pay almost \$9.7 million in restitution. The Inspector received accolades for her work in the case and was the recipient of the 2016 Victim Witness Assistance Program Award.

## NATIONAL CRIME VICTIMS' RIGHTS WEEK 2016

In April, the Postal Inspection Service helped lead communities, our Post Offices and customers throughout the country in the annual observance of National Crime Victims' Rights Week. The weeklong initiative promotes victims' rights and honors crime victims and those who advocate on their behalf. This year's theme, "Serving Victims, Building Trust, Restoring Hope," highlights the importance of early intervention and victim services to establish trust with victims, which in turn begins to restore their hope for healing and recovery. 2016 marked the eleventh year of the partnership between the Postal Service, the Postal Inspection Service and the Department of Justice in helping to raise awareness of these efforts. Postal Inspection Service staff provided posters, educational literature, gave presentations and participated in community events helping to continue to raise awareness of victims' issues.



# ADMINISTERING ASSET FORFEITURE

Asset Forfeiture provides an undeniable deterrent against crime and a measure of punishment for the criminal. It is a successful law enforcement tool designed to separate the criminal from his profits. Not only does it effectively deter crime, it provides a means to help return property to victims and offset some law enforcement costs. The Postal Inspection Service applies forfeiture laws to combat mail fraud, drug trafficking in the mail, money laundering, mail theft, and other financial investigations. Since 1986, we have successfully managed millions in forfeited assets while strictly adhering to applicable laws and due process.

## SEIZING ILL-GOTTEN GAINS

In FY 2016, the Postal Inspection Service seized 2,168 assets valued at over \$52 million. Our Asset Forfeiture Unit (AFU) improved its case processing time by 112 percent over the prior year. We resolved the number of petitions for remission or mitigation from 112 at the beginning of the year to 18 by year-end.

In working to eliminate illegal narcotics trafficking through the mail the Postal Inspection Service relies on the assistance of our law enforcement partners and their canine units. Equitable sharing through forfeiture provides a method to help offset the costs incurred by our state and local partners.

Working with the Postal Service Accounting department, the AFU transitioned to electronic funds transfer,

reducing the time to process equitable share payments from weeks to days. In FY 16, the AFU processed sharing payments for 3,969 assets for a total disbursement of \$16.4 million. This represents a 165 percent increase over the same period last year.

## FUNDING INVESTIGATIONS AND EDUCATION

Forfeiture funds support a number of investigative and educational initiatives valuable to our agency's mission. Combatting international fraud requires strategies such as, Cross-Border Fraud Initiatives and Project JOLT (Jamaican Operations Linked to Tele-marketing). Forfeiture also supports our ongoing national illegal narcotics interdictions. In-service training programs and consumer

protection initiatives that would otherwise require funding through other means such as, the U.S. Postal Service are funded by asset forfeiture.

## \$4.8 MILLION PLUS AN ADDITIONAL \$3 MILLION ORDERED IN MEDICAL FRAUD INVESTIGATION

The Postal Inspection Service was asked to take the lead on the forfeiture in this medical fraud case. A drug and medical device company headquartered in Pennsylvania manufactured and shipped contaminated pre-filled saline syringes causing bacterial infections in at least 300 patients. The syringes were made by another company but were labeled and distributed by the Pennsylvania company. Companies are prohibited from selling contaminated products even when manufactured elsewhere. Patients in California, Texas, New York and Nebraska became infected by the contaminated syringes.

The Pennsylvania company purchased the saline syringes from a supplier which manufactured the syringes at their facility in North Carolina. The supplier was advised of problems found during separate audits by both the U.S. Food and Drug Administration and the medical device company. The audits disclosed that the supplier was having problems

complying with current good manufacturing practices. Although the supplier addressed some of the issues, additional problems persisted.

The supplier/maker moved to another facility and employed an alternative sterilization method. Less than one month after resuming purchasing again, the medical device company sold the contaminated syringes. The syringes later were recalled by the medical device company.

