

# Postal Service Has Its Eye on You

By John Berlau

**Since 1997, the U.S. Postal Service has been conducting a customer-surveillance program, 'Under the Eagle's Eye,' and reporting innocent activity to federal law enforcement.**

**R**emember "Know Your Customer"? Two years ago the federal government tried to require banks to profile every customer's "normal and expected transactions" and report the slightest deviation to the feds as a "suspicious activity." The Federal Deposit Insurance Corp. withdrew the requirement in March 1999 after receiving 300,000 opposing comments and massive bipartisan opposition.

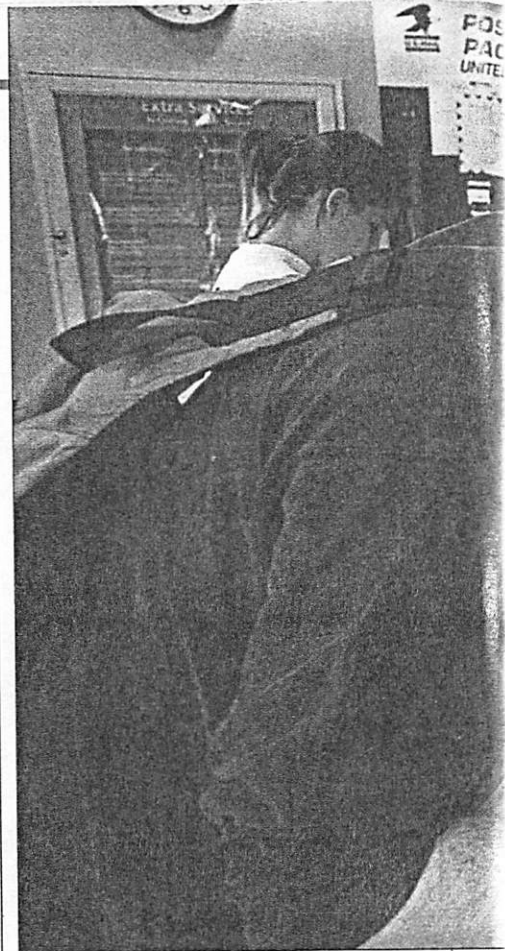
But while your bank teller may not have been snooping and snitching on your every financial move, your local

post office has been (and is) watching you closely, *Insight* has learned. That is, if you have bought money orders, made wire transfers or sought cash cards from a postal clerk. Since 1997, in fact, the window clerk may very well have reported you to the government as a "suspicious" customer. It doesn't matter that you are not a drug dealer, terrorist or other type of criminal or that the transaction itself was perfectly legal. The guiding principle of the new postal program to combat money laundering, according to a U.S. Postal Service training video obtained by *Insight*, is: "It's better to report 10 legal transactions than to let one illegal transaction get by."

Many privacy advocates see similarities in the post office's customer-surveillance program, called "Under the Eagle's Eye," to the "Know Your Customer" rules. In fact, in a postal-service training manual also obtained by *Insight*, postal clerks are admonished to "know your customers."

Both the manual and the training video give a broad definition of "suspicious" in instructing clerks when to fill out a "suspicious activity report" after a customer has made a purchase. "The rule of thumb is if it seems suspicious to you, then it is suspicious," says the manual. "As we said before, and will say again, it is better to report many legitimate transactions that seem suspicious than let one illegal one slip through."

It is statements such as these that raise the ire of leading privacy advocates on both the left and right, most of whom didn't know about the program until asked



**Yellow alert:** *Buying a money order at the local post office could flag your transaction as suspicious.*

by *Insight* to comment. For example, Rep. Ron Paul, R-Texas, who led the charge on Capitol Hill against the "Know Your Customer" rules, expressed both surprise and concern about "Under the Eagle's Eye." He says the video's instructions to report transactions as suspicious are "the reverse of what the theory used to be: We were supposed to let guilty people go by if we were doing harm to innocent people" when the methods of trying to apprehend criminals violated the rights of ordinary citizens. Paul says he may introduce legislation to stop "Under the Eagle's Eye."

