



# Audit Report



OIG-16-034

## FINANCIAL MANAGEMENT

Management Letter for the Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2015 and 2014 Financial Statements

February 3, 2016

Office of  
Inspector General

Department of the Treasury

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

February 3, 2016

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

**FROM:** James Hodge /s/  
Director, Financial Statement and Procurement Audits

**SUBJECT:** Management Letter for the Audit of the Treasury Forfeiture  
Fund's Fiscal Years 2015 and 2014 Financial Statements

We contracted with the independent certified public accounting firm GKA, P.C. (GKA) to audit the financial statements of the Department of the Treasury Forfeiture Fund (TFF) as of September 30, 2015 and 2014, and for the years 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. 15-02, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/President's Council on Integrity and Efficiency *Financial Audit Manual*.

As part of its audit, GKA issued the attached management letter dated January 29, 2016, that discusses a matter involving internal control over financial reporting that were identified during the audit. These matters relate to post inventory updates to SEACATS that were not performed timely.

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

Should you have any questions, please contact me at (202) 927-0009, or a member of your staff may contact Catherine Yi, Manager, Financial Statement and Procurement Audits, at (202) 927-5591.

Attachment

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## **TREASURY FORFEITURE FUND**

### **MANAGEMENT LETTER FISCAL YEAR 2015**

**January 29, 2016**

*Member of the American Institute of Certified Public Accountants*

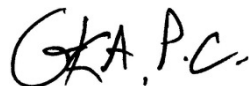
Inspector General, Department of the Treasury, and the  
Acting Director, Treasury Forfeiture Fund

We have audited the Principal Statements (balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as “financial statements”) of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the year ended September 30, 2015, and have issued an unmodified opinion thereon dated January 29, 2016. In planning and performing our audit of the financial statements of the Fund, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. We have not considered the internal control since the date of our report.

During our audit, we noted a certain matter involving the internal control over financial reporting and other operational matters that are presented in this letter for your consideration. The comment and recommendation, all of which have been discussed with the appropriate members of Fund Management, are intended to improve the internal control over financial reporting or result in other operational efficiencies. There were no management letter comments carried over from prior years.

The Fund management’s responses to our comment and recommendation have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective action described therein.

We appreciate the cooperation and courtesies extended to us. We will be pleased to meet with you or your staff at your convenience to furnish any additional information.



January 29, 2016

**Treasury Forfeiture Fund  
Management Letter Comment and Recommendation  
Year Ended September 30, 2015**

**POST INVENTORY UPDATES TO SEACATS NOT PERFORMED TIMELY**

The inventory tracking system (SEACATS) was not updated timely with certain reconciling items resulting from the physical inventory exercise conducted at the Central Storage Facilities (CSF) in June 2015. Certain sampled inventory items on the count sheets but not on the floor (discrepancies) were not removed from SEACATS in a timely manner. (One from the Riverside Building Number 2 CSF and three from Dayton Beach CSF).

Additionally certain sampled inventory items that were on the floor and not on the count sheets (add-ons) were not added to SEACATS in a timely manner. (Three from Dayton Beach CSF).

The Statement of Federal Financial Accounting Standards Number 3 (SFFAS No. 3), Accounting for Inventory and Related Property, requires seized and forfeited property to be accounted for in property management records so that reliable financial and statistical reports may be prepared.

Furthermore, 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 requires transactions 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 and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

The Annual Inventory Instructions from the Acting Director of the Treasury Forfeiture Fund (TFF) to the participating agencies and the national seized property contractor dated April 14, 2015 (TFF Inventory Instructions), Section V – Post Inventory Procedures, require all updates necessary to SEACATS to reflect the correct information as found during the inventory count to be completed no later than July 20, 2015.

The inventory tracking system was not updated to reflect that items were added on, destroyed, remitted or sold in a number of cases, and no follow up to reflect that these changes occurred was performed on a timely basis to ensure consistent, accurate and complete reporting.

The TFF Inventory Instructions regarding post inventory procedures were not followed.

The status of seized and forfeited property in SEACATS may not be accurate. This may impair the integrity of information for decision-making, management reporting and financial reporting.

**Recommendation**

We recommend that SEACATS be updated promptly by the Customs and Border Protection (CBP) or the National Seized Property Contractor (URS/AECOM) to reflect the results of physical inventories and other reviews and subsequent changes made in accordance with the National Seized Property Contractor Inventory Instructions and/or applicable disposition orders.

**Treasury Forfeiture Fund  
Management Letter Comment and Recommendation  
Year Ended September 30, 2015**

**Management Response**

TFF management agrees with the above recommendation and has been working with participant agencies and URS to ensure effective property accountability and related financial reporting.

A senior manager from the TFF has communicated to CBP's Director of Fines Penalties & Forfeitures, and to their Chief of the Seized Property Branch, that updates to SEACATS have not been performed timely. TFF's property team will now be copied on all update requests generated by URS to CBP, and will follow up with CBP as necessary to ensure that updates are being completed.

Currently, the notice of updates is provided to CBP by URS on a national scale. URS has now been instructed to present the list separated by port code, thereby reducing the amount of time it takes CBP to disseminate the required updates to CBP field offices.

Additionally, TFF will engage a FocalPoint internal controls contractor to conduct a review to ensure that post inventory updates to SEACATS are performed timely.



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