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TREASURY AGENCY ORGANIZATION ACT

JUNE 8, 1936.—Ordered to be printed

Mr. GERRY, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 12556]

The Committee on Finance, to whom was referred the bill (H. R. 12556) to create the Treasury Agency Service, to provide for the more adequate protection of the revenue and other laws administered by the Treasury Department, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The purpose of this bill is to consolidate various Treasury investigative and law-enforcement agencies and thus eliminate the duplication and overlapping of effort which necessarily occur under their present separate statutory set-up dating back in some instances more than three-quarters of a century. The bill, in addition to permitting the unification of Treasury enforcement activities and a centralization of responsibility for such activities, not only at the seat of government but everywhere in the field, will allow flexibility in adjusting the Treasury organizations engaged in enforcement work to meet the constantly changing methods of violators of revenue and counterfeiting laws. It will undoubtedly increase greatly the efficiency of the Treasury Department in performing its basic function of safeguarding the Nation's revenues and the Nation's currency.

H. R. 12556 is strongly recommended by the Treasury Department and is in accordance with the program of the President.

H. R. 12556 was favorably reported by the House Ways and Means Committee after extensive public hearings and was passed by the House of Representatives unanimously. The purpose and necessity of the bill are sufficiently explained by the following excerpt from the report of the House Ways and Means Committee which is attached hereto and made a part of this report:

PURPOSE AND NECESSITY OF THE BILL

The Treasury Agency organization bill creates in the Treasury Department an organization to be known as the Treasury Agency Service, at the head of which shall be the Secretary of the Treasury, and authorizes the Secretary to

appoint an assistant in such organization who is to be known as the Director of the Treasury Agency Service, and who will perform such duties in connection with the supervision and coordination of the activities of that Service as the Secretary may from time to time assign.

The following Treasury Department investigative and law-enforcement agencies will, under the bill, be included in the Treasury Agency Service: The Enforcement Division of the Alcohol Tax Unit of the Bureau of Internal Revenue, the Customs Agency Service of the Bureau of Customs, and the Secret Service Division of the Treasury Department. The Bureau of Narcotics is not included in the proposed reorganization, but provision is made for coordinating that part of its activities which relates to the enforcement of the narcotic laws with the activities of the Treasury Agency Service.

The need for this consolidation arises from the duplication and overlapping of effort which necessarily occur under the present statutory set-up (dating back in some instances more than three-quarters of a century) of the agencies involved. Each agency at present carries on its work under the immediate jurisdiction of a separate and distinct statutory bureau. The statutes contemplate that each agency shall act independently of the others in the enforcement of the laws which Congress has entrusted to it. While such an arrangement may have been satisfactory at one time the advent of the modern crime syndicate has changed this situation. Today, ventures in fraud of the revenue are not usually carried on by single individuals, but by efficiently managed organizations whose operations may at the same time include smuggling, bootlegging, counterfeiting, and illicit traffic in drugs.

Most important of all, a single act or transaction often involves a violation of different laws enforced by different bureaus. The smuggling of liquor into the country, for example, is a violation not alone of the customs laws (enforced by the Customs Agency Service), but of the internal-revenue liquor laws (enforced by the Enforcement Division of the Alcohol Tax Unit) as well. If the smugglers, as often happens, contrive to bring in narcotic drugs along with the liquor, there is likewise a violation of the narcotic laws (enforced by the Bureau of Narcotics). Should the liquor be fraudulently stamped, the counterfeiting laws (enforced by the Secret Service Division) are infringed. Thus a single criminal transaction might involve four different Treasury enforcement agencies, each of which might be compelled to conduct a separate and independent investigation. Moreover, under the present system each of the agencies referred to has a geographically different divisional set-up. Thus the Customs Agency Service divides the United States into 13 administrative districts with a central headquarters in each; the Alcohol Tax Enforcement Division has 15 such districts; the Bureau of Narcotics, 16; and the Secret Service Division, 38. This lack of divisional uniformity, together with the fact that the field agents of each organization are responsible to different district field chiefs, who in turn are responsible to different Washington bureau chiefs, makes the task of effectively coordinating Treasury enforcement activity exceedingly difficult. If the present bill is enacted, it will be possible to make the divisional set-up uniform throughout the country and to have a single chief in charge of all enforcement activity in each district directly responsible to the Secretary of the Treasury. In this manner, the duplication of effort involved in the independent investigations by separate agencies required under the existing statutory set-up will be eliminated.

