DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 1, 2000

Accounting Policy Memorandum – OAIC 00-04

MEMORANDUM FOR BUREAU CHIEF FINANCIAL OFFICERS
DEPUTY CHIEF FINANCIAL OFFICERS

FROM: James R. Lingebach (signed)
Acting Deputy Chief Financial Officer

SUBJECT: Accounting for Treasury Forfeiture Fund Revenue and Related intra-Departmental Transactions

The Office of the Deputy Chief Financial Officer is issuing this Accounting Policy Memorandum to be used in assistance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, ***Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting***. Consistent with Treasury Directive 32-01, ***Accounting Principles and Standards***, this memorandum provides additional implementation guidance to amend the Department's accounting principles and standards.

Attachment

Department of the Treasury
Office of the Deputy Chief Financial Officer

November 1, 2000

Accounting Policy Statement: **Accounting for Treasury Forfeiture Fund Revenue and Related intra-Departmental Transactions.**

Implementation: FY 2000

Treasury Accounting Policy:

1. The Forfeiture Fund will continue to recognize revenue from the forfeiture of assets from the public as nonexchange revenue for both its own financial statements and for the Government-wide consolidated financial statements.

2. For proprietary accounting purposes, distributions of funds to Treasury bureaus from the Super Surplus Fund or the Secretary's Enforcement Fund will be recognized as transfers in by Treasury bureaus. The Forfeiture Fund will recognize the transactions as transfers out. For budgetary accounting purposes, Treasury bureaus will record the transactions as reimbursements. The Forfeiture Fund will record the transactions as expended authority. The Forfeiture Fund will provide Treasury bureaus with details of the amounts that should be recognized.

3. The Forfeiture Fund will recognize the cost of services provided by other Treasury bureaus as expenses. Treasury bureaus that provide services to the Forfeiture Fund will recognize the corresponding revenue as exchange revenue.

Basis for Conclusions:

Discussions were held on the application of the accounting standard on July 18, 2000. In attendance were representatives from the Office of Accounting and Internal Control (AIC), the Executive Office of Asset Forfeiture (EOAF), Treasury's Law Enforcement Bureaus, the Office of Inspector General (OIG), and Independent Public Accounting firms contracted by the OIG.

There was consensus among all participants, during the meeting and in subsequent discussions, on the propriety of accounting treatment in Numbers 1 and 2, above.

However, with respect to item Number 3 above, there was much debate and opposing view points expressed on the interpretation of the standard. Accounting for revenue from forfeiture of property is specifically addressed in Statement of Federal Financial Accounting Standards (SFFAS) No. 7, paragraphs 264 through 270. SFFAS No. 7, paragraph 267, requires that revenue from forfeiture be recognized as nonexchange by "…the entity that is legally entitled to use the revenue or to use the property itself." There was considerable debate as to who to apply this provision to, because it was could be viewed that either the legal entity stopped at EOAF or continued through to a receiving Treasury bureau.

Further, various viewpoints were expressed with regard to the appropriate accounting treatment for item Number 3 with regard to whether the revenue should be recognized by Treasury bureaus as exchange, non-exchange or a combination of both classifications. If the revenue were to be recognized by bureaus as nonexchange (transfers-in), the Forfeiture Fund would be required to recognize transactions as transfers-out rather than expenses.

It was determined that, the language used in SFFAS No. 7, paragraphs 264 through 270, allows a fair amount of latitude by a reasonable reader in formulating an opinion on what constitutes compliance with the standard. Accordingly, it was suggested a case could be made in support of each of the interpretations as being in conformity with SFFAS No. 7.

In conclusion, the best overall position is to have uniformity in the application of the standard within Treasury. Therefore, the Department will consider the ongoing recognition of these transactions as expenses by the Forfeiture Fund and exchange revenue by Treasury bureaus to be in conformity from SFFAS No. 7.

Special FY 2000 Year-End Instructions Related to Item No. 2

Treasury bureaus and the Forfeiture Fund did not record these funds, for proprietary accounting purposes, as transfers in and transfers out during FY 2000. A reclassification for year-end reporting from the revenue/expense SGLs to the transfer in/out SGLs must be made to conform to this policy. The Forfeiture Fund will provide Treasury Bureaus with details of the amounts that should be recognized. **The reclassification does not need to be in the TIER Period 13 submission. However, it must be included in the TIER Period 14 submission.**

Contact: Joe McAndrew (202) 622-0807