



Audit Report



OIG-26-013

FINANCIAL MANAGEMENT

Management Letter for the Audit of
the Treasury Forfeiture Fund's
Financial Statements for Fiscal Year
2025

January 23, 2026

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

January 23, 2026

**MEMORANDUM FOR BILL BRADLEY, DEPUTY DIRECTOR
TREASURY EXECUTIVE OFFICE FOR ASSET FORFEITURE**

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Management Letter for the Audit of the Treasury Forfeiture
Fund's Financial Statements for Fiscal Year 2025

We hereby transmit the attached subject management letter. Under a contract monitored by our office, IBSWA Government Solutions, LLC (IBSWA), a certified independent public accounting firm, audited the financial statements of the Treasury Forfeiture Fund (TFF) as of September 30, 2025, and for the year then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

As part of its audit, IBSWA issued the attached management letter dated January 21, 2026, that discusses a matter involving a deficiency in internal control over financial reporting that was identified during the audit but was not required to be included in the auditors' report. This matter involves inventory observation discrepancies. TFF management's response to the recommendation is included. The response was not audited by IBSWA. Management will need to include the proposed corrective action completion dates related to the recommendations in the Department of the Treasury's Joint Audit Management Enterprise System.

In connection with the contract, we reviewed IBSWA's management letter and related documentation and inquired of its representatives. IBSWA is responsible for the letter and the conclusions expressed in the letter. However, our review disclosed no instances where IBSWA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 486-1415, or a member of your staff may contact Catherine Yi, Manager, Financial Statement Audits, at (202) 553-7412.

Attachment



Management Letter

January 21, 2026

Deputy Inspector General
U.S. Department of the Treasury

Deputy Director
Treasury Executive Office for Asset Forfeiture

We have completed our audit of the financial statements of the Treasury Forfeiture Fund (TFF) as of and for the fiscal year ended September 30, 2025 (fiscal year 2025) and have issued our Independent Auditor's Report thereon dated January 21, 2026.

In planning and performing our audit of the TFF's financial statements as of and for the fiscal year 2025, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements, we considered TFF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TFF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TFF's internal control over financial reporting.

In our fiscal year 2025 audit, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency, however we did not identify any material weaknesses. Additionally, we identified one control deficiency that did not rise to the level of a material weakness or significant deficiency, but still warrants management's attention, which is provided in *Appendix I*. We have discussed this comment and recommendations with the TFF personnel, and we will be pleased to discuss them in further detail at your convenience.

TFF has provided an official response to this Management Letter in *Appendix II*. We did not audit TFF's responses and, accordingly, we express no opinion on the response.

This Management Letter is intended solely for the information and use of TFF's management, and those charged with governance and is not intended to be, and should not be, used by anyone other than these specified parties.

Williams, Adley & Company-DC, LLP

Williams Adley-DC, LLP¹

¹ Williams Adley is the authorized representative of IBSWA Government Solutions, LLC.

Appendix I – Control Deficiency

INVENTORY OBSERVATION DISCREPANCIES

Treasury Forfeiture Fund (TFF) controls to ensure the accuracy of inventory information for forfeited and seized property did not operate effectively. The Department of the Treasury contracts with a contractor to manage and store forfeited and seized property at multiple warehouse locations. During the audit we visited four contractor-managed warehouses to assess the adequacy of controls over forfeited and seized property. At three of the four warehouses, we identified discrepancies between the physical inventory, supporting documentation, and inventory count sheets. Specifically, we noted the following:

- Five (5) exceptions where there were duplicate entries for a prior seizure.
- One (1) exception where the seizure quantity per the count sheet did not agree to the physical count.
- Nine (9) exceptions where the Quantity and/or Unit of Measurement within the Property Control Package did not agree to the inventory count sheet.
- Six (6) exceptions where items could not be located on the warehouse floor.

The findings above did not result in a material misstatement of the financial statements. TFF's current internal controls process to ensure accuracy and reliability of the asset information is not designed properly to identify and prevent deficiencies in the reported asset information.

TFF also has a standardized contractor oversight program with defined frequency, scope, and methodology and relies on a Performance Work Statement with the contractor that outlines the tasks to be performed to determine the accuracy of the reported asset information; however, the oversight program is not documented.

Insufficient contractor oversight heightens the risk of inaccurate inventory tracking and reporting and may result in misstated financial statements, particularly in the 'Forfeited property' and 'Investments and related interest receivable' line items.

In addition, errors in seizure documentation and inventory records could lead to non-compliance with the Treasury Forfeiture Fund Act of 1992, which mandates accurate accounting and reporting of forfeited and seized assets. It also increases the risk of potential theft or misappropriation of assets.

Furthermore, the absence of proper controls increase the risk that errors and fraud in contractor-reported information will occur and remain undetected.

The Performance Work Statement with the contractor was not followed. Additionally, the Standards for Internal Control in the Federal Government (Green Book), issued by the Comptroller General of the United States in September 2014, Section 10.03 was not adhered to. Specifically, TFF did not comply with the Green Book requirement that transactions are to be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation

Appendix I – Control Deficiency

and authorization through its final classification in summary records. In addition, management did not design control activities so that all transactions are completely and accurately recorded.

Recommendations:

We recommend that TFF Management:

- Strengthen internal controls to ensure the accuracy and reliability of the reported information as it relates to the forfeited and seized property procedures such as increasing the frequency of the controls to be executed or implementing new controls.
- Strengthen the contractor oversight program by establishing a formal schedule for reviewing contractor activities, including periodic reconciliations and independent data verifications of contractor-reported information and ensure that all discrepancies are promptly investigated, resolved, and tracked to closure.

Appendix II – Management Response



DEPARTMENT OF THE TREASURY
UNDER SECRETARY FOR TERRORISM AND FINANCIAL
INTELLIGENCE

EXECUTIVE OFFICE FOR ASSET FORFEITURE
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January 21, 2026

Williams Adley & Company-DC, LLP

1016 16th Street

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The Treasury Executive Office for Asset Forfeiture (TEOAF) has a current process for overseeing the work performed by the contractor, and their internal controls to ensure the accuracy and reliability of asset information reported by the contractor, did not prevent or identify these exceptions. While TEOAF has a standardized contractor oversight program with defined frequency, scope, and methodology with documented deliverables, and relies on a Performance Work Statement (PWS) with the contractor that outlines the tasks to be performed, it does not maintain a single-document standard operating procedure (SOP) for contractor oversight.

TEOAF concurs that it would be beneficial to have a single-document consolidated contractor oversight SOP related to the management of seized and forfeited

property. TEOAF's property team has a well-established standardized contractor oversight program with defined frequency, scope, and methodology, and with documented deliverables. The oversight activities as currently executed align with the contract PWS, and provide defined frequency, scope, and methodology, to assess whether the General Property (GP) contractor is performing as required and the inventory information is accurate, complete, and timely. TEOAF will formalize this practice by publishing a consolidated GP Oversight Policy and SOP document. This will convert current practice into formal policy and procedures to meet the recommendations provided within this NFR.

Following our meeting with the auditors, our office has been actively working on this single-document SOP which will incorporate these NFR recommendations and reinforce our internal controls framework.

Terence Lewis Terence E. Lewis

Digitally signed by Terence E. Lewis
Date: 2026.01.21 13:22:39 -05'00'

Assistant Director, Financial Management & Operations



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