



Drug Enforcement  
Administration's Use  
of Forfeited Personal  
Property

INTERNAL  
CONTROLS

December 1986

Report to the Honorable Lawton Chiles  
United States Senate

United States General Accounting Office

GAO

December 10, 1986

The Honorable Lawton Chiles  
United States Senate

Dear Senator Chiles:

Our review of the Justice and Treasury Departments' management of assets seized by and forfeited to the federal government, undertaken in response to your November 22, 1985, request, identified weaknesses in the Drug Enforcement Administration's (DEA) internal controls for converting forfeited personal property<sup>1</sup> to official government use. Although our review is not yet complete, we brought these weaknesses to DEA's attention through meetings in July, August, and September 1986 so that timely corrective action could be taken. On September 30, 1986, the DEA Deputy Administrator issued interim guidelines that addressed each of our concerns. Because of DEA's prompt corrective action, we are not making recommendations at this time but will continue to monitor the situation during our ongoing work. As agreed with your office, this report documents our findings and DEA's resultant action.

During a visit to DEA's Dallas field office, we noted that upon forfeiture to the government, about \$14,000 of seized personal property had been converted to government uses which appeared to be inconsistent with DEA's policy. For example, curio cabinets, end and coffee tables, paintings, figurines, and decorative plates were used to enhance the appearance of the Special Agent-In-Charge's office. We discussed this situation with DEA headquarters officials in July 1986 and were informed that most of the property in question should not have been converted to DEA's use because it had no specific operational value as required by DEA policy. We were further informed that the property would be transferred to the General Services Administration for appropriate disposal. As a result of the situation in Dallas, we reviewed DEA's internal controls over the conversion of forfeited personal property to government use and found that they provided little assurance that such property was not being converted for inappropriate government uses. DEA's policy and procedures allow field offices to convert forfeited personal property to official government use if it has "operational value." However, operational value is not adequately defined, and, until DEA issued its interim

<sup>1</sup>Tangible property, such as furniture, household items, and electronic equipment. Does not include real estate, cash, or conveyances, such as vehicles, boats, aircraft, etc.

guidelines, personal property was being converted by field offices without justifying the need for the property, and monitoring of such conversions was lacking.

## Background

DEA is the primary federal agency tasked with controlling the abuse of narcotics and dangerous drugs by restricting the supply of drugs; arresting persons engaged in illegal drug trafficking; and seizing property used in, or acquired with the proceeds of, drug trafficking. DEA accomplishes its mission through its 19 division field offices and the El Paso Intelligence Center and through coordination with state, local, and other federal drug enforcement activities. The 19 field offices are managed by Special Agents-In-Charge.

The Comprehensive Crime Control Act of 1984, Public Law 98-473, gave federal law enforcement agencies such as DEA increased authority to seize and obtain forfeiture of the assets used in the commission of crimes or acquired with the proceeds from those crimes. The act also gave federal law enforcement agencies four options, depending on the crime, for the disposition of property forfeited to the government:

- retaining the property for official government use;
- selling the property and depositing the proceeds in the asset forfeiture fund, which is used to finance management of the seized property program;
- sharing the property with state and local law enforcement agencies that participated in the investigation that led to seizure of the property; or transferring the property to the U.S. Marshals Service or the General Services Administration for disposition.

Since passage of the Crime Control Act, seizure of property involved in crime has steadily increased. As of October 1986, DEA was managing more than \$370 million in seized and forfeited property, including cash, personal property, real property, and conveyances.

## Objective, Scope, and Methodology

Our objective was to evaluate the adequacy of controls governing DEA's conversion of forfeited personal property to official government use. Specifically, we determined whether the Dallas field division office had adhered to DEA policies and procedures in converting forfeited personal property to government use. We did not review all property that had been converted because DEA headquarters officials believed that the

Dallas situation illustrated the need for clarification and/or changes of DEA's policy and procedures.

