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MEMORANDUM FOR: Record

SUBJECT: Stamp Investigation

1. On 2 September 1987, Agency employees [redacted] and [redacted] were individually interviewed concerning an allegation contained in an article published in the Washington Post on 2 September 1987. This article stated that each Agency employee involved in the sale of inverted stamps retained one for their own disposition. [redacted]

2. The above employees were first afforded a defensive briefing regarding possible contact by the news media and then specifically asked: (1) "Do you have one of the stamps in your possession?" and (2) "Do you know anyone who does?" All eight employees answered negatively. [redacted]

3. The remaining employee involved in this case, [redacted] was not available for interview and was to be questioned on 3 September 1987. [redacted]

Chief, [redacted]

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CIA Employees' Covert Stamp Sale

Dealer Apparently Paid Thousands for Candlestick Misprints

By Bill McAlester
Washington Post Staff Writer

For months, discovery of one of the most important U.S. postage errors—a 100-stamp sheet of \$1 stamps with a candlestick printed upside down—has been credited to workers at an anonymous “business” in northern Virginia. Actually, the misprints were found by nine Central Intelligence Agency employees who took 95 of them from CIA supplies and sold 86 to a New Jersey dealer, apparently for thousands of dollars, according to the dealer and a government report made available yesterday. The CIA is investigating the nine for using their government positions for profit, said Bill Bergstrom, office manager of Jacques C. Schiff

Jr. Inc., the stamp firm in Ridgefield Park, N.J., that obtained the inverted stamps from the workers.

CIA spokeswoman Sharon Foster confirmed the investigation but declined to provide details.

“We don’t take questions of improprieties lightly,” she said. “... We have very high standards here.”

Linn’s Stamp News, which reported the CIA link in editions due to reach readers this week, said a CIA employee bought 95 of the so-called “candlestick inverts” for the agency at a McLean post office March 27, 1986. The whereabouts of the other five, presumably sold to the public, are unknown.

See STAMPS, A4, Col. 1



Stamps with inverted candlestick at lower right are said to have potential value of \$115,000.

CIA Employees Sold Misprinted \$1 Stamps to Dealer

STAMPS, From A1

The CIA workers apparently sold 86 stamps to the dealer, including one that was torn, and kept the other nine, according to Charles Yeager, Linn’s Washington correspondent.

Only three of the 86 are reported to have been sold, including one for \$17,600, Bergstrom said. One has been donated to the Smithsonian Institution by a dealer.

Bergstrom and Yeager said the misprints’ ultimate value could be as high as \$115,000 each.

A similar value was placed on another famous U.S. stamp error, the 24-cent air-mail stamp of 1918 depicting an airplane upside down. Only 100 of these are known to exist.

Yeager, a stamp-production specialist, said the candlestick stamps could be more valuable than the 1918 misprint. If his assessment is correct, the 95 misprints are worth more than \$10 million.

The misprinted sheet was among 28.2 million candlestick stamps printed by the Bureau of Engraving and Printing. Such stamps are printed in sheets of 400, then divided into four 100-stamp sheets before being packaged for distribution.

What happened to the other 300 stamps on the misprinted sheet is not known.

After the CIA employee returned from the post office, her supervisor noticed that the orange glow and flame on the stamps was upside down.

according to an investigator’s report released by the Bureau of Engraving and Printing in response to a Freedom of Information Act request.

The employee consulted with other workers, one of whom was a stamp collector, and they took the stamps to an unidentified stamp dealer in Annandale, who bid on them and suggested that Schiff, a major stamp auctioneer, would probably make a better offer, the report said.

Six days after the discovery, the group sold 86 stamps to Schiff, who announced the find and, on May 28, 1986, sold the first inverted one for \$5,500.

The employees’ names were deleted from the bureau’s report at the CIA’s request. The report was first released this summer to a stamp dealer who had secured some of the misprints from Schiff for sale and expressed concern about their validity.