While economy is not the primary purpose of the bill, major economies will result. To reduce revenue losses by many millions of dollars without increasing existing enforcement personnel is just as real an economy as to make savings in expenditures by decreasing enforcement personnel. The Treasury Agency Organization bill will assure the more effective protection of the Federal revenue. In addition other economies may be expected to result from eliminating the present overlapping of effort, as well as transportation and other expenditures, involved in separate investigations by separate agencies, and the necessity of maintaining technical equipment and personnel in each of several agencies.

In the field of enforcement work, more than in almost any other field, the closest type of coordination is necessary because time is of the essence. Yesterday's information is stale news today. Under the present system with no single person having full responsibility for Treasury enforcement activity in each field district, precious time is wasted in requests for cooperation between Treasury agencies which should be matters of right and not of comity. Unless one officer is in control of enforcement operations in each district, it is impossible to get the perfectly interlocking and unified enforcement activity that is necessary in order successfully to combat the versatile modern crime syndicate.

H. R. 12556 represents a third major step forward in the intensive program to wipe out frauds on the revenue and provide for better enforcement of the revenue laws. It will be remembered that last session your committee reported favorably the antismuggling bill, which was directed primarily against the then rapidly increasing post-repeal operations of liquor smugglers along our seaboard. Testimony given at the hearings on that bill before your committee in March 1935, indicated that the activities of liquor smugglers, which had died out almost completely for a short while after repeal, had by then increased to alarming proportions. Thus in March 1934 only two smuggling vessels had been observed off the coast, but by February 1935 this number had increased to 22. It was estimated that the Government was losing \$30,000,000 annually in revenue as a result. The antismuggling bill was enacted into law on August 5, 1935. Already it has proved a most effective weapon in the hands of enforcement officers, insofar as that phase of enforcement activity which it concerns is involved. It has played a major part in the virtually complete dissolution of rum row. Liquor smuggling today is, in the main, an isolated phenomenon rather than a routine business. It is estimated that the annual loss of revenue involved has decreased from a post-repeal peak of \$30,000,000 annually, to about \$5,000,000, and it is still decreasing with gratifying steadiness.

The next step on the road to more effective enforcement was the customhouse brokers' bill. Testimony presented to your committee at hearings last session indicated that by reason of the fact that the Government had very little supervision over customhouse brokers, large frauds were being perpetrated on the revenue and on importers. This testimony further disclosed that if the Government could be given broader authority to require customhouse brokers to maintain books and permit inspection, it would be a definite step forward in law enforcement and in the interests both of the revenue and of importers whose business these customhouse brokers handle almost entirely with the Government. Your committee reported favorably on that bill, and although it did not become law until the very end of last session, there is evidence that there has been a considerable lessening in frauds on the customs revenue.

The present bill is a further major milestone on the road pioneered by the Antismuggling Act and the Customhouse Brokers' Act. It covers, however, a much wider phase of activity, involving as it does a more effective reorganization of the Treasury forces engaged in the continuous fight, not merely against liquor smuggling along our borders, but against all types of smuggling activity, all illicit traffic in narcotic drugs, all illicit domestic traffic in liquor, and all violations of the counterfeiting laws.