Our work was performed at DEA Headquarters, Washington, D.C.; and the DEA Dallas, Texas, Field Division office. We observed how forfeited property was being used in the Dallas office and interviewed officials and obtained documentation regarding DEA's internal controls over seized and forfeited personal property being converted to government use. In DEA Headquarters, we interviewed the Chief, DEA Asset Forfeiture Unit; Supervisor, Property Management Section; Deputy Assistant Administrator, Office of Inspections; and an attorney in the DEA Office of Chief Counsel. We were referred to the attorney by the Deputy Assistant Administrator, who said that the attorney was the most knowledgeable DEA employee regarding seizure and forfeitures. We made our review from July to October 1986 in accordance with generally accepted government auditing standards.

## Forfeited Personal Property Converted Primarily to Enhance Office Appearance

Furniture and various household goods seized by the DEA Dallas Office in September 1985 were forfeited to the federal government on April 24, 1986. The Dallas Special Agent-In-Charge converted property valued at \$13,223 to government use and placed it in his office on June 12, 1986. The property included two curio cabinets, Norman Rockwell and Emmett Kelly series figurines, decorative plates, a stereo system, a video cassette recorder, paintings, and other items. Also included in the office was a television, valued at \$1,200, which we were informed was converted to government use by the prior Special Agent-In-Charge. Some of the property is shown in the photographs in figures 1.1, 1.2, and 1.3, and a listing of the property is included in appendix I.