“The dealers wanted to establish that the stamps didn’t come out of the back door at the bureau ... that these stamps weren’t illegal,” Bergstrom said.

Collectors and government printers generally question whether a misprint may have been created deliberately by a printer hoping to reap a financial windfall.

The bureau investigation, according to the papers released yesterday, confirmed that the candlestick inverts were created inadvertently when one sheet of 400 stamps became turned upside down between two printing presses.

Bureau employees reported finding no errors in

preshipping checks of the candlestick stamp, and the report assumed that clerks at the McLean postal substation at 1544 Spring Hill Rd. sold five of the stamps to the public before the CIA purchase.

Bureau investigators apparently did not know that the CIA workers kept nine of the stamps. One of them surfaced this summer at a stamp shop in Arlington, where it was offered for sale at \$17,000.

That led to Yeager’s discovery in July that 95 were known to exist. One, however, was badly torn, apparently by the CIA workers, making it worthless.

Silas A. Oglesby, a bureau agent who interviewed some of the CIA employees, said in his report that one “emphasized that the 86 postage stamps, of a normal face value of \$86, were not stolen from ... [the] agency in that the 86 inverted stamps were replaced with regular stamps.”

Bergstrom said that bureau agents made no effort to force the company to surrender the stamps, and that he expects that the CIA will force the workers to give the government profits from the sale.

He would describe them only as being in the “low five figures.”

“But we’ll never know” what happens to the workers, he said, citing CIA privacy rules. Foster agreed, saying the agency never discusses internal disciplinary procedures.



The inverted candlestick stamp.

Media Notes

Bottom's Up: The Latest Issue

By Eleanor Randolph
Washington Post Staff Writer

When does upside down become right side up?

The answer is when it's a candlestick or "Rush Lamp" stamp—400 of which were misprinted by the U.S. Bureau of Engraving and Printing. If the stamp is printed correctly, it's worth \$1; if it's the misprint, it's worth—you name it, maybe \$115,000.

But when The New York Times and The Washington Post tried to explain about the candlestick stamp in yesterday's papers, there was, understandably, a good deal of confusion about which way was up.

The articles, on the front pages of both papers, were about 86 of the misprinted stamps found by CIA employees last year and then covertly sold to stamp collectors.

But it was the photos of the stamp that caused the confusion—problems that may be easily understood by a philatelist or a physicist, or preferably someone who happens to be both.

See MEDIA NOTES, (11) (4) 1

The Stamp Issue

MEDIA NOTES, From C1

Both The Times and The Post started out accompanying the articles with photos of the stamp running the logical way—so that you could read the writing and with the "mistake"—the candle's halo—printed upside down. Well, as any enthusiast would protest (and many of them did), that meant the entire stamp was upside down.

The "correct" way to print the stamp was with the writing and the candlestick upside down and the halo right side up. The reason: because the stamps ran through several printers and the halo was printed first. So according to the rules of most stamp traders, whatever was printed later was technically upside down.

Got it?

The Times righted its stamp in second editions (by turning the writing upside down) and then printed the incorrect stamp and the correct stamp in later editions. The Post kept the stamp technically upside down but logically right side up in all editions.

By day's end the question for newspaper collectors was that if an error on a stamp makes it worth

115,000 times its original value, what does it do for The Post and The Times, which cost 25 cents and 30 cents respectively?

Poor but Famous

Speaking of stamp fever, the sight of the Rush Lamp stamp on the front page of The Post yesterday prompted Margaret Sheffer of Arlington to call WTOP radio to report that she had five of the stamps with the misprint. So about noon yesterday an NBC crew and a Washington Post reporter went to the First American Bank of Virginia where she and her husband—with great fanfare—removed the envelope from the vault and unveiled the five stamps.

As Post reporter Bill McAllister stared at the treasure, he gulped. Douglas Kiker of NBC grimaced.

"I hate to say it, but they don't seem upside down to me," McAllister said gently.

It turned out that the five \$1 stamps are worth \$5, but for Sheffer, it was her moment in the sun. Her story was the closing item on the NBC Nightly News last night.

