



I. Making America Safe

Goal: To guarantee the incarceration of violent and repeat offenders and concentrate law enforcement resources where they can be most effective.

As this Nation's chief law enforcement organization, the Department of Justice is charged with providing leadership to ensure that the citizens of the United States are protected from violence and criminal activities. In 1996, the Department worked aggressively toward this goal by advancing a number of anti-crime proposals that resulted in legislation to address gun violence, methamphetamine use, computer crime, child pornography, youth crime, and other priority areas. The Department also worked to ensure that key anti-crime initiatives, including the Brady Law, the assault weapons ban, and the Community Oriented Policing Services (COPS) Program, were not repealed or weakened. The Department continued to expand assistance to and interaction with State and local police forces, participate in task force operations, and improve its technological crime-fighting capabilities, thereby enhancing the safety of our communities.

National Security/Anti-terrorism

Responding to Acts of Terrorism

The United States has a firm policy for dealing with acts of terrorism, focusing on deterrence, quick and decisive responses, and international cooperation. In July, the Attorney General played a leadership role on this issue at the ministerial-level meeting of the G-7/P-8 nations in Paris. The United States has reiterated publicly to both our allies and potential adversaries that it will never accede to terrorist demands, no matter what they might be, and that any effort to intimidate or coerce the United States will be futile.

The U.S. Attorneys continued to pursue and vigorously prosecute those who conspire to promulgate urban terrorism against the United States and participate in terrorist acts that threaten American citizens and national security. The derailment of the Amtrak Sunset Limited train in Arizona and the bomb in Centennial Park during the 1996 Olympic Games highlighted the terrorist threat and heightened the awareness of U.S. and foreign law enforcement. During 1996, the U.S. Attorneys directed their attention toward the criminal activities of international terrorist groups and those within the United States seeking to further their own political or social goals.



INS was the largest Federal agency participating in nationwide Federal law enforcement support of the 1996 Olympics' special antiterrorism operations. This Olympics special operations team was recognized with a Vice President's Hammer Award.

Throughout the year, a team of Department attorneys and other law enforcement personnel have been preparing the prosecution of the two men charged with the April 1995 bombing of the Alfred P. Murrah building in Oklahoma City. Timothy McVeigh's trial is scheduled to begin in Denver in March 1997, with Terry Nichols' trial to follow its completion.

The Criminal Division has provided legal support and helped coordinate the Unabomb investigation and the activities of the Unabomb trial team. Theodore Kaczynski was arrested in Montana in April 1996, and later indicted by a Federal grand jury in Sacramento for a series of bombings commonly linked to the "Unabomber." Trial on those charges is scheduled for late 1997. A total of 17 explosive devices resulting in 3 deaths and 23 injuries have been linked to Kaczynski.

In March 1996, Leroy M. Schweitzer and Daniel Petersen, leaders of the Freemen, were arrested. This event began an 81-day standoff, which was successfully concluded on June 13, 1996, when 16 subjects peacefully surrendered.

Countering Anti-Government, Terrorist Tactics

In the experience of the Internal Revenue Service (IRS) and the Tax Division, many individuals associated with violent domestic militia also espouse tax protester rhetoric, and some of them have a history of making violent threats against the IRS. One of the latest tactics of tax protesters and other anti-Government individuals involves efforts to negotiate bogus financial instruments and collect judgments rendered by so-called "common law courts." In July 1996, the tax protest movement suffered a significant setback when Philip Marsh and his wife Marlene were sentenced to 17 and 14 years in prison, respectively. Cofounders of The Pilot Connection Society (TPCS), the largest known tax protest organization at the time, the defendants promised to "untax" permanently and legally those who followed the advice contained in their untax package, which was sold to TPCS members. Members were told that the IRS is not a Government agency but a private corporation organized under Delaware law, and that nonresident aliens were not legally required to pay Federal income tax. In 4 years, the defendants collected more than \$3 million by selling the untax package and other creeds.

Information on both domestic and international terrorist groups and their modus operandi is being exchanged with foreign law enforcement agencies through the International Criminal Police Organizations (INTERPOL) communications network and through international meetings such as the INTERPOL-sponsored International Symposium on Terrorism. (The U.S. arm of INTERPOL is the U.S. National Central Bureau [USNCB]). The Antiterrorism and Effective Death Penalty Act enacted in April 1996 further strengthens the battle against terrorism by giving the Government authority to exclude or deport suspected foreign terrorists.

