

**GAO**

**Report to the Subcommittee on Crime,  
Committee on the Judiciary, House of  
Representatives**

**February 1988**

# **SEIZED CONVEYANCES**

## **Justice and Customs Correction of Previous Conveyance Management Problems**

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**General Government Division**

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February 3, 1988

The Honorable William J. Hughes, Chairman  
The Honorable Bill McCollum, Ranking  
Minority Member  
The Honorable E. Clay Shaw, Jr., Member  
The Honorable Lawrence J. Smith, Member  
Subcommittee on Crime  
Committee on the Judiciary  
House of Representatives

This report, prepared in response to your request of March 11, 1987, discusses the U.S. Customs Service and Department of Justice approaches to managing seized conveyances (vehicles, vessels, and aircraft). The Subcommittee asked us to compare Customs' conveyance management using a private contractor—Northrop Worldwide Aircraft Services, Inc.—with Justice's management through the U.S. Marshals Service to determine which agency has made more progress in resolving previously reported problems. Although the agencies were using different approaches, they were attempting to resolve similar management problems reported by us in 1983, including program fragmentation and insufficient funds and management information, to help ensure proper storage, maintenance, and disposal of seized assets.<sup>1</sup> Appendix I lists GAO reports and testimonies on asset seizures and forfeiture.

To address the problem of insufficient funds, Congress established Justice and Customs Forfeiture Funds in 1984. Revenues from selling forfeited assets are channeled into these funds to help pay for the expenses of seizing, maintaining, and disposing of the assets. Both the Customs and Justice Forfeiture Funds are paying for program-related expenses and have had substantial carryovers after deducting expenses during fiscal years 1986 and 1987, which were principally due to seizures of cash.

Both Customs and Justice have made progress in resolving the other problems, but Customs has made greater progress. Customs had consolidated its seized conveyance custodial functions with Northrop Worldwide Services, Inc., as of May 1986. Justice as of 1984, had organizationally consolidated its seized conveyance functions within the Marshals Service. However, as of September 1987, physical transfer of seized conveyances to the Marshals Service by Justice's seizing agencies

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<sup>1</sup>Better Care and Disposal of Seized Cars, Boats, and Planes Should Save Money and Benefit Law Enforcement (GAO/PLRD-83-94, July 15, 1983)

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had only partially occurred. In addition, Customs is further along than Justice in developing an information system to satisfy management's needs.

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## Background

Customs and Justice took different approaches in attempting to strengthen their management of seized assets. Reasoning that a contractor would free Customs personnel from administrative activities, Customs awarded a contract to Northrop in 1985 to manage its seized property.

Justice established a National Asset Seizure and Forfeiture Program within the Marshals Service to centralize its management of seized assets. A 1984 Memorandum of Understanding between the Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), Immigration and Naturalization Service (INS), and the Marshals Service required the Marshals Service to ensure the proper storage, security, and maintenance of seized and forfeited properties including conveyances; arrange sales of properties; and account for property costs and proceeds.

According to Customs and Justice information, together they made over 66,000 seizures with an appraised value of about \$892 million in fiscal year 1986. Conveyances represented about 42 percent (27,000) of all seizures that year and about 23 percent (\$200 million) of the total value. Customs seized about 10,000 conveyances valued at about \$106 million, and Justice seized about 17,000 valued at about \$94 million.

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## Objective, Scope, and Methodology

Our objective was to compare the progress both agencies have made since 1983 in resolving previously identified management problems. We analyzed information on program operations and interviewed agency officials on their efforts to improve management of the program. We could not determine whether the contractor-operated or government-operated approach was the less costly approach for the agencies to follow because neither Customs nor Justice could segregate (1) program costs by type of property, such as conveyances and general property (jewelry, textiles, electronics, etc.) or (2) agency personnel costs associated with administering the program.

We conducted our work at Customs, FBI, DEA, INS, Marshals Service, and Justice headquarters in Washington, D.C. We also visited Northrop's headquarters in Lawton, Oklahoma, to interview company officials and

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obtain data on program operations. We visited Customs and Justice field offices in San Diego, California; Phoenix and Tucson, Arizona; San Antonio, Del Rio, and Laredo, Texas; and Miami, Florida. These field offices accounted for about 37 percent of all conveyances seized in fiscal year 1986. Tucson and Del Rio were included at the suggestion of the Marshals Service because they represented pilot locations where Marshals had physically consolidated custody of conveyances seized by the Justice agencies. Miami was selected because of its high volume of seized vessels and the other locations were selected because of their high volume of seized vehicles. At each location we interviewed agency officials and reviewed documentation provided to us to determine how each office manages seized conveyances.

We did not independently verify the data supplied by Customs and the Justice agencies. We did our work from May 1987 to September 1987, in accordance with generally accepted government auditing standards.

