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**Subject:** DHS comment on FASAB Annual Report and Three-Year Plan

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**From:** Vetter, Barbara

**Sent:** Friday, January 17, 2025 1:02 PM

**To:** FASAB

**Cc:** MCCONNELL, LEAH; Beard, Robert; Eun, James

**Subject:** DHS comment on FASAB Annual Report and Three-Year Plan

DHS has completed its review of FASAB's 2024 Annual Report and Three-Year Plan and would like to request a reexamination of the current standards in Statements of Federal *Financial* Accounting Standards (SFFAS) No. 3 – *Accounting for Inventory and Related Property* and/or Technical Release No. 4 – *Reporting on Non-Valued Seized and Forfeited Property*. DHS is requesting that the disclosure of non-valued (prohibited) seized and forfeited property be moved from basic information (financial note) to the Required Supplementary Information (RSI).

DHS brings this to FASAB's attention as the publication of TR 4 produced an unforeseen consequence during DHS's FY2024 financial audit. In short, during the FY2024 audit, DHS came very close to receiving a modified audit opinion, and also faced potentially having to "restate" the prior year data (with no dollar amount impact), solely due to this non-valued property note which has absolutely no impact on our financial statements. If DHS had been unable to overcome some significant audit challenges and sustain a clean audit opinion on our FY2024 financial statements, the alternate outcome probably would have been an unprecedented, and arguably unanticipated, audit outcome for any agency (i.e., non-financial disclosure item with no dollar impact on the principle financial statements and other valued notes single-handedly causing a financial statement audit qualification...) DHS believes that FASAB could not have imagined this scenario when TR No. 4 was published.

Our rationale for the recommendation includes the following major considerations:

- 1) usefulness of this disclosure information to the average readers of the financial statements (FS) is low;
- 2) adverse impact and complexity of having to accommodate financial reporting needs/requirements (in order to satisfy financial statement audit rigor) over the law enforcement operational needs/priorities that require expedited transfers of seized items to the custodial agencies (e.g., without any additional delays incurred to satisfy the accuracy required for audit (in weight/count);
- 3) questionability of whether the cost of auditing this disclosure (by Independent Public Auditors, which has been growing in recent years) justifies the benefit of having the audited information – i.e., what meaningful difference are there to the readers of FS whether the information is audited (presented as notes) or unaudited (presented as RSI)?

The close call DHS had with potentially losing our clean audit opinion for FY2024 is driving our request for reexamination by FASAB. DHS believes that relocating the seized and forfeited property footnote to RSI would enhance the overall usability of the financial statements without compromising their integrity or completeness. We respectfully request that FASAB consider our request to modify SFFAS 3 and/or TR 4.

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