

---

# Highlights of 1997 Accomplishments

## Making America Safe

- Continued the Department's firm policy for dealing with terrorist acts, focusing on deterrence, quick and decisive investigations and prosecutions, and international cooperation to vigorously pursue and prosecute terrorists, both domestic and foreign.
- Continued to prosecute the most violent criminal offenders under the Anti-Violent Crime Initiative, forging unprecedented working relationships with members of local communities, State and local prosecutors, and local law enforcement officials.
- Focused enforcement operations on the seamless continuum of drug trafficking, using comprehensive investigative techniques to disrupt, dismantle, and destroy trafficking operations emanating from Mexico, Colombia, Asia, Africa, and other countries.
- Coordinated multijurisdictional and multiagency investigations to immobilize drug trafficking organizations by arresting their members, confiscating their drugs, and seizing their assets.
- Continued to eliminate the many criminal enterprises of organized crime families, including the La Cosa Nostra families and their associates and nontraditional organized crime groups emanating from the former Soviet Bloc and Asia.
- Chaired the High-Tech Subgroup of the P8 focusing on international trap-and-trace procedures and transborder searches, and represented the United States at the Council of Europe's Committee of Experts on Crime in Cyberspace, which is drafting an international convention on a wide range of high-tech issues.
- Promulgated legislation enacted to effect BOP's takeover of Lorton prison before 2001 and to transfer D.C. parole jurisdiction to the U.S. Parole Commission; further consideration and action are expected on a number of crime-related proposals during the second session of Congress.
- Aggressively pursued health care fraud, recovering more than \$961 million in judgments and settlements.

---

## **Supporting Law Enforcement in the Community**

- Explored innovative means to realize and develop the concept of community justice to fit the needs of local jurisdictions.
- Strengthened and increased law enforcement ranks through hiring additional officers, providing training to State law enforcement agencies, and expanding innovative programs to advance community policing across the Nation.
- Awarded nearly \$1.2 billion in grants to put more than 17,500 officers on the streets, bringing the ranks of community policing officers funded by Community Oriented Policing Services (COPS) to over 65,000.
- Helped reduce community tensions, prevent further incidents of violence, and aid the community rebuilding process as part of an agency-wide response to the church arson crisis, which affected more than 250 churches, principally in southern States.
- Developed a Kid's Page on Hate Crime for the DOJ website as a function of the Attorney General's Hate Crime Working Group, and participated on the President's Initiative on Race.

## **Securing America's Borders**

- Successfully defended the vast majority of immigration decisions made by the INS, the Immigration Courts, and the Board of Immigration Appeals, thereby giving "teeth" to immigration enforcement and assuring continued opportunity for lawful immigrants.
- Made substantial strides in other immigration matters, defending class action attacks on the statutes and regulations governing alien admission and immigration.
- Set a new record by deporting more than 111,000 illegal aliens in 1997—a 61-percent increase over the previous record of 69,040 illegal aliens deported in 1996.
- Struck major blows against foreign drug syndicates, using the combined resources of DEA, the FBI, the Criminal Division, the U.S. Attorneys' Offices, the High Intensity Drug Trafficking Area program, the United States Customs Service, and a host of State and local counterparts.

- 
- Began tracking cases aimed at employers suspected of violating immigration and labor laws, including “abusive employers” and employers suspected of document fraud and smuggling activities.

## **Making the Legal System Work for All Americans**

- Renewed our commitment to crime victims by strengthening victims’ rights and providing services to victims throughout the Federal and State criminal justice systems, pursuing various legal reforms, continuing to develop a sound victims’ rights amendment to the Federal Constitution, and drafting and transmitting to Congress legislation to enhance the rights of crime victims in the Federal system.
- Protected the rights of U.S. citizens abroad and promoted the international rule of law through Foreign Claims Settlement Commission resolution of claims by U.S. nationals against foreign governments, including Germany and Albania.
- Participated in the National Church Arson Task Force that deployed over 200 Federal Bureau of Alcohol, Tobacco and Firearms and FBI investigators around the country to investigate church fires, coordinating closely with State and local law enforcement officials in prosecuting suspects, solving arson investigations, and preventing additional fires.

## **Enforcing the Nation’s Environmental and Antitrust Laws**

- Continued to play a vital role in safeguarding the Nation’s environment through environmental enforcement, international cooperation, natural resources protection, and the promotion of partnerships and environmental justice.
- Obtained a record-breaking \$205 million in criminal fines for antitrust offenses—five times the previous record set in FY 1995.

---

## **Making the Department More Efficient and More Responsive**

- Continued to move toward full implementation of the Government Performance and Results Act.
- Made significant progress in streamlining and redesigning work processes, integrating emerging technologies, and providing professional and efficient service to the American public.
- Collected \$1.97 billion in cash receipts in the recovery of both criminal and civil debts—the most ever recovered in cash in a single year.
- Secured more than \$1.4 billion in judgments and settlements and over \$4.5 billion in overturned claims against the Government.
- Worked closely with Department client agencies to upgrade technology, improve service to customers, and discover new and better approaches to conducting the business of Government.
- Remained at the forefront of the emerging technologies associated with “standards-based” video teleconferencing, which enables the Department to reduce travel, increase meeting attendance, extend training audiences, and provide a safer and more secure environment for certain aspects of litigation, including less movement of witnesses and prisoners.
- Continued the commitment to meet or exceed Department goals for reducing backlogs of pending Freedom of Information Act/Privacy Act requests and to handle requests more quickly, with several Department agencies achieving a zero-backlog balance.

---

# 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 (the Department) is charged with providing leadership to ensure that the citizens of the United States are protected from violence and criminal activities. In 1997, the Department worked aggressively toward this goal by coordinating counter-intelligence and terrorism investigations; combating violent crime through prosecution and prevention; focusing Federal and inter-agency resources on illegal drug traffickers, their organizations and key members; fighting organized crime and political corruption; curtailing white collar crime and wasteful fraud; providing for the secure confinement of violent criminals; employing key crime-fighting resources; and providing Federal leadership in developing the Nation's capacity to prevent and control crime, including juvenile and gang crime and violence against women. All these responsibilities were performed in a manner responsive to the needs of the public and faithful to the Constitution.

## National Security/Anti-terrorism

### *Responding to Acts of Terrorism*

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. While the number of terrorist acts in this country generally has decreased over the past several years, individual acts of terrorism have become much more devastating in terms of injuries, deaths, and property damage. During fiscal year 1997, the Department continued its firm policy for dealing with terrorist acts, focusing on deterrence, quick and decisive investigations and prosecutions, and international cooperation. The U.S. Attorneys vigorously pursued and prosecuted terrorists, both domestic and foreign, furthering the Department's efforts to mete out swift, certain, and severe justice to these individuals.