The Criminal Division worked closely with U.S. Attorneys' offices



in numerous prosecutions of individuals spying for foreign powers. Most notably, Harold James Nicholson, a former CIA officer, was arrested in November 1996 and charged in the eastern district of Virginia with multiple espionage violations. Earl Edwin Pitts, arrested in December 1996, was indicted for violations of the espionage statute. From 1987 to 1992, Pitts, an FBI agent, allegedly provided FBI information to officers of the KGB. Investigations of these men took place throughout the year. Also in 1996, William Bodine was convicted in the District of Columbia of accepting over \$900,000 from the Libyan Government to influence U.S. policy on Libya. Robert Stephen Lipka was arrested on February 26, 1996, for spying for the Soviet Union as an Army enlisted man assigned to the National Security Agency at Fort Meade, Maryland in the mid-1960s. A number of other individuals and corporations were convicted of making prohibited technology available to other countries.

Combatting Violence

Recognizing that a comprehensive, common-sense strategy was needed to address the problem of violent crime, the Department announced a major, comprehensive Anti-Violent Crime Initiative several years ago. With the approach of this initiative's third anniversary, tremendous strides continue to be made in bringing together Federal, State, and local law enforcement personnel to improve the quality of life in our communities. The nearly 7-percent reduction in the number of violent crimes—including murder, rape, robbery, and aggravated assault—seen in the last 2 years indicates that efforts are working. Illegal trafficking in and use of handguns and narcotics, at the center of most violent crime, continue to be primary targets under the initiative. While specific strategies vary from district to district, all have a common goal of further reducing violence throughout the country.

In 1996, under the Attorney General's Anti-Violent Crime Initiative, the U.S. Attorneys filed 6,178 criminal cases against 8,291 violent offenders. A total of 6,124 cases against 8,197 violent crime defendants were also terminated. Eighty-six (86) percent of these defendants were convicted.

The U.S. Attorneys have been guided by the needs of their local communities in identifying and addressing the most prevalent violent crime problems, working in some jurisdictions to dismantle violent, organized street gangs. In other jurisdictions, the violent crime problems in Indian Country are being addressed. Combatting violence in public housing was the subject of a joint effort in 1996 between the Attorney General and the Secretary of the Department of Housing and Urban Development (HUD).

As crime patterns changed, the Department adjusted its priorities to target emerging problems such as domestic, gang, and juvenile violence. Several anti-crime initiatives to combat domestic

In December 1995, 22 members of a dangerous Detroit, Michigan, street gang called the "Home Invaders"- because of their custom of breaking and entering peoples' homes - were arrested. The robbers would pose as law enforcement personnel, shouting "Police!" as they kicked down doors and ransacked homes for money, drugs, or other things of value. This case was investigated by the Safe Streets-Violent Crime Task Force after the Detroit mayor asked for Federal Government help. The task force - composed of investigators from the Detroit Police Department, the Michigan State Police, the FBI, the INS, and the IRS - made the arrests. Attorney General Janet Reno described this operation as "a textbook example of Federal, State, and local law enforcement agencies pooling their talent and resources to fight crime."



violence became law in 1996, including a provision supported by the Department prohibiting gun possession by those convicted of any domestic violence offense. Legislative provisions regarding community notification and sex offender registries also were enacted. In response to the President's request, the Attorney General developed and is implementing a plan to establish a national sex offender registry at the FBI, permitting law enforcement at every level to have immediate access to information about all registered sex offenders.

Domestic Violence and Violence Against Women

During 1996, the Department continued its aggressive attack on the serious problem of violence against women in America. The Violence Against Women Act (VAWA) established new Federal offenses in cases where abusers cross State lines to violate a protection order or to injure, harass, or intimidate spouses or intimate partners. The Act grants the victims of such crimes the right to obtain civil remedies against their attackers in either State or Federal court. In addition to enforcing VAWA, the Department made several other advances on the problem of domestic violence through administering programs that help communities across the country coordinate efforts among police, prosecutors, judges, and parole officers to improve the criminal justice system's response to sexual assault, domestic violence, and stalking. Several examples of 1996 programs are given below.

- The COPS Office awarded more than \$46 million under the
- Community Policing to Combat Domestic Violence Initiative to 336 communities to help make police organizations more responsive to domestic violence, to train officers, and to better use problem-solving methods in this area. The initiative funds partnerships between law enforcement agencies and local victim services organizations.

- The COPS Office launched the Full Faith and Credit
- Implementation Project in Kentucky. Working with the Kentucky Justice Cabinet, the Department is developing and testing methods for intra- and interstate enforcement of civil and criminal protective orders in domestic violence cases. The project, funded through a \$220,000 grant from COPS and the Office for Victims of Crimes (OVC), stems from the inability of one State in this country to enforce another's protective orders against abusers and the need to bring Federal resources to the fight against domestic violence.

- The Office of Justice Programs' (OJP) Violence Against Women
- Grants Office awarded grants totaling \$119.6 million to all 56 States and territories in FY 1996. Through the OJP-administered program S.T.O.P. (Services Training Officers Prosecution),



law enforcement agencies received funds to expand existing units, to create domestic violence units where none existed, and to provide appropriate training and resources to help build a system sensitive to the needs of women victims of violence.