Public hearings were held by your committee on a previous bill (H. R. 11452) to consolidate Treasury enforcement organizations, which, instead of setting up a Treasury Agency Service, consolidated all the agencies with the Secret Service Division of the Treasury Department. This earlier bill included the Bureau of Narcotics in the proposed consolidation. At the hearings objections to that bill were raised by the drug industry and other interested persons, solely because of the inclusion of the Bureau of Narcotics. These persons objected to placing the Bureau of Narcotics (which, in addition to its enforcement activities, also supervises the legitimate traffic in narcotic drugs) in a Secret Service organization under the supervision of a Secret Service chief. Objections have also been raised that the use of the designations "Secret Service Division", "Secret Service Chief" and "Secret Service Agent", with the peculiar connotation which those terms have, both here and abroad, would prejudice the effectiveness of the dealing, not only of narcotic officers but of the other officers involved in the reorganization, with the reputable businessmen and with foreign governments. The groups appearing in opposition to H. R. 11452 suggested as a substitute for the inclusion of the Bureau of Narcotics in the proposed consolidation a provision which, while leaving the Bureau of Narcotics intact in its present form, would authorize the Secretary of the Treasury to issue rules, regulations, or orders, or take such other steps as he should consider necessary to coordinate the enforcement functions of the Treasury Agency Service with those of the Bureau of Narcotics. It is the feeling of your committee that since smugglers, counterfeiters, and liquor-law violators frequently engage in the illicit narcotic traffic, it is essential that better provisions be made for the coordination of narcotic enforcement with other enforcement work than are possible under existing law. However, your committee feels that the objections of these groups are entitled to consideration and that their substitute proposal should be given a trial. The coordinating provision suggested by them has therefore been incorporated in section 8 of the present

bill, and the Bureau of Narcotics has otherwise been omitted from the legislation. It is to be noted that this provision applies only to the enforcement functions of the Bureau of Narcotics and not to its duties of supervising the legitimate traffic in narcotic drugs. Your committee also felt that there was merit to the objections raised in connection with the policelike implications of the designation "Secret Service." It has, therefore, abandoned the idea of consolidating the agencies involved with the "Secret Service Division" and instead has proposed an entirely new organization—the Treasury Agency Service, of which the present Secret Service Division will be a subdivision.

H. R. 12556, in addition to permitting the unification of Treasury enforcement activities and a centralization of responsibility for such activities, not only at the seat of government but everywhere in the field, will allow flexibility in adjusting the Treasury organizations engaged in enforcement work to meet the constantly changing methods of violators of revenue and counterfeiting laws. It will undoubtedly increase greatly the efficiency of the Treasury Department in performing its basic function of safeguarding the Nation's revenues and the Nation's currency.

The following statement shows the agencies to be consolidated, their principal functions, the number of employees in each agency, and its approximate annual expenditures. In view of the provisions of section 8 for coordinating the enforcement activities of the Bureau of Narcotics with those of the Treasury Agency Service, similar statistics with respect to the Bureau of Narcotics have been included:

Agencies to be Included in the Treasury Agency Service	Principal functions	Number of employees	Approximate annual expenditures
Secret Service Division.....	Detection, prevention, and investigation of frauds on the currency; enforcement of the counterfeiting laws; protection of the President.	271	\$833,640
Customs Agency Service, Bureau of Customs.	Detection, prevention, and investigation of willful and fraudulent violations of the customs laws.	280	1,151,197
Enforcement Division, Alcohol Tax Unit, Bureau of Internal Revenue.	Detection, prevention, and investigation of willful and fraudulent violations of the internal-revenue laws relating to liquor.	1,710	5,813,440
Bureau of Narcotics ¹	Enforcement of the narcotic laws; regulation and control of the traffic in narcotic drugs.	379	1,249,470
Total.....		2,640	9,017,747

¹ Not included in Treasury Agency Service, but to have its enforcement functions coordinated with those of the Service.

This bill is strongly recommended by the Treasury Department, and is in accordance with the program of the President.