In June 1997, a Federal jury convicted Timothy McVeigh for his role in the April 19, 1995, bombing that devastated the Alfred P. Murrah Federal Building and killed 168 people in Oklahoma City. He was subsequently sentenced to death. The trial of his co-defendant, Terry Nichols, which began in FY 1997, resulted in a guilty verdict in FY 1998. Nichols was convicted on conspiracy to use a weapon of mass destruction and on eight counts of involuntary

---

manslaughter. Nichols awaits formal sentencing: he faces up to life in prison. A Federal jury in the Southern District of New York convicted Ramsi Ahmed Yousef and Eyad Ismoil of participating in the February 26, 1993, bombing of the World Trade Center, which killed 6 people and injured more than 1,000.

Other important FBI cases of domestic and international terrorism include the following:

- In October 1996, seven members of The Mountaineer Militia were arrested in West Virginia, Ohio, and Pennsylvania for plotting to declare war on the U.S. Government. Numerous weapons, ammunition, and components for bombs were found at five locations. All seven persons have pled or been found guilty.
- Between December 31, 1996, and January 3, 1997, eight letter bombs were found, disguised as Christmas cards. They were postmarked in Egypt and addressed to the Al-Hayat newspaper in Washington, D.C., and to the parole officer at the U.S. Penitentiary, Leavenworth, Kansas. Four identical cards were discovered on January 13, 1997, at the Al-Hayat office in New York City. All 12 devices were rendered safe by law enforcement.
- In June 1997, bombing suspect Hani Abd Al Rahim Al Sayegh was located in Canada and deported to the United States for his involvement in a 1996 explosion that killed 19 U.S. military personnel and wounded 280 when an explosive device contained in a water truck detonated outside of a military housing unit in Dhahran, Saudi Arabia. He is awaiting extradition.

In 1997, the United States held the chairmanship of the Group of Eight (P8), the forum established by the Group of Seven (G-7) countries plus Russia to encourage multilateral cooperation on international security and other political issues. The Department played a key role in the P8's Counterterrorism Experts Group in promoting new international antiterrorism initiatives. These included the drafting of an international convention that makes the bombing of public facilities an act of terrorism and requires any nation having custody of terrorist bombers either to prosecute them or to extradite them to a nation capable and willing to do so.

The United States National Central Bureau (USNCB)—the U.S. affiliate of the International Criminal Police Organization (INTERPOL)—provides a forum to bring together U.S. law enforcement agencies and their foreign counterparts. Through the use of INTERPOL's worldwide telecommunications network to the 177 INTERPOL member countries and through INTERPOL-sponsored conferences on terrorism, relevant investigative data describing terrorist activities, profiles, arms trafficking, criminal histories,

---

photographs, fingerprints, etc., were rapidly exchanged in 1997, assisting such important cases as the Israeli suicide bombing, the New York City bombing, and the Central Intelligence Agency (CIA) shooting.

The antiterrorism provisions of the Antiterrorism and Effective Death Penalty Act (AEDPA) have strengthened the battle against terrorism by giving the Government authority to exclude or remove suspected foreign terrorists. During the past year, the Department played a key role in establishing operating rules and procedures for the Alien Terrorist Removal Court—created by the AEDPA as a special mechanism for promptly removing aliens who engage in terrorism or solicit funds or other material support for foreign terrorist groups. The Department's Civil Division is working with the Immigration and Naturalization Service (INS), the Federal Bureau of Investigation (FBI), and other agencies to identify and bring before the special removal court aliens who fall within AEDPA's anti-terrorism provisions.

As the result of coordinated efforts by the Departments of Justice, State, and Treasury, in October 1997, the Secretary of State designated 30 organizations as foreign terrorist organizations under AEDPA. The Department continues to perform its statutory consultative role as the State Department identifies additional organizations that may warrant designation in the future.

Also in 1997, the Department advanced Federal and State legislative initiatives to enhance the protection of Federal and State employees from harassment by extremist groups.

### ***Countering Anti-Government Terrorist Tactics***

As the lead counterintelligence agency within the U.S. intelligence community, the FBI continued in 1997 to conduct and coordinate counterintelligence investigations here and abroad to quell the threat to national security. Working in conjunction with the CIA and the National Security Agency (NSA), the Department successfully prosecuted four major espionage cases. The defendants, all of whom pled guilty, included the following:

- A covert CIA operations officer charged with multiple espionage violations;
- An FBI special agent who provided classified information to KGB officers;
- A civilian Navy analyst who passed classified information to a naval attaché of the South Korean Embassy; and
- A former serviceman who spied for the Soviet Union while assigned to NSA in the late 1960s.

---

In addition, a former Army specialist assigned to West Germany in the late 1980s was charged with espionage on behalf of Hungary and Czechoslovakia, in connection with a spy ring led by a former U.S. Army sergeant. And in January 1997, in the District of Oregon, two individuals were charged with conspiracy and substantive violations of the International Emergency Economic Powers Act for attempting to export to Iran a chemical used in the manufacture of nerve gas. The Department expects that the Chemical Weapons Convention and the legislation it helped formulate will provide law enforcement with additional tools to guard against potential terrorist uses of chemical weapons.

To guard against what might be described as “paper terrorism”—that is, the habit of violent domestic militia to also espouse tax protest rhetoric—the Department, working with the Internal Revenue Service (IRS), coordinated efforts to identify and shut down fraudulent schemes and prevent harassment. Successful tools included bringing civil actions against promoters of illegal tax protest schemes, alerting taxpayers about illegal schemes, and prosecuting promoters.

In September 1997, a joint prosecution by the Department’s Tax Division and the U.S. Attorney’s Office for the Western District of Texas resulted in lengthy prison sentences for the leaders of USA First, an illegal tax protest organization that promoted the use of bogus financial instruments to defraud the IRS and the banking industry. USA First was responsible for issuing \$61 million in fraudulent financial instruments—approximately \$2 million of which was sent to the IRS Service Center in Austin, Texas.

## **Combating Violence**

Recognizing that a comprehensive, common-sense strategy was needed to address the problem of violent crime, the Department announced the major Anti-Violent Crime Initiative several years ago. With the approach of this Initiative’s fourth 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.