In May 2016, the medical device company agreed to pay \$4.8 million in penalties and forfeit up to an additional \$3 million in restitution to resolve its criminal liability for selling the contaminated syringes.

#### **BRIBERY, KICKBACKS AND FRAUD INVESTIGATED BY THE POSTAL INSPECTION SERVICE AND FBI**

A long-term joint investigation finally concluded in the summer of 2016. This case began in December 2005, when Postal Inspectors and FBI Agents executed federal search warrants at the corporate headquarters of a machinery and tool company in Illinois and at its co-conspirators' office. Both companies were suspected of a scheme to defraud their shareholders and customers. A subsidiary of the machinery company was paying kickbacks

to government procurement personnel. An investigation revealed that bribes were paid to buying agents for schools, hospitals and military bases across the country in an effort to garner large government contracts. The kickbacks were also paid to private corporations in exchange for contracts.

In April 2007, seven former sales agents of the company were indicted on federal criminal charges, including mail fraud. All seven of the indicted former sales agents pleaded guilty.

In 2008, the company entered into a Deferred Prosecution Agreement with the U.S. Attorney's Office. Three additional people, including a former sales manager and a former sales agent, were indicted and also pleaded guilty.

Pursuant to a settlement, the company paid a \$30,000 penalty, which included restitution, and agreed to pay a \$30 million uncontested forfeiture.

In August 2016, the investigation led to a \$5.8 million equitable share payment for the Postal Inspection Service.

# ASSET FORFEITURES TOTALLED OVER \$52 MILLION

# TARGETING THEFT

The U.S. Postal Service delivers to every home and business in the country, delivering over 154 billion pieces of mail annually to 155 million addresses nationwide. While the vast majority of the mail delivered arrives intact, there are thieves that persist in their efforts to steal it. Postal Inspectors aggressively investigate these thefts. During FY2016, the Postal Inspection Service initiated 1,348 mail theft cases and made 2,437 arrests, resulting in 2,039 convictions.

But enforcement is not the only approach to mail theft. Postal Inspectors across the country work hard to protect the mail and make it difficult for mail thieves to be successful. The Postal Inspection Service reviews, tracks, and refers mail theft complaints to Postal Inspectors through our Mail Theft Analytics Program (MTAP). During FY2016, MTAP analysts received almost 60,000 customer complaints regarding attempts to steal mail. These complaints were filed online, through U.S. Postal Service call centers and directly with Postal Inspection Service field offices. Analysts referred 5,142 investigative leads with video, eyewitness accounts and descriptions of vehicles and suspects to Postal Inspection Service divisions. Reports of potential mail theft losses from major mailers and the U.S. Postal Service's National Change of Address database also assisted Postal Inspectors in identifying mail theft trends, enhancing current investigations and jacketing new cases.

Analysis of mail theft complaints also identified a surge in mail theft in the western United States. In partnership with the Postal Service, prevention efforts have included hardening of infrastructure. A combination of collection box modifications, installation of high-security modified locks and Neighborhood Delivery Cluster Box Units are helping to combat the problem.

## COLORADO CRIME CREW DISMANTLED

A call to the local sheriff's department about a stolen U.S. Postal Service blue collection box alerted Postal Inspectors to a brazen scheme. Five suspects were responsible for hundreds of mail and identity thefts in the Denver metro area via stealing and vandalizing blue collection boxes and neighborhood delivery cluster box units.

Materials taken from the thefts were used to further their illegal activities. The thieves stole checks, credit cards, and personally identifiable information from the mail. They used the information to create hundreds of counterfeit business and personal checks and fake identification and Social Security cards. They used the profits for living expenses and to purchase methamphetamine to support their drug habits.

Postal Inspectors conducted surveillance, subject interviews and executed federal search warrants at the suspects' residences. Stolen mail, computers and storage devices, checks, drugs, and weapons were recovered. The five suspects were arrested and charged with a 38-count indictment for violations of the Colorado Organized Crime Control Act, conspiracy, identity theft, criminal impersonation, and theft. The ring-leader is serving a 16-year sentence for his role in the enterprise. Over fifty individuals and businesses were victimized.



