



# Audit Report



OIG-21-015

## FINANCIAL MANAGEMENT

**Audit of the Department of the Treasury Forfeiture Fund's  
Financial Statements for Fiscal Years 2020 and 2019**

December 15, 2020

Office of Inspector General  
Department of the Treasury

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DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

December 15, 2020

OFFICE OF  
INSPECTOR GENERAL

**MEMORANDUM FOR JOHN FARLEY, DIRECTOR  
TREASURY EXECUTIVE OFFICE FOR ASSET FORFEITURE**

**FROM:** James Hodge /s/  
Director, Financial Audit

**SUBJECT:** Audit of the Department of the Treasury Forfeiture Fund's  
Financial Statements for Fiscal Years 2020 and 2019

We hereby transmit the attached subject report. Under a contract monitored by our office, GKA, P.C. (GKA), a certified independent public accounting firm, audited the financial statements of the Department of the Treasury Forfeiture Fund (TFF) as of September 30, 2020 and 2019, and for the years then ended, and provided a report on internal control over financial reporting, and a report on compliance with laws, regulations, and contracts tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the TFF, GKA found

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, and contracts tested.

In connection with the contract, we reviewed GKA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on TFF's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. GKA is responsible for the attached auditors' reports dated November 16, 2020, and the conclusions expressed in the reports. However, our review disclosed no instances

Page 2

where GKA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-0009, or a member of your staff may contact Catherine Yi, Manager, Financial Audit, at (202) 927-5591.

Attachment



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**Treasury Forfeiture Fund  
ACCOUNTABILITY REPORT  
Fiscal Year 2020**

**DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.**

*Member of the American Institute of Certified Public Accountants*

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## Message from the Director

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I am pleased to present the fiscal year (FY) 2020 Accountability Report for the Treasury Forfeiture Fund (the Fund). While highlighting the Fund's financial and operational performance over the past year, this report also focuses on some of the significant investigative achievements of our participating law enforcement agencies this year. FY 2020 was another challenging year whereas \$30.3 million was sequestered as part of the government-wide sequestration order. In terms of overall revenue, FY 2020 was another highly successful year for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with total gross non-exchange revenues of \$530 million deposited to the Fund.

The continued high-impact performance of the Fund reflects the ongoing hard work of our law enforcement bureaus as well as Fund management's emphasis on major case initiatives, asset forfeiture program training, and a focused approach regarding our performance measure, which gauges revenue from high-impact cases. The mission of the Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by our law enforcement bureaus to disrupt and dismantle criminal enterprises. It is our view that the greatest damage to criminal enterprises can be achieved through large forfeitures; hence we have set a target level of 80 percent of our forfeitures to be high-impact, i.e., cash forfeitures equal to or greater than \$100,000. This target level is up from 75 percent set for FY 2010 and prior years. For FY 2020, our member bureaus exceeded the target with a performance level of 83 percent.

In FY 2020, we continued prioritizing the strategic use of forfeited funds to enhance our participating agencies' infrastructure and capabilities while supporting high-impact financial investigations. These capabilities are particularly critical for highly complex Third-Party Money laundering (3PML) investigations aimed at dismantling the financial networks of major criminal enterprises. The Fund's 3PML initiative supports the particular needs of 3PML investigations related to new technologies, analytical tools, and professional services. It also promotes collaborative use of the Fund's resources by member agencies.

This fiscal year, the Fund was also able to support our member agencies' efforts to combat criminal activities related to Covid-19. The agencies are facing a spike in investigative work dealing with massive Covid-19 related fraud schemes, the sales of counterfeit pharmaceuticals online and via Darknet marketplaces, and business email compromise and network intrusion. Due to the unanticipated nature of Covid-19, the agencies needed additional resources to support operational needs and procure necessary tools and services to mount a successful law enforcement response to Covid-19 related crimes.

The Treasury Forfeiture Fund continues in its capacity as a successful multi-Departmental Fund representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. Member bureaus include the Internal Revenue Service's Criminal Investigation (IRS-CI), the U.S. Secret Service (USSS), Immigration and Customs Enforcement (ICE), and Customs and Border Protection (CBP). The U.S. Coast Guard (USCG) continues its close working relationship with the legacy Customs bureaus. We look forward to another successful year in FY 2021.

