



Office of Inspector General | United States Postal Service

Audit Report

U.S. Postal Inspection Service Asset Forfeiture Fund

Report Number OV-AR-19-002 | July 3, 2019

A background image showing a wooden desk with a gavel and a pen. A white document with the word "FORFEITURE" is in the foreground.

FORFEITURE

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Highlights

Objective

Our objective was to determine whether deposits and expenditures for the Postal Inspection Service Asset Forfeiture Fund (AFF) complied with Postal Inspection Service policies and procedures.

The Postal Inspection Service is a participating agency of the Department of Justice (DOJ) Asset Forfeiture (AF) Program. The intent of the DOJ AF Program is to allow the DOJ's participating agencies to receive proceeds and use them to pay the costs associated with forfeitures, including the cost of managing and disposing of property, satisfying valid liens, and other claims.

While other DOJ participating agencies must follow DOJ asset forfeiture policy when submitting requests for expenditures, the Postal Inspection Service is not required to because it administers its own AFF.

The Postal Inspection Service has the congressional authority to manage and maintain its AFF. According to Postal Inspection Service policies, the use of asset forfeiture funds must meet these criteria - law enforcement purposes including crime prevention, security, forfeiture-related training or other related uses designated by the Chief Postal Inspector; national in scope; the cost

exceeds \$10,000; and funds are not available through the normal operating budget process.

As of September 30, 2018, the Postal Inspection Service AFF balance was \$139 million. Between fiscal years 2017 and 2018, the Postal Inspection Service received an average of \$28 million in proceeds and expended an average of \$25 million on items such as consulting and professional services, supplies, and training.

“Between FY 2017 and 2018, the Postal Inspection Service received an average of \$28 million in proceeds and spent an average of \$25 million.”

What the OIG Found

We found that deposits and expenditures for the Postal Inspection Service AFF generally complied with Postal Inspection Service policies and procedures.

What the OIG Recommended

Based on the audit results, we did not make any recommendations.

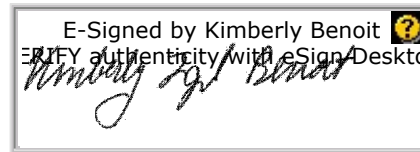
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

July 3, 2019

MEMORANDUM FOR: GARY R. BARKSDALE
CHIEF POSTAL INSPECTOR



FROM: Kimberly F. Benoit
Deputy Assistant Inspector General
for Technology and Inspection Service

SUBJECT: Audit Report – U.S. Postal Inspection Service Asset Forfeiture
Fund (Report Number OV-AR-19-002)

This report presents the results of our audit of the U.S. Postal Inspection Service Asset Forfeiture Fund (Project Number 19TG001OV000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Julie T. Wong, Acting Director, Inspection Service, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit on the U.S. Postal Inspection Service Asset Forfeiture Fund (AFF) (Project Number 19TG001OV000). Our objective was to determine whether deposits and expenditures of the Postal Inspection Service AFF complied with applicable policies and procedures.

Background

The Postal Inspection Service is a participating agency of the Department of Justice's (DOJ) asset forfeiture (AF) program.¹ As part of the DOJ AF program, the Postal Inspection Service receives proceeds through judicial forfeitures² from mail fraud, narcotics, money laundering, and other financial criminal investigations conducted by postal inspectors or those participating in joint law enforcement operations.

The intent of the DOJ AF program is to use asset forfeiture to pay for seizure and forfeiture-related expenses and day-to-day operations of the program, such as asset forfeiture training and the safeguarding, management, and disposal of seized assets. The DOJ asset forfeiture fund may also finance certain general investigative expenses – award for information, purchase of evidence, equip vehicles for official use related to asset forfeiture fund purposes, and joint law enforcement operations.

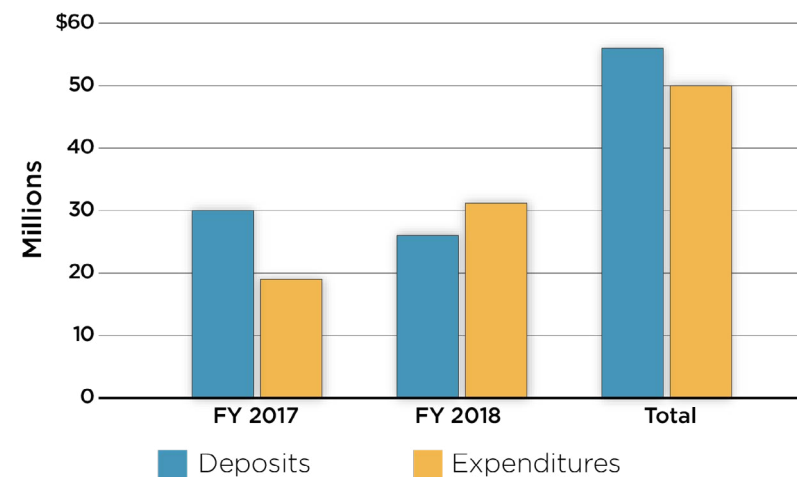
While the Postal Inspection Service participates in the DOJ AF program, it is not required to follow DOJ policy on the use of its fund, as required for other participating agencies. The Postal Inspection Service has the congressional