Youth and Gang Violence

A National Institute of Justice (NIJ) project in Boston to reduce youth gun homicides showed impressive preliminary results. The project team presented gang members—the source of much of the youth violence in Boston—with a choice: stop the flow of guns and stop the violence, or face rapid, focused, and comprehensive enforcement and sanctions. Preliminary findings from an NIJ-sponsored study by Harvard's Kennedy School of Government show that youth violence in the city already appears to be receding.

The Youth Out of the Education Mainstream, a joint effort between the Office of Juvenile Justice and Delinquency Prevention (OJJDP) and the Department of Education, helped communities pool their resources and create partnerships involving law enforcement, schools, corrections, social services, and the business community. The initiative targets truants, dropouts, children who fear going to school, suspended or expelled students, and youth going back into school settings following release from juvenile correctional facilities. Programs can include everything from truancy prevention and community policing to alternative education, job training, and school-based probation. Through another joint OJJDP/Education effort, school teachers, administrators, and community leaders are learning how to give youth the skills they need to resolve disputes peacefully.

The FBI has established a total of 144 Safe Streets Task Forces (SSTFs), with an increase of 10 in 1996, to address violent street gang activity. In addition to gang violence, these multi-agency task forces also focus on bank robberies, kidnapings, extortions, armed robberies, drug-related violence, vehicle thefts, property thefts, and violent fugitive searches.

Fighting Drugs

Drug abuse and drug trafficking remain among the most serious challenges facing our Nation, and trafficking in illegal drugs remained a target of intensive U.S. law enforcement action. In 1996, law enforcement efforts focused on the investigation and prosecution of the leadership and infrastructure of major drug trafficking organizations. The Department continued to dismantle domestic and foreign cartels, while seriously pursuing efforts to decrease demand. Using a task force approach, the Department integrated its drug enforcement program with extensive investigations designed to prevent insidious drug-related violent crime and intimi-



dation perpetrated on community and neighborhood residents all across this country.

Using A Task Force Approach

An aggressive and coordinated prosecution strategy is essential to fighting illegal drugs. Throughout the United States, the Department used a task force approach to bring to bear the collective expertise and criminal intelligence of Federal, State, and local law enforcement officials in tackling Organized Crime Drug Enforcement Task Force (OCDETF) cases. During 1996, the U.S. Attorneys again devoted substantial resources to the prosecution of drug trafficking and OCDETF cases. Drug cases represented 27 percent of all criminal cases filed during the year. Of the more than 19,000 defendants whose cases were terminated, 86 percent were convicted. Eighty-eight (88) percent of these defendants were sentenced to prison, nearly half for 5 years or more, with 150 life sentences obtained.

During the past year, OCDETFs initiated 586 investigations, many of which focused on Mexican drug trafficking organizations. OCDETFs continued to achieve significant successes, including the conviction of drug kingpin Juan Garcia Abrego. Garcia Abrego was the leader of an organization that distributed drugs to most of the major urban areas throughout the United States, and protected its enterprise through corruption and violence. He now faces possible life imprisonment. Garcia Abrego's alliance with Colombia's Cali cartel and his close ties with corrupt officials enabled him to forge a powerful criminal organization operating on both sides of the U.S./Mexican border.

Forming Drug-Fighting Alliances

DEA expanded cooperation with other governments to fight drug trafficking on a global basis. Increased cooperation with key countries such as Colombia, Peru, Brazil, and Thailand resulted in arrests of international traffickers and enhanced intelligence-driven interdiction efforts. DEA also enhanced enforcement efforts with Mexico to address the threat of emerging Mexican organizations. Other international efforts include the following:

- DEA worked with European authorities in Italy and the United Kingdom to arrest major traffickers and curtail money laundering operations.

Working in concert with India, the Czech Republic, and Mexico, DEA curtailed the flow of chemicals for methamphetamine pro-



- duction.

In May 1996, DEA La Paz and Santiago, working with the Peruvian and Chilean National Police, were involved in dis-

- mantling two major chemical supply organizations believed to have supplied the majority of chemicals used by cocaine laboratories in Bolivia. Ten tons of chemicals were seized.

As a result of DEA investigations, a number of key members of

- the Shan United Army (SUA) were indicted for various violations of Title 21 USC. Prior to 1996, the SUA, now disbanded, was recognized as the dominant force in the production and distribution of heroin in Southeast Asia.

DEA, in cooperation with the FBI, opened an office in Moscow to address new drug threats in Russia.

