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JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

Federal Financial Management System Requirements

March 1993* FFMSR-4

Seized/Forfeited Asset System Requirements

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JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

The Joint Financial Management Improvement Program (JFMIP) is a joint cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General, and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management, joined JFMIP in 1966.

The overall objective of JFMIP is to make improvements that contribute significantly to the effective and efficient operations of governmental programs. Activities aimed at achieving this objective include:

- Developing general objectives in those areas of common interest to the central agencies for guiding the improvement of financial management across government and promoting strategies for achieving those objectives.
- Reviewing and coordinating central agencies' activities and policy promulgations affecting financial management to avoid possible conflict, inconsistency, duplication, and confusion.
- Undertaking projects and special reviews of significant problems and new technologies in financial management and publishing the findings and conclusions.
- Acting as a catalyst and clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.
- Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.

The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices and relies on the active participation of federal agencies to be successful. The Joint Program is guided by a Steering Committee consisting of key policy officials from each of the central agencies. A key official from a program agency, currently the Department of Defense, also serves on the Steering Committee. A small staff headed by an Executive Director provides support to the Committee.

Preface

This *Seized/Forfeited Asset System Requirements* document is the fourth in a series of publications prepared on financial systems requirements under the direction of the Joint Financial Management Improvement Program. The *Core Financial System Requirements, Personnel/Payroll System Requirements*, and *Travel System Requirements* are previously issued documents of the series. The publications support improvement of the efficiency and quality of financial management systems. Impetus has been provided by the Chief Financial Officers Act of 1990 which strongly reaffirmed the need for the federal government to provide financial systems that facilitate effective management of government programs and services and proper stewardship of public resources.

Agencies are to use these Seized/Forfeited Asset System functional requirements in planning improvements to their financial systems. Agencies must include their own unique requirements, both technical and functional, with the requirements in this document. Further, each agency must develop its own strategy for either interfacing or integrating Seized/Forfeited Asset Systems and other existing financial, mixed, and non-financial systems with the agency's core financial system.

We want to take this opportunity to thank the agency officials and others in the financial management community who contributed to the document. With continuing support such as this, we can confidently face the financial management challenges of the 1990s.