***MAILBOX DESTRUCTION - Damaged collection box after theft and vandalizing.***

# INTERCEPTING DANGEROUS MAIL

Specially trained and equipped Postal Inspectors respond when a prohibited mailing, explosive device—although a rare crime—or, substance may cause harm to Postal Service employees, our customers, the mail, or Postal Service property. Inspectors responded to 2,519 incidents involving suspicious items, substances, powders or liquids in the mail or at postal facilities this past year.

Inspectors use multi-tiered field-screening to analyze mail. We are called on to screen mail delivered to high-profile venues designated as National Special Security Events, such as, the Super Bowl, or other large-scale events where threats exist.

In 2016, the Postal Inspection Service was a major contributor to the unprecedented effort that went into ensuring the safety of the Democratic and Republican National Conventions. At both of these major political rallies, an immense safety and security effort was put into effect. Inspectors were not only dedicated to working at the National Conventions but also ensuring the safety of Postal Service facilities, personnel, and the U.S. Mail. Inspectors played a pivotal role in preventing and responding to incidents, assuring safety and security for all. There were a total of 11 associated events for the conventions with 39,023 mailpieces screened.

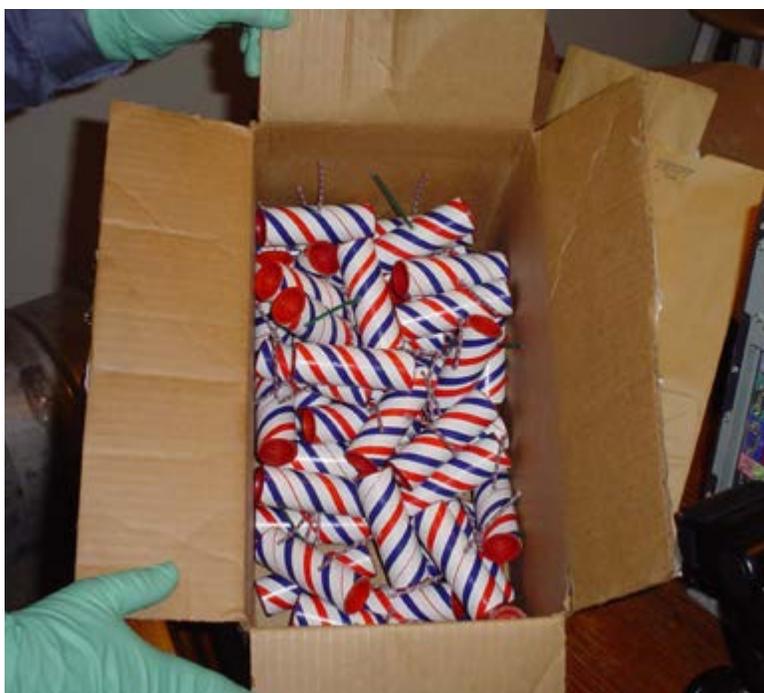
## THREATS IN THE MAIL

Beginning in 2008, Postal Inspectors and the FBI became aware of multiple threatening letters sent to governors across the U.S. The letters contained an unknown powder and were postmarked from Dallas, Texas. Over 400 letters with powder the letters claimed to be Anthrax, were mailed across the U.S. and to U.S. embassies abroad. While testing determined the powder was non-hazardous, the letters caused significant disruption.

The suspect mailed hoax letters to more than 100 schools and private entities.

An investigation led to the arrest of the 67-year-old male suspect who pleaded guilty in July 2015. He was charged with five counts of sending false information and hoaxes and sentenced in December 2015 to serve 60 months in federal prison. At his sentencing hearing, the judge noted that the suspect's conduct was significant and

dangerous and involved more than 400 threatening letters in multiple batches over a five-year period. The suspect's conduct cost emergency responders and investigators more than \$2.8 million, not including the economic losses to businesses, schools and government offices. Substantial governmental resources were expended in the response and investigation of the case, leading the judge to impose a lengthier sentence.