Does that mollify the loss of dreams of several hundred thousand dollars? Sheffer was asked yesterday evening.

"Well," she confessed. "Not really."

Linn's Stamp News

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Report reveals \$1 Candleholder inverts actually discovered at CIA headquarters

By Ken Simon

The unnamed northern Virginia business firm, where a partial pane of the \$1 Candleholder (Rush Lamp) inverts was reportedly discovered in 1986, turns out to be the Central Intelligence Agency.

This and other new information came to light last week when a report of an investigation conducted by the Bureau of Engraving and Printing was released through a Freedom of Information request.

That request was initiated by Donald Sundman, president of Mystic Stamp Co. Inc. of Camden, N.Y.

Mystic and two other stamp companies acquired 50 of the inverts shortly after their discovery.

Earlier this year, Mystic donated a copy of the invert to the National Postage Stamp Collection at the Smithsonian Institution. The invert will be displayed in the rarities alcove, alongside the famous 24¢ airmail Jenny Invert.

According to a memorandum from BEP probers Silas A. Oglesby, supervisory special agent, and Kevin J. Whalen, security assistant, Product Security Branch:

"This investigation revealed that between Nov. 1 and 15, 1985, the BEP produced 70,397 sheets (28,158,800 stamps) of the \$1 Rush Lamp postage stamps.

"One sheet (400 stamps) was inadvertently reversed prior to intaglio printing which caused that portion of the stamp to be printed upside down."

Basically the offset printing was done, then the sheet inverted, before the candleholder and lettering were printed by engraved printing.

The report goes on to say the error was not discovered at the BEP and:

"A portion of the quadrant (pane) of the sheet, 95 stamps, was sold to a postal customer on March 27, 1986, at the McLean post office substation, 1544 Spring Hill Road, McLean, Va.

"Five stamps from the subject quadrant were retained by the post office and were presumed to have been sold at a later date.

"The disposition of the remaining three quadrants of the one inverted sheet is not known."

The report is "sanitized" by the removal of a name or names and words. This will be indicated by the phrase "name deleted" or "word deleted" to avoid confusion.

The CIA is given a special exemption from the requirements of the Freedom of Information Act, permitting it to sanitize documents elicited through Freedom of Information procedures.

Specifically, this exemption relates to the "statutory obligations" of the director of the CIA, "to protect from disclosure intelligence sources and methods, as well as the organization, function, names, official titles, salaries or number of personnel employed by the Agency."

"On March 27, 1986 (name deleted), Headquarters, Central Intelligence Agency, McLean, Va., purchased the previously mentioned 95 inverted stamps from the McLean post office substation with government funds for the use of (word deleted) Agency.

"Nine of these stamps were used as postage on agency mail before the inversion was discovered. On April 2, 1986, (name or names deleted) a fellow CIA employee, acting on behalf of themselves and seven other employees, sold 83 inverted stamps and gave one damaged inverted stamp to stamp dealer Jacques C. Schiff Jr., 135 Main St., Ridgefield Park, N.J., who acted for a third party."

The report says a copy was sold on May 23, 1986 at AMER-IPEX '86 in Chicago in a Schiff auction. It sold for \$5,000 plus a 10-percent buyer's premium. Schiff declined to name any current owners of the inverted stamps.

(A subsequent sale at NAPEX in May reportedly brought a price of \$17,600 including the 10 percent buyer's premium.)

As to how the invert occurred, the report says:

"The discrepant sheet was inadvertently reversed by one of the pressmen in Offset Section or one of the plate

The report states:

"There was no information developed during this inquiry to indicate intentional wrongdoing on the part of any BEP employee or collusion between a BEP employee and any person possessing the inverted stamp after release to the United States Postal Service.

"On May 23, 1986, John C. Craven, assistant chief, office of security, briefed an authorized representative of the CIA as to the findings of this inquiry."