In 1997, the U.S. Attorneys continued to prosecute the most violent criminal offenders under the Anti-Violent Crime Initiative. The Initiative has forged unprecedented working relationships with members of local communities, State and local prosecutors, and local law enforcement officials to do what is best for each violent crime case and each community. During 1997, the U.S. Attorneys filed 6,248 criminal cases against 8,079 violent offenders. A total of 5,715 cases against 7,520 violent crime defendants were also terminated. Eighty-seven (87) percent of these defendants were convicted. Eighty-seven (87) percent of all convicted defendants were sentenced to prison, with 100 life sentences obtained.

---

Since the start of the Initiative, the Nation's overall violent crime rate has dropped by 11 percent and the homicide rate by nearly 18 percent. The most recent annual Uniform Crime Report shows an unprecedented fifth straight decline in reported serious crime; the preliminary figures for the first 6 months of 1997 show a further 4-percent decline. These results indicate that all our efforts are working. While violent street gangs continue to pose a substantial threat to our communities, the Department has reduced this threat by successfully prosecuting gang leaders through RICO (Racketeering Influenced and Corrupt Organizations) and CCE (Continuing Criminal Enterprise) statutes.

### ***Domestic Violence and Violence Against Women***

During 1997, the Department continued to use the Violence Against Women Act (VAWA) to address the serious problem of such violence in the United States. 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. It is an important tool in cases where movement across State lines makes prosecution difficult and where State law penalties are insufficient.

A major victory in upholding the constitutionality of the Act was won in July 1997, when the Court in the Eastern District of Tennessee ruled that the Federal Government's jurisdiction over interstate commerce enabled it to enforce these civil protections. Since then, three additional district courts have also upheld the constitutionality of the Act. To date, 37 defendants have been convicted under VAWA.

Established in May 1997, the FBI's Protection Order File within the computerized National Crime Information Center (NCIC) supports the VAWA. It contains approximately 8,000 protection orders, enabling civil and criminal courts and law enforcement agencies to obtain information on the existence and terms of orders relating to matters such as domestic violence and stalking.

The Violence Against Women Office (VAWO) within the Department's Office of Justice Programs (OJP) works to improve the Federal Government's response to violence against women by supporting public education and legislative initiatives. In August 1997, VAWO collaborated with the Santa Monica Rape Treatment Center on a campaign to educate the public—especially college-aged women—on the issue of date rape. The Attorney General participated in the kickoff campaign, which provided information and public education materials to 17,000 law enforcement agencies. OJP's Violence Against Women Grants Office (VAWGO) administered several grant programs to help improve the criminal justice system response to sexual assault, domestic violence, and stalking.

### **Curbing Public Housing Violence**

**T**he Department continued its partnership with the Department of Housing and Urban Development (HUD) to target violent crime in public housing in 13 cities nationwide. The cities were chosen to work with local public housing authorities, HUD, and Federal and local law enforcement agencies to create model anti-crime programs. City representatives involved in the pilot met with housing authorities and local police to create strong management programs to certify residents, enforce leasing agreements, and evict tenants involved in drugs or violent crimes.

## Addressing Violent Indian Crime

**S**erious and violent crime in Indian Country has risen significantly in recent years—particularly gang and juvenile violence. U.S. Attorneys consulted with tribal leaders and identified a glaring lack of law enforcement resources in Indian Country. Assistant U.S. Attorneys were designated to serve as tribal liaisons; and the FBI created the Office of Indian Country Investigations, reassigning 30 special agents to provide additional Indian Country resources. The U.S. Attorneys have cooperated with the FBI in forming multidisciplinary teams and Safe Trails Task Forces, which have made a difference in communities where they are active. The U.S. Attorneys, the Bureau of Indian Affairs (BIA), the FBI, and other Federal agencies developed the Gang Resistance and Education Training (GREAT) program, whereby BIA and tribal police officers provided gang-prevention training to students at schools in Indian Country.

Through the STOP (Services • Training • Officers • Prosecution) program, VAWGO provided a total of \$145 million to all 50 States, the District of Columbia, the territories, and Indian tribal governments to develop and strengthen law enforcement, prosecutorial strategies, and victim services in these cases.

## Stemming Youth and Gang Violence

### Targeting Juvenile Crime.

Data released by the Department's Bureau of Justice Statistics (BJS) late in FY 1997 indicated a nearly 12-percent decline in violent crime arrest rates among juveniles between 1994 and 1996, with most of the drop occurring since 1995. These data provide further evidence that violent juvenile crime may have peaked.

But despite such encouraging trends, the juvenile crime rate remains unacceptably high. The Department undertook a range of major new initiatives to respond to youth violence in 1997. Through its formula grant programs, the Office of Juvenile Justice and Delinquency Prevention (OJJDP) made over \$114 million available to the States and territories to fund local prevention and intervention programs and improve the juvenile justice system.

Programs to mentor young people were an important focus of the Department's prevention strategy in FY 1997. By partnering responsible adults from all walks of life with young people at risk of delinquent behavior, mentoring programs offer young participants the opportunity to see firsthand the rewards of a life free of violence, crime, and drug use. The Juvenile Mentoring Program (JUMP) provided funding totaling \$9.6 million to 52 sites, allowing 6,500 at-risk young people in 30 States to receive one-on-one mentoring. The 1997 awards brought the total number of JUMP sites to 93.

The Department took important steps in 1997 to address and prevent youth crime through its Hate Crime Initiative. To this end, the Department developed a website for children in kindergarten through fifth grade and their parents and teachers, which aims to expose children to the concepts and consequences of prejudice and discrimination and to help them develop empathy for people of other races, cultures, and religions. In addition, funding was given to develop and nationally implement a middle-school curriculum called Healing the Hate. The Department also reached out to the U.S. Department of Education (ED) to generate statistical information about hate crime in schools, and to explore additional joint initiatives relating to youth hate crime. In response to a Presidential directive, the Office of Intergovernmental Affairs (IGA) took the Administration lead in producing an annual report on school violence, which will allow parents, teachers, and students to identify violence reduction programs for their schools. Finally, *Preventing Youth Hate Crime: A Manual for Educators and Communities*, was developed for distribution to all school districts in the country.

**Targeting Gang/Drug Violence.**

The FBI has established 157 Safe Streets Task Forces with local, State, and other Federal law enforcement agencies to cooperate on investigations of mutual interest. The task forces combine 769 FBI special agents, 1,186 State and local officers, and 179 other Federal officers to focus on street gang crimes, crimes against children, crimes in Indian country, drug-related violence, property thefts, and other crimes, and to locate the most violent fugitives. The task forces are effective. For example, during a 60-day period in 1997, one Maryland task force arrested 300 persons, including 74 violent fugitives, 12 persons charged with murder, and 40 persons charged with robbery and carjacking.