Virginia B. Robinson
Executive Director

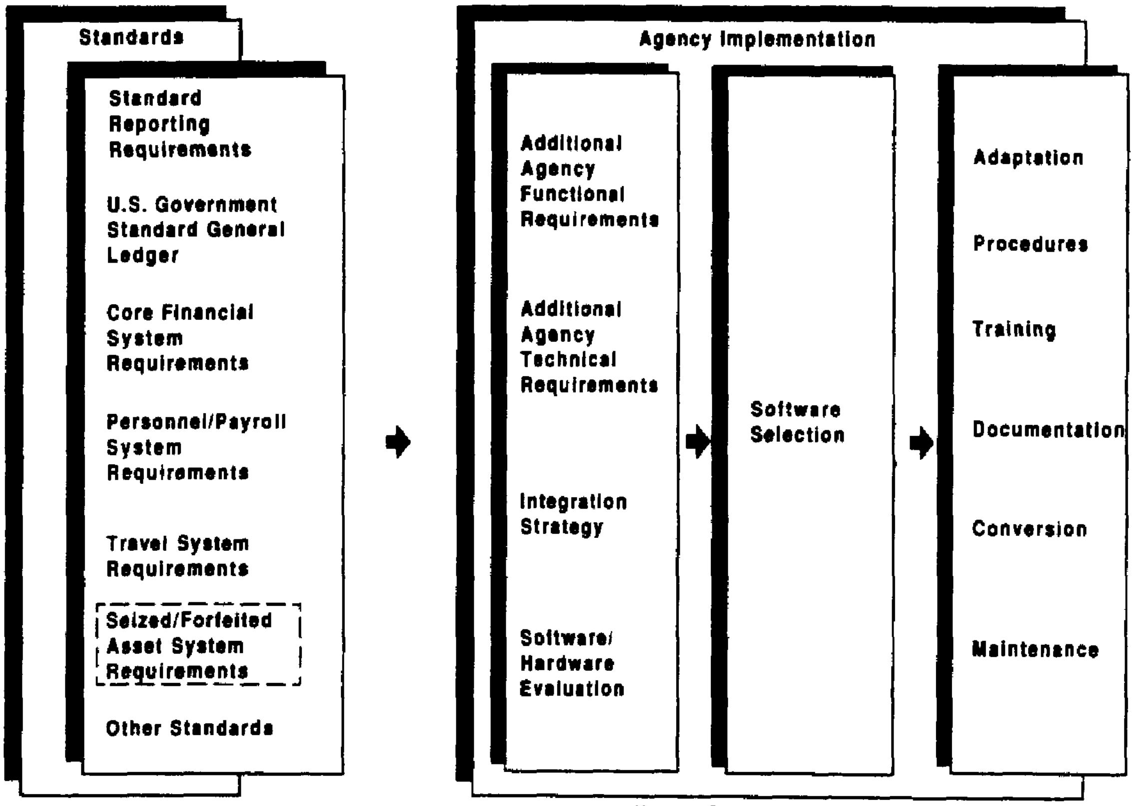
Table of Contents

Acronyms

CFO	Chief Financial Officer
DOJ	Department of Justice
FASAB	Federal Accounting Standards Advisory Board
FMS	Financial Management Service
GAO	General Accounting Office
IRS	Internal Revenue Service
JFMIP	Joint Financial Management Improvement Program
OMB	Office of Management and Budget
RICO	Racketeer Influenced and Corrupt Organization and Continuing Criminal Enterprise Statutes
SGL	U.S. Government Standard General Ledger
USCS	United States Customs Service
USMS	United States Marshals Service

Systems requirements facilitate standardization of financial management systems; however, they are only a part of the process to improve agency financial systems used by the government. As shown in Illustration 1, the systems requirements must drive the agency implementation, but agencies must include additional functional and technical requirements as appropriate. The ultimate responsibility for financial management improvement, implementation of systems, and adherence to standards rests with each agency.

Financial System Improvement Projects



Note: Entry in the block is the subject of this report

Illustration 1

This document incorporates applicable standards and requirements prescribed for federal financial management, and it establishes the uniform functional requirements for a Seized/Forfeited Asset system. The requirements may need to be adjusted to reflect the unique needs and circumstances of agencies. These requirements have been prepared in consultation with the Office of Management and Budget (OMB), the General Accounting Office (GAO), the Department of the Treasury, and federal program agencies.

This document is the fourth of a series of publications prepared under the direction of JFMIP on system requirements. The first was the *Core Financial System Requirements* published in 1988. The second was the *Personnel-Payroll System Requirements* published in 1990. The third was the *Travel System Requirements* published in 1991. Projects to develop system requirements for inventories and direct and guaranteed loans are in progress, and other projects are planned.

These documents support the continuing effort to standardize and upgrade data and reporting requirements in accordance with OMB's *Governmentwide Five-Year Plan.* Agencies are expected to continue to improve their financial systems and implement new standards and requirements as they are issued.

Integrated Financial Management Systems

The information systems of an agency can be classified into three types: financial, non-financial, and mixed. A financial system is an information system, comprised of one or more applications, that is used for any of the following:

- collecting, processing, maintaining, transmitting, and reporting data about financial events (e.g., receipts of appropriations or other financial resources; acquisitions of goods and services; payments or collections; recognition of guarantees, benefits to be provided, and other potential liabilities; and other discrete financial transactions);
- supporting financial planning or budgeting activities;
- accumulating and reporting cost information; or
- supporting the preparation of financial statements.

A non-financial system is a system that supports non-financial functions of the federal government or components thereof and any financial data included in the system are insignificant to agency financial management and/or not required for the preparation of financial statements. A mixed system is a system that supports both financial and nonfinancial functions of the federal government or components thereof.

OMB Circular A-127 and the CFO Act require each Executive Branch agency to establish and maintain a single, integrated financial management system that complies with:

- applicable accounting principles, standards, and related requirements as defined by OMB and the Department of the Treasury;
- internal control standards as defined in OMB Circular A-123; and
- policies and requirements prescribed by OMB, the Department of the Treasury, and the agency.

An agency's single integrated financial management system shall comply with the characteristics specified in OMB Circular A-127.

Standard Data and Processes

A system must use common data elements and common processes throughout the system to provide information prepared on a uniform basis as required by the CFO Act. As shown in Illustration 2, data and processes need to be linked to each other to form a system; each one dependent on the other. Standard reporting requirements, the U.S. Government *Standard General Ledger*, the *Core Financial System Requirements*, OMB circulars, the *Treasury Financial Manual*, and other such publications provide a starting point for agencies involved in *defining* specific data elements and processes for their systems.

As shown in Figure 1 of Illustration 2, many layers of data can be defined. The three inner layers—standard reporting data, standard general ledger data, and performance measurement data—must conform to data standards established through governmentwide initiatives. The two outer layers represent data specific to an agency or to a program, which should be standardized throughout the agency or program. Data element names, definitions, uses, and attributes must be specified in establishing data elements used in a system.

Standard processes ensure that transactions are recorded consistently, with predictable results. Common routines that are accessed when processing all transactions of a similar type further aid standardization. For example, all transactions should be posted to the general ledger using a common process contained within the Core financial system, regardless of the source of the transaction (i.e., directly entered into the Core financial system, entered through another system that provides data to the Core financial system, or generated by the system). Figure 2 of Illustration 2 shows how the core financial management processes relate to other management processes and provide this common functionality.