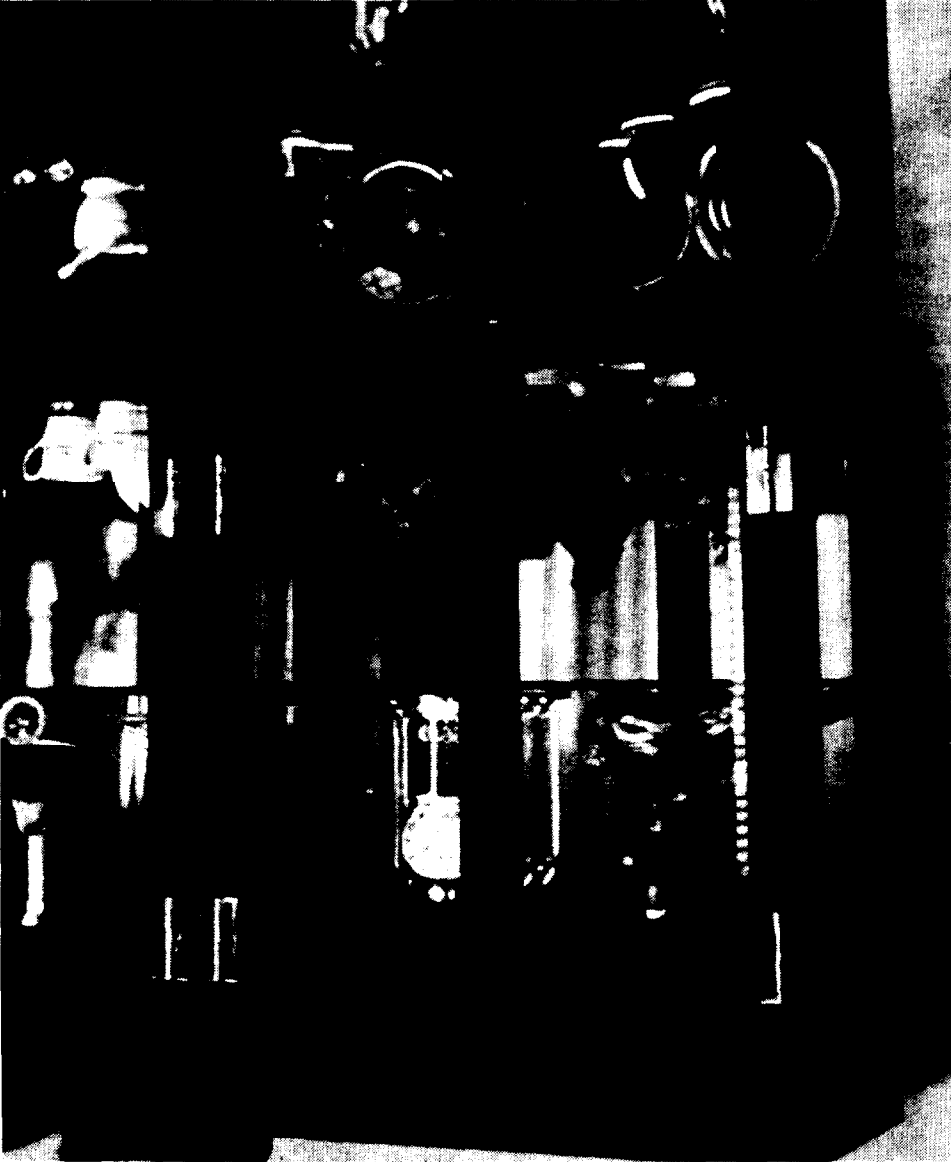


Figure 1.1: Curio Cabinet With Figurines and Decorative Plates

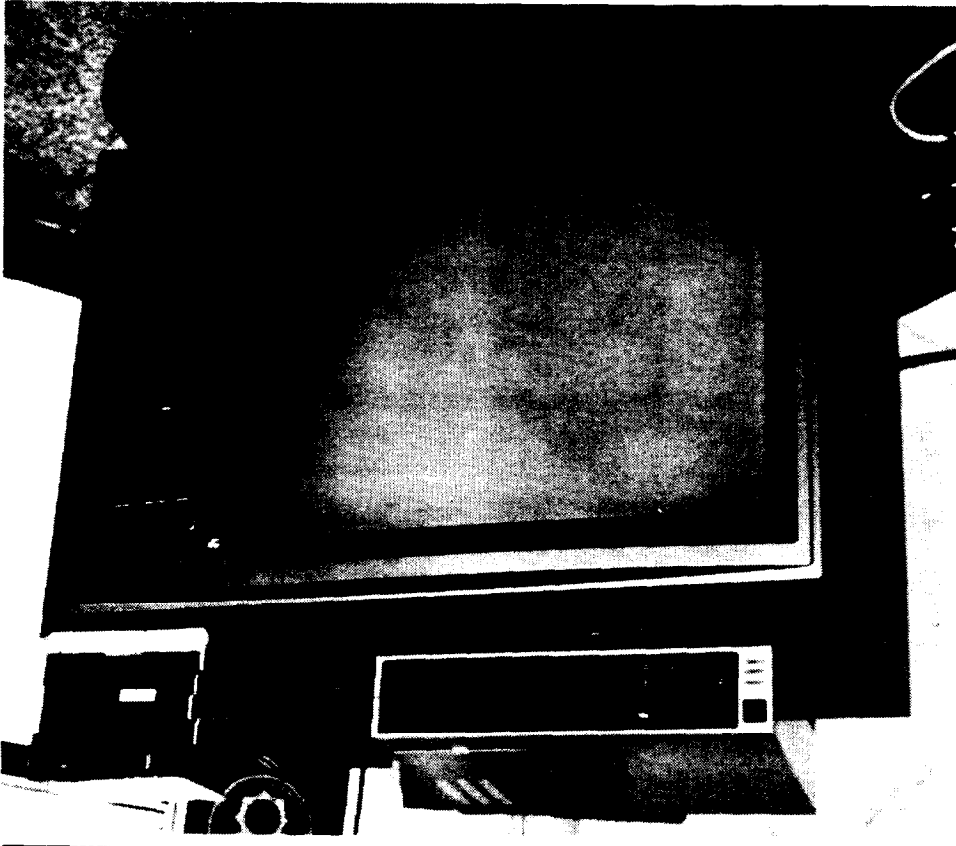


Figure 1.2: Television

"1. As a matter of routine practice, this option will be limited to conveyances, and only to those conveyances approved for service by Headquarters.... In unique situations, real property, such as houses may be placed into service if approved by Headquarters AO, after concurrence by the Deputy Assistant Administrator for Operations (DO), and the Chief Counsels Office (CC).