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**MAIL  
SCREENING  
AT THE 2016  
NATIONAL  
CONVENTIONS  
39,023  
MAILPIECES**

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# IMPEDING NARCOTICS TRAFFICKING

The Postal Inspection Service Prohibited Mail Narcotics program is committed to protecting postal employees, and the American public, from the menaces of drug traffickers attempting to use the U.S. Mail to deliver illicit narcotics and the associated proceeds.

Inspectors conduct investigations involving large-scale drug trafficking organizations that have a national impact, helping to identify, dismantle and disrupt these operations. Intelligence developed through drug seizures involving the mail also helps Inspectors identify the communities affected by the illicit drug trade. Local and national drug interdictions are conducted by Inspectors and coordinated throughout Postal Inspection Service Divisions. Multi-agency partnerships of federal, state and local law enforcement share information and intelligence.

Inspectors in FY 2016 made a total of 1,850 arrests involving drug trafficking of which 1,571 criminals were convicted.

## DRUG TRAFFICKER SENTENCED FOR MAILING ILLEGAL DRUGS

In 2013, Philadelphia Division Postal Inspectors were contacted by the Philadelphia Police Intelligence Unit with a tip concerning the trafficking of cocaine between California and Philadelphia through the U.S. Mail. Information was obtained about a subject allegedly supplying large amounts of cocaine to multiple groups in the Philadelphia area.

The subject conducted his illicit business making frequent trips between Los Angeles and Philadelphia, setting up virtual office locations to receive the inbound packages of illegal drugs. Surveillance captured the subject in Los Angeles shipping packages to locations he and co-conspirators had set up in Philadelphia.

Over a period of time, 29 total packages were shipped. Inspectors confirmed through surveillance photos the subject was mailing three packages to Philadelphia and federal search warrants were obtained for the parcels. Inspectors found three kilograms of cocaine in these parcels. A search of the subject's business location and a residence uncovered packaging materials, plastic bags, a handgun and items consistent with the cutting and distribution of cocaine. Over \$25,000, a luxury vehicle, \$27,000 in jewelry, a business and residence were seized and forfeited. Inspectors and members of the Philadelphia High Intensity Drug Trafficking Area group arrested and took the subject into custody at the airport, without incident. In April, 2016, he was sentenced to 25 years in federal prison.

## HOT PURSUIT YIELDS NARCOTICS DISTRIBUTER

In October 2015, Inspectors identified a suspicious Express Mail package at a St. Louis Postal Distribution Center. Postal Inspectors discovered the package's listed names did not have a connection to either address. Expedited delivery services are used by some to conduct illegal business—namely, drug distribution. Inspectors called in St. Louis County K-9 Officers and a narcotics-trained canine who positively detected narcotics.

After obtaining a search warrant authorizing access to the package's contents, almost one pound of methamphetamine was discovered with an estimated value of \$25,000. After positively confirming the contents of the parcel it was delivered. Postal Inspectors along with the St. Louis Metropolitan Police Department Drug Unit conducted surveillance at the residence. A male was observed receiving the package and then exiting the residence and driving away. Several law enforcement officers drove with lights and sirens on, following in pursuit of the suspect who did not pull over. Crossing over a bridge, officers observed the suspect throwing items, including what appeared to be the package, out of his car window. The suspect continued to drive at a high rate of speed and hit another vehicle before having a tire blow-out. Finally coming to a stop, he



was ordered out of his vehicle and placed under arrest. The suspect was charged with possession, with intent to distribute methamphetamine and was sentenced to 60 months in federal prison.