Implementation

As shown in Figure 3 of Illustration 2, the Core financial system forms the backbone of an agency's integrated financial management system. It provides common processing routines, supports common data for critical financial management functions affecting the entire agency, and maintains the required general ledger control over financial transactions, resource balances, and other financial systems. In addition to receiving data from other financial systems and from direct user input, the Core financial system provides data for financial performance measurement and analysis and for financial statement preparation.

Federal agencies have systems that support (1) agency administrative functions, such as personnel/payroll, travel, procurement, and property management; (2) unique activities and operations of agency programs, such as loan, grant, entitlement, and law enforcement programs; and (3) employee workstation activities, such as word processing, e-mail, and desk management. The systems of particular interest to financial managers are indicated by the shaded area in Figure 3 of Illustration 2.

Once an agency's financial systems improvement strategy and agency-specific system requirements are defined, the agency can evaluate and select appropriate

Framework for the Integration of Federal Agency Systems

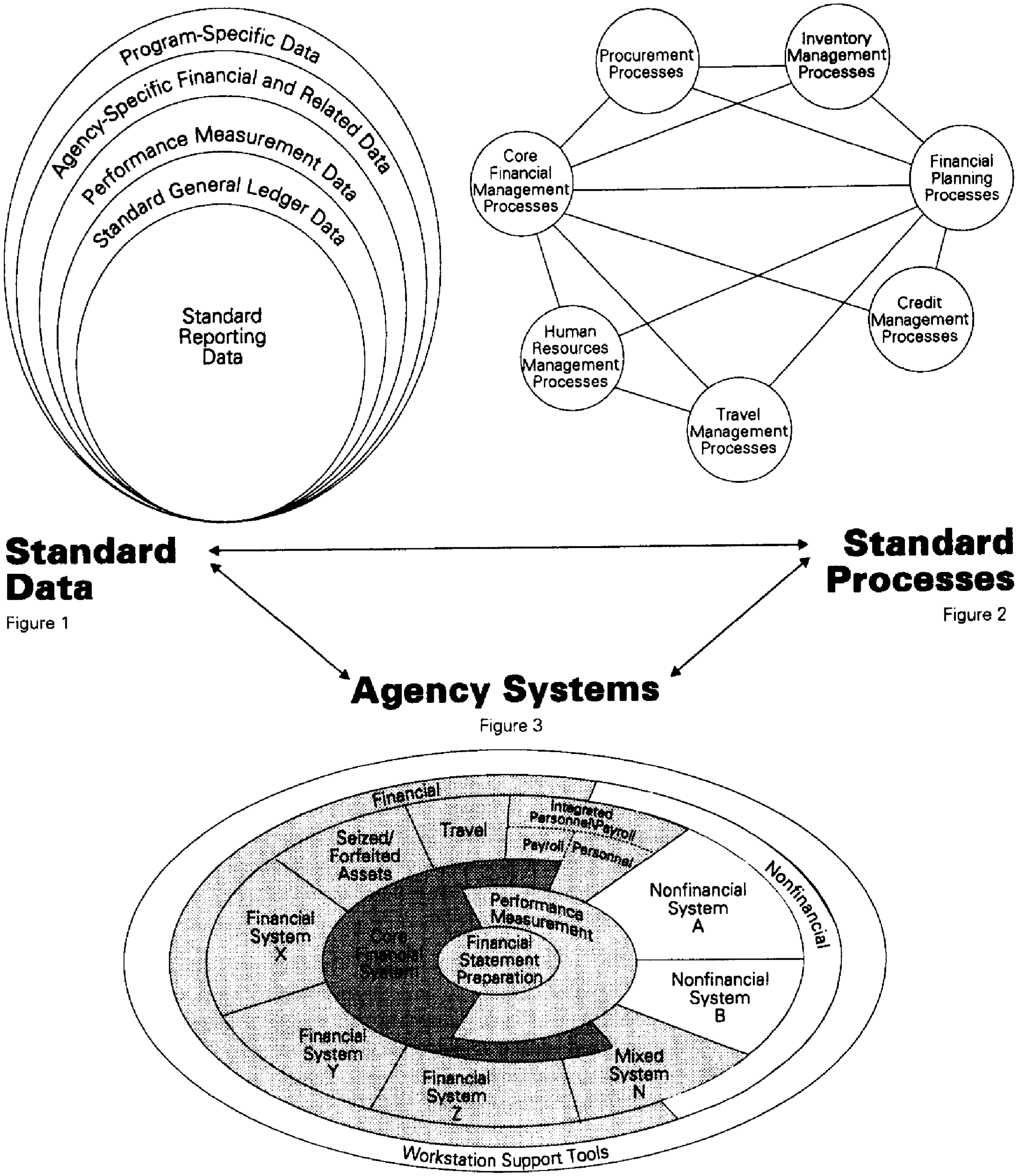


Illustration 2

software, adapt it to meet the agency's needs and environment, and implement it. In addition to installing software and hardware, implementation of a system includes establishing procedures, training users, modifying documentation, converting data from old systems, and providing ongoing maintenance.