The Department's Community Oriented Policing Services (COPS) Office continues to encourage community policing strategies and to fund additional officers to help law enforcement agencies around the country combat violence and prevent crime. In 1997, the COPS Office brought together 25 agencies that have focused on using community policing to counter gang-related and youth firearm violence to discuss their successful strategies for seizing firearms, enhancing gun and drug laws, and decreasing crime. This exchange provided a means to disseminate the best community policing practices among policing agencies, to share what is working in the field and what is not. Police chiefs and sheriffs credit community policing with the dramatic drops in crime they are experiencing.

To help weaken the long-established link between violent crimes and drugs, the Drug Enforcement Administration (DEA) made it an agency-wide priority to target violent drug organizations, gangs, and local impact issues. The Mobile Enforcement Team (MET) Initiative, developed to implement this priority, assists State and local law enforcement agencies in combating the problem of violent gangs and drug trafficking in their communities. It represents the most ambitious domestic enforcement program that DEA has ever undertaken to attack drug-related violence in America.

By combining the efforts of Federal, State and local law enforcement agencies, the MET Initiative is making a difference in neighborhoods throughout the United States, restoring a sense of peace and order to communities formerly plagued by fear and intimidation (see sidebar, "MET Initiative Gets Results"). DEA also continues to be at the forefront in assisting local law enforcement with violent street gangs like the Latin Kings, Crips, Bloods, Zoo Crew, and Hell's Angels. In Newark, New Jersey, for example, Federal, State, and local law enforcement officials arrested 25 of 34 targeted members of The Zoo Crew street gang, which had sold cocaine for more than 10 years and committed numerous homicides and assaults.

**MET Initiative Gets Results**

**S**ince the MET Initiative began in mid-1995, it has grown rapidly. The following statistics show the results of the MET Program from the beginning through September 30, 1997:

	FY 1995-96*	FY 1997
<b>INPUT</b>		
MET Special Agents	167	250
Teams	19	23
Requests	111	61
Deployments		
Initiated	79	46
Completed	74	29
Deployments Active		22
<b>OUTPUT</b>		
Drug Seizures (in pounds)		
Cocaine	95	747.2
Methamphetamine	68	115
Heroin	3	31
Marijuana	158	493
Asset Seizures	\$3.4M	\$2.55M
Arrests**	2,577	2,157

\* FY 1995-96 figures reflect statistics for an 18-month period

\*\* Includes 16 arrests for murder in which the MET assisted

---

## **Fighting Drugs**

While the Administration's battle to curb illegal drug use can claim meaningful victories—e.g., crack cocaine and methamphetamine use has decreased dramatically in many cities—drug abuse and drug trafficking remain among the most serious challenges facing law enforcement, the Department, and our Nation. In 1997, the Department continued to provide clear, concise, and dynamic leadership in national and international drug control efforts to investigate and prosecute the leadership and infrastructure of major drug markets. Its strategy is to reduce drug availability by dismantling the organizations that traffic in the highest volumes and cause the most violence. To accomplish its mission, the Department cooperated and coordinated with other Federal agencies and countless State and local law enforcement organizations. It also conducted international investigations and liaison with drug law enforcement officials worldwide, whose support for drug control collectively strengthens enforcement capabilities. Finally, the Department continued its vigorous enforcement of asset forfeiture laws to combat drug trafficking and other criminal activity.

### ***Using a Task Force Approach***

In 1997, the Department continued to apply the collective expertise and criminal intelligence of Federal, State, and local law enforcement officials in tackling the problem of illegal drugs. An integral element of this effort is the Criminal Division's Organized Crime and Drug Enforcement Task Force (OCDETF), which, since it began in 1982, has demonstrated proficiency in prosecuting drug traffickers, violent offenders, gangs, money laundering organizations, and corrupt public officials. The U.S. Attorneys filed 1,728 OCDETF cases against 5,900 defendants during 1997. In addition, 1,449 cases and 4,690 defendants were terminated. Eighty-seven (87) percent of these defendants were convicted in 1997, and 89 percent of convicted defendants were sentenced to prison. During 1997, the OCDETF program initiated 723 new investigations—an increase of 22 percent over 1996.

In addition to OCDETF cases, the U.S. Attorneys filed 10,709 cases against 18,633 non-OCDETF drug defendants during 1997. A total of 8,756 cases against 15,575 defendants was also terminated. Eighty-seven (87) percent of these defendants were convicted, with 89 percent of the convicted defendants sentenced to prison. Also during 1997, OCDETF consolidated its 13 regions into 9, to bring greater resources to bear against the most formidable criminal organizations and to respond more effectively to current and emerging drug trafficking patterns.

---

## ***Domestic and International Drug Law Enforcement Achievements***

Operating worldwide, DEA coordinates multijurisdictional and multiagency investigations to immobilize drug trafficking organizations by arresting their members, confiscating their drugs, and seizing their assets. In 1997, DEA continued to use and develop additional means of combating drug organizations operating beyond national boundaries, as well as domestic and international money launderers. For instance, under the International Emergency Economic Powers Act, the Departments of Justice and Treasury administered an economic sanctions program designed to isolate the Cali Cartel from the international financial community and destroy its ability to invest ill-gotten assets. The Department also collaborated with the Treasury Department to enforce a Geographic Targeting Order that requires money remitters in New York and New Jersey to report transfers to Colombia of \$750 or more. This effort resulted in a dramatic decline in narcotics proceeds transmitted to Colombia. Other domestic and international accomplishments included the following:

- On May 28, 1997, Federal, State, and local law enforcement officials arrested 70 defendants on drug charges across parts of New York, New Jersey, and Pennsylvania in a multiagency operation code-named “Golden Road,” a 1-year OCDETF investigation targeting a Dominican cocaine trafficking organization.
- On July 22, 1997, a Federal grand jury in Ft. Worth indicted the leader and 11 associates of a marijuana organization stretching from Mexico to Texas to Minnesota.
- In September 1997, a joint Costa Rican/U.S. team being trained in drug interdiction discovered 342 kilograms of cocaine hidden in a tractor trailer. A Costa Rican police officer, who had received similar highway interdiction training, stopped another such vehicle on the Panama border and found 1,000 kilograms of cocaine, reportedly the largest-ever cocaine seizure in Costa Rica.
- A joint investigation between Venezuela’s Policia Tecnica Judicial (PTJ) and DEA in Caracas and Bogota led to the seizure of over 4 tons of cocaine from a maritime vessel in Puerto Caballo, Venezuela; as of July 23, 1997, authorities had seized 4,181 kilograms (4.6 tons) of cocaine, the most ever in Venezuela.
- In 1997, the Department successfully prosecuted 30 members of a Jamaican drug organization known as the “Poison Clan,” which distributed “crack” cocaine across the United States and committed more than 10 homicides in Virginia and New York.