DEA policy allows seized personal property to be converted to government use if the field manager deems it to have "operational value." DEA's policy is expressed in Section 6654.5, Disposition of Forfeited [or Abandoned] Property of the DEA Agents Manual and Section 0313.48, Abandoned and Forfeited Property of the Administrative Manual. The DEA Agents Manual states:

DEA policy allows seized personal property to be converted to government use if the field manager deems it to have "operational value." DEA's policy is expressed in Section 6654.5, Disposition of Forfeited [or Abandoned] Property of the DEA Agents Manual and Section 0313.48, Abandoned and Forfeited Property of the Administrative Manual. The DEA Agents Manual states:

DEA policy allows seized personal property to be converted to government use if the field manager deems it to have "operational value." DEA's policy is expressed in Section 6654.5, Disposition of Forfeited [or Abandoned] Property of the DEA Agents Manual and Section 0313.48, Abandoned and Forfeited Property of the Administrative Manual. The DEA Agents Manual states:

DEA policy allows seized personal property to be converted to government use if the field manager deems it to have "operational value." DEA's policy is expressed in Section 6654.5, Disposition of Forfeited [or Abandoned] Property of the DEA Agents Manual and Section 0313.48, Abandoned and Forfeited Property of the Administrative Manual. The DEA Agents Manual states:

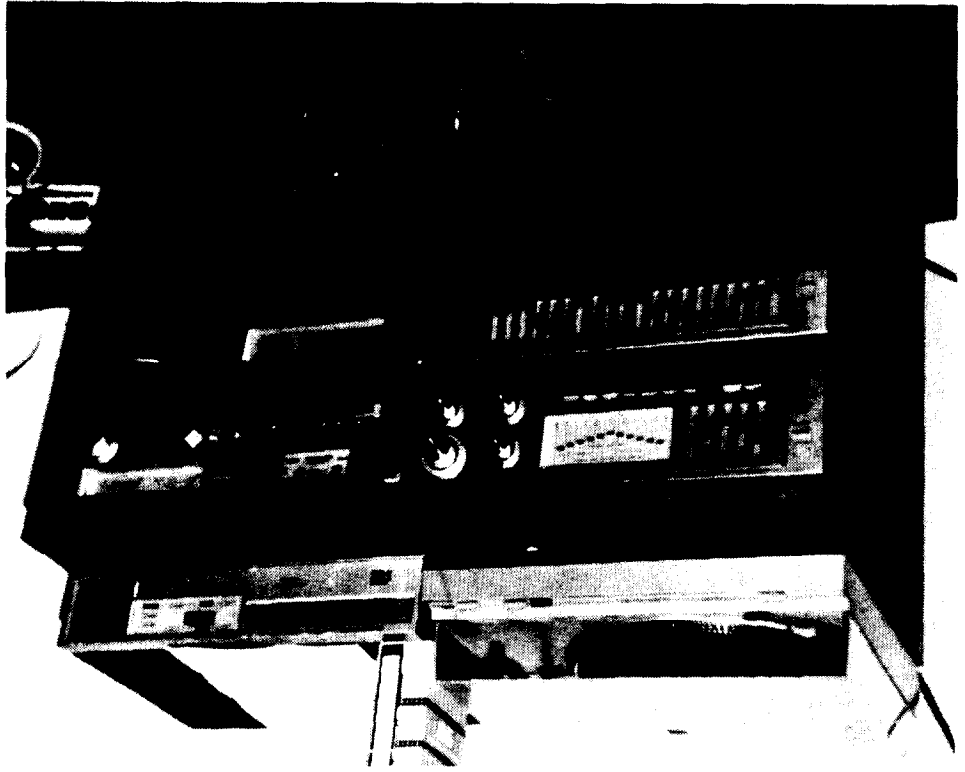


Figure 1.3: Stereo System

**Internal Controls Over  
Conversion of  
Forfeited Personal  
Property Were  
Inadequate**

2. Exceptions to this policy should be treated on a case-by-case basis. Where field management believes that a nonconveyance item of property would have some specific operational value (e.g., for use as an undercover prop), it may be placed in official use. (Underscoring provided for emphasis).

Consequently, all decisions made regarding the need, use, and placing of forfeited personal property into government use were made by the field manager (i.e., Special Agent-In-Charge), the person who may ultimately use the property.

The key concept in DEA's existing policy on converting forfeited personal property is whether the property has "operational value." However, other than citing "undercover prop" as an example, "operational value" is not defined. DEA guidance does not provide any further information concerning the types of forfeitable personal property or specific uses that are acceptable. Furthermore, DEA did not require field managers to justify the need for personal property that was being converted to government use nor were the conversions reviewed by independent, higher level officials for acceptability.