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**NARCOTICS  
TRAFFICKING  
OVER 37,000  
POUNDS OF  
ILLEGAL  
NARCOTICS &  
\$23.5M  
SEIZED**

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# HALTING CHILD EXPLOITATION

It is a federal offense to knowingly distribute or receive any child pornography by mail or other means of interstate or international commerce. Using the mail to transmit materials that exploit children debases the integrity of the postal system and further endangers the safety and well-being of young victims. The Inspection Service assigns specially trained Inspectors to investigate incidents when the mail is used for this purpose.

The Postal Inspection Service partners with the National Center for Missing and Exploited Children, the Department of Justice Child Exploitation and Obscenity Section, and the 94 U.S. District Attorney's Offices across the United States, to investigate child sexual exploitation involving the U.S. Mail and the internet.

In 2016, the Postal Inspection Service investigated 46 cases involving the use of the U.S. Mail to exploit children. Inspectors arrested and convicted 46 suspects in these cases.

## **CATFISHER ARRESTED**

An online impostor was sentenced to 22 years in prison for receiving and sending child pornography. He coerced minor children he met in online chat rooms into sending nude images of themselves through the mail. He would threaten them with blackmail if they didn't send more. He told Inspectors during an interview he was catfishing as seen on a television show. Three of his victims testified at his trial.

## **76 MONTHS IN JAIL FOR CHILD PORNOGRAPHER**

Inspectors executed a search warrant at a professional photographer's home. Dozens of electronic devices were seized. Upon forensic examination the presence of exploitative images of children was confirmed. The photographer, identified via tip from a recruiter/talent scout he used, sent child pornography through the mail. He was sentenced to 76 months in prison followed by 15 years of supervised release, and ordered to pay fines and \$80,000 to the Domestic Trafficking Victims fund.



# KEEPING EMPLOYEES SAFE AND SECURE

Now, more than ever, USPS employees look to the Postal Inspection Service to help safeguard them from becoming the next victim of a violent attack. Several stories dominated the news cycle over the past year—a mass shooting in a Florida nightclub, a shooting in a South Carolina church, and numerous other senseless acts of violence against law enforcement all across the country. It was a difficult year, accentuating the importance of security.

With an organization of nearly 500,000 career employees, helping to create a safer workplace for everyone often begins with education. Education is key to building awareness. We worked with our partners in the Postal Service National Preparedness team to create and distribute a stand-up talk to employees on the importance of vigilance and physical security measures. We continued to deliver Active Shooter Response training in Post Offices, encouraging employees to play a proactive role and teaching them survival strategies. We are persistent in our efforts to protect those around us and continue to educate our workforce to help ensure their safe return home at the end of each day.



## **SELFIE LEADS TO ARREST**

While a Miami letter carrier delivered mail on his route, he was accosted by a local street gang who robbed him at gunpoint. The gang members also helped themselves to the letter carrier's personal cell phone. The phone later provided the clues Inspectors needed, leading them to the suspect who had uploaded photos of himself on the phone, including images of a residence Inspectors tracked down. They canvased areas distributing flyers, developing witnesses, and conducting interviews. The results of their investigation led to the arrest of the suspect. On September 13, 2016 he received a 71-month sentence and three years' supervised release for assault and robbery of a postal employee.





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**INSPECTORS  
EDUCATED  
132,130  
POSTAL  
EMPLOYEES  
IN ACTIVE  
SHOOTER  
SAFE & SECURE  
PRESENTATIONS  
IN FY 2016**

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# DEPLOYING SECURITY

The ability to protect postal facilities, our employees and the U.S. Mail processed and handled there, is of vital importance to the Postal Service and the Postal Inspection Service. Ensuring our mission and service to the American public is maintained in the event of an attack, natural disaster, or other type of incident involves coordinated protection planning efforts and a thorough evaluation of every vulnerability.

