



Highlights of [GAO-05-80](#), a report to the Honorable Byron L. Dorgan, U.S. Senate

Why GAO Did This Study

In the wake of a recent wave of corporate scandals, Senator Byron L. Dorgan noted that the American taxpayers have a right to expect that those who have committed corporate fraud and other criminal wrongdoing will be punished, and that the federal government will make every effort to recover assets held by the offenders. Recognizing that GAO previously reported on deficiencies in the Department of Justice's (Justice) criminal debt collection processes ([GAO-01-664](#)), Senator Dorgan asked GAO to review selected criminal white-collar financial fraud cases for which large restitution debts have been established but little has been collected. Specifically, GAO was asked to determine (1) the status of Justice's efforts to collect on the outstanding debt, (2) the prospects for future collections, and (3) whether specific problems have affected Justice's ability to collect the debt.

What GAO Recommends

GAO recommends that the Attorney General (1) include in the criminal debt strategic plan, which is called for by recent congressional action, legislative initiatives, operational initiatives, or both that are directed toward maximizing opportunities for collection; and (2) report annually in Justice's *Accountability Report* on the progress toward developing and implementing the strategic plan. Justice stated it is taking steps to develop a strategic plan to improve criminal debt collection.

www.gao.gov/cgi-bin/getrpt?GAO-05-80.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gary T. Engel at (202) 512-3406 or engelg@gao.gov.

CRIMINAL DEBT

Court-Ordered Restitution Amounts Far Exceed Likely Collections for the Crime Victims in Selected Financial Fraud Cases

What GAO Found

The court-ordered restitution for the five selected white-collar financial fraud criminal debt cases GAO reviewed far exceeded amounts likely to be collected and paid to the victims. These offenders, who had either been high-ranking officials of companies or operated their own business, pled guilty to crimes for which the courts ordered restitution totaling about \$568 million to victims. As of the completion of GAO's fieldwork, which was up to 8 years after the offenders' sentencing, court records showed that amounts collected for the victims in these cases totaled only about \$40 million, or about 7 percent of the ordered restitution.

At some point prior to the judgments establishing the restitution debts, each of the five offenders either reported having wealth or significant financial resources to the courts or to Justice, or there were indicators of such. However, following the judgments, the offenders claimed that they were not financially able to pay full restitution to their victims. Justice's Financial Litigation Units (FLU) that were responsible for collection performed certain activities to collect the debts after the judgments, but the debts had not been significantly reduced as a result of the FLUs' identification and liquidation of additional assets of the offenders.

The FLUs' prospects are not good for collecting additional restitution amounts on these cases. A major problem hindering the FLUs' ability to collect restitution debt in the selected cases was the long time intervals between the criminal offense and the judgment. Court records show that 5 to 13 years passed between when the offenders began to engage in the criminal activity for which they were sentenced and the date of their judgments. For each of the selected cases, by the time the court rendered the judgment establishing the restitution debt, certain of the offenders' assets had been, among other things, transferred to family members or others, involved in forfeiture actions, subject to bankruptcy, or moved to a foreign account. In addition, one of the selected cases involved an offender who was jointly and severally liable for the debt with another offender who had been deported. Justice acknowledged that such dispositions or circumstances are not uncommon and create major debt collection challenges for the FLUs. Moreover, there were minimal, if any, apparent negative consequences to these offenders for not paying their restitution debts.

Recently, to further implementation of a related recommendation made in 2001 by GAO, the Congress directed the Attorney General to develop a strategic plan with certain other federal agencies to improve criminal debt collection. Given the significant upward trend in outstanding criminal debt and the difficulty experienced by Justice in collecting criminal restitution debt, it is important that Justice include in such a plan legislative initiatives, operational initiatives, or both to enhance the federal government's capacity to collect restitution for victims of financial crimes. Justice's comments on a draft of this report are consistent with this conclusion.