Linn's stories of April 28, printers in Section 10. A major factor in the failure of the BEP employees to detect the inverted sheet after printing was the lack of a 3/4-by-3/4-inch corner cut which would have caused any uncut corner of the inverted sheet to protrude from the stacked sheet."

The report discusses the discontinuation of the corner cuts in the paper by the manufacturer and states that this was done in June 1985. This has since been reinstated. The BEP has made cuts on the remaining uncut paper on hand.

(page 1) and May 5 (page 1) are quoted about the initial story of a northern Virginia business firm buying the pane of 100 and that 15 were used on business mail postmarked at Fairfax, Va., before the error was discovered.

The report continues:

"Schiff was instrumental in locating and interviewing (name deleted), one of the persons presenting the stamps for sale."

Schiff has told Linn's that the two sellers who appeared at his office were a man and a woman.

In an interview with an unnamed CIA employee, the report says:

"(Name deleted), an employee of the CIA, stated that (word deleted) was shown the stamps because (word deleted) was an amateur stamp collector and that (word deleted) was one of the two persons selling the stamps to Schiff.

(Name deleted) was responsible for putting this investigator in touch with (name deleted), the person purchasing the inverted stamps from a U.S. post

office.

"(Name or names deleted) Central Intelligence Agency stated in substance that on March 27, 1986, (word deleted) purchased 95 \$1 Rush Lamp stamps from the McLean substation post office.

"Five stamps were retained by the post office. (Name deleted) used nine stamps for business purposes before a co-worker discovered the stamps were inverted. (Name or names deleted) and seven co-workers shared the money received from the sale of the stamps to Schiff by (name or names deleted)."

The report traces the stamps from the McLean post office back to the BEP where Mary Williams, foreman, sheet examining section, BEP Postage Stamp Division, told probers that between Nov. 13 and 18, 1985, her section examined and forwarded to the BEP vaults and shipping, 70,397 sheets of the \$1 Rush Lamp stamps and that all examiners were questioned and no inverted sheets were detected and diverted to destruction.

In the printing process the stamps were traced to Plate Printing Section 10, where foreman Larry Luckel told probers that only press 110 was used for the engraved second printing.

Elton R. Marshall, foreman,

Offset Section, BEP Surface Printing Division said that even though the inverted printing occurred in the Plate Printing Division, the actual inversion of the sheet could have occurred within his area after offset printing. Offset pressmen frequently pull sheets to check quality. If the sheet is OK, it is placed back into the good work for further processing.

One sheet could easily have been inverted in this manner especially after corner cutting had stopped. A full corner would stand out if positioned wrong in a stack of sheets with cut corners.

Jerry Hudson, foreman, BEP

Plate Printing Division 10, said a sheet could have become inverted in his area.

Sheets are received from the Offset Section with the gum side up/printed side down, and are loaded onto the press in that manner, allowing no opportunity to observe sheets except through cut corners. He said he was surprised that there had not been more inverted sheets.

In the BEP Off-line Performing Section, Gerald Tucker, the foreman, said the L-perforator did not have counters or electric eyes which would assist in detecting the inverted sheet.

According to an interview with an unnamed CIA employee, an Annandale, Va., stamp dealer, whose name was not recalled, was the first person outside the CIA to see the invert.

Ike Snyder, an Annandale dealer, confirmed to Linn's that he did see a single stamp of the inverted pane and suggested to the seller that he might get a better price from Schiff. He said Schiff paid him a finder's fee after the purchase.

In another interview with another unnamed CIA employee the report says:

"(Name deleted) emphasized that the 86 stamps, of a normal face value of \$86, were not stolen from (word deleted) agency in that the 86 inverted stamps were replaced with regular postage stamps."

The CIA, when asked by Linn's, had no specific comment on this incident involving its employees.

According to Sharon Foster, a spokeswoman for the CIA, in matters of personal conduct the CIA maintains high standards. Even if no laws are broken, she said, the CIA does not take such matters lightly. She also said the CIA does not comment on internal matters. ■