- 
- On April 8, 1997, a 2-year investigation involving several DEA offices and other international authorities resulted in the arrest of 20 defendants throughout South America and the seizure of over 34 bank accounts and assets worldwide with a total forfeiture value of \$40 million.
  - Investigative information developed by DEA's Rangoon Country Office resulted in the seizure of 32 heroin refineries by Burmese authorities in 1997, a 200-percent increase over 1996.
  - In May 1997, two brothers were arrested for smuggling multi-ton shipments of marijuana from Thailand to the United States and for money laundering. Over \$12 million U.S. dollars in assets were seized.

Colombian and Mexican groups are the most threatening international drug trafficking organizations currently facing the United States. But in 1997, advances continued to be made. An essential element of the strategy was to work closely with the Government of Mexico and its law enforcement organizations to identify, locate, arrest, and prosecute those major international organized crime figures responsible for drug trafficking and violence within the United States and Mexico. Investigations under the Southwest Border Initiative—focusing on the four major Mexican drug trafficking organizations that transport 70 percent of all cocaine entering the United States—secured the indictment of many major drug movers and continued to enhance interagency cooperation among the Criminal Division, FBI, DEA, the U.S. Customs Service (USCS), the U.S. Attorneys, and other Federal, State, and local law enforcement agencies.

For example, Operation “Zorro II,” an OCDETF and Southwest Border Initiative case involving unprecedented cooperation among law enforcement agencies at all levels, resulted in 102 indictments, 49 convictions, and the seizure of over 6 tons of cocaine and more than \$20 million in currency and assets. Under Operations “Lime-light” and “Reciprocity”—conducted jointly with the Department, IRS, and USCS—members of the Amado Carrillo Fuentes Organization, targeted for drug trafficking in 10 cities, were investigated and prosecuted. They were responsible for shipping approximately 45-60 tons of cocaine into the Northeastern United States and an estimated \$100 million in drug proceeds from the United States to Mexico. The Government has charged more than 100 people in this case and seized 11.5 tons of cocaine, 13,646 pounds of marijuana, and more than \$18.5 million in assets.

The INS conducted 9,017 total separate drug seizures in FY 1997, an increase of 8.6 percent over FY 1996 total seizures. The street value of all drugs seized by the INS in FY 1997 totaled \$1.4 billion, down from the FY 1996 estimated value of \$1.57 billion.

Also in 1997, a collaborative investigation extending over 2 years and involving DEA's Los Angeles Division, the FBI's Phoenix Office, and local law enforcement agencies, led to the identification

---

and disruption of a second-echelon Colombian drug trafficking organization that imported sizeable quantities of cocaine and South American heroin into the United States. Suspected use of Mexico-based drug transporters to smuggle shipments of South American heroin into the United States, if confirmed and widespread, would constitute a significant shift in the trade, as would large-scale distribution of South American heroin in the Southwest. Law enforcement must continue to disrupt and destroy major heroin traffickers.

DEA investigations also targeted major illegal suppliers of controlled substances, such as “black pearls” or Tung Shue from China, containing diazepam; and pseudoephedrine, which is diverted to the methamphetamine trade operating largely in California. The Department stayed committed to the fight against the trafficking and abuse of methamphetamine by fully implementing the National Methamphetamine Strategy of 1996 and its May 1997 update. DEA’s Mexican Methamphetamine Program continues to coordinate and develop liaison with USCS agents and security personnel at ports-of-entry into the United States. During FY 1997, DEA enhanced its working relationships with State and local law enforcement to expand its intelligence base for identifying international trafficking organizations and to monitor shipments of methamphetamine and its precursor chemicals.

In FY 1997, DEA’s Mexican Methamphetamine Program resulted in seizures of \$791,708 in currency, \$315,000 in other assets, 20 pounds of marijuana, 312.5 kilograms of cocaine, 548 pounds of methamphetamine, 11.31 pounds of heroin, 82 weapons, and 5 clandestine laboratories (containing 800 pounds of iodine, 800 pounds of freon, 40 pounds of ephedrine, and 6.2 pounds of pseudoephedrine). In 1997, the Department scored successes in major cases such as the following:

- Eleven defendants were indicted in the District of New Mexico following the 1995 seizure of almost 700 pounds of methamphetamine—one of the largest seizures in U.S. history.
- DEA culminated a 12-month investigation of a pseudoephedrine ring based in Modesto, California, as part of Operation “Backtrack,” which targets organizations that divert pseudoephedrine tablets to the methamphetamine trade. The investigation resulted in large seizures of the drug and Federal indictments against major suppliers.
- A Federal grand jury in Georgia’s Northern District returned criminal indictments against principals of X-Pressive Looks—one of the Nation’s largest illicit suppliers of pseudoephedrine tablets—on money laundering charges and violations of the Chemical Diversion and Trafficking Act.

### **“Heroin: It Never Went Away”**

**D** DEA convened the National Heroin Conference to bring together experts from law enforcement, treatment, and prevention with first-hand knowledge of heroin’s impact and a good grasp of the full scope of the heroin problem. Although more than 60 percent of the participants were law enforcement professionals from State and local agencies, attendees also included professionals from the drug abuse prevention/treatment community, academia, and the media and entertainment industries.

---

## ***Drug Treatment for Prisoners***

The Violent Crime Control and Law Enforcement Act of 1994 required by the end of FY 1997 that the Department provide drug treatment to all Federal inmates needing and willing to accept it. The Department's Bureau of Prisons (BOP) has met this requirement, increasing by one-third the number of residential drug treatment programs since FY 1994 and by 50 percent its yearly treatment capability to well over 6,000 inmates. Approximately 37 percent of all inmates in BOP contract community corrections centers were enrolled in transitional drug abuse treatment programs during FY 1997, a 30-percent increase over the previous year.

As a pilot project in FY 1997, six community corrections centers began providing drug treatment on site. A study released in FY 1997 found that an estimated 45 percent of defendants convicted of drug-related crime will commit a similar offense within 2-3 years. Prison-based drug treatment programs provide an opportunity to break the cycle of drug use and crime, saving countless people from becoming future crime victims. Through the Residential Substance Abuse Treatment Program, all 50 States, five territories, and the District of Columbia received almost \$28 million in FY 1997 to develop and implement substance abuse treatment programs in their prisons and jails. Each offender spends 6–12 months in treatment—the amount of time research indicates is needed for these programs to work.