To place forfeited property into government use, field managers assigned a DEA property control number to the property item and submitted copies of DEA Form 453, which listed the value of the property, outstanding liens/mortgages, case number, and other data, such as persons involved in the seizure, and DEA Form 16, which documents the control number assigned to the property placed in service. The forms, which are submitted to the Headquarters Property Management Unit, formerly did not identify how the property was to be used or otherwise justify the conversion.

The Headquarters Property Management Unit reviewed the forms only to assure that the field unit had attached DEA decals and assigned property control numbers to the items. Further, DEA's information system for tracking forfeited property is still being developed and, consequently, information is not readily available at headquarters to identify forfeited personal property that has been converted to government use. Finally, we were advised by DEA's Office of Inspections that in conducting its inspections, it did not periodically assess the conversion of forfeited property to determine whether the uses being made of such property were appropriate.



These controls and practices provided little assurance that forfeited personal property was not being converted for unauthorized government uses since a single individual—the Special Agent-In-Charge who might ultimately use the property—controlled all aspects of the conversion process. These controls were also deficient relative to internal control standards established for the federal government by the U.S. Comptroller General.<sup>2</sup>

In response to continuing disclosures of fraud, waste, and abuse in many government operations, the Congress enacted the Federal Managers' Financial Integrity Act (P.L. 97-255) in September 1982. Among other things, the Integrity Act requires agency internal control systems to comply with standards specified by the Comptroller General. These standards establish the essential elements of an internal control system to provide assurances that funds, property, and other assets are safe-guarded against waste, loss, unauthorized use, or misappropriation. For example, these standards specify that controls be established so that (1) no one person is responsible for all the key aspects of a significant event and (2) continuous supervision of such an event is provided to ensure that internal controls achieve their objectives.

DEA's internal control weaknesses were recently recognized by DEA. Under the Integrity Act, agencies are required to conduct evaluations and "vulnerability assessments" of their internal controls. A vulnerability assessment of the controls governing the conversion of forfeited property to government use was conducted by DEA's Operational Support Division in July 1986. The vulnerability assessment identified the highest level of risk for such conversions. Following are excerpts from the assessment:

- Policies and Procedures - "Absolute discretion is left to SAC [Special Agent-In-Charge] without any concurrence. General guidance is given in DEA Agents and Administrative Manual but not enforced."
- Delegation and Communication of Authority and Responsibility - "Confusing and inadequate controls."
- Separation of Duties - "SAC totally controls the action."
- Organizational Checks and Balances - "Resource is available for manipulation because there exists no established reporting procedures."
- Conclusions Reached - "Policies and responsibilities for the placement of forfeited property into official use are in place but are in need of added

<sup>2</sup>Standards For Internal Controls In The Federal Government (June 1983) United States General Accounting Office.

specificity. Also, there is need for centralized authority to conform with internal controls over other types of government property.”

We discussed the Dallas situation with DEA headquarters officials in July 1986. They informed us that the Dallas Special Agent-In-Charge exercised poor judgment in this instance. According to DEA's Deputy Assistant Administrator, Office of Inspections, most of the forfeited personal property listed in appendix I should not have been placed into government use because it had no specific operational value as required by DEA policy. Also, the attorney in DEA's Chief Counsel's Office responsible for the seized/forfeited program said that, in his opinion, Dallas' conversion of the property did not comply with the intent of DEA's policy. We were also told by DEA's Deputy Assistant Administrator, Office of Inspections, that the property would be transferred to the General Services Administration for appropriate disposal.

DEA headquarters officials also informed us that they would take action to correct the internal control weaknesses noted. In addition, the DEA Deputy Assistant Administrator, Office of Inspections, said that questions regarding conversion of forfeited property to government use would be incorporated into future field office inspections.

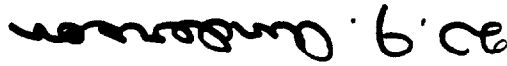
On September 30, 1986, DEA's Deputy Administrator issued interim instructions for converting forfeited property to government use.<sup>3</sup> The interim instructions require field managers to provide written justification for the need and use of forfeited property which they desire to convert to government use and to obtain Headquarters Property Management Unit approval before the property is placed into service. The instructions also directed field managers to notify the Property Management Unit of all forfeited assets currently in service and to properly dispose of all items which are not properly justified. We believe these actions, if properly executed, will correct the internal control weaknesses discussed in this report.

