

visited on 4/2/2008

The United States Attorney's Office

**Eastern District of New York**[\[Back to Press Releases - Main Page\]](#)United States Attorney's Office  
Eastern District of New YorkRobert Nardoza  
Public Affairs Officer(718) 254-6323  
[Robert.Nardoza@usdoj.gov](mailto:Robert.Nardoza@usdoj.gov)**FOR IMMEDIATE RELEASE****December 18, 2007****PRESS RELEASE****NEWSDAY AND HOY AGREE TO RESOLVE CRIMINAL INQUIRY INTO SCHEME TO DEFRAUD  
NEWSPAPER ADVERTISERS*****Newspapers Admit Responsibility for Circulation Reporting Fraud and Agree to Forfeit \$15 Million***

Newsday, Inc. and Hoy Publications, LLC (the "Newspapers") have agreed to forfeit \$15 million to the United States pursuant to the terms of an agreement that resolves a criminal investigation into fraudulent circulation-reporting practices by the Newspapers. In light of, among other things, the Newspapers' acceptance of responsibility for the fraudulent conduct in which they and their employees engaged, their ongoing cooperation with the government, the Newspapers' payment of approximately \$83 million in restitution to their advertisers to date, and the implementation of remedial management and internal auditing reforms designed to prevent circulation-reporting fraud from recurring, the government has agreed not to prosecute the Newspapers for their participation in the scheme.

The settlement was announced by **Benton J. Campbell**, United States Attorney for the Eastern District of New York, **Ron Walker**, Inspector-in-Charge, United States Postal Inspection Service, New York Division, **Patricia J. Haynes**, Special Agent-in-Charge, Internal Revenue Service, Criminal Investigation, New York Field Office, and **Lawrence W. Mulvey**, Commissioner, Nassau County Police Department.

Newsday is headquartered in Melville, New York, and publishes a daily newspaper primarily distributed in Long Island, New York City, and New Jersey. At various times since 1999, Hoy published editions of a daily Spanish-language newspaper which were distributed in the New York metropolitan area, Chicago, and Los Angeles. Newsday and Hoy are wholly-owned subsidiaries of Tribune Company, a publicly owned corporation based in Chicago.

# visited on 4/2/2008

As part of their settlement agreement with the government, the Newspapers admitted that between 2001 and 2004, senior managers and subordinates systematically inflated paid circulation numbers reported in the Newspapers' books and records, under-reported the number of copies of the Newspapers that were returned unsold, and falsely represented to the Audit Bureau of Circulations ("ABC") that the inflated numbers were accurate. In addition, Newsday admitted that senior managers and subordinates coached distributors in advance of ABC audits to lie when questioned by auditors, and misled ABC as to the accuracy of Newsday's claims that a promotional program had sold massive quantities of its newspapers when, in fact, Newsday employees, posing as customers, were dispatched to buy newspapers at sales outlets throughout Long Island.

In response to the fraudulent misconduct uncovered by the government, as well as an internal investigation conducted by the Newspapers, Newsday and Hoy have taken remedial actions to prevent the recurrence of the fraud, including:

- (1) terminating employees who contributed to the practice of falsifying paid circulation data and reporting it to ABC,
- (2) instituting requirements that specified senior officers personally attest to the accuracy of reported circulation,
- (3) conducting annual circulation audits,
- (4) assigning the Finance Departments to exercise joint responsibility with the Circulation Departments of the Newspapers to prepare and verify monthly paid circulation data and review reports of unsold newspapers by distributors, and
- (5) implementing regular field-testing and auditing of third-party newspaper distributors.

The government's case was prosecuted by Assistant United States Attorneys Cynthia M. Monaco, Kathleen Nandan, and Richard Lunger.

---