This past fiscal year, reviews of 1,007 postal facilities were conducted by a combination of personnel including, Security Control Officers (SCO), Physical Security Specialists and other Postal Inspection Service employees using the Vulnerability Risk Assessment Tool (VRAT). VRAT is a comprehensive, risk-based model that identifies security deficiencies. Based on a CAP score—crimes against persons and property, these annual Postal Inspection Service risk assessments ensure security controls are in place and meet the standard index score.





*Beginning in February, 2016 the Inspection Service conducted five airport reviews assessing procedures, internal and external controls and security measures used in the handling of U.S. Mail, transported by air. The assessments ensure mail security controls are in place and hazardous items remain out of airline cargo. The Postal Inspection Service teamed with airline, airport and cargo authorities to complete the airport reviews.*



# SAFEGUARDING REVENUE AND ASSETS

The U.S. Postal Service delivers 154 billion pieces of mail annually more efficiently and at a lower cost than any comparable post. It does so without the financial support of the American taxpayer. It is a self-funding entity that derives its revenues entirely through the sale of postal products and services. For that reason, the Postal Service relies on its customers to pay the required postage costs.

Postal Inspectors work with Postal Service groups to protect revenue. Reviews of short-paid postage indicating possible fraud are investigated.

## **FRAUDSTER NABBED SELLING STAMPS AT A DISCOUNT**

Inspectors were notified someone was purchasing large amounts of stamps using fraudulent checks in a four-state area. The stamps were sold for 50 to 70 percent of their value to an online business who then sold the stamps for almost 90 percent of face-value. Inspectors working with other law enforcement agencies identified a suspect. The Inspection Service Forensic Laboratory Services' fingerprint and computer digital analysis resulted in a positive match of the subject. In April, he was sentenced to 105 months in prison and ordered to pay restitution of \$646,993.

## **REVIEW EXPOSES MAIL FRAUD**

A commercial printing, marketing and mailing company was suspected of having irregularities with their drop shipment mailings. Something wasn't adding up and alert Postal employees notified Inspectors. Inspectors reviewed and compared the California company's drop shipment receipts and forms without finding corresponding postage statements showing payments for the mailings. Onsite reviews of their mailings and employee interviews were conducted. It was discovered that in over 1,999 instances postage payment was not made or insufficient postage had been

paid. Losses to the Postal Service in a one-year period amounted to over \$12 million for the 64 million pieces of mail with short-paid or no postage. A settlement agreement between the Postal Service and the company was reached and a payment of \$3 million was made in August.

## **MAIL TRANSPORTATION EQUIPMENT (MTE) RECOVERY**

The Postal Service reduces costs when not having to replace lost or stolen mail transportation equipment. By following up on leads received about equipment, conducting educational outreach to customers and businesses in the plastics industry, and liaison with law enforcement partners about theft of MTE, the Postal Inspection Service's MTE Recovery Program delivered savings. In FY 2016, the Inspection Service recovered MTE worth over \$1.6 million including 25,677 plastic pallets valued at \$526,379. Inspectors worked to educate Postal employees and customers about MTE by conducting 754 prevention visits across the country.



# WORKING GLOBALLY

Sharing data about international mail in advance of its arrival in a country is of paramount importance to postal administrations worldwide. In so doing, mail is more secure and the customs process more effective. The Universal Postal Union (UPU), a specialized agency of the United Nations' (UN) coordinates postal policies among postal administration member nations. The Chief Postal Inspector serves as the Chairman of the Universal Postal Union's Postal Security Group, supporting efforts to provide an efficient, reliable, safe, and secure international mail service.

Postal Inspectors provided consultation to Mexico Post regarding security requirements for their new Office of Exchange located in Monterrey, Mexico. Inspectors provided assistance with the purchase and installation of a Customs Data System (CDS) to support the sharing of advanced electronic data (AED) about the mail. Working with the Postal Union of the Americas, Spain, and Portugal (PUASP) and the Caribbean Postal Union (CPU), Postal Inspectors facilitated a communications strategy for AED—in advancement of the UPU's desire to improve AED among all of the 192 member countries.