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Identifying Emerging Major Drug Threats

In 1996, the Criminal Division and DEA led an interagency effort that resulted in the President's announcement of the National Methamphetamine Strategy. Methamphetamine use and trafficking have been spreading unabated across the country in recent years, initiating a ruinous cycle of drug addiction and crime. With the Department's support, Congress passed the Methamphetamine Act of 1996 to address increased use. The Department remains concerned that the Nation's experience of methamphetamine abuse does not replicate the violence and devastation wrought by crack cocaine.

The National Methamphetamine Strategy organizes the overall interagency, international, and interstate effort. Law enforcement officers are being trained to detect precursor chemicals, investigate labs, safely seize methamphetamine-making materials, and understand the pharmacological and psychoactive effects of the drug. Also, communities will be educated about the dangers of methamphetamine, and prevention and treatment programs established. The Criminal Division has coordinated the efforts of all U.S. Attorneys to develop district-specific plans to implement the National Methamphetamine Strategy, and continues to work with the regional alliances formed to address the problem.

But methamphetamine abuse is not the only expanding drug threat. Another drug that has emerged as a significant abuse and trafficking problem in the United States is Rohypnol, the sedative hypnotic drug flunitrazepam known as the "date rape" drug. The drug impairs mental judgment, incapacitates the user, and causes memory loss. DEA's Office of Diversion Control instituted a special enforcement program that provided funds for Rohypnol investigations.

The continuing marijuana threat is reflected in alarming statistics that show substantial increased use of the drug by young peo-



ple. In response to this threat, during 1996, DEA developed a marijuana strategy that seeks to disrupt, dismantle, and destroy the major trafficking organizations responsible for the production, transportation, and distribution of marijuana destined for or grown in the United States.

Continuing EPIC Successes

By whatever name they operated under, DEA's programs netted huge successes in 1996, with several programs supported by the El Paso Intelligence Center (EPIC) producing particularly good results. For example—

In the first 5 months of 1996, 27 trafficker aircraft were seized in Colombia under Operation Skyweb, a Columbian initiative

- whereby their authorities, with DEA support, execute airport inspections to identify aircraft smuggling cocaine along the Peru-Columbian cocaine air bridge.

Operation Jetway, an EPIC-supported domestic airport interdiction program, contributed to the following seizures in the

- nation's airports in 1996: 2,615 kg of cocaine, 64 kg of heroin, 32,867 kg of marijuana, 171 kg of methamphetamine, 45 firearms, and over \$43 million in currency and other monetary instruments. DEA trained over 1,300 State law enforcement personnel under this program.

Operations Pipeline and Convoy, highly successful EPIC-supported national highway interdiction programs, had a significant impact on the domestic movement of drugs and drug-related currency, with the following seizures: 9,899 kg of cocaine, 65 kg of heroin, 113,474 kg of marijuana, 314 kg of methamphetamine, 302 weapons, and over \$42 million in currency and other assets.

Implementing Prisoner Drug Tests

Also in 1996, the Department supported enactment of the Criminal Offender Anti-Drug Act. This legislation requires, by September 1998, that States receiving Federal prison grant money for prisons adopt a comprehensive policy of drug testing and intervention for convicted offenders while they are in prison and on post-conviction release, with sanctions that include denial or revocation of release for positive controlled substance tests.

A major Department initiative called Breaking the Cycle—a collaborative effort among NIJ, the Center for Substance Abuse



Treatment, the National Institute on Drug Abuse, and the Office of National Drug Control Policy—will identify drug-using offenders at arrest, pretrial, jail, and post-conviction stages, and examine the interrelationships of sanctions and treatment and their effect on changing behavior. To help break the cycle of drug use and crime, OJP awarded \$27 million to 49 States, 5 eligible territories, and the District of Columbia to implement or expand residential substance abuse treatment programs in State and local correctional and detention facilities.

As part of implementing Operation Drug TEST (Testing, Effective Sanctions and Treatment), 25 Federal judicial districts will participate in a pilot program to test all criminal defendants for drug use before or immediately after their first appearance in court. This process will identify defendants with a drug problem before their release into the community, conditioning release on sanctions and treatment to effectively deter future drug abuse and crime. Approximately 30 percent of all inmates in BOP contract community corrections centers are enrolled in this program. End-of-year enrollment of 1,560 in community-based programs represents a 21-percent increase over FY 1995. Program graduates released to the community for an average of 6 months were found to be significantly less likely to recidivate or abuse substances than similar offenders who had not participated in treatment.