Another program successfully reducing recidivism rates (to between 5 and 28 percent) among drug offenders is OJP's Drug Court Grant Program. Initially authorized by the President's 1994 Crime Act, this program allows nonviolent, drug-addicted offenders an alternative to going to jail: offenders plead guilty to charges and enter a regimen of voluntary drug treatment combined with regular drug testing and graduated sanctions. In FY 1997, the program provided more than \$28 million to plan, establish, or improve over 160 drug courts.

Operation Drug TEST (Testing, Effective Sanctions and Treatment), administered by the Office of Policy Development (OPD), established pilot programs at 54 sites in 25 judicial districts in 1997. These programs, which require drug testing of virtually all defendants either before or immediately after their first appearance in court, can identify defendants with drug problems before their release into the community. They also impose conditions of release, including sanctions and treatment, designed to deter future drug abuse and crime.

## ***Assets Seized and Forfeited Through Law Enforcement Operations***

The Department continued to share asset forfeiture funds with State and local law enforcement agencies engaged with the Federal

---

Government in combating drugs and other crimes. It also worked closely with law enforcement officials in Mexico, Switzerland, France, and Liechtenstein to investigate, seize, or return to victims millions of dollars in real and personal property. By the end of 1997, approximately \$450 million had been deposited in the Asset Forfeiture Fund, 40 percent of which will be shared with State, local, and foreign law enforcement authorities.

Working at the country's borders, the INS removed 656 firearms and 4,074 vehicles during FY 1997 enforcement operations. Total estimated value of assets seized, including real property, was \$67,977,767, an increase of 34 percent over total FY 1996 seizure levels.

## Organized Crime

In 1997, the Department continued its work to eliminate the many criminal enterprises of organized crime families, including the La Cosa Nostra (LCN) families and their associates. The Department also prosecuted the illegal activities of nontraditional organized crime groups, such as those emanating from the former Soviet Bloc and Asia. A total of 245 organized crime cases were filed against 646 defendants during the year. Eighty-eight (88) percent of the defendants whose cases were terminated during 1997 were convicted, with 68 percent of the convicted defendants sentenced to prison.

During 1997, Federal prosecutors successfully concluded RICO prosecutions of LCN bosses and leaders in four major U.S. cities and elsewhere. The FBI continued its investigations of LCN for its involvement in racketeering activities such as gambling, loansharking, and extortion. But it is the LCN's control or influence over certain labor unions that distinguishes it from other criminal enterprises and makes it the most significant organized crime group in the country. Through Operation "Button Down," a 5-year plan that began in March 1996 and continued throughout 1997, four bosses, three underbosses, three consiglieres, 46 capos, 48 soldiers, and 331 associates were indicted or convicted. Special FBI initiatives are now under way to identify and charge LCN activity in the carting, construction, garment, and maritime industries.

Through its continuing participation in the Financial Action Task Force and with the Caribbean Financial Action Task Force, the Department remained instrumental in encouraging foreign countries to adopt money laundering and asset forfeiture statutes. Major accomplishments in 1997 included Colombia's enactment of effective legislation to combat the vast wealth of drug cartel leaders, and agreements between the United States and 20 Caribbean nations to cooperate in money laundering matters.

DEA plays a major role in disrupting and dismantling the operations of domestic and international criminal financial organizations with a nexus to major drug trafficking organizations and sys-

---

tems of handling illicit proceeds and operating funds. Key significant accomplishments for FY 1997 include the arrests of two suspects from a Colombia-based money laundering organization who laundered more than \$30 million in drug proceeds for the Cali Mafia over a 16-year period; the freezing of Citibank accounts containing more than \$26 million traced to a Chilean money exchange house; the arrest of participants in a major money laundering organization using members of a religious Hasidic Orthodox Jewish sect to launder drug proceeds for Colombian and Dominican drug organizations; and the seizure of more than \$4,000,000 from a Colombian money broker in a Miami suburb as part of "Operation High Tide."

The Department continued to pursue broad investigations of former Soviet Bloc organized crime activity across the United States, zeroing in on the vast amounts of money flowing into U.S. banks from the former Soviet Bloc. Russian organized crime (ROC) is on the rise as greater numbers of Russian and Eastern European emigres relocate to major U.S. cities on both coasts. Prosecutions and investigations are up as well. For example, the Los Angeles Organized Crime Strike Force Unit convicted numerous Armenian/ROC subjects involved in evasion of excise taxes on gasoline, and obtained several indictments and various convictions for health care fraud, extortion, and credit card and bank fraud. In one major 1997 case, 18 Russian emigres were indicted for perpetrating a massive securities fraud scheme, which involved selling artificially inflated shares of stock.

The Department also continued its efforts to combat Asian organized crime. Investigations conducted by several West Coast U.S. Attorneys' offices resulted in the indictment of over 100 defendants associated with Vietnamese organized crime groups believed to be involved in more than 100 robberies of computer chip companies in California and Oregon.

Protected witnesses' testimony led to many convictions and significantly impacted the illegal activities of major organized crime groups in 1997. The Department's Witness Security Program (WITSEC), established in 1970, remained one of the Government's most potent and effective weapons against organized crime, terrorists, violent street gangs, and narcotics traffickers. In FY 1997, 193 new participants were added to the program.

## **Political Corruption**

The Department oversees the Federal effort to combat corruption of elected and appointed public officials at all levels of government. During 1997, it continued to assail those who compromise public trust by abusing their offices. Investigations resulted in the U.S. Attorneys filing 487 criminal cases charging 754 individuals with political corruption. Eighty eight (88) percent of all political corruption defendants whose cases were terminated during the year were convicted. Examples of specific cases handled in 1997 follow.

- 
- The Speaker of the House in Missouri pled guilty to accepting bribes in exchange for supporting specific legislation.
  - The Department successfully prosecuted an Assistant U.S. Attorney for the Central District of California for two counts of wire fraud and felony conflict of interest.
  - The Department successfully prosecuted the former Chief Pilot of the Aviation Section of the Bureau of Alcohol, Tobacco and Firearms (ATF), for mail fraud and tax evasion in connection with a scheme to defraud the Government.
  - The Department's highly successful investigation of corruption at the Mansfield Correctional Institution in Mansfield, Ohio, culminated with the conviction of the prison's former chief of security on wire and mail fraud charges.
  - The Department's Campaign Financing Task Force, established in November 1996, continued investigating allegations of criminal campaign finance violations in recent Federal elections. During the year, the Department obtained campaign-fraud convictions against four individuals on charges relating to the funneling of illegal contributions to several Federal campaigns.