Agencies are encouraged to use "off-the-shelf" software to reduce costs and improve the efficiency and effectiveness of financial system improvement projects; however, as stated previously, the agency has the ultimate responsibility for implementing sound financial management practices and systems, and cannot depend entirely on a vendor or contractor to do it for them.

Background

The U.S. Government's authority to seize and take ownership (forfeiture) of private property from individuals involved in civil or criminal wrongdoing has been in place for many years. However, within the last decade much greater emphasis has been placed on the use of forfeiture—particularly in the war against illegal drugs—to provide economic punishment for criminals and their enterprises. Although numerous agencies have forfeiture authority, the two principal entities primarily engaged in this law enforcement activity are the Departments of Justice and the Treasury.

Legislation has emphasized the commitment of the Executive and Congressional Branches to the seizure and forfeiture program. The recent significant legislation has included the following:

> The Comprehensive Crime Control Act of 1984 (PL 98-473) increased federal law enforcement agencies' authority to seize and obtain forfeiture of assets that were illegally used or acquired. The Act also established Asset Forfeiture Funds for both the Department of Justice and the U.S. Customs Service to finance the management and disposal of seized and forfeited assets.
>
> However, the Trade and Tariff Act of 1984 also created a Customs Forfeiture Fund and Customs chose to operate its Fund under the provisions of the Trade and Tariff Act through September 30, 1987. In 1988, the Anti-Drug Abuse Act (Drug Act) reestablished the Fund and authorized its continuance. The Treasury Forfeiture Fund Act of 1992 supersedes the Customs Forfeiture Fund. For fiscal year 1993, the Treasury Forfeiture Fund will continue to operate like the Customs Forfeiture Fund. Beginning in fiscal year 1994 all Treasury law enforcement organizations will fully participate.
>
> The Anti-Drug Abuse Act of 1988 (PL 100-690) further supported such efforts by requiring the Departments of Justice and the Treasury to develop and maintain a joint plan to coordinate and consolidate the post-seizure administration of properties seized for drug-related violations.

Property is seized and forfeited under the authority of various laws or regulations that are enforced or administered by authorized agencies within the federal government. The primary nature or purpose of enforcing the laws may differ. Examples are to:

- Take away instrumentalities of crime under the Asset Forfeiture Program;
- Restrict import and trademark violations under the Customs Duties regulations; and
- Satisfy a tax liability under the Internal Revenue Code.

Typically, assets seized subject to forfeiture are in four categories:

- Real Property
- Conveyances (vehicles, vessels, aircraft)
- Cash/Monetary Instruments
- Other (jewelry, electronics, art, etc.)

As of September 1991, the combined inventory reported as seized assets under the control of the U.S. Department of Justice and the Customs Service and Internal Revenue Service of the Department of the Treasury totaled nearly $3 billion. The gross amount does not take into account any outstanding liens and claims against the property. Annually, hundreds of millions of dollars of proceeds collected from asset forfeiture are distributed to a variety of recipients including state and local law enforcement agencies. This additional money has been used to help strengthen law enforcement efforts in a variety of ways including building new prisons.

Seizing and taking ownership of private property from citizens is an inherently sensitive government activity requiring a careful balancing of law enforcement objectives with the need to protect the rights of individuals. Legal requirements form a critical foundation for the systems used to support these activities. Within this legal framework, it is important to note that seizure and forfeiture are two separate processes.

- ***Seized properties*** are assets of others which are in the actual or constructive possession of any agency, pending forfeiture or satisfaction of other legal claims. In the context of these requirements, constructive possession is defined as control over the property declared by a judicial process or administrative process. These assets do not include assets acquired by the Resolution Trust Corporation and Federal Deposit Insurance Corporation (FDIC) through takeovers of insolvent financial institutions. *Seized assets are normally not owned by the federal government.* However, the government has a fiduciary responsibility to the owners for the custody and administration of the seized property.
- ***Forfeiture of property*** can be performed under two types of forfeiture proceedings:

    1. An administrative forfeiture is a civil proceeding against property that was used in conjunction with the commission of a crime. Agency procedures are followed to obtain an administrative forfeiture. They are:

        - The seizing agency provides a personal Notice of Seizure to all known or suspected parties of interest to inform them of the seizure, their right to claim the property, and how to file claim and a bond for the property.
        - A notice of seizure is advertised in the newspaper to notify parties-of-interest who could not be provided with a personal notice.

- The filing of the claim and the posting of the bond does not entitle the claimant to possession of the property. Instead, the administrative forfeiture is converted to a civil judicial forfeiture to be adjudicated by the courts.
- If a claim is not submitted for the administratively seized property, the seizing agency will follow agency procedures to obtain forfeiture of the property.

2. A judicial forfeiture can be a civil or a criminal proceeding.

Civil forfeitures are conducted against property in civil *in rem* proceedings (that is, legal action is taken against an item(s) of property, not against a person) without regard to guilt or innocence of the owner. Certain procedures must be followed by the government:

- The property is seized.
- Government begins judicial proceedings to secure declaration of forfeiture.
- Time is provided to claimants to exercise their rights.
- Government establishes probable cause for seizure.
- Claimants may successfully challenge.