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## Customs Has Made Greater Progress in Consolidating Program Management

Customs has consolidated its previously fragmented seized conveyance operations, while much of Justice's seized conveyance operations have yet to be physically transferred to the Marshals Service.

Until 1985 Customs' seized property program was decentralized among its 45 districts. In 1985 a focal point for the program's overall management was established when the seized property program was centralized at Customs' headquarters. The consolidation continued with the August 1985 contract award to Northrop. In fiscal years 1986 and 1987 (through May 1987) Northrop was paid about \$4.9 and \$6.5 million respectively for its services.

Northrop began assuming custody of seized conveyances in February 1986 and, by May 1986, had assumed custody of all seized vehicles, vessels, and aircraft.<sup>2</sup> Northrop is also handling the sale of all property forfeited to Customs. Fiscal year 1987 sales, through June 30, 1987, totaled about \$4.6 million for 988 seized conveyances.

In contrast, the Marshals Service has yet to obtain physical custody of all FBI, DEA, and INS-seized conveyances, although it was assigned that responsibility over 3 years ago. In fiscal year 1986, only 9 percent of the seized conveyances, excluding those that were returned to an owner or

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<sup>2</sup>A large percentage of seized property is never turned over to Northrop because it is returned to the owners shortly after seizure, generally upon payment of a fine or penalty.

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management. The reports vary from basic information on the number and types of seized property in Northrop's custody, to a report identifying property with holding costs above a stated percentage of the property's appraised value. The system tracks costs by type, such as storage and maintenance costs, and can produce a profit/loss statement on each item of property sold.

Customs' information system, which became operational in May 1987, is designed to track data on all seized property, including property in Northrop's custody. System data include a detailed description of the seized property: where it was seized; where it is stored; and case status, such as "awaiting forfeiture." The system also tracks forfeited property put into official use by Customs or another government agency and property transfers to state and local law enforcement groups. The system does not yet produce seized property cost data, though that feature is under development.

The FBI, DEA, INS, and Marshals Service have automated systems for use in processing, controlling, and managing seized property. However, the systems cannot communicate with each other and consolidated departmentwide information cannot be produced.

In 1984 Justice assigned the development of a departmentwide case tracking and inventory system to the Marshals Service. The Marshals Service purchased personal computers early in fiscal year 1984 to handle short-range information needs because Justice did not know such amounts as total seizures and forfeitures, and the total program was undefined. A Marshals Service official said the key was to get started and to do an overall needs assessment later. The Marshals Service's information system can provide information on seizures that have been turned over to its care and custody but, because of its limited storage capacity, cannot provide departmentwide asset seizure and forfeiture information. Also, the system cannot determine the profitability of a seized asset because it does not track liens and incurred expenses.

Because of recognized weaknesses in its existing system, the Marshals Service, on February 23, 1987, issued a request for proposals for the design and installation of a new information system. The weaknesses included no automated linkage with the financial accounting system; inability to electronically exchange information with the investigating agencies; and inability to produce consistent, comprehensive, and accurate reports on all property seized by Justice. The contract was awarded

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on September 11, 1987. However, the Marshals Service anticipates that the new system will not be fully operational before October 1989.

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## Factors Impeding Marshals Service Progress

The Marshals Service has not progressed as far as Customs in consolidating its program management and in developing its information system for several reasons. First, Customs did a better job of developing a detailed plan to resolve the problems. Marshals Service officials stated they did not have time to do a detailed plan; the key in 1984 was to get started. Second, the Marshals Service faced a more difficult task in correcting problems than did Customs, because three Justice agencies (FBI, DEA, and INS) seize property and the Marshals Service also assumed custody of about 1,100 real properties, which are much more difficult to manage than the property normally seized by Customs.

In response to the custodial problems we identified in our July report (see fn. 1), a Customs steering group recommended that Customs' seized property functions be contracted out. The steering group established milestones and timeframes for doing so. The contract with Northrop also established milestones for Northrop to (1) take custody of seized conveyances, (2) implement an information system, and (3) develop management reports. According to Customs officials, Northrop accomplished each task with only minimal delays.

A 1983 Department of Justice study recommended the establishment of a national forfeiture management organization within the Marshals Service. The National Asset Seizure and Forfeiture Program within the Marshals Service was developed to respond to a departmental recommendation. Although in 1983 the Deputy Attorney General approved the creation of the National Asset Seizure and Forfeiture Program within the Marshals Service, the Marshals Service did not prepare a plan detailing how and when it would be implemented. As of August 1987, Marshals Service officials told us that, with the exception of INS, they did not have a detailed plan showing the agencies or locations to be phased in, milestone dates, or personnel required.