## **White Collar Crime**

The U.S. Attorneys handled a myriad of white collar crime prosecutions during FY 1997, including intellectual property and computer crimes; trade, bankruptcy, consumer, health care, and financial institution fraud; and pension abuse. The Department chairs the High-Tech Subgroup of the P8, which focuses on international trap-and-trace procedures and transborder searches, and represents the United States at the Council of Europe's Committee of Experts on Crime in Cyberspace, which is drafting an international convention on a wide range of high-tech issues. In all, 6,312 white collar criminal cases were filed against 8,839 defendants. Eighty-eight (88) percent of the 8,386 defendants whose cases were terminated during the year were convicted. FBI white collar crime investigations secured \$3.9 billion in restitutions, \$121 million in recoveries, and \$487 million in fines. Interagency task forces helped ensure cohesive Federal response, effective enforcement, and smarter use of resources to combat a range of crimes.

### ***Intellectual Property Crimes***

The increased demand for U.S. brand-named consumer goods has created a concomitant rise in illegal copying and reproduction of these goods. Using the felony provisions of statutes criminalizing

---

## Protecting Our Cyber Space

**A** new initiative headed by the FBI is designed to deter, detect and respond to cyber and physical threats to U.S. infrastructures. Called the Infrastructure Protection Center its mission—with inter-agency and private sector support—is to assess, warn, investigate, respond to, and prevent threats and unlawful acts such as electronic intrusions into government computer networks, protected computers, and the National Information Infrastructure. Additionally, the FBI has established Regional Computer Investigations and Threat Assessment Squads in seven of its big-city field offices, with all other FBI field offices having formed specialized teams.

the misuse of intellectual property, the U.S. Attorneys filed 100 cases charging 175 defendants with counterfeit goods violations. Seventy-eight (78) percent of those whose cases were terminated in 1997 were convicted. Appendix II contains information provided in response to the statutory mandate requiring inclusion of FY 1997 Department statistics on criminal intellectual property crimes. It contains the following: a summary of the available statistics segregated by statutory provision and preceded by a brief description of each offense; a summary of the grand totals; a summary of the totals associated with matters and cases referred by USCS to the U.S. Attorneys; a list of districts and their abbreviations; a glossary of terms; and the Criminal Caseload Statistical Reports generated by the Executive Office of U.S. Attorneys.

The criminal intellectual property statutes surveyed include the following:

- Title 18, United States Code, Section 2318 (18 U.S.C. §2318)—Trafficking in Counterfeit Labels for Phonorecords and Copies of Motion Pictures or Other Audiovisual Works;
- Title 18, United States Code, Section 2319 (18 U.S.C. §2319)—Criminal Infringement of a Copyright;
- Title 18, United States Code, Section 2319A (18 U.S.C. §2319A)—Unauthorized Fixation of and Trafficking in Sound Recordings and Music Videos of Live Musical Performances; and
- Title 18, United States Code, Section 2320 (18 U.S.C. §2320)—Trafficking in Counterfeit Goods or Services.

### ***Computer Crimes***

As computers play an ever-increasing role in our daily lives, it is not surprising they play an ever-increasing role in criminal activity (see sidebar, “Protecting Our Cyber Space”). In response to this growing threat, the Department has worked closely with Congress to ensure that the criminal law appropriately criminalizes computer abuse. Legislation such as the National Information Infrastructure Protection Act of 1996 reflects the Department’s philosophy that the pace of technological change calls for laws that protect values, not specific technologies. One important national value is the protection of children, which is why the Department has intensified its investigations of persons transmitting child pornography or otherwise engaging in the exploitation of children by means of the Internet. The FBI and the Criminal Division initiated the “Innocent Images” Project to combat the use of computers to traffic in child pornography. This project—the first of its kind to target the use of a major

---

U.S. online service provider by traffickers of child pornography—has led to 200 informations and indictments, 135 arrests, and 152 convictions.

During FY 1997, computer crime cases increased dramatically. The FBI reported a 120-percent increase in pending computer intrusion cases; a 267-percent increase in complaints filed; a 110-percent increase in informations and indictments filed; and a 950-percent increase in the number of arrests. Many of the cases brought in 1997 reflect the global nature of the Internet and the ability of computer criminals to commit crimes across national borders.

In a strike against international cyber crime, the Civil Division recovered \$2.8 million from the perpetrators of an Internet pyramid scheme. The court ordered that money held in Antigua by the promoters of the scheme be used to reimburse victims.

The USNCB increased international awareness of Internet and other information technology crimes through the September 1997 INTERPOL-sponsored Working Group on Information Technology for the Americas. Technology is being used to combat cultural property theft and to exchange related image data. An information system of stolen cultural property is being developed by an INTERPOL/UNESCO (Organization of United Nations for Education, Science and Culture—[English translation]) working group.

### ***International Trade Fraud***

The emergence of a truly global marketplace has created more opportunity for fraudulent trade by companies exporting goods and services to foreign countries. Following are two examples of successful trade fraud cases pursued by the Department in 1997:

- A \$25 million settlement was secured in a claim brought against Continental Grain Corporation and Arab Finagrain Agri-Business Trading. They submitted false information to the U.S. Department of Agriculture (USDA) to obtain export credit guarantees for sales of agricultural goods to Iraqi government agencies. Arab Finagrain was also sentenced to pay a \$10 million criminal fine after pleading guilty to conspiring to defraud the USDA for sales of agricultural products to Iraq.
- Food giant ConAgra agreed to pay \$8.3 million in fines and restitution for defrauding farmers and commercial buyers of millions of dollars.

### ***Bankruptcy Fraud***

Bankruptcy filings have increased at unprecedented rates for the last 2 years. Breaking the 1 million mark for the first time in history during 1996, filings have increased by 53.5 percent over the

### **Fraud Enforcement Efforts Pay Off**

**T**he Civil Division achieved success in a wide range of fraud enforcement efforts. Examples include a \$14.8 million settlement secured from The Pratt & Whitney Group of United Technologies to resolve claims that the corporation conspired to divert \$10 million in U.S. military aid to a slush fund subject to the exclusive control of an Israeli Air Force officer. It also won \$5.3 million from Martin Marietta, now Lockheed Martin, to settle allegations in a qui tam suit that it padded research and development costs charged to the U.S. Department of Defense.

---

24 months ending June 30, 1997,<sup>2</sup> by which time annual filings exceeded 1.3 million.

Debtor fraud undermines the integrity of the system as a whole because it prevents creditors and investors from recovering property to which they are legitimately entitled, causing them to lose faith in the safeguarding of their interests and therefore invest less. Those who seek protection from the bankruptcy system contribute to its downfall by hiding assets or engaging in other illegal activities. Creditor abuse is also a problem.