November 16, 2020  
John Farley, Director  
Treasury Executive Office for Asset Forfeiture  
U.S. Department of the Treasury

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## Table of Contents

### Section I: Overview

Profile of the Treasury Forfeiture Fund .....	1
Strategic Mission and Vision .....	1
Case Highlights .....	2
Program and Fund Highlights .....	9
Program Performance .....	10
Financial Statement Highlights .....	12

### Section II: Independent Auditor's Report

Independent Auditor's Report .....	17
------------------------------------	----

### Section III: Financial Statements and Notes

Financial Statements:	
Balance Sheets .....	21
Statements of Net Cost .....	22
Statements of Changes in Net Position .....	23
Statements of Budgetary Resources .....	24
Notes to Financial Statements .....	25

### Section IV:

Required Supplemental Information (Unaudited) .....	45
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### Section V:

Other Accompanying Information (Unaudited) .....	47
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# Treasury Forfeiture Fund FY 2020 Management Overview

## Profile of the Treasury Forfeiture Fund

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The Treasury Forfeiture Fund (the Fund) is the receipt account for the deposit of non-tax forfeitures made pursuant to laws enforced or administered by law enforcement bureaus that participate in the Treasury Forfeiture Fund. The Fund was established in October of 1992 as the successor to the Forfeiture Fund of the United States Customs Service. The Fund is a “special receipt account.” This means the Fund can provide money to other federal entities toward the accomplishment of a specific objective for which the recipient bureaus are authorized to spend money and toward other authorized expenses. The use of Fund resources is governed by law, policy and precedent as interpreted and implemented by the Department of the Treasury, which manages the Fund. A key objective for management is the long-term viability of the Fund to ensure that there are ongoing resources to support member-bureau seizure and forfeiture activities well into the future. The emphasis of Fund management is on high impact cases that can do the most damage to criminal infrastructure.

The Treasury Forfeiture Fund continues in its capacity as a multi-Departmental Fund, representing the interests of law enforcement components of the Departments of Treasury and Homeland Security. Our member bureaus include the Internal Revenue Service’s Criminal Investigation (IRS- CI), the U.S. Secret Service, Immigration and Customs Enforcement (ICE), and Customs and Border Protection (CBP). The U.S. Coast Guard continues its close working relationship with the legacy Customs bureaus and functions in a member-bureau capacity.

The Treasury Executive Office for Asset Forfeiture (TEOAF), which provides management oversight of the Fund, falls under the auspices of the Under Secretary for Terrorism and Financial Intelligence. TEOAF’s organizational structure includes a Director, Deputy Director, Legal Counsel, and three Assistant Directors for; Financial Management, Policy & Administration, and Strategic Planning. Functional responsibilities are delegated to various team leaders. TEOAF is located in Washington, D.C., and currently has 28 authorized full time equivalent positions.

### Strategic Mission

The mission of the Treasury Forfeiture Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus that participate in the Treasury Forfeiture Fund to disrupt and dismantle criminal enterprises.

### Strategic Vision

Fund management works to focus the asset forfeiture program on strategic cases and investigations that result in high-impact forfeitures. Management believes this approach incurs the greatest damage to criminal organizations while accomplishing the ultimate objective – to disrupt and dismantle criminal enterprises.

## Case Highlights

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The following case highlights are intended to give the reader an idea of the types of investigative cases worked by the Fund's law enforcement bureaus during FY 2020 that resulted in the seizure and forfeiture of assets. Such cases as those profiled below are consistent with the Strategic Mission and Vision of the Treasury Forfeiture Program, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

### **Homeland Security Investigations (HSI), Department of Homeland Security**

#### **Airbus agrees to pay billions in global penalties after investigation reveals worldwide bribery scheme. Results in \$55 million forfeiture.**

Information included in the following forfeiture article is attributed to: DOJ news release dated January 31, 2020 entitled: "Airbus Agrees to Pay over \$3.9 Billion in Global Penalties to Resolve Foreign Bribery and ITAR Case"; and from information provided by the HSI Liaison to TEOAF.

Airbus, a France based aerospace company, entered into a three-year deferred prosecution agreement (DPA) with the Department of Justice resulting in a \$55 million forfeiture. The DPA was a part of a \$4 billion global settlement with the United States, France, and the United Kingdom to resolve charges that Airbus violated the anti-bribery provisions of the Foreign Corrupt Practice Act (FCPA). Along with the anti-bribery charges, Airbus was charged with conspiracy to violate the Arms Export Control Act (AECA) and the International Traffic in Arms Regulation (ITAR). The conclusion of the case was the largest bribery resolution in FCPA history.

Homeland Security Investigations began looking into Airbus after they discovered possible fraud, bribery, and corruption. During the investigation, HSI was able to determine that Airbