

United States General Accounting Office

**GAO**

Financial Management Series

December 1997

**Seized/Forfeited Asset  
System Checklist**

**Systems Reviewed Under the Federal  
Financial Management Improvement Act of  
1996**



**Exposure Draft**

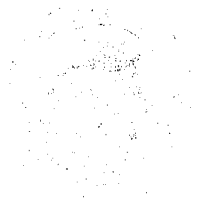
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## PREFACE

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The Federal Financial Management Improvement Act (FFMIA) of 1996, requires, among other things, that agencies implement and maintain management systems that comply with federal financial management systems requirements. These requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and in the Office of Management and Budget (OMB) guidance referred to in those documents.

To help agencies review their financial management systems and assist auditors with their responsibilities under FFMIA,<sup>1</sup> we have developed eight checklists, which we are issuing concurrently for comment as exposure drafts. Seven of the checklists reflect the system requirements defined by JFMIP. The eighth checklist, based on the JFMIP framework document, describes a single integrated financial management system and is primarily a reference tool rather than a standard-setting document.

As more system requirements are issued, we intend to develop additional checklists. When these checklists are issued in final form, they will be available on the Internet on GAO's Home Page ([www.gao.gov](http://www.gao.gov)).

Additional copies of the exposure draft of this checklist can be obtained from Room 1100, 700 4th St. NW, U.S. General Accounting Office, Washington, D.C. 20548, or by calling (202) 512-6000. Please send comments by February 28, 1998 to Robert W. Gramling, Director, Corporate Audits and Standards, Accounting and Information Management Division, at

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<sup>1</sup>The final form of this checklist will be included in GAO's Financial Audit Manual.

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### Abbreviations

FFMIA Federal Financial Management Improvement Act of 1996  
JFMIP Joint Financial Management Improvement Program  
OMB Office of Management and Budget

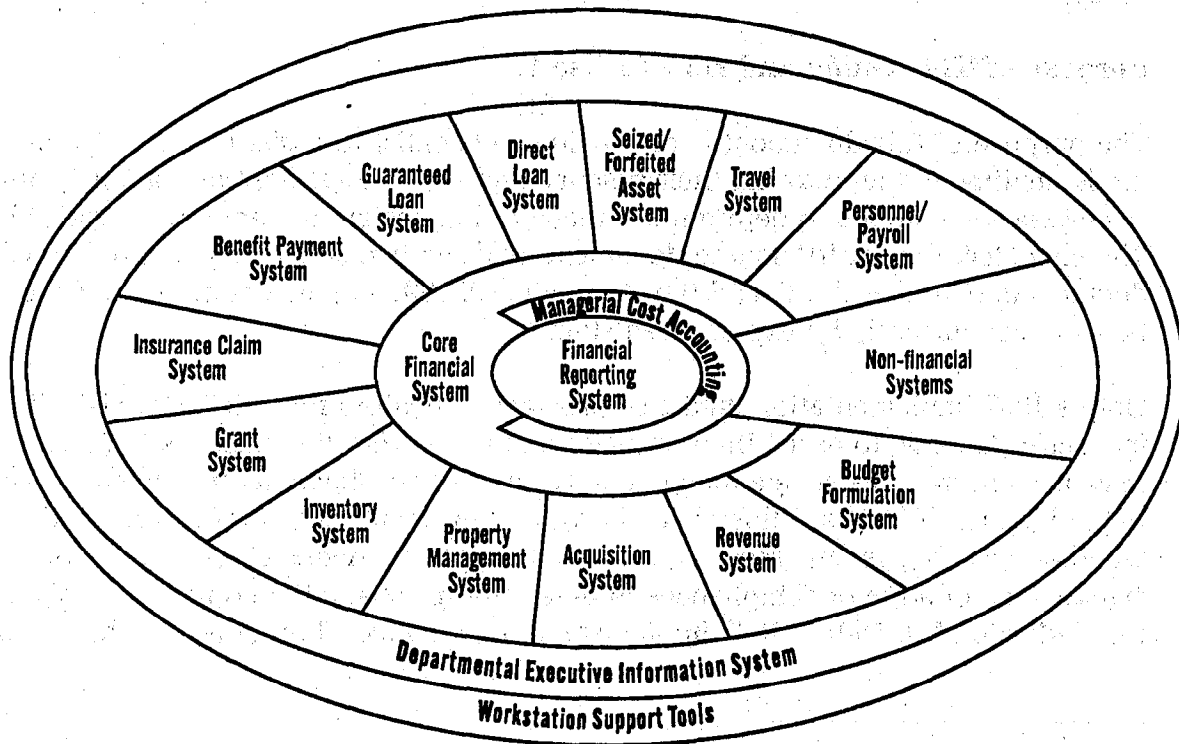
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## OVERVIEW

The Federal Financial Management Improvement Act (FFMIA) of 1996, requires, among other things, that agencies implement and maintain financial management systems that comply with federal financial management systems requirements. These system requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and Office of Management and Budget (OMB) Circular A-127, Financial Management Systems. The JFMIP requirements documents identify (1) a framework for financial management systems, (2) core financial systems requirements, and (3) 16 other systems supporting agency operations. Figure 1 illustrates how these elements fit together in an agency systems architecture.

Figure 1: Agency Systems Architecture



Source: JFMIP Federal Financial Management System Requirements documents.

To date, JFMIP has issued the framework and core documents and 6 of the 16 systems identified in the architecture.<sup>2</sup>

GAO is issuing this and seven other checklists that correspond to the JFMIP documents as part of its Financial Management Series. GAO will issue other checklists as additional systems requirements are defined.

### **Authoritative Guidance**

OMB Circular A-127 and OMB's Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA) of 1996, issued September 9, 1997, provide the basis for assessing compliance with the FFMIA requirement for agencies to implement and maintain financial management systems that comply substantially with federal requirements. OMB's September 1997 implementation guidance identifies various criteria that an agency must meet to be in substantial compliance with these requirements.

The source of all the questions in this checklist is the Joint Financial Management Improvement Program Federal Financial Management System Requirements Seized/Forfeited Asset System Requirements (FFMRS-4, March 1993 (Reprinted January 1995)).

### **Purpose of This Guide and How to Use It**

The purpose of this document is to provide a checklist to assist (1) agencies in implementing and monitoring their systems and (2) management and auditors in reviewing the systems to determine if they are in substantial compliance with FFMIA. The checklist, the JFMIP source document, and the two previously mentioned OMB documents (Circular A-127 and the September 9, 1997 implementation guidance) should be used concurrently by experienced staff.

OMB's 1997 implementation guidance provides indicators for chief financial officers and inspector generals to assist them in determining whether the agency's financial management systems substantially comply with federal financial management systems requirements. Filling out this checklist will allow agencies to systematically determine whether specific systems requirements are being met. Agencies can assess the significance of any noncompliances in determining substantial compliance by considering the "indicators" in OMB's 1997 implementation guidance. For example, the annual agency

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<sup>2</sup>Thus far, the series includes the (1) Framework for Federal Financial Management Systems, (2) Core Financial System Requirements, (3) Inventory System Requirements, (4) Seized/Forfeited Asset System Requirements, (5) Direct Loan System Requirements, (6) Guaranteed Loan System Requirements, (7) Travel System Requirements, (8) and Personnel-Payroll System Requirements.



assurance statement issued pursuant to section 4 of the Federal Managers' Financial Integrity Act is one of those indicators. Agencies can use GAO's checklists to help determine annual compliance with the section 4 requirement.

The following Seized/Forfeited Asset System Requirements section contains a brief narrative followed by the checklist, which is organized by functions contained in the source JFMIP document.

In the checklist, two columns follow each question. Use the first column to answer each question "Yes," "No," or "NA." Use the second column to explain your answer. A "Yes" answer should indicate that the agency's system or systems provide for the capability described in the question. For each "Yes" answer, briefly describe how the system(s) contain the capability and refer to a source that explains or shows the capability.

A "No" answer indicates that the capability does not exist. For a "No" answer, the second column should provide an explanation and a reference to the supporting documentation. Such explanations could include the following: (1) The agency is working on modifying or implementing its system(s) to have the capability available in subsequent years. (2) Management believes the capability is not cost effective and will not enhance the systems' ability to manage operations. Refer to any cost-benefit studies that support such explanation. If there are none, provide a full explanation.

Not every guide may apply to an agency. Further, while a guide may be applicable to an agency, certain questions within the guide may not be applicable. Answer such nonapplicable question(s) with an "NA" and provide an appropriate explanation in the second column.

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## SEIZED/FORFEITED ASSET SYSTEM REQUIREMENTS

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The seized/forfeited asset system requirements helps agencies 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.

The three components of the seized/forfeited asset system are discussed below.

1. Seizure Activities - When certain civil and criminal laws are violated, certain enforcement agencies have the authority to seize the possessions of the violator. (The checklist questions for this area are drawn from page 13 of the source document.)
2. 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. (The checklist questions for this area are drawn from pp. 13-14 of the source document.)
3. Asset Disposition Activities - A key component of an effective asset seizure and forfeiture process is the orderly disposition of the assets in accordance with the law applicable to those assets. (The checklist questions for this area are drawn from pp. 14-15 of the source document.)

The checklist questions follow the JFMIP source document. It should be noted that not all questions will apply in all situations and, as with the use of any checklist, professional judgement should be exercised. Using the JFMIP source document along with the two previously mentioned OMB documents will help ensure that the user is cognizant of the background information and definitions necessary to fully understand the questions.

## Seized/Forfeited Asset System Requirements

Seizure activities component	Yes/no NA	Explanation
<p>Does the system provide:</p> <p>1. Coding (i.e., a unique identifier) for the asset that will facilitate tracking through seizure, forfeiture, holding, and disposition?</p>		
<p>2. 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?</p>		
<p>3. 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?</p>		
<p>4. Timely recording of any mortgage and claim liabilities against each seized asset?</p>		
<p>5. Capability to query the current information on processing status of any seized asset captured in the database?</p>		

## Seized/Forfeited Asset System Requirements

Seizure activities component	Yes/no NA	Explanation
6. Information necessary to enable verification that seizure authorization exists and that the seizure/forfeiture criteria established by management have been observed?		
7. Provide for the correction, amendment, and cancellation of the seizure authorization, with appropriate controls and reports to responsible program officials and other affected parties?		
8. Prompt payment of properly authorized and billed services? This system must interact with the core financial system to accomplish this task.		

## Seized/Forfeited Asset System Requirements

Asset Custody Activities Component	Yes/No NA	Explanation
Does the system component have the capability to:		
1. 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?		
2. Provide a record that advertising and the issuance of notice of property seized have been accomplished, if required?		
3. Provide information to enable seized cash to be deposited promptly into cash holding accounts?		
4. Track and promptly record the deposit of income generated by seized businesses on an asset-by-asset basis?		
5. Segregate forfeited assets from those in seized status?		

## Seized/Forfeited Asset System Requirements

Asset Custody Activities Component	Yes/No NA	Explanation
6. Allocate and record all maintenance and overhead costs on an asset by asset basis?		
7. Record and account for all theft, loss, and damage expenses on an asset by asset basis?		
8. Provide accurate and timely reconciliations between agency seized-asset records and records of contractors being used to maintain, store, and dispose of seized assets?		
9. 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?		
10. Provide information to allow an independent verification that all billed contractor/vendor services were actually performed?		
11. Record and track cost bonds?		

## Seized/Forfeited Asset System Requirements

Asset Custody Activities Component	Yes/No NA	Explanation
12. Obtain collateral coverage from financial institutions as needed?		
13. Accumulate performance histories on all vendors and contractors (both private and government) that perform asset custodial/maintenance services?		
14. Pay promptly all contractors/vendors performing asset maintenance/management services? The system must interact with the core financial system to accomplish this task.		
15. Inform system users regarding compliance with established asset custody controls?		
16. Retrieve quickly detailed information on the current location, value, and condition of individual assets?		
17. Record accurately and timely the forfeiture action for each asset?		



## Seized/Forfeited Asset System Requirements

Asset Custody Activities Component	Yes/No NA	Explanation
18. Produce exception reports?		

## Seized/Forfeited Asset System Requirements

Asset disposition activities component	Yes/no NA	Explanation
<p>Does the system component have the capability to:</p> <ol style="list-style-type: none"> <li>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?</li> </ol>		
<ol style="list-style-type: none"> <li>Flag low-value and time-sensitive assets to ensure their timely recording and liquidation?</li> </ol>		
<ol style="list-style-type: none"> <li>Record and account accurately for all revenues and asset specific expenses generated from asset disposition activities (sale, quick release, settlement, remission, or dismissal) on an asset-by-asset basis?</li> </ol>		
<ol style="list-style-type: none"> <li>Verify that proper authorization exists for all seized asset dispositions?</li> </ol>		

## Seized/Forfeited Asset System Requirements

Asset disposition activities component	Yes/no NA	Explanation
5. 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?		
6. Record and account accurately for all distributions of excess revenues over expenses?		
7. Provide a complete accounting for both the applicable asset forfeiture fund balances and the seized asset deposit fund balance?		
8. Record deposits of funds associated with the asset seizure and forfeiture program made into other law enforcement related accounts?		
9. Provide an audit trail for assets distributed to other entities?		

## Seized/Forfeited Asset System Requirements

Asset disposition activities component	Yes/no NA	Explanation
10. Record promptly the deposit of all proceeds from the sale of forfeited assets into the applicable Asset Forfeiture Fund account?		
11. Record promptly transfers of cash from the applicable Seized Asset Deposit Account to the applicable Forfeiture Fund account?		
12. Test periodically asset disposition transactions to ensure that the process is not being victimized by insider transactions?		
13. Verify independently that all billed contractor services were actually performed?		
14. Pay promptly innocent owners or approved petitions for mitigation? The system must interact with the core financial system to accomplish this task.		

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