“The Postal Inspection Service is not required to follow DOJ policy on the use of its fund.”

authority to directly receive asset forfeiture proceeds, expend funds, and manage its own AFF.³ According to Postal Inspection Service policies,⁴ asset forfeiture proceeds must be used for law enforcement purposes including crime prevention, security, forfeiture-related training, or other uses designated by the Chief Postal Inspector; national in scope; the cost exceeds \$10,000; and funds are not available through the normal operating budget.

As of September 30, 2018, the Postal Inspection Service's AFF balance was \$139 million. Between fiscal years (FY) 2017 and 2018, the Postal Inspection Service received an average of \$28 million in proceeds and spent an average of \$25 million,⁵ as shown in Figure 1, on items such as consulting and professional services, supplies, and training, as shown in Figure 2.

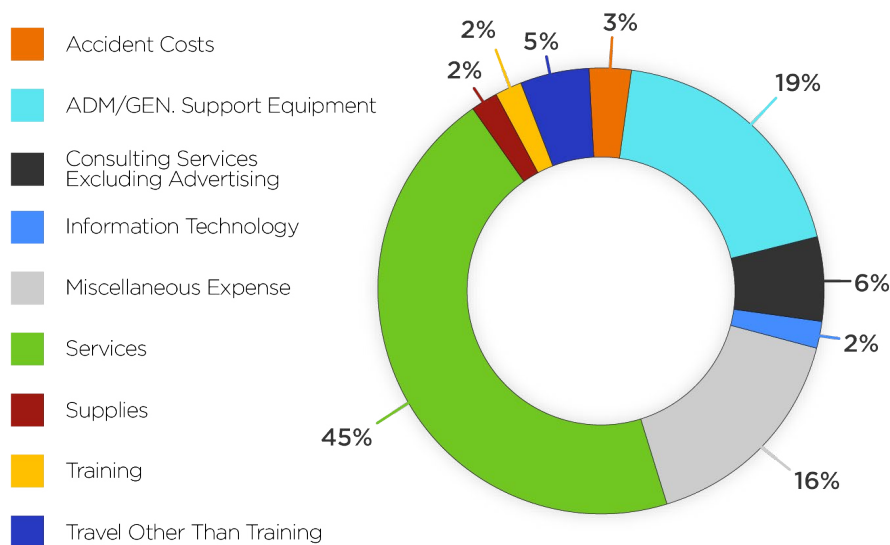
Figure 1. Asset Forfeiture Fund Deposits and Expenditures



Source: U.S. Postal Service Office of Inspector General (OIG) analysis of FY 2017 and 2018 Asset Forfeiture Monthly Report.

- 1 DOJ participating agencies include the Bureau of Alcohol, Tobacco, Firearms and Explosives; Drug Enforcement Administration; FBI; U.S. Postal Inspection Service; Food and Drug Administration; U.S. Department of Agriculture, OIG; Department of State, Bureau of Diplomatic Security; and Defense Criminal Investigative Service.
- 2 Judicial forfeitures include criminal and civil forfeitures. Criminal forfeitures occur when the proceedings are against the owner of the property while civil forfeitures occur when the government seizes property suspected in illegal activity.
- 3 Code of Federal Regulations, Title 39, §2003 and §2601.
- 4 *United States Postal Inspection Service Manual*, dated July 2018.
- 5 For FYs 2017 and 2018, transactions totaled \$30.1 and \$26 million in asset forfeiture deposits and for expenditures totaled \$18.5 and \$32 million, respectively.

Figure 2. Asset Forfeiture Fund Expenditures



Source: OIG analysis of FY 2017 and 2018 expenditures from the Enterprise Data Warehouse (EDW).⁶

Finding #1: Deposits and Expenditures Aligned with Postal Inspection Service Policies

We reviewed 202 deposits and 198 expenditures processed during FYs 2017 and 2018 and found they generally aligned with Postal Inspection Service policies. The transactions were supported by invoices, general ledger reports, contracts, and AFF requests.

