



Treasury Inspector General for Tax Administration Office of Audit

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

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Highlights

Highlights of Report 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 six-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.

Internal Revenue Service (IRS) 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.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201030058fr.pdf>.

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