As you requested, we did not obtain agency comments. As arranged with your office, copies of this report are being sent to the Drug

---

<sup>3</sup>Detailed instructions are to be prepared and included in DEA's Agents and Administrative Manual

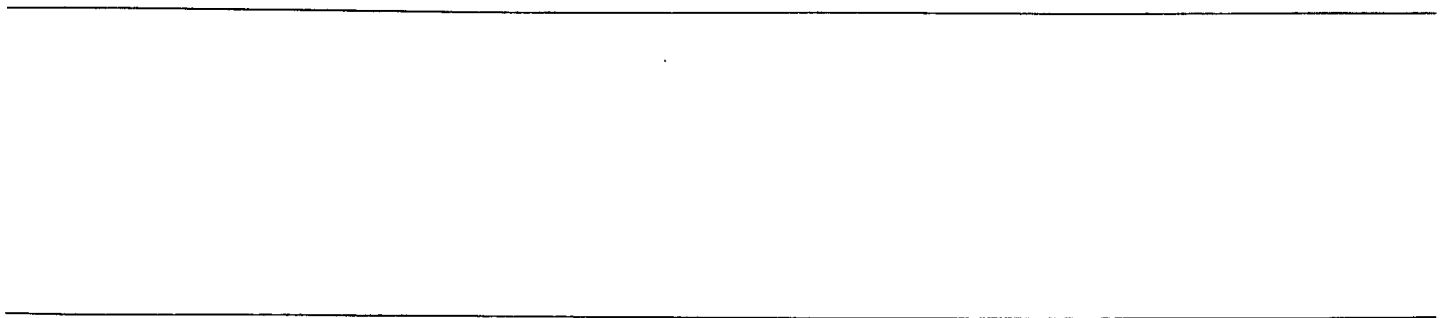
William J. Anderson  
Assistant Comptroller General



Sincerely yours,

Enforcement Administrator and other interested parties. Copies will be made available to others upon request.

---



# Forfeited Property in Government Use Dallas - June 12, 1986

Appraised Value	
\$1,500	Curtis Mathes Video Cassette Recorder
1,200	26" Sony Console Television
200	Stereo Cabinet for Marantz Equipment
750	Marantz Stereo Amplifier
500	Marantz Stereo Tuner
750	Marantz Compact Disc Player
300	Marantz Record Player
500	Marantz Speakers (2)
350	Marantz Stereo Cassette Deck
275	Marantz Graphic Equalizer
1,400	Walnut Sectional China Cabinets (2)
<b>Figurines:</b>	
50	Wood Antique Car "1927 Bugatti"
50	Boy at Lamppost
50	Doctor
200	Clown Playing Accordion (E. Kelly)
200	Clown Big Business (E. Kelly)
200	Clown Standing (E. Kelly)
200	Man on a Bench (E. Kelly)
200	Little Shaver (N. Rockwell)
100	The Snake Escapes (N. Rockwell)
100	Listening (N. Rockwell)
75	Ceramic Cat
100	The Secret (N. Rockwell)
25	Ceramic Owl
400	Brass Elephants (2)
<b>Plates:</b>	
100	Adventures of Huckleberry Finn (N. Rockwell)
100	Adventures of Huckleberry Finn (N. Rockwell)
100	Listening (N. Rockwell)
<b>Other:</b>	
250	Seiko Quartz Clock
75	Magnifying Glass with 3" Crystal Handle
50	Miniature Brass Cannons (2)
250	Stuffed Quail on a Log
50	Marble Mortar & Pestle
50	Miniature Barbell Paperweight
150	Gold Decorated Scales of Justice
200	Westminster Benchmark Clock
25	World Globe with Stand

200	Brass Table Lamps (2)
400	Brass Lamps (2)
1,330	Herndon End Tables (2)
668	Herndon Coffee Table
50	Oscillating Fan
600	Paintings (4)
100	Leather Briefcase
<b>\$14,423</b>	<b>Total</b>



Requests for copies of GAO reports should be sent to:

---

U.S. General Accounting Office  
Post Office Box 6015  
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.