

GAO

Testimony



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ASSET FORFEITURE: Opportunities  
For Savings Through Program Consolidation

Statement of  
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General Government Division

Before the  
Committee on Governmental Affairs  
United States Senate



Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss our soon-to-be issued report recommending that the management and disposition of Justice's and Customs' noncash seized asset inventories be consolidated in one agency. As you know, the Anti-Drug Abuse Act of 1988 requires the Attorney General and Secretary of Treasury to develop a plan for consolidating the post-seizure administration of properties seized for drug-related violations.

Unfortunately, very little headway has been made toward developing that plan. Shortly after the legislation was passed, both agencies drafted proposals which were rejected by the other agency. Limited discussions followed and eventually broke down in February 1990. Because the two agencies were unable to agree on a plan, we undertook a review to look at the feasibility of consolidation.

CONSOLIDATION WOULD SAVE MONEY

AND PROMOTE EFFICIENCY

Duplication of effort occurs because Justice and Customs independently operate their seized property programs. They duplicate each other's efforts by separately procuring services, monitoring vendor performance, and performing overall program oversight. Similar properties are seized by both agencies and are generally located in the same geographic areas. As shown on

chart 1, over 50 percent of Justice's and Customs' seized vehicles, vessels, and general property are located in 10 geographic areas. In fact, sometimes both agencies use the same vendor to manage their property. For example, they used the same vendors for 16 percent of the 7,600 vehicles included in our review.

This duplication of effort is wasting taxpayer resources. During fiscal year 1989, the two agencies spent about \$22 million for program administration. We believe about \$3 million, or 14 percent, could have been saved if the administration of seized properties had been consolidated in Justice.

Also, additional savings should accrue from lower vendor costs in a consolidated program. During fiscal year 1989, these two agencies spent about \$33 million on vendor services. While we were not able to quantify the potential savings from lower vendor costs, it could be substantial. For example, as shown on chart 2, we found the prices paid for the same kind of vehicle management services varied by up to 155 percent. In most cases, the rate differences were attributable to the number of vehicles being handled.

From a management efficiency and cost savings viewpoint, consolidation makes a lot of sense. But clearly, the real challenge of consolidation lies with translating the concept into

a workable and equitable plan. Without this, consolidation may never get off the ground, let alone reach its full potential.

Because Justice and Treasury were unable to agree on a plan, we outlined a proposed framework for consolidation based on the results of our work. This framework, which I will highlight briefly, covers more properties than the existing legislative requirement, includes a timetable for action, and establishes accountability.

-- First, regarding properties covered, in order to maximize the benefits from consolidation, both drug and nondrug seized properties should be included. Current legislation addresses only drug related seizures. By not including properties seized for nondrug violations, opportunities to eliminate duplication of effort and lower vendor costs will be missed. Furthermore, for all practical purposes, drug and nondrug seizures are already consolidated in Justice and Customs for management and disposition purposes. Contractors make no distinction between properties seized for drug and nondrug violations.

-- Second, timeframes for developing and implementing a plan, including actions to address program management deficiencies, need to be established. Considering over two years have already passed since the original legislative

requirement, we believe 6 months following enactment of any new legislative requirement is enough time to work out the details for an equitable consolidation plan.

-- Third, Justice, working through the Marshals Service, is better equipped to run a consolidated program, in our opinion. The Marshals Service has a staff of over 240 persons who are experienced in managing property seized by other agencies, and a regional infrastructure dedicated to performing program oversight and providing technical assistance to its field offices. While we are aware of some program management problems, we feel that they can be fixed. Also, as shown on chart 3, the estimated value of Justice's noncash seized asset inventory is almost five times larger than Customs'. Given this, and for accountability purposes, Justice should be designated as the leader in working with Treasury and Customs to put together a plan that addresses both consolidation issues as well as any program management problems.