Organized Crime

In 1996, the Department continued its work to eliminate the many criminal enterprises of organized crime families, prosecuting the illegal activities of these and other non-traditional organized crime groups. A total of 227 organized crime cases were filed against 769 defendants last year, the greatest number of organized crime cases filed in the past 5 years, except 1995. Eighty-seven (87) percent of the 493 defendants whose cases were terminated during 1996 were convicted. Because organized crime groups engage in gang tactics of violence, intimidation, and drug-running, the Department used Violent Gang Task Forces—composed of Federal investigative agents working joint operations with local community police departments in virtually all large American cities—to disrupt their operations. These task forces seized \$46.6 million in contraband, most of that in narcotics.

In 1996 the FBI continued its assault on the La Cosa Nostra (LCN) families throughout the United States. A Federal grand jury in Detroit indicted 17 LCN members and associates on Racketeer Influenced and Corrupt Organizations (RICO) charges, including the Detroit family's boss, underboss, four capos, and four soldiers—the entire family hierarchy. These indictments targeted illegal LCN activities ranging from murder to unlawful participation in legal casinos in Nevada, waste hauling in metropolitan New York City, fuel distribution in New Jersey, and even a popular annual street



During the past year, the heads of crime families in Boston, New Orleans, Chicago, Philadelphia, Cleveland, Newark, and New York City were indicted or convicted as part of a nationwide crack-down on La Cosa Nostra. “We believe we’ve driven a stake through the heart of La Cosa Nostra,” said one FBI agent involved in these investigations. The cases were built largely with electronic surveillance and Mafia informants.

festival in Manhattan.

The Department also stepped up its attack on emerging Russian organized criminal activities, particularly in New York City, Newark, and Los Angeles. The investigation of Yvacheslav Kirillovich Ivankov, a Russian “thief-in-law” leading an international criminal organization in the United States, resulted in his conviction on extortion and conspiracy. This case marks the first time that the FBI and the Russian Ministry of Interior have worked jointly on a criminal investigation. Ivankov was considered by U. S. and Russian law enforcement officials to be the single most powerful Russian crime figure residing in the United States.

As an example of the frequent link between organized crime and illegal narcotics, in May 1996, several DEA offices participated in the final phase of Operation Zorro II, an 18-month OCDETF investigation involving the combined efforts of Federal, State, and local law enforcement agencies. This investigation focused on the Mexican Federation organizations transporting drugs across the U.S./Mexico border and on Colombian and Mexican wholesale distribution networks in the United States. Through the collaborative efforts of 10 Federal and 42 State and local law enforcement agencies and the use of multiple court-authorized wiretaps, investigators identified the Colombian distributors’ and Mexican transporters’ command and control organizations. This highly successful operation led to the dismantling of Zorro-II-targeted organizations in the United States and to the arrest of 182 defendants; confiscation of 5,893 kg of cocaine, 1,018 pounds of marijuana, and .5 pounds of crack cocaine; and seizure of \$18.3 million in assets (including \$2.5 million in cash).

Protected witnesses’ testimony led to a substantial number of convictions and significantly impacted the illegal activities of major organized crime groups. In 1996, 132 new participants were added to the Department of Justice Witness Security Program, increasing the number to 6,735 primary witnesses and 15,092 total participants.

Political Corruption

The Department oversees the Federal effort to combat corruption of elected and appointed public officials at all levels of government. During 1996, it continued to assail those who compromise public trust by abusing their offices. Investigations resulted in the U.S. Attorneys filing 470 criminal cases charging 643 individuals with political corruption. Eighty-seven (87) percent of all political corruption defendants whose cases were terminated during the year were convicted. Examples of specific cases handled in 1996 are given below:



- Targeting law enforcement corruption, particularly where the corrupt activity involved drugs, FBI investigations resulted in
- the conviction of 11 New Orleans police officers.

- William Lanning, a senior program manager at the Defense Intelligence Agency, was convicted and sentenced to 3 years in
- prison for conspiring to defraud the United States of \$400,000 and for other crimes.

- One current and three former Department of Agriculture career employees pleaded guilty to conspiracy to promise official benefits to coworkers in exchange for political contributions to a political action committee.
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- Three Central Intelligence Agency (CIA) employees and their accomplices were convicted for their roles in intercepting items
- in the CIA's classified mail, then using stolen CIA credit cards to obtain more than \$193,000 worth of goods and services.

- Two former Congressmen pled guilty to charges resulting from an FBI investigation of the U.S. House of Representatives Post Office.
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- In Pittsburgh and San Diego, two judicial corruption investigations resulted in the convictions and/or pleas of three
- Pennsylvania judges and three California judges for their roles in fixing cases.

White Collar Crime

The U.S. Attorneys handled a myriad of white collar crime prosecutions during 1996, including crimes against business institutions, procurement and contract fraud, Federal program fraud, securities and commodities fraud, and tax fraud. New crimes grew out of use of the Internet. In all, 6,803 cases were filed against 9,606 defendants. Eighty-seven (87) percent of the 8,722 defendants whose cases were terminated during the year were convicted. Interagency law enforcement working groups helped ensure cohesive Federal response and effective enforcement in combatting fraudulent activities in the areas of health care, telemarketing, financial institutions, securities, and insurance.