Criminal forfeitures are principally derived from the 1968 enactment of the racketeering statutes, 19 U.S.C. 1961 - 1968, Racketeer Influenced and Corrupt Organization and Continuing Criminal Enterprise (known as the "RICO" statutes). These provide *in personam* proceedings (that is, they are proceedings against a person) to obtain property derived from criminal activity of which the defendant has been convicted of racketeering or drug trafficking laws. The indictment upon which the conviction is based must list property which the government asserts has been illegally obtained (conviction is a prerequisite for confiscation). As with civil forfeiture, above, certain procedures must be followed:

- A court issues a restraining order or injunction for the forfeitable property restricting its transfer or use.
- After conviction, the court declares the property identified in the indictment forfeit.
- Claimants are entitled to a hearing regarding their claims on the property.

In summary, given this law enforcement emphasis, these programs historically have been located in law enforcement agencies such as the U.S. Customs Service (Department of the Treasury) or the U.S. Department of Justice. A key challenge facing these agencies has been the tasks of effectively managing and disposing of billions of dollars worth of property through organizations for which the principal work is not property management. Because of the unusual and severe challenges involved, some programs have been designated as high risk areas by their agencies, warranting special attention because of their vulnerabilities to fraud, waste, and mismanagement.

Considering the sensitive nature of these types of programs, the financial management systems are a key program component and must provide the key information and controls necessary to help guard against mistakes which at worst could cause the wrongful seizure of property from innocent citizens. The systems must use effective management techniques to hold and dispose of these assets and employ effective performance measures to assess program efficiency and quality.