The same sort of response came from another prominent critic of "Know Your Customer," this time on the left, who was appalled by details of the training video. "The postal service is training its employees to invade their customers' privacy," Greg Nojeim, associate director of the American Civil Liberties Union Washington National Office, tells *Insight*. "This training will result in the reporting to the government of tens of thousands of innocent transactions that are none of the government's business. I had thought the postal-service's eagle





GREG WHITESELL/INSIGHT

stood for freedom. Now I know it stands for, 'We're watching you!'"

But postal officials who run "Under the Eagle's Eye" say that flagging customers who do not follow "normal" patterns is essential if law enforcement is to catch criminals laundering money from illegal transactions. "The postal service has a responsibility to know what their legitimate customers are doing with their instruments," Al Gillum, a former postal inspector who now is acting program manager, tells **Insight**. "If people are buying instruments outside of a norm that the entity itself has to establish, then that's where you start with suspicious analysis, suspicious reporting. It literally is based on knowing what our legitimate customers do, what activities they're involved in."

Gillum's boss, Henry Gibson, the postal-service's Bank Secrecy Act compliance officer, says the anti-money-laundering program started in 1997 already has helped catch some criminals. "We've received acknowledgment from our chief postal inspector that information from our system was very helpful in the actual catching of some potential bad guys," Gibson says.

Gillum and Gibson are proud that the postal service received a letter of commendation from then-attorney

general Janet Reno in 2000 for this program. The database system the postal service developed with Information Builders, an information-technology consulting firm, received an award from *Government Computer News* in 2000 and was a finalist in the government/nonprofit category for the 2001 Computerworld Honors Program. An Information Builders press release touts the system as "a standard for Bank Secrecy Act compliance and anti-money-laundering controls."

Gibson and Gillum say the program resulted from new regulations created by the Clinton-era Treasury Department in 1997 to apply provisions of the Bank Secrecy Act to "money service businesses" that sell financial instruments such as stored-value cash cards, money orders and wire transfers, as well as banks. Surprisingly, the postal service sells about one-third of all U.S. money orders, more than \$27 billion last year. It also sells stored-value cards and some types of wire transfers. Although the regulations were not to take effect until 2002, Gillum says the postal service wanted to be "proactive" and "visionary."

Postal spokesmen emphasize strongly that programs take time to put in place and they are doing only what the law demands.

It also was the Bank Secrecy Act

that opened the door for the "Know Your Customer" rules on banks, to which congressional leaders objected as a threat to privacy. Lawrence Lindsey, now head of the Bush administration's National Economic Council, frequently has pointed out that more than 100,000 reports are collected on innocent bank customers for every one conviction of money laundering. "That ratio of 99,999-to-1 is something we normally would not tolerate as a reasonable balance between privacy and the collection of guilty verdicts," Lindsey wrote in a chapter of the Competitive Enterprise Institute's book *The Future of Financial Privacy*, published last year.

Critics of this snooping both inside and outside the postal service are howling mad that the agency's reputation for protecting the privacy of its customers is being compromised. "It sounds to me that they're going past the Treasury guidelines," says Rick Merritt, executive director of PostalWatch, a private watchdog group. The regulations, for example, do not give specific examples of suspicious activity, leaving that largely for the regulated companies to determine. But the postal-service training video points to lots of "red flags," such as a customer counting money in the line. It warns that even customers whom clerks know often should be considered suspect if they frequently purchase money orders.

The video, which Gibson says cost \$90,000 to make, uses entertaining special effects to illustrate its points. Employing the angel-and-devil technique often used in cartoons, the video presents two tiny characters in the imagination of a harried clerk. Regina Goodclerk, the angel, constantly urges the clerk to file suspicious-activity reports on customers. "Better safe than sorry," she says. Sam Slick, the devil, wants to give customers the benefit of the doubt.

Some of the examples given are red flags such as a sleazy-looking customer offering the postal clerk a bribe. But the video also encourages reports to be filed on what appear to be perfectly legal money-order purchases. A black male teacher and Little League coach whom the female clerk, also black, has known for years walks into the post office wearing a crisp, pinstriped suit and purchases \$2,800 in money orders, just under the \$3,000 daily minimum for which the postal service requires customers to fill out a form. He frequently has been buying money orders during the last few days.

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