“We reviewed 202 deposits and 198 expenditures and found they generally aligned with Postal Inspection Service policies.”

Other Matters

We identified two matters that were not within the scope of the audit or did not rise to the level of a finding that warrant management’s attention.

Congressional law established the Postal Service AFF and names the OIG and the Postal Inspection Service as components of the fund; therefore, each agency tracks its own funds with a shared finance number. However, the Postal Inspection Service maintains control of the AFF account and funds for both agencies. The OIG and the Postal Inspection Service share the same finance number; therefore, during our audit some transactions were not easily identifiable within EDW. Specifically, transactions not associated with a contract or purchase order were difficult to differentiate without reviewing the AFF request form. We discussed this with management and they are developing a report to better identify asset forfeiture funds for each entity. Because the OIG and the Postal Inspection Service are separate entities, assigning a finance number to each organization within the AFF would also enable each organization to effectively manage its funds and would reduce the potential for misidentifying funds.

In addition, within our sample we found isolated incidents of travel vouchers approved with an incorrect finance number. Due to the immateriality of the amounts and validity of the underlying support, we verbally notified Postal Inspection Service management.

Management’s Comments

Management agreed with the conclusions of the report and agreed that the Inspection Service complied with internal policies and procedures in administering the Asset Forfeiture Fund. Management also stated they would take the Other Matters identified in the report under advisement. See [Appendix B](#) for management’s comments in their entirety.

Evaluation of Management’s Comments

The OIG considers management’s comments responsive to the conclusions in the report.

⁶ EDW provides a single repository for managing the Postal Service’s corporate data assets. EDW provides a common source of accurate corporate data across organizations to a wide variety of users. The data can be reported upon and manipulated in a variety of ways both within and across functions for deeper analysis.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit was Postal Inspection Service AFF deposits and expenditures from FYs 2017 and 2018. Additionally, while the Postal Inspection Service manages the OIG AFF, we specifically excluded OIG transactions from our sample to avoid the risk of self-review.

To accomplish our objective, we:

- Researched Postal Inspection Service and DOJ policies and procedures used to process asset forfeiture funds transactions.
- Conducted interviews with Postal Inspection Service Business Operations and Asset Forfeiture Unit personnel to understand the asset forfeiture process as related to deposits and expenditures.
- Analyzed high-risk expenditure by category and compared to DOJ AF Program policy.
- Reviewed a statistical sample of 202 deposits and 198 expenditures processed during FYs 2017 and 2018 to:
 - Determine whether deposits and expenditures charged to the AFF were approved, supported, and in compliance with criteria; and

- Obtained supporting documentation to include invoices, contracts, Intra-governmental Payment and Collection documents, general ledger reports, and AFF requests to test for accuracy.
- Conducted interviews with DOJ and other DOJ AF Program participating agencies to obtain an understanding of their policies.

We conducted this performance audit from October 2018 through July 2019, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. After reviewing the draft report, management stated an exit conference was not necessary on June 11, 2019.

We assessed the reliability of computer-generated data by reviewing related documentation, interviewing knowledgeable Postal Inspection Service personnel, reviewing related internal controls, and analyzing EDW data. We determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews directly related to the objective of this audit within the last five years.

Appendix B: Management's Comments



GARY R. BARKSDALE
CHIEF POSTAL INSPECTOR

UNITED STATES POSTAL INSPECTION SERVICE

June 24, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: U.S. Postal Inspection Service Asset Forfeiture Fund (Report Number
[OV-AR-19-DRAFT])

Thank you for the opportunity to respond to the above mentioned draft audit report. We agree with the conclusions of the report that the U.S. Postal Inspection Service complied with our internal policy and procedures in administering the Asset Forfeiture fund. We will take the Other Matters identified in your audit under advisement.

We would welcome the opportunity to discuss with you if you have any further questions.

A handwritten signature in blue ink, appearing to read "G. R. Barksdale", written over a horizontal line.

Gary R. Barksdale
Chief Postal Inspector

cc: *Manager, Corporate Audit Response Management*

475 L'Enfant Plaza SW
Washington, D.C. 20260-2100
www.POSTALINSPECTORS.USPIS.GOV



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1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100

For media inquiries, contact Agapi Doulaveris
Telephone: 703-248-2286
adoulaveris@uspsoig.gov