Seven months ago we began discussing our proposed framework for consolidation with both agencies. And, in February 1991, we asked both agencies for formal comments. Justice agrees that consolidation is workable, but Treasury has not yet formally commented. Treasury officials have indicated informally they are concerned about giving up control over their properties to

Justice. We don't share Treasury's concerns. Consolidation, as outlined in our framework, means substituting the Marshals Service for Customs' nationwide contractor. Customs would retain control over all asset sharing and disposition decisions, and all excess revenues would be transferred back to Customs.

The Government can no longer afford the luxury of operating inefficiently simply because required changes cut across agency lines. We must think in terms of how to improve the combined program so that it can operate efficiently, as well as effectively. Thus far, neither the 1988 legislative requirement nor our work has moved the consolidation issue off square one. In our opinion, it's time to work together and save the taxpayers some money. Therefore, we recommend that Congress incorporate our proposed framework for consolidation into law.

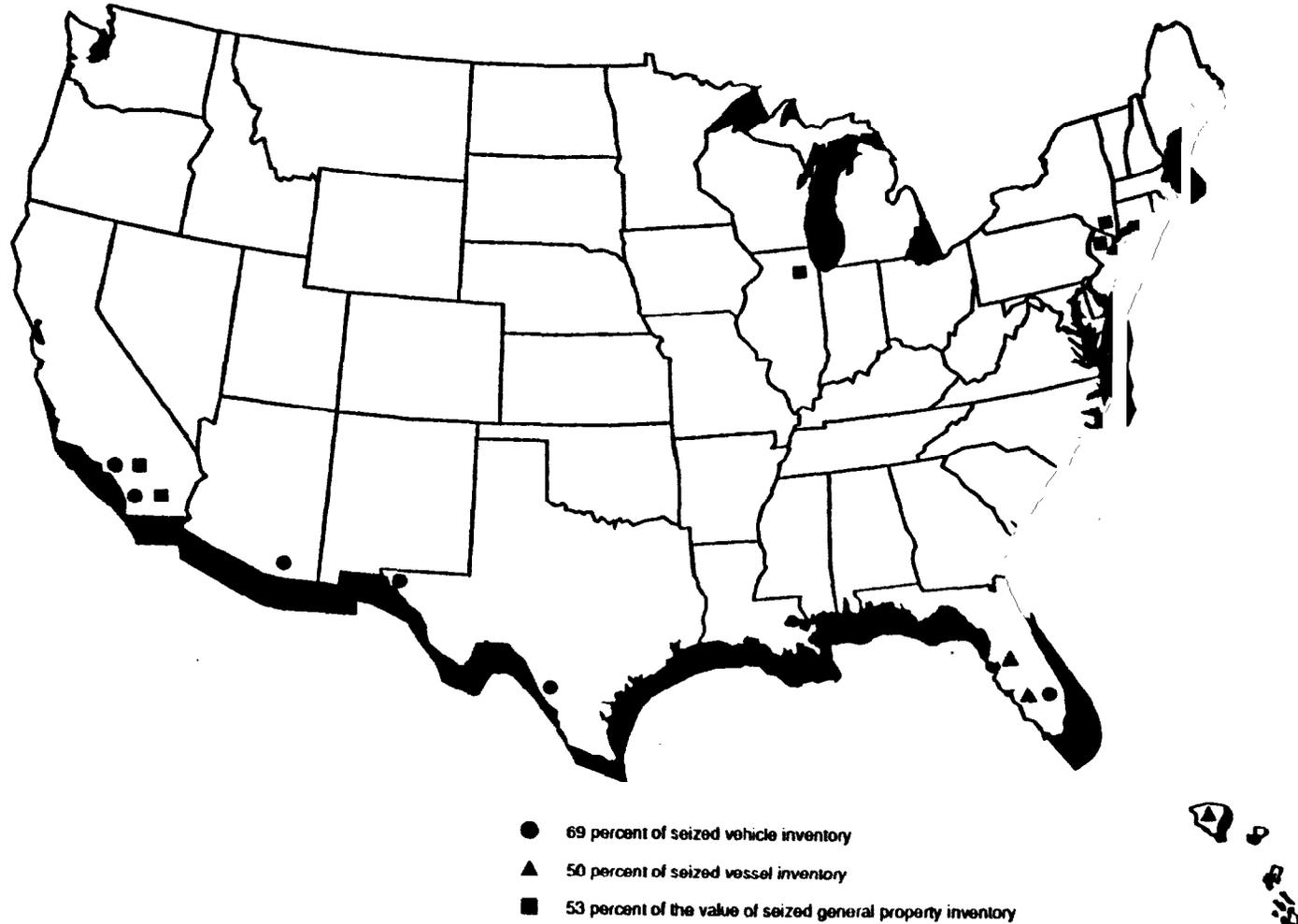
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This concludes my prepared testimony, Mr. Chairman; I will be pleased to answer any questions that you or Members of the Committee may have.

