



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 13, 2016

OIG-CA-16-013

MEMORANDUM FOR JOHN M. FARLEY, ACTING DIRECTOR
TREASURY EXECUTIVE OFFICE FOR ASSET FORFEITURE

FROM: Sharon Torosian /s/
Director, Manufacturing and Revenue

SUBJECT: Termination Memorandum – Audit of Treasury Executive
Office for Asset Forfeiture’s Use of Treasury Forfeiture
Fund Receipts to Support Law Enforcement

In December 2011, we initiated the subject audit at the Treasury Executive Office for Asset Forfeiture (TEOAF). Our audit objectives were to determine whether TEOAF had appropriate controls in place to (1) award and distribute funds to eligible law enforcement agencies in accordance with applicable laws, regulations, and policies, and (2) ensure that distributed receipts were used for intended purposes. As part of our audit, we assessed whether selected state and local law enforcement recipients used Department of the Treasury (Treasury) forfeiture funds in accordance with Treasury requirements and guidelines. For the reasons discussed below, we are terminating this audit.

During our fieldwork from January 2012 through May 2013, we visited three locations, which represented recipient agencies of varying sizes based on the number of distributions. We interviewed officials at TEOAF as well as selected recipients. We reviewed equitable sharing documentation maintained by TEOAF and by selected recipients.

We found TEOAF had controls for awarding and distributing equitable sharing funds, but some procedures in TEOAF’s internal guidance were not followed.¹ For example, we found that TEOAF staff made three payments totaling \$241,000 to the incorrect recipient agency. TEOAF corrected those payment errors and was reimbursed after being notified by the incorrect recipient agencies.

¹ “Treasury Executive Office for Asset Forfeiture Financial Management Manual” (Oct. 28, 2011).

In addition, TEOAF needed to increase recipient agencies' awareness of program requirements, directives, and other available guidance such as equitable sharing forms, applicable legislation, notices, and executive orders. Specifically, we found that the recipient agencies we reviewed did not adequately segregate Treasury and Department of Justice (DOJ) equitable sharing funds, maintained limited support for purchases made with the funds, and had instances of inaccurate and incomplete records. At the time of our audit, TEOAF was in the process of revising its existing external guidance.² TEOAF issued new guidance in November 2015.³

During our audit, we also found that TEOAF did not monitor the use of equitable sharing funds distributed to recipient agencies to determine if the agencies complied with TEOAF requirements. We did note that, in January 2012, TEOAF had plans to work with a contractor to conduct compliance reviews of State and local agencies' use of funds. Subsequent to our fieldwork, the contractor began these compliance reviews. TEOAF reported to us that in fiscal year 2014 the contractor reviewed 18 agencies, resulting in 37 findings, and in fiscal year 2015, reviewed 27 agencies, resulting in 45 findings. These findings included receipts and expenditures not properly recorded, inadequate segregation of Treasury funds, and expenditures not permitted by guidance. TEOAF representatives told us they are addressing the expenditures not permitted by guidance. In addition to the compliance reviews, TEOAF and the contractor followed up on the issues we identified with the agencies we reviewed.

Based on the objectives contemplated by this audit, and in consideration of TEOAF's actions to address our findings, we believe that issuing a report based on the fieldwork performed will not significantly enhance Treasury's monitoring and recipient compliance. Accordingly, we are terminating this audit and will consider this area for follow-up and future work.

Should you have any questions, please contact me at (617) 223-8638 or Mark Ossinger at (617) 223-8643.

cc: Amy Watson, Program Analyst, TEOAF

² "Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies" (2004).

³ "Department of Treasury Equitable Sharing Program Interim Policy Guidance" (Nov. 2015). This guidance addresses, among other things, the timely use of shared monies, bookkeeping procedures and internal controls (it more closely resembles DOJ's equitable sharing guidance).