Delegates from the UPU member countries gathered in Istanbul, Turkey for the 26th Universal Postal Union Congress. In spite of a recent attempted military coup in the nation and terrorist activity, the safety of nearly 2,000 participants was ensured. The Postal Inspection Service worked closely with the Turkish National Police and the UN Department of Safety and Security to establish an effective security plan. The UPU Congress was able to proceed and pass measures needed to implement its strategic plans. Once concluded, the event was among the most security incident-free of any past Congress.

## PROTECTING MAIL OVERSEAS

Inspectors protect the mail sent to members of the U.S. Armed Services through security measures, investigations and coordination with the Department of State, the Military Postal Service Agency and other entities. Inspectors investigated instances of mail theft overseas: a long-time European embassy mail room employee was implicated for stealing mail; an Army Post Office (APO) supervisor was identified in Germany for mail theft; the theft of APO mail from a Defense Logistics Agency trailer in Romania was investigated—ensuring that the sanctity of the mail and justice was not hindered by national borders.



*“The U.S. Postal Service is pleased to participate in the historic direct transportation of mail service with Cuba. Moving letter mail and package volume directly between our countries will improve service for businesses and consumers.”*

*– Postmaster General Megan J. Brennan*



## **MARCH 16, 2016**

*A Postal Inspector accompanies the first delivery of mail to Cuba in more than 50 years. Postal Inspector Carlos Rodriguez (pictured far left, wearing a yellow vest) accompanied the first delivery from Miami to Cuba. Postal Inspectors provided additional support of the historic resumption of service by conducting security reviews and participating in the formal negotiations concerning resuming mail service.*

# EXAMINING FORENSICS

The Postal Inspection Service maintains a premier, state-of-the-art National Forensic Laboratory (FLS), in Dulles, VA, where, highly trained forensic scientists and technical specialists play a key role in identifying, apprehending, prosecuting and convicting individuals responsible for postal related criminal offenses. They provide scientific and technical expertise to the criminal and security investigations of the Postal Inspection Service.

Postal Inspectors often rely on the forensic scientists, technical specialists and related units—Questioned Documents, Fingerprint, Physical Sciences and Digital Evidence, for their expertise in helping to solve postal crimes.

In FY 2016 the Forensic Laboratory:

- Examined 125,140 physical evidence items
- Incident Response Team responded to 4 incidents, providing crime scene processing support, evidence collection and preservation
- Fingerprint Unit processed over 60,000 evidence items leading to the identification of over 4,000 latent prints
- DNA analysis resulted in entries of suitable profiles from 13 Postal Inspection Service cases into the national DNA databank
- Provided expert court testimony 23 times

## **FINGERPRINTS AND DNA SEROLOGY LEADS TO ARREST**

A letter carrier delivering mail in Virginia was robbed and the suspect snatched a parcel, leaving blood at the scene. The Forensic Analyst identified the suspect through latent fingerprints from the recovered parcel and testing of blood samples. The suspect's identity was revealed. Inspectors arrested the suspect who was later convicted and sentenced to 26 months in prison.



# PREPARING OUR WORKFORCE

Postal Inspection Service candidates who have successfully passed the preliminary assessments and exams are invited to attend the Career Development Unit (CDU)—our national training academy located in Potomac, Maryland. The CDU is a premier, accredited law enforcement institution recognized by the Federal Law Enforcement Training Accreditation (FLETA).

The Basic Inspector Training (BIT) process includes a 12-week training course which focuses on: academics, firearms, physical fitness and defensive tactics, and practical exercises. The Postal Police Officer Basic Training (PPOBT) program is an eight-week program providing instruction in areas of basic security concepts, agency policies and procedures, firearms and defensive tactics. In 2016, the CDU assessed 460 applicants. Sixty-two new Postal Inspectors graduated and are assigned to divisions located throughout the United States. Fifty-two new Postal Police Officers now have assignments protecting employees, postal infrastructure and customers in major facilities.

