



# Audit Report



OIG-09-022

Management Letter for Fiscal Year 2008 Audit of the  
Department of the Treasury Forfeiture Fund's Financial  
Statements

December 22, 2008

Office of  
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

December 22, 2008

**MEMORANDUM FOR ERIC HAMPL, DIRECTOR  
TREASURY FORFEITURE FUND**

**FROM:** Michael Fitzgerald /s/  
Director, Financial Audits

**SUBJECT:** Management Letter for Fiscal Year 2008 Audit of the  
Department of the Treasury Forfeiture Fund's Financial  
Statements

I am pleased to transmit the attached management letter in connection with the audit of the Department of the Treasury Forfeiture Fund (TFF) Fiscal Year 2008 financial statements. Under a contract monitored by the Office of Inspector General, GKA, P.C. (GKA) , an independent certified public accounting firm, performed an audit of the financial statements of TFF as of September 30, 2008 and for the year then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*; and the *GAO/PCIE Financial Audit Manual*.

As part of its audit, GKA issued and is responsible for the accompanying management letter that discusses a matter involving internal control over financial reporting that was identified during the audit, but was not required to be included in the audit reports.

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

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Catherine Yi, Manager, Financial Audits at (202) 927-5591.

Attachment



Certified Public Accountants | Management Consultants

## **TREASURY FORFEITURE FUND**

### **MANAGEMENT LETTER FISCAL YEAR 2008**

**October 31, 2008**

*Member of the American Institute of Certified Public Accountants*

1015 18th Street, NW  
Suite 200  
Washington, DC  
20036

Phone: 202-857-1777  
Fax: 202-857-1778  
Website: [www.gkacpa.com](http://www.gkacpa.com)

Inspector General, U.S. Department of the Treasury, and the  
Director, Treasury Forfeiture Fund

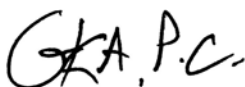
We have audited the Principal Statements (balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as “financial statements”) of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the year ended September 30, 2008, and have issued an unqualified opinion thereon dated October 31, 2008. 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 that is presented in this letter for your consideration. This issue and recommendations, all of which have been discussed with the appropriate members of Fund Management, are intended to improve the internal control over financial reporting. There were no management letter comments carried over from prior years.

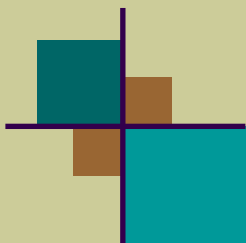
Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. Our aim, however, is to use our knowledge of the Fund gained during our audit to provide comments and suggestions we hope will be useful to you.

This letter is intended solely for the information and use of the Management of the Fund, the U.S. Department of the Treasury, OMB, the U.S. Congress, the Department of the Treasury Office of Inspector General and the Government Accountability Office and is not intended to be, and should not be used by anyone other than these specified parties.

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 31, 2008



**MANAGEMENT LETTER  
COMMENT AND RECOMMENDATION  
YEAR ENDED SEPTEMBER 30, 2008**

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**TREASURY FORFEITURE FUND  
MANAGEMENT LETTER COMMENT AND RECOMMENDATION  
YEAR ENDED SEPTEMBER 30, 2008**

**INDIRECT OVERHEAD EXPENSES OF THE NATIONAL SEIZED PROPERTY CONTRACTORS ARE NOT RECORDED AND ACCOUNTED FOR BY THE FUND TO THE LINE ITEM LEVEL (PRIOR YEAR SIGNIFICANT DEFICIENCY)**

In prior fiscal years, we reported that indirect overhead expenses of the national seized property contractor were not recorded and accounted for by the Fund to the line item level. The Fund's Property Custodians incur costs on behalf of the Fund from the time of seizure until the asset is ultimately disposed. Only holding costs and direct selling costs related to general property were captured in the Seized Assets and Case Tracking System (SEACATS) at the line item level, but not the indirect costs. We reported this weakness to management in our prior year report on internal control over financial reporting (report).

In FY 2007, the General Property Contract was transferred from EG&G to VSE. The Fund has made significant progress by devoting the resources necessary for resolving this weakness. VSE is responsible for ensuring their accounting systems meet all government requirements. The systems should be able to identify and record all revenue and expenses properly. Management in conjunction with VSE, developed a cost accounting methodology for identifying indirect costs to the line item level. VSE is converting detailed billing data from the subcontractors and vendors into an electronic format. VSE validates all incoming invoices and supporting/backup materials to verify that all charges are accurate and allowable. All supporting material is put through VSE's Line Item Cost Accounting Database. There was a delay in the integration process with SEACATS due to the volume of transactions to be scripted. Notwithstanding, approximately 60% of indirect costs have been scripted into SEACATS as at the end of September 2008. The integration process is expected to be 100% complete by the end of the calendar year. Additionally, SEACATS has been updated with real property cost information through April 2008.

The Budget and Accounting Procedures Act of 1950, Section 3512, *Executive Agency's Accounting System* requires federal agencies to establish an internal control which ensures the safeguarding of assets and the proper recording of revenues and expenditures. It is further reinforced by the Federal Manager's Financial Integrity Act of 1982 (FMFIA) which requires that internal accounting and administrative controls be established to provide reasonable assurances that revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. Additionally, the Joint Financial Management Improvement Program's (JFMIP)/Financial Systems Integration Office (FSIO) Seized Property and Forfeited Assets Systems Requirements require seized property and forfeited assets systems to record costs incurred while the asset is in custody, and costs incurred in disposition activities.

**TREASURY FORFEITURE FUND  
MANAGEMENT LETTER COMMENT AND RECOMMENDATION  
YEAR ENDED SEPTEMBER 30, 2008**

**RECOMMENDATION**

Recognizing the progress made so far in implementing corrective actions, and the Fund's expectation of completion of all corrective actions in FY 2009, we make no new recommendations at this time.

**MANAGEMENT RESPONSE**

During FY2008, the Contractor made material progress in inputting direct and indirect costs into their Cost Accounting Database and in uploading that data into SEACATS. At the end of the calendar year, it is anticipated that the Contractor will have 100% of all costs processed through the system, scripted and uploaded into SEACATS.

The Fund's response has 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 response or the effectiveness of any corrective action described therein.