Unlike Customs, the Marshals Service has to deal with three separate and independent agencies (FBI, DEA, and INS) each with its own policies, procedures, and information systems. For example, FBI, DEA, and INS contracts, purchase orders, and agreements currently in effect will have to be assumed by the Marshals Service, or new contractual arrangements will have to be made.

The Marshals Service is also handling seized real estate and business properties which require special management skills and knowledge. In June 1987, Marshals Service records showed it was managing 1,073 pieces of seized/forfeited real estate, whereas Northrop/Customs records showed only two such properties. As we testified before the Senate Subcommittee on Federal Spending, Budget and Accounting on September 25, 1987, the Marshals Service was experiencing substantial problems in managing and selling properties because Justice had not complied with all forfeiture requirements.<sup>3</sup> We reported that U.S. Attorneys and the Marshals Service may lack enough sufficiently knowledgeable staff experienced enough in real property law and management to adequately deal with the many complex issues that routinely arise in the transfer of title of forfeited real properties.

Another factor affecting the Marshals Service's ability to assume custody of all Justice's seized assets is the fact that managing seized property is only one of the many duties it performs. Northrop personnel assigned to Custom's seized assets program work only on Customs' seized assets. The Marshals Service's workload is of concern to Justice. In complying with the requirements of the Federal Managers' Financial Integrity Act of 1982, the Attorney General reported to Congress and the President on December 31, 1986, that

"Increased levels of activity generated by the Comprehensive Crime Control Act of 1984 have put considerable workload pressure on the USMS [Marshals Service], especially in the areas of the protection of the Judiciary and Federal property, the handling of Federal detainees, and witness security. There is a potential that, if unattended, the workload could impair the fulfillment of significant portions of the USMS' mission."

To fulfill its portion of the Marshals mission in asset management, the National Asset Seizure and Forfeiture program in fiscal year 1987 expedited the filling of allocated personnel vacancies, temporarily detailed headquarters and field personnel, and authorized the use of overtime and compensatory time.

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## Conclusions

Both Customs and Justice have made progress in resolving the problems of program fragmentation and insufficient management information reported by us in 1983. However, Customs has made greater progress in

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<sup>3</sup>Real Property Seizure and Disposal Program Improvements Needed, Statement by Gene L. Dodaro Before the Subcommittee on Federal Spending, Budget and Accounting, United States Senate (GAO: T-GGD-87-28, Sept. 25, 1987).

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correcting its information deficiencies and physically consolidating its fragmented seized conveyance custodial functions. The Marshals Service did not make more progress because it performed little advance planning, handled a more complex inventory of properties, and faced more difficult internal coordination problems than Customs because it had to coordinate with three separate seizing agencies within Justice.

As requested, we did not obtain official agency comments. However, we discussed the draft of this report with appropriate agency officials, who generally agreed with the report's contents. Unless you publicly announce the contents of the report earlier, we plan no further distribution until 30 days after the report date. At that time, we will send copies to interested parties and make copies available to others upon request. If you have any questions, please contact Sebastian Correira on 634-9618 or me on 275-8387.



Gene L. Dodaro  
Associate Director



# GAO Reports and Testimonies on Asset Seizures and Forfeiture

1.	Statement of Gene L. Dodaro Before the Subcommittee on Federal Spending, Budget and Accounting, United States Senate, on Real Property Seizure and Disposal Program Improvements Needed	GAO/T-GGD-87-28 September 25, 1987
2.	Statement of Gene L. Dodaro Before the Subcommittee on Federal Spending, Budget and Accounting, United States Senate, on Asset Forfeiture Funds: Changes Needed to Enhance Congressional Oversight	GAO/T-GGD-87-27 September 25, 1987
3.	Statement of Gene L. Dodaro Before the Subcommittee on Federal Spending, Budget and Accounting, United States Senate, \$ Millions in Seized Cash Can Be Deposited Faster	GAO/T-GGD-87-7 March 13, 1987
4.	<u>Drug Enforcement Administration's Use of Forfeited Personal Property</u>	GAO/GGD-87-20 December 10, 1986
5.	Statement of Arnold P. Jones Before the Committee on the Budget, United States Senate, On Customs' Management of Seized and Forfeited Cars, Boats, and Planes	Statement April 3, 1986
6.	<u>Improved Management Processes Would Enhance Justice's Operations</u>	GAO/GGD-86-12 March 14, 1986
7.	Better Care and Disposal of Seized Cars, Boats, and Planes Should Save Money and Benefit Law Enforcement	GAO/PLRD-83-94 July 15, 1983
8.	<u>Asset Forfeiture - A Seldom Used Tool in Combatting Drug Trafficking</u>	GAO/GGD-81-51 April 10, 1981

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