Also in 1996, the Civil Division, working with the U.S. Attorneys, won judgments and settlements of \$318 million in civil fraud cases. More than \$121 million of these recoveries were achieved in *qui tam* cases, with relators—who report instances of fraud against the Government—receiving \$22 million.

Bankruptcy Fraud

In its investigation of fraud in the pharmaceutical industry, the Civil Division won its first conviction of a brand-name drug maker, although it has prosecuted numerous generic drug manufacturers before. Warner Lambert fraudulently concealed drug stability data from the Food and Drug Administration for a popular anti-seizure medication, Dilantin, as well as for thyroid medications Euthroid and Proloid, and an anti-parkinsonism drug, Parsidol.



In March 1996, in Los Angeles, CA, the operator of a financial and legal services business pled guilty to six counts of conspiracy, perjury, and creating false tax returns in connection with the operation of a financial and legal services business. In the guise of helping poor people with evictions and other financial problems, the perpetrator would use clients' names and social security numbers to fraudulently obtain credit cards, cars, and other consumer goods for himself and would then file bankruptcy for his clients. Bankruptcy petitions were filed for over 400 individuals without their knowledge, using false social security numbers and other false information.

The U.S. Trustee Program has seen a steady increase in bankruptcy filings over the past several years and, for the 12-month period ending June 30, 1996, filings topped the 1 million mark for the first time in history. Total bankruptcy filings have grown by 119 percent in the last 10 years.

Petition mills and equity scams are also a growing area of concern. Preying on unsuspecting low-income or elderly individuals, pitch-makers offer a "too good to be true" solution to the individual's problems, promising to help people in financial distress and suggesting that mortgage rates and car payments can be lowered, interest rates reduced, and evictions or foreclosures halted. The U.S. Trustee Program has been successful in breaking up these scams.

In February 1996, the Attorney General announced a nationwide law enforcement initiative aimed at prosecuting people who illegally conceal assets, file fraudulent bankruptcy petitions, or otherwise abuse the bankruptcy system. Called Operation Total Disclosure, this multi-agency effort involving the U.S. Trustees, the U.S. Attorneys, the FBI, and the Criminal and Tax Divisions netted indictments in 118 cases involving 134 defendants in 43 judicial districts.

Also in 1996, the U.S. Attorneys filed criminal charges against 270 defendants for bankruptcy fraud, a 48-percent increase over last year. Total bankruptcy filings have grown by 119 percent in 10 years. Eighty-five (85) percent of the 212 defendants whose cases were terminated during 1996 were convicted.

Consumer Fraud

Telemarketing frauds that prey on the elderly and cost the public an estimated \$40 billion a year have been of particular concern to the Department. Pursuing fraudulent telemarketing operations as crimes that disproportionately target older Americans, the FBI used resources from Federal, State, and local law enforcement agencies, as well as volunteers from the Society of Former FBI Agents and the American Association of Retired Persons, to set up a sting operation. Volunteers manned phone numbers repeatedly used by telemarketers, and consensually recorded the conversations. The recorded pitches provided prosecutors with strong evidence of material misstatements made by the fraudulent telemarketers. Begun in early 1996, Operation Senior Sentinel is the largest nationwide undercover operation ever devised to combat telemarketing fraud. It has thus far resulted in the prosecution of more than 800 individuals, with some major fraudulent telemarketers receiving as many as 14 years in prison.

For 1996, FBI reported telemarketing investigations that resulted in 43 complaints, 117 informations, 482 indictments, 374 arrests, 8 pretrial diversions, 360 convictions, nearly \$86 million in restitution, roughly \$600,000 in recoveries, and about \$1.3 million in fines.



The largest civil penalty ever collected for violation of a consumer protective administrative order—\$2.75 million—was paid by Dahlberg in litigation involving the Miracle Ear. Dahlberg violated a Federal Trade Commission (FTC) order that precluded falsely advertising that the Miracle Ear eliminated background noise and enabled the hearing-impaired user to receive only amplification of conversational sounds.

Computer Crimes

A growing area of emphasis for white collar crime investigations is computer crime. Computer crime investigations focus on impairment of, theft of information from, and intrusion into a computer system.

The Criminal Division drafted new legislation to broaden Federal jurisdiction over computer crimes. The National Information Infrastructure Protection Act of 1996 covers offenses that attack the confidentiality, integrity, and availability of information systems and the data they contain. In addition, Division staff coordinated investigations of hacker attacks into numerous military and Government information systems. In an effort to expand the capabilities of the field to address computer-related crime, the Criminal Division established a Departmental Computer/Telecommunications Coordinator Network consisting of 120 Federal prosecutors from across the Nation.