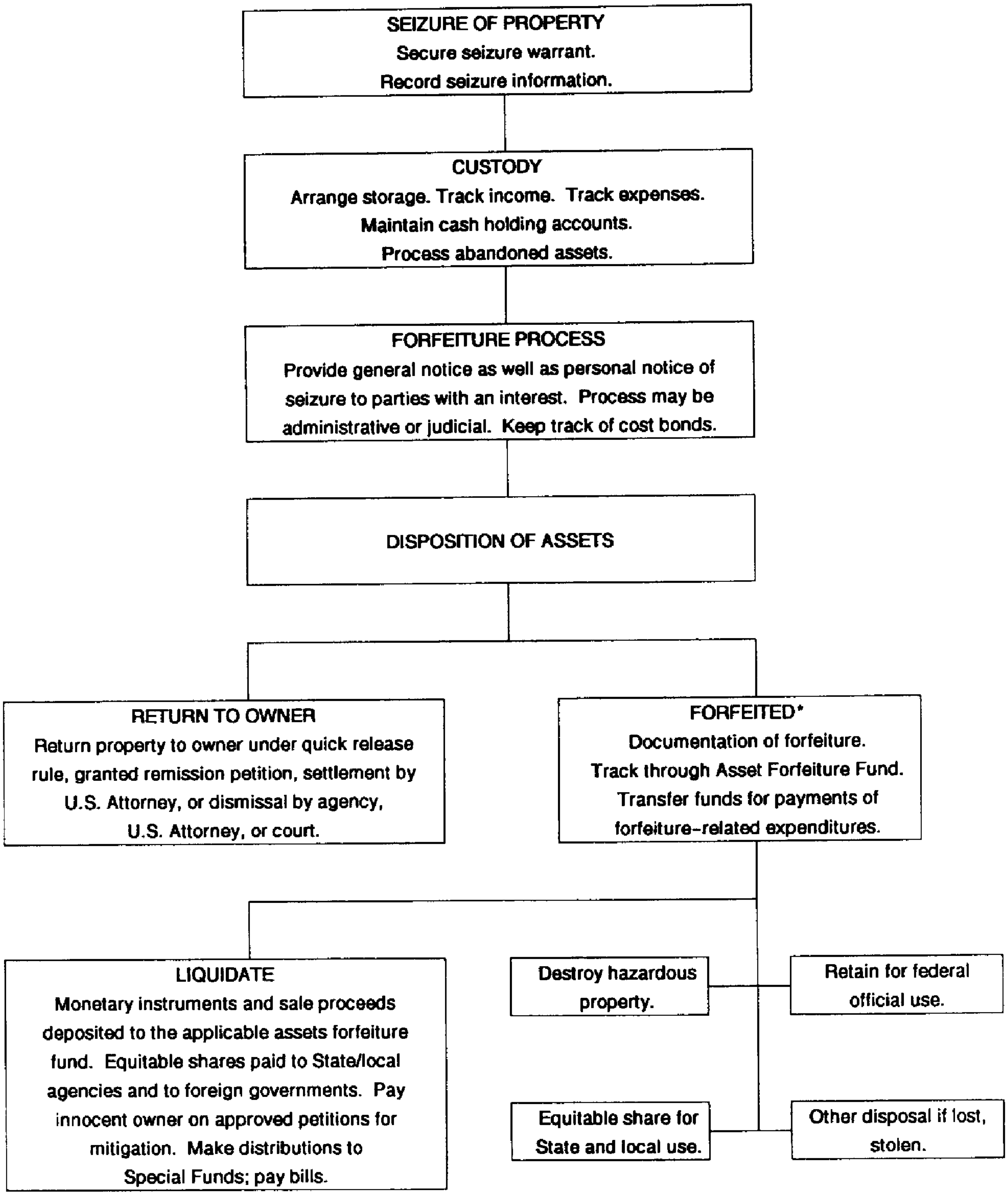
System Overview

A seized/forfeited asset system must track the status of a seized asset from the time of seizure, through various processing steps, which may include forfeiture, until final disposition of the asset (Illustration 3, page 10). The system must document seizure authorization and the key actions required for forfeiture. Once the property is seized, the system must record an estimated value of the property in agency property records. The valuing of the property depends on the type of property seized; for example, a vehicle may be valued using a Blue Book estimate whereas artwork may require a professional appraisal.

The system must track the asset's location and record income, costs incurred while the asset is in custody, and costs incurred in disposition activities. The system must interface with the agency's financial accounting system so the income, expenses, receivables, and liabilities generated in conjunction with the assets can be properly recorded, reconciled, and an audit trail constructed. Costs incurred for most assets in custody are paid out of the Forfeiture Funds.[1]

[1] Although the Internal Revenue Service uses the Justice Forfeiture Fund (starting in 1994 the IRS will use the Treasury Forfeiture Fund) in its criminal enforcement efforts, its collection effort does not. Forfeiture of property is not required under the Internal Revenue Code for the Collection Division to sell seized property. The sale of the seized property does not require clear title. The IRS acquires the right, title, and interest in the seized property up to the amount of the taxpayer's equity in the property. Upon sale of the seized property, the proceeds of the sale are applied first to the direct expenses incurred in the levy and sale proceedings and second to the taxpayer's delinquent account, with these amounts being forwarded to the general fund of the Treasury. If the proceeds are insufficient to cover the taxpayer's delinquent account balance, the IRS continues efforts to obtain the unpaid balance. If the proceeds exceed the expenses of sale and the amount of the delinquent account, the surplus is returned to the taxpayer.

Seized and Forfeited Assets Process



* For IRS collection activities, see Footnote #1 (see page 9).

Illustration 3

These costs are considered to be either non-discretionary or discretionary and may be subject to limitation.

- Non-discretionary expenses include investigative costs, purchases of evidence and information leading to seizure, holding costs, security costs, etc. Also included in this category of expenses are awards of compensation to informers, satisfaction of liens against forfeited property, and claims of interested parties to forfeited property. Non-discretionary expenses may be financed through the revenue generated from forfeiture activities without limitation, after budgetary approvals.
- Discretionary costs include purchases of evidence and information related to smuggling of controlled substances, purchases of vehicles to assist in law enforcement activities, reimbursement of private persons for expenses incurred while cooperating in investigations, reimbursement of costs incurred by state and local law enforcement agencies in joint law enforcement operations, and publication of the availability of awards. Discretionary expenses are subject to an annual Congressional appropriation.

The proceeds from the sale of forfeited property, after costs of holding the sale have been deducted, are deposited to the Forfeiture Fund. Seized cash is transferred from the Seized Asset Deposit Account to the Forfeiture Fund when the forfeiture process has been completed. At the end of each fiscal year, unobligated amounts in excess of the limitations established by Congress must be returned to the general fund of the Treasury. (As described previously in footnote 1, the IRS uses collection activities which differ somewhat from the foregoing description.)

Forfeiture Funds are audited each fiscal year. Income, expenses, and dispositions associated with the Fund must be accurately recorded in financial accounting systems. Internal controls must insure that the information generated is reliable.

Additionally, the systems must provide reports which provide results of the performance of the system. These indicators allow managers a basis for informed decision-making, so they can monitor areas of concern, properly evaluate results, and take appropriate corrective action. The sensitive nature of these activities—taking private property away from citizens—heightens the importance of having sound policies, good internal controls, and adequate staff to effectively manage and dispose of the assets. Effective program management maximizes the economic return to the government, improves the timeliness of asset proceeds shared with state and local law enforcement agencies, and helps assure that innocent parties with valid interests in the property being forfeited are protected.

To further assist agencies, a model was developed by the Department of the Treasury's Financial Management Service to serve as a guide for federal law enforcement agencies involved with the asset management functions of seized and forfeited assets programs.[2]

[2] Project USA, *Model of Best Practices for Managing Seized and Forfeited Assets: A Guide for Federal Law Enforcement Agencies*, September 1992.