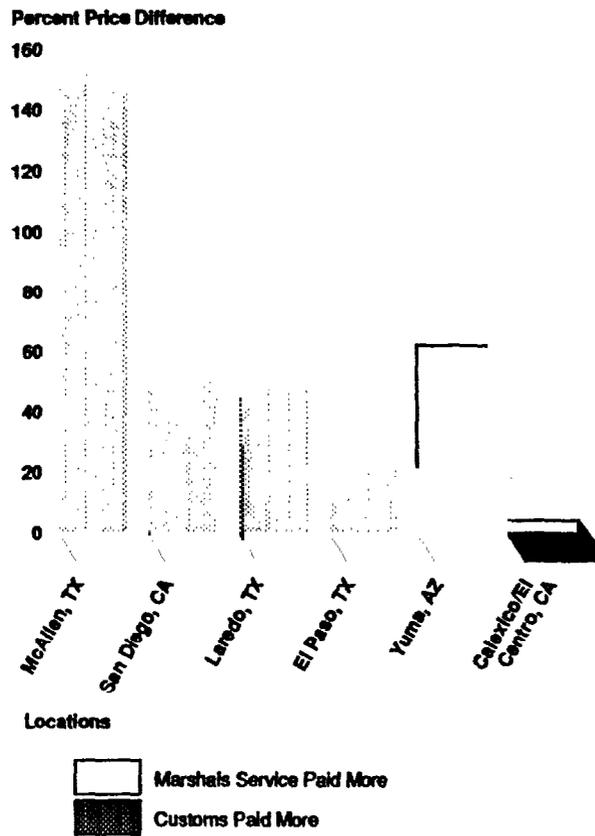
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**GAO Major Seized Property Locations as of 6/30/90**

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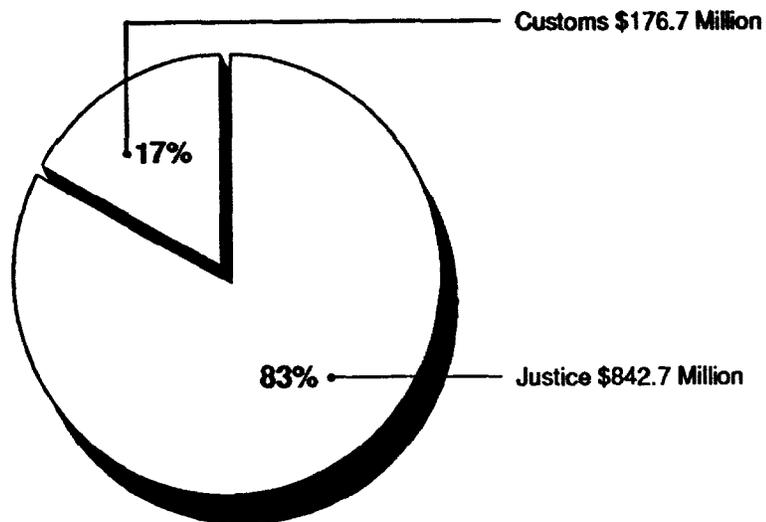
# GAO Varying Prices Paid for Managing Seized Vehicles



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**GAO Noncash Seized Property Inventories as of 6/30/90**

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Note: Estimated Value: \$1 Billion