



# Audit Report



OIG-19-023

## FINANCIAL MANAGEMENT

**Management Letter for the Audit of the Department of the Treasury Forfeiture Fund's Financial Statements for Fiscal Years 2018 and 2017**

December 13, 2018

**Office of Inspector General**  
Department of the Treasury

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

December 13, 2018

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

**FROM:** James Hodge /s/  
Director, Financial Audit

**SUBJECT:** Management Letter for the Audit of the Department of the  
Treasury Forfeiture Fund's Financial Statements for Fiscal  
Years 2018 and 2017

We contracted with the certified independent 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, 2018 and 2017, 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 (OMB) Bulletin No. 19-01, *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, GKA issued the attached management letter dated October 30, 2018, that discusses a matter involving the internal control over financial reporting, compliance and other matters that was identified during the audit. This matter relates to controls surrounding prompt payment.

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 Audit, at (202) 927-5591.

Attachment

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**TREASURY FORFEITURE FUND**

**MANAGEMENT LETTER  
FISCAL YEAR 2018**

**October 30, 2018**

*Member of the American Institute of Certified Public Accountants*

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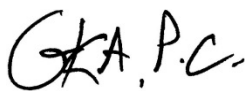
Inspector General, Department of the Treasury, and the  
Director, Treasury Forfeiture Fund

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, 2018, and have issued an unmodified opinion thereon dated October 30, 2018. 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, compliance 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.



October 30, 2018

**Treasury Forfeiture Fund  
Management Letter Comment and Recommendation  
Year Ended September 30, 2018**

**INSTANCES OF NON-COMPLIANCE WITH THE PROMPT PAYMENT ACT**

In our testing of Treasury Forfeiture Fund's (TFF) compliance with the Prompt Payment Act, GKA found two instances out of a sample of 21 (9.5 percent), where payments were not made in accordance with the Prompt Payment Act. The proper invoice was not paid within 30 days from the date it was received, and the interest penalty was not paid to the vendor.

The days from receipt of proper invoice to payment without interest added were 41 and 89 days.

The Prompt Payment Act (as captured in Federal Acquisition Regulations (FAR), CFR-2010-title48-vol2-52.232-25, stipulates that the due date for making invoice payments by the designated payment office is the later of the following two events:

- (a) The 30th day after the designated billing office receives a proper invoice from the Contractor.
- (b) The 30th day after Government acceptance of supplies delivered or services performed.

Additionally, with regards to interest payments, the Prompt Payment Act requires the designated payment office to pay an interest penalty automatically, without request from the Contractor, if payment is not made by the due date and the following conditions are met:

- (i) The designated billing office received a proper invoice.
- (ii) The Government processed a receiving report or other Government documentation authorizing payment, and there was no disagreement over quantity, quality, or Contractor compliance with any contract term or condition.

The invoice payments for TFF contracts go through a two-step process at Treasury Executive Office for Asset Forfeiture (TEOAF) before being forwarded to the Customs and Border Protection, National Finance Center (CBP NFC), (the executive agents of TFF) to effect payment. The invoice comes to a Contracting Officer's Representative (COR) who approves it via signature, and then forwards it to the TEOAF finance team, who processes it and sends it to CBP NFC.

There were delays in the approval process at TEOAF.

Interest payments were not paid on these invoices. CBP NFC used the date of receipt of the invoice at their offices as the starting point for the prompt payment interest calculation, instead of TEOAF's receipt date.

TFF is not in compliance with the Prompt Payment Act.

**Recommendation**

In accordance with the Prompt Payment Act, we recommend that TFF pay their bills on time, and to pay interest penalties when payments are made late.

**Treasury Forfeiture Fund  
Management Letter Comment and Recommendation  
Year Ended September 30, 2018**

CBP NFC management should use (a) TEOAF's receipt date of a proper invoice, or (b)TFF's acceptance of supplies delivered or services performed as the starting point for the prompt payment interest calculation.

**Management Response**

Fund Management agrees with the recommendation. Management will assure that the affected TEOAF contract representatives and finance team members will process invoice payments timely. New policy requires the CORs and finance team members to process invoices within seven calendar days of receipt.

Fund Management has communicated with CBP NFC to ensure that interest payments on the two instant invoices will be paid. Additionally, CBP NFC management is now aware of the starting point for the prompt payment interest calculation. These corrective actions should ensure that invoices are paid timely and with interest if late to comply with the Prompt Payment Act.



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