Seizure Activities

When certain civil and criminal laws are violated, enforcement agencies have the authority to seize the possessions of the violator. All federal government seizures of private property must be made in accordance with applicable laws and regulations and must be specifically authorized. This initial authorization is the cornerstone of all subsequent asset seizure and forfeiture activity. A seized/forfeited asset system must provide for the following:

- Coding (i.e., a unique identifier) for the asset that will facilitate tracking through seizure, forfeiture, holding, and disposition.
- Timely recording of the date of seizure, the type of asset, the location where seized, the physical condition, the physical location, owner(s) if known, and entities involved in the seizure.
- Timely and accurate recording of the originally assigned value and the basis for the initial value placed on each seized asset and the identification of who assigned the asset value.
- Timely recording of any mortgage and claim liabilities against each seized asset.
- Capability to query the current information on processing status of any seized asset captured in the database.
- Information necessary to enable verification that seizure authorization exists and that the seizure/forfeiture criteria established by management have been observed.
- Allowing for correction, amendment, and cancellation of the seizure authorization, with appropriate controls and reports to responsible program officials and other affected parties.
- Prompt payment of properly authorized and billed services. This system must interact with the core financial system to accomplish this task.

Asset Custody Activities

Organizations that have custody of seized and forfeited assets must have adequate policies and procedures to make sure all assets are properly received, recorded, valued, maintained, and controlled throughout the seizure and forfeiture process. An asset custody system component must have the capability to:

- Capture, record and maintain accurate information on the current physical condition, legal status, geographic location, responsible custodian and the current recorded value of each seized asset in custody.
- Provide a record that advertising and the issuance of notice of property seized have been accomplished, if required.
- Provide information to enable seized cash to be deposited promptly into cash holding accounts.

- Track and promptly record the deposit of income generated by seized businesses on an asset by asset basis.
- Segregate forfeited assets from those in seized status.
- Allocate and record all maintenance and overhead costs on an asset by asset basis.
- Record and account for all theft, loss, and damage expenses on an asset by asset basis.
- Provide accurate and timely reconciliations between agency seized-asset records and records of contractors being used to maintain, store, and dispose of seized assets.
- Provide information to allow the independent verification that each asset exists and that the recorded physical condition, legal status, geographic location, and asset value are accurate.
- Provide information to allow an independent verification that all billed contractor/vendor services were actually performed.
- Record and track cost bonds.
- Obtain collateral coverage from financial institutions as needed.
- Accumulate performance histories on all vendors and contractors (both private and government) that perform asset custodial/maintenance services.
- Pay promptly all contractors/vendors performing asset maintenance/management services. The system must interact with the core financial system to accomplish this task.
- Inform system users regarding compliance with established asset custody controls.
- Retrieve quickly detailed information on the current location, value and condition of individual assets.
- Record accurately and timely the forfeiture action for each asset.
- Produce exception reports.

Asset Disposition Activities

A key component of an effective asset seizure and forfeiture process is the orderly disposition of the assets. If asset disposition is perceived as unfair or inefficient, the effectiveness of the entire process could be called into question. In particular, accounting for all proceeds from asset disposition is very important. An effective asset disposition component must have the capability to:

- Record accurately and timely each asset disposition, including the unique identifier of specific asset, type of asset, type of disposition, location of disposition, responsible official, and current asset value at time of disposition.

- Flag low-value and time-sensitive assets to assure their timely recording and liquidation.
- Record and account accurately for all revenues and asset specific expenses generated from asset disposition activities (sale, quick release, settlement, remission, dismissal) on an asset by asset basis.
- Verify that proper authorization exists for all seized asset dispositions.
- Record detailed information on each specific asset disposition transaction, including the name, Social Security number or Tax Identification number, address and employment affiliations of the person(s) receiving the asset.
- Record and account accurately for all distributions of excess revenues over expenses.
- Provide a complete accounting for both the applicable asset forfeiture fund balances and the seized asset deposit fund balance.
- Record deposits of funds associated with the asset seizure and forfeiture program made into other law enforcement related accounts.
- Provide an audit trail for assets distributed to other entities.
- Record promptly the deposit of all proceeds from the sale of forfeited assets into the applicable Asset Forfeiture Fund account.
- Record promptly transfers of cash from the applicable Seized Asset Deposit Account to the applicable Forfeiture Fund account.
- Test periodically asset disposition transactions to ensure that the process is not being victimized by "insider" transactions.
- Verify independently that all billed contractor services were actually performed.
- Pay promptly innocent owners or approved petitions for mitigation. The system must interact with the core financial system to accomplish this task.