Health Care Fraud

Health care fraud remains a top priority of the Attorney General and the U.S. Attorneys. The Department has therefore taken steps to coordinate the prosecution of large multidistrict health care fraud cases. Prosecutions are increasing as a result of these efforts. FBI investigations of health care fraud in 1996 resulted in 462 indictments, 419 convictions, \$178,994,369 in restitutions, \$14,269,276 in recoveries, and \$29,024,997 in fines.

The Department also undertook major initiatives in 1996 in health care fraud, helping to shape new legislation containing significant health care fraud and abuse provisions. In August 1996, the President signed the Health Coverage Availability and Affordability Act, which provides the statutory and budgetary means to make a substantially greater impact in the battle against health care fraud. This law created a Health Care Fraud and Abuse Control Program to find and return defrauded money to the United States.

In 1996, more than \$120 million in health care fraud recoveries—including nearly \$11 million for relators—was secured by the



Civil Division, in conjunction with U.S. Attorneys. One significant case involved ABC Home Health Services, Inc., the nation's largest privately owned home health care provider, convicted of defrauding the Medicare program through false statements and claims for reimbursement.

Financial Institution Fraud

The Department continued to mount a vigorous financial institution fraud enforcement program by aggressively investigating and prosecuting those responsible for victimizing federally insured financial institutions. The efforts of the U. S. Attorneys' offices, the Criminal Division, and the FBI yielded impressive results during 1996. In major cases, such as those involving officers or directors or those with losses of over \$100,000, 552 defendants were charged, 570 were convicted (some of whom had been charged in prior years), and 426 were sentenced to prison.

The U.S. Attorneys continued to prosecute criminals who threaten to undermine the Nation's financial institutions. The enforcement strategy proceeded with a coordinated approach on the part of Assistant U.S. Attorneys and Criminal, Civil, and Tax Division attorneys, who not only sent defrauders to prison, but secured victim restitutions, criminal fines, civil money penalties, and forfeitures of property traceable to fraud. Several examples of successful efforts are described below:

- The Department's case against the Bank of Credit and Commerce International, expected to result in total forfeitures
- of approximately \$1 billion, recovered about \$211 million in 1996, bringing total forfeitures in the case to about \$572 million by the end of the year.

- Law enforcement officials in the DEA's Miami Field Division disrupted one of the most powerful international money laundering organizations identified to date when they arrested Blanca Piedad-Ortiz on June 23, 1996. A 6-month money laundering investigation into the activities of Ms. Piedad-Ortiz identified illegal exchange houses, banking institutions, and businesses used by her and her associates, who are believed to have laundered several hundred million dollars in drug profits over the past decade.
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- Through a USNCB and U.S. Postal Service investigation being conducted since December 1992, and involving several thousand checks stolen from the U.S. Mails totaling \$6 million, a check ring was penetrated and five subjects arrested.
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An FBI investigation secured 33 indictments against various Vietnamese counterfeiting organization members. This investi-



- gation centered on Vietnamese organized fraud groups involved in the sale and negotiation of checks, credit cards, drugs, weapons, and counterfeit software. A search resulted in the seizure of approximately \$100 million worth of bogus computer software.

Key Crime-Fighting Resources

Asset Forfeiture

On behalf of the United States, the Solicitor General's Office won a victory against drug traffickers through the Supreme Court's ruling in *United States v. Ursery*. In *Ursery*, the Court held that a civil forfeiture of property used in the commission of a Federal drug felony does not constitute criminal punishment for double jeopardy purposes. This ruling will permit continued aggressive enforcement of drug laws by allowing Federal agents to seize property used for illegal purposes, as well as pursue criminal drug charges against the traffickers.

The Government's ability to seize property used in the commission of a crime was further bolstered by the Supreme Court's decision in *Bennis v. Michigan*. In this case, the Solicitor General supported the State of Michigan's seizure—under a State forfeiture law—of property used in the commission of a crime, despite the claim asserted by a co-owner of the property. The Court's ruling reaffirms the validity of forfeiture statutes as a key part of law enforcement efforts to curb drug trafficking and other crimes.

The Department continued to promote international forfeiture and money laundering cooperation through participation in multinational investigations, asset sharing, international training, and assistance to other countries in drafting their own asset forfeiture and money laundering laws. For example, in 1996, the Department transferred more than \$9 million to five different countries that had assisted in the forfeiture of assets valued in the millions under U.S. law; held a forfeiture conference for prosecutors from the Caribbean area; and assisted Latin American and other countries in preparing their own comprehensive forfeiture and money laundering statutes. Furthermore, in response to Presidential Decision Directive 42, an interagency working group identified several countries as money laundering havens. The Criminal Division participated in U.S. missions to Panama, Aruba, and Antigua in an effort to end the financial safe-haven status of these countries.