The rise in bankruptcy cases has highlighted the need for aggressive efforts to identify and address areas of bankruptcy fraud. Criminal referrals have increased since the Attorney General's announcement of "Operation Total Disclosure" in February 1996. For the period 1996 through September 30, 1997, the program referred over 1,400 cases to the U.S. Attorneys. To enhance the program's efforts to combat bankruptcy fraud, the Department has intensified training and coordination with other agencies.

The following are a few examples of successful prosecutions resulting from the program's efforts to curtail abuse of the system:

- In January 1997, the U.S. Trustee in Boston referred a complaint against Sears, Roebuck & Company to the U.S. Attorney's office on the grounds that Sears improperly collected debts from bankrupt credit card holders in violation of the Bankruptcy Code. Attorneys General in 40 States have filed class action complaints against Sears, and the Federal Trade Commission (FTC) is investigating. A tentative class action settlement with State Attorneys General is estimated to reach \$275 million.
- In Dallas, Texas, the founders and officers of Children's Transplant Association (CTA) were indicted on 22 counts of conspiracy, wire fraud, money laundering, and interstate transportation of stolen funds. The U.S. Trustee referred the case for FBI investigation after a preliminary review indicated a shortfall of some \$500,000 that should have been paid for pediatric organ transplants and related medical services.
- In the Central District of California, the United States Bankruptcy Court fined an alleged foreclosure scam artist \$85,000 for filing a sham bankruptcy petition. The U.S. Trustees alerted the court to allegations that the individual had been obtaining title to distressed properties by promising owners to prevent foreclosure and renegotiate their loans, while allowing them to remain as renters for less than their monthly house payments. Instead of negotiating with lenders, bankruptcies to delay foreclosures were filed without the homeowners' knowledge.

---

<sup>2</sup> Source: Administrative Office of the United States Courts.

---

## **Consumer Fraud**

Telemarketing frauds targeting senior citizens have been of particular concern to the Department. Expanding the great success of Operation Senior Sentinel—the largest nationwide undercover operation ever devised to combat this kind of telemarketing—the Department in 1997 instituted Senior Sentinel II to add to the nearly 1,000 prosecutions already made. BJA in FY 1997 provided \$2 million to help State and local law enforcement agencies and senior citizen advocacy organizations conduct prevention and public awareness activities on the issue of telemarketing fraud. Of the total funding, \$600,000 was transferred from the Office for Victims of Crime (OVC) to support public awareness and prevention projects.

## **Pension Abuse**

As part of the Attorney General's Pension Abuse Initiative, announced in May 1997, an interagency working group on pension abuse—with members from the Departments of Justice and Labor, the IRS, and the Securities and Exchange Commission (SEC)—monitored pension-related prosecution. The Initiative seeks to protect the safety and integrity of funds exceeding \$3.5 trillion in the private retirement system. It will direct attention to prosecuting criminal abuses of pension plans, developing regional working groups, and devising legislation and other means of improving the Federal law enforcement effort against fraud and other crimes involving retirement arrangements.

During the first 8 months of the initiative, 70 criminal cases representing more than \$90 million in losses to pension plans were brought against pension abuse defendants in 29 districts across the country. The interagency working group continues to monitor significant pension abuse prosecutions and is drafting legislation to enhance related enforcement efforts.

## **Health Care Fraud**

Health care fraud remains a top priority of the Attorney General and the U.S. Attorneys. The number of health care fraud cases continued to grow in 1997, with criminal convictions increasing more than 300 percent since 1992. These crimes include submitting false claims to Medicare, Medicaid, and other insurance plans; home health care fraud; fake billings by foreign doctors; and needless prescriptions for durable medical equipment by physicians in exchange for a kickback from manufacturers.

The signing of the Health Insurance Portability and Accountability Act in August 1996 fortified the United States' ability to combat health care fraud. Additionally, during 1997, new health care

## **Important Victory in Securities Fraud**

**T**he Solicitor General's Office won an important victory in *United States v. O'Hagan*. The Supreme Court upheld the so-called "misappropriation theory," under which a person who trades in securities for personal profit, using confidential information appropriated in breach of a fiduciary duty owed to the information source, may be held liable under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 of the Securities and Exchange Commission (SEC). The Court also upheld SEC's authority to outlaw the use of confidential information about a tender offer to trade in the securities involved in the offer.

---

fraud resources were authorized for the U.S. Attorneys' offices, and new guidelines approved to enhance cooperation and communication between the U.S. Attorneys and the Department's Criminal and Civil Divisions in multi-district cases. The Department is also working with the U.S. Department of Health and Human Services (HHS) to establish a national health care fraud data collection program for the reporting of final adverse actions against health providers and entities. In 1997, the U.S. Attorneys filed 281 criminal cases against 530 health care fraud defendants. Ninety (90) percent of the 396 defendants whose cases were terminated during the year were convicted.

The Civil Division's aggressive pursuit of health care fraud gained substantial momentum in 1997. Working with the U.S. Attorneys, the Civil Division recovered more than \$961 million in judgments and settlements. Of that total, \$33 million was paid to private citizens who filed claims on behalf of the Government. Examples of successful health care fraud cases follow:

- As part of the Department's "LABSCAM" initiative—a Federal and State recovery effort targeting independent clinical laboratories engaged in marketing and billing schemes—the Government recovered more than \$700 million, obtained three corporate criminal convictions, and required three companies to operate under corporate integrity agreements.
- In a noteworthy settlement, the Nation's largest private in-home provider, First American Health Care of Georgia, and its purchaser, Integrated Health Services, agreed to reimburse the Federal Government approximately \$252 million for over-billed and/or fraudulent Medicare claims.

### ***Financial Institution Fraud***

In 1997, the Department continued to vigorously investigate and prosecute criminals who threaten to undermine our financial institutions. The coordinated efforts of the U.S. Attorneys' offices; the Criminal, Civil, and Tax Divisions; and the FBI not only sent defrauders to prison, but obtained victim restitution, criminal fines, civil money penalties, and forfeiture of property traceable to fraud. In major cases such as those involving officers or directors, or those with losses of over \$100,000, 506 defendants were charged, 518 were convicted, and 407 were sentenced to prison.

Forty (40) percent of the FBI's white collar crime caseload involved financial institution fraud. While investigations involving the savings and loan industry declined, the overall caseload remained constant, primarily because of more fraud by organized ethnic groups using counterfeit checks and other negotiable instruments. Committed to preventing excessive pay-outs from the public till, the Civil Division launched its defense of Winstar cases, which