



*The Criminal Investigation Division
Can Take Steps to Ensure Its
Seizure Opportunities Are Maximized*

June 18, 2010

Reference Number: 2010-30-058

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document..



HIGHLIGHTS

THE CRIMINAL INVESTIGATION DIVISION CAN TAKE STEPS TO ENSURE ITS SEIZURE OPPORTUNITIES ARE MAXIMIZED

Highlights

Final Report issued on June 18, 2010

Highlights of Reference Number: 2010-30-058 to the Internal Revenue Service Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

The use of asset forfeiture has become one of the most important tools that Federal law enforcement can employ against criminals, such as drug dealers and white-collar criminals. Law enforcement officers believe that the effective use of forfeiture laws can result in a decrease in criminal activity. Our review determined that the Criminal Investigation (CI) Division can take steps to ensure its seizure opportunities are maximized. The use of seizure and the ultimate forfeiture of assets deprive individuals, who knowingly violate the nation's tax laws, of their ill-gotten gains.

WHY TIGTA DID THE AUDIT

The CI Division uses its asset seizure and forfeiture authority as a tool for combating unlawful activities designed to evade taxes. The overall objective of this review was to evaluate whether the CI Division adequately considered the seizure of assets during its illegal source and narcotics investigations.

WHAT TIGTA FOUND

There are opportunities for the CI Division to improve its Asset Forfeiture Program. During Fiscal Year 2009, the CI Division seized just more than 1,600 assets, which is a 13 percent decline from the previous year and a 28 percent decline from the 5-year high in Fiscal Year 2007. The decline in the number of assets seized can be partly attributed to the decrease in the number of illegal source and narcotics investigations initiated during that period and the loss of experienced special agents in recent

years. In addition, there was a significant disparity in the number of assets seized among the field offices.

TIGTA's analyses of the CI Division's management information system data indicated that the CI Division may have missed some seizure opportunities. TIGTA analyzed a sample of investigations with money laundering or bank structuring violations and found that requests to pursue seizure were made in only 34 percent of the investigations with the percentage of requests varying significantly among field offices.

While the CI Division may have missed some seizure opportunities, its Asset Forfeiture Program is respected by outside stakeholders and, when compared to other Federal agencies, its Program appears to be productive.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, CI Division, require contractor employees to review the CI Division's management information system reports to identify recently initiated narcotics and illegal source investigations where there is no corresponding seizure investigative activity and proactively engage the special agents in discussions regarding the identification of forfeitable assets. TIGTA also recommended that the Chief, CI Division, require contractor employees to periodically contact special agents to determine the status of the seizure and offer additional assistance. In addition, TIGTA recommended that the Chief, CI Division, conduct an internal study of narcotics and illegal source investigations, where the seizure of assets was not pursued, to determine if seizure opportunities were missed.

CI Division officials agreed with four of the five recommendations and disagreed with one. The CI Division did not agree with conducting an internal study but plans to ensure the appropriate management reviews are being performed. However, because TIGTA is precluded from reviewing case file information due to grand jury restrictions, TIGTA believes the CI Division would benefit from conducting this review because it would determine the extent of the issue and provide ideas for improvement.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 18, 2010

MEMORANDUM FOR CHIEF, CRIMINAL INVESTIGATION

Michael R. Phillips

FROM: (for) Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Criminal Investigation Division Can
Take Steps to Ensure Its Seizure Opportunities Are Maximized
(Audit # 200930026)

This report presents the results of our review to evaluate whether the Criminal Investigation Division adequately considered the seizure of assets during its illegal source¹ and narcotics investigations. This audit was included in our Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge area of Tax Compliance Initiatives.

Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations), at (202) 622-8510.

¹ See Appendix IV for a glossary of terms.



*The Criminal Investigation Division Can Take Steps
to Ensure Its Seizure Opportunities Are Maximized*

Table of Contents

Background	Page 1
Results of Review	Page 4
The Number of Assets Seized Has Declined in Recent Years.....	Page 4
Seizure Opportunities May Have Been Missed.....	Page 8
<u>Recommendations 1 and 2:</u>	Page 13
<u>Recommendations 3 and 4:</u>	Page 14
<u>Recommendation 5:</u>	Page 15
External Stakeholders Generally Praise the Criminal Investigation Division’s Asset Forfeiture Program	Page 15
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 17
Appendix II – Major Contributors to This Report	Page 19
Appendix III – Report Distribution List	Page 20
Appendix IV – Glossary of Terms.....	Page 21
Appendix V – Management’s Response to the Draft Report	Page 23



*The Criminal Investigation Division Can Take Steps
to Ensure Its Seizure Opportunities Are Maximized*

Abbreviations

AFC	Asset Forfeiture Coordinator
AUSA	Assistant United States Attorney
CI	Criminal Investigation
CIMIS	Criminal Investigation Management Information System
FY	Fiscal Year
IRS	Internal Revenue Service
SAR	Suspicious Activity Report
SIA	Seizure Investigation Activity
TEOAF	Treasury Executive Office for Asset Forfeiture
U.S.C.	United States Code



*The Criminal Investigation Division Can Take Steps
to Ensure Its Seizure Opportunities Are Maximized*

Background

President Obama recently announced the formation of a Financial Fraud Enforcement Task Force¹ to strengthen efforts to combat financial crime. The objectives of the task force include ensuring just and effective punishment for those who perpetrate financial crimes and recovering proceeds for victims. The use of asset forfeiture is one of the tools available to law enforcement in accomplishing these objectives.

The use of asset forfeiture has become one of the most important tools that Federal law enforcement can employ against criminals.

Criminal and civil forfeiture is essential to ensure that crime does not pay. The use of asset forfeiture has become one of the most important tools that Federal law enforcement can employ against criminals, such as drug dealers and white-collar criminals. Law enforcement officers believe that the effective use of forfeiture laws can result in a decrease in criminal activity.

The Criminal Investigation (CI) Division's primary mission is to serve the American public by investigating potential criminal violations of the Internal Revenue Code² and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. The CI Division is the only Federal agency that can investigate potential criminal violations of the Internal Revenue Code. The CI Division's special agents' investigative jurisdiction includes tax, money laundering, and Bank Secrecy Act laws.

The CI Division uses its asset seizure and forfeiture authority as a tool for combating financial crimes and/or unlawful activities designed to evade taxes. Seizure is the confiscating of a person's property by a legal process; whereas, forfeiture is when the Government assumes ownership of the seized asset. The CI Division's Fiscal Year (FY) 2009 operational priorities included continuing to actively use its asset forfeiture authority to further its enforcement goals and strengthening Bank Secrecy Act compliance efforts by making every effort to identify assets subject to forfeiture.³

Most of the CI Division's seizures are the result of United States Code (U.S.C.) Titles 18 and 31, which deal with money laundering and currency investigations. The revenue from assets seized that are eventually forfeited is deposited into the Treasury Forfeiture Fund. The CI Division can

¹ Led by the Department of Justice, this task force will work with State and local partners to investigate and prosecute significant financial crimes and address, among other things, discrimination in the lending and financial markets.

² See Appendix IV for a glossary of terms.

³ The CI Division's FY 2010 operational priorities include utilizing asset forfeiture authority to further enforcement goals and take the profit away from criminals.