Information Management Systems



Information management directly contributes to the expedient removal of violent criminals from America's streets. In 1996, the FBI processed over 52,000 requests for information. Information provided to investigators resulted in more than 230 arrests. As each new fugitive is identified in an FBI office, the Savannah Information Technology Center provides that office with lead information as to the subject's most current whereabouts. This valuable information allows the FBI to promptly identify and apprehend fugitives prior to their taking evasive action. In 1996, 4,342 requests were processed for information on new fugitives, directly resulting in the arrest of at least 44 Federal fugitives.

The FBI also created the Computer Investigations and Infrastructure Threat Assessment Center (CITAC). CITAC includes analysts and investigators who coordinate the FBI's efforts to counter physical and cyber attacks against the U.S. infrastructure.

In 1996, the USMS fully implemented two computer-based assessment systems to assist in conducting risk assessments. One system evaluates information known about inappropriate communications or threats to Federal judicial protectees and the other evaluates risks to reproductive health care facilities. In response to the passage of the Freedom of Access to Clinic Entrances (FACE) Act, which gave the Government protective responsibilities for reproductive health care facilities, a computer-based assessment system was created to assess potential risk to facilities and individuals covered under the Act. Both of these risk assessment systems ensure that every potential risk is consistently and comprehensively evaluated. The systems are administered through a newly formed Analytical Support Unit.

Training and Information Sharing

The Criminal Division's International Criminal Investigative Training Assistance Program supports U.S. foreign policy by helping other nations develop sound civilian police organizations based on internationally recognized principles of human rights and the rule of law. The program provides training to transitional societies emerging from civil conflict or totalitarian governments and helps establish local police training programs. The Criminal Division also continued its work with the Haitian Government to establish and train a civilian national police force and, in Bosnia, provided mission orientation to 1,721 U.N. International Police Task Force members.

DEA employs its key crime-fighting resources in both domestic and foreign arenas. As a result of the Amazon Basin Chemical Control Conference hosted by DEA and the European Commission, the Organization of American States announced that it would fund a communications network to facilitate information sharing on chemical and drug investigations and enforcement.



OJP expanded its efforts to help States prevent the sale of firearms to ineligible purchasers by improving State criminal history records through the National Criminal History Improvement Program (NCHIP).

Incarcerating Violent Criminals

During 1996 the U.S. Attorneys sent 6,279 violent criminals to prison. Eighty-nine (89) percent of all violent criminals who were convicted during the year received prison sentences, with 102 violent criminals sentenced to life.

BOP's inmate population at the end of 1996 was 105,432 (94,695 in its own facilities and 10,737 in contract community corrections and detention facilities). In a system with a capacity of 76,442, that population level represents 124 percent of capacity. Through its ongoing construction and expansion program, BOP added significant prison capacity during 1996, with a total of 4,403 new prison beds.

Because idleness breeds unrest and violence, keeping inmates busy is extremely important. For this reason, BOP requires all Federal inmates to work. The Bureau's most important work program is Federal Prison Industries (FPI), a wholly owned Government corporation that produces quality goods and services for U.S. Government customers. FPI provides work opportunities that help keep inmates productively occupied and positively focused during their incarceration. It also provides marketable job skills and instills a positive work ethic, increasing the likelihood that ex-offenders will find and keep jobs and remain crime-free after release.

At the end of 1996, FPI employed more than 17,000 inmates, an overall average of about 18 percent of the total Federal inmate population housed in BOP-operated facilities, although the percent employed in high- and medium-security facilities was significantly higher at 25 percent or more. FPI reported net sales of \$507 million for the year.

During 1996, BOP also expanded the use of Comprehensive Sanctions Centers (CSCs), which are designed to provide enhanced oversight and intensive programming for offenders, including those on supervision who have reverted to drug use, and inmates returning to the community after extended periods of incarceration. While similar in many ways to traditional CCCs, CSCs place even greater emphasis on offender accountability, drug treatment, and programs that assist inmates in successfully re-entering society. Of BOP's approximately 250 residential community programs, 21 are now CSCs. In BOP's southeast region alone, the number of centers increased from five to eight during 1996.

The number of inmates in Community Corrections Center (CCC) and home confinement programs grew to approximately 6,100 inmates by the end of FY 1996. More than 70 percent of all BOP releases—some 18,000 offenders—went through community-based transitional programs; approximately 89 percent successfully completed them. The Office of the Inspector General, Audit Division, issued its report on the BOP's CCCs, saying, “CCCs were a cost-effective, safe alternative to incarceration. BOP effectively negotiated, awarded, and monitored contracts.”