The asset seizure and forfeiture system should provide the capability to support management's objectives for efficiency and quality. It should provide for a full disclosure of the financial results of the program. In addition, it should provide for the identification of a set of measures that management can use to assess the efficiency and quality of the financial management process. Performance measurement for specific program components, such as property disposal, must also be supported. Management should be able to assess performance from a variety of perspectives, including program-wide or office-wide levels. Reports for accounting and payment history purposes should also be provided, adapted to meet agency needs. The efficiency and quality performance indicators may include the following:

- Periodic calculation of the elapsed time for each asset seizure to proceed through the asset forfeiture process and comparison to established management goals. At a minimum, both the time necessary to complete the entire process and the time intervals between the following key processing steps should be measurable for any individual seizure and for each asset type on an average basis. Key processing steps are:

  —Cash seizure to deposit in financial institution holding account

  —Seizure to noticing

  —Petition receipt to petition ruling

  —Seizure to forfeiture

  —Cash forfeiture to deposit

  —Forfeiture to disposal

  —Equitable sharing request to sharing decision

  —Equitable sharing decision to disbursement

- Periodic recording of the results of individual contract compliance audits of asset valuation, asset custodial, asset disposition, and asset maintenance activities performed by contractors.

- Periodic comparison between the date that each seizure/forfeiture event is captured in the system and the date the event actually occurred and comparison of results to established management data entry goals.

- Periodic comparison of trends in asset theft, loss or damages to established management goals.

- Record of preliminary estimates of the timing and the financial results (net dollar value realized, the percentage of the currently recorded appraised value realized, and the percentage of value lost) for each seizure.

- Periodic calculation of trends in the ratio of asset management and disposal costs to gross sales proceeds for all assets sold by asset type and comparisons of results to established management goals.
- Periodic calculation of trends in the ratio of gross sales proceeds to appraised (market) value of all assets sold by asset type and comparison to established management goals.
- Periodic assessment by management of internal control structure to assure management to the extent possible that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

ADP Systems Requirements

This section lists requirements itemized in Part IV, ADP Systems Requirements, of the *Core Financial System Requirements*. Throughout the editing and processing activity of the seized/forfeited asset system, information must be maintained to support editing and computations. In addition to ADP System requirements to achieve this objective, edits must be applied to assure that data and/or transactions are:

- not redundant and that each asset captured in the system is assigned a unique identifier to link associated information upon entry.
- appropriately alphabetical, numeric, or both.
- within established ranges or consistent with predefined values.
- properly authorized and access to sensitive information is secure.
- executed to ensure the capture of critical data:

  —upon initial entry of an asset,

  —for each of the subsequent steps in the asset forfeiture process, and

  —before an asset is closed out of the system.
- not executed before the minimum time for execution, in accordance with legal criteria, has passed.
- not executed after the maximum time for execution, in accordance with legal criteria and agency policy, has passed.
- not otherwise executed contrary to legal criteria.
- executed for all assets, employees, locations, or other parameters intended.

Editing components must also provide:

- easily understood messages to identify the nature of errors.
- the capability to correct errors immediately on line or have them placed in suspense files for later correction.
- a complete audit trail of additions, changes, or deletions of data.

Software Documentation

The requirements for software documentation are listed in appendix C of the *Core Financial System Requirements.* The information provided is meant to identify the scope and intent of the documentation requirements rather than to state them definitively.

Interfacing Systems

The Seized/Forfeited Asset System must be capable of processing transactions from other external systems and of recording and tracking such transactions and related information to provide the basis for central control. (This may require a customized interface to properly identify and format the transactions.) The system must provide:

- Flexibility to accept data input from multiple media that recognizes user agencies' unique data input requirements.
- Capability to (1) customize data input, processing rules, and edit criteria; and (2) provide agencies flexibility in defining internal operational procedures and in supporting agency requirements.
- Capability, if necessary, to identify and process transactions from other systems that enter and update the standard seized/forfeited asset system. Subject all transactions from interfacing systems to the standard seized/forfeited asset system edits, validations, and error-correction procedures.
- Capability to upload and download data in an interface environment.
- Flexibility to provide multiple-media output reports and recognize user agencies' unique data output requirements.
- Capability to allow users to customize output for reporting and providing interfaces to other systems necessary to link financial and program results and meet agency requirements for external processing (e.g., general ledger posting, budget reconciliation and execution, cost accumulation).
- Capability to transmit information on the results of seizure/forfeiture transactions to the Core financial system per the requirements itemized in Part II, Accounting Functional Requirements, of the *Core Financial System Requirements* for such purposes as:

  —Generating requests for disbursements,

  —Updating the standard general ledger,

  —Generating obligation records,

  —Generating requests for funds transfer, and

  —Updating funds control.

System Administration

System administration provides centralized control and administration of the seized/forfeited asset system. Functions to be assumed by the systems administration support personnel would include:

- Maintaining an adequately skilled workforce.
- Maintaining effective financial systems interface.
- Monitoring and responding to user needs for information.
- Supporting and maintaining an effective system of internal controls.
- Maintaining general system information and documentation.
- Maintaining an effective records retention process.
- Providing capability to interact directly with other system users and develop automated exchange of information where feasible.
- Maintaining system security.

Appendix: Major Contributors to this Report

Joint Financial Management Improvement Program

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