Postal Inspection Service employees also received leadership and employee development training by the Executive Resources and Leadership Development (ERLD) group at the CDU's Career Leadership Academy. Leadership and Employee Development Program (LEDP) participants received in-person and virtual training in support of identifying and developing future Postal Inspection Service leaders. More than 400 employees participated in the Leadership and Employee Development Program. CDU provided classroom training to 908 employees and 3,386 virtual training courses.





# CONNECTING WITH CUSTOMERS

The Postal Inspection Service's radio and emergency communications is managed by our National Law Enforcement Communications Center (NLECC)/Radio Unit (NRU). NLECC provides critical public safety services to Postal Inspectors, Postal Police Officers and other law enforcement agencies. These services include, but are not limited to: monitoring alarms at Postal Service facilities, centralized monitoring of the U.S. Postal Inspection Service radio communications network, providing after-hours emergency phone coverage for all of our offices, and critical incident reporting to senior management personnel. NLECC staff members access law enforcement and intelligence information from confidential databases such as the National Crime Information Center.

The Radio Communications group ensures the U.S. Postal Inspection Service radio network is fully operational and implements new technologies that can best support the organization's mission. The radio network infrastructure currently connects all 50 states, Puerto Rico, Guam and additional U.S. territories to NLECC.



***NLECC staff members received 177,896 calls from postal employees or customers seeking assistance with suspected mail crime.***



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# CALL POSTAL INSPECTORS 877-876-2455

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1. MAIL SERVICE ISSUES
  2. EMERGENCIES
  3. MAIL THEFT & IDENTITY THEFT
  4. MAIL FRAUD
  5. CUSTOMER SUPPORT
-



# INVESTIGATIVE STATISTICS: FY 2016

TYPE OF INVESTIGATION*	CASES INITIATED*	ARRESTS*	CONVICTIONS*
<b>ASSAULTS AND THREATS</b> (assaults and threats against on-duty postal employees)	<b>606</b>	<b>211</b>	<b>149</b>
<b>BURGLARY</b>	<b>144</b>	<b>92</b>	<b>66</b>
<b>CHILD EXPLOITATION</b>	<b>36</b>	<b>46</b>	<b>46</b>
<b>MAIL FRAUD</b>	<b>431</b>	<b>501</b>	<b>420</b>
<b>MAIL THEFT</b> (theft & possession of stolen mail)	<b>1,348</b>	<b>2,437</b>	<b>2,039</b>
<b>PROHIBITED MAIL NARCOTICS</b> (narcotics, steroids, drug proceeds & drug paraphernalia)	<b>2,169</b>	<b>1,850</b>	<b>1,571</b>
<b>MONEY LAUNDERING</b> (postal money orders)	<b>34</b>	<b>51</b>	<b>56</b>
<b>NONMAILABLE, RESTRICTED MATTER</b> (firearms, weapons, intoxicants, extortion threats & misc. matter)	<b>18</b>	<b>20</b>	<b>11</b>
<b>REVENUE INVESTIGATION</b>	<b>44</b>	<b>43</b>	<b>36</b>
<b>ROBBERY</b>	<b>101</b>	<b>81</b>	<b>47</b>
<b>SECURITY &amp; CRIME PREVENTION</b> (consumer outreach & security countermeasures)	<b>767</b>	<b>0</b>	<b>0</b>
<b>SUSPICIOUS SUBSTANCES &amp; ITEMS</b> (includes bombs, explosives, threats, hazardous items, non-threatening items, and hoax CBRNE**)	<b>27</b>	<b>19</b>	<b>7</b>
<b>TOTAL</b>	<b>5,725</b>	<b>5,351</b>	<b>4,448</b>

\* Arrests and convictions reported in this period may be related to cases from prior reporting periods. Convictions include pretrial diversions.

\*\* CBRNE refers to chemical, biological, radiological, nuclear, and explosive material.

UNITED STATES POSTAL INSPECTION SERVICE

# ANNUAL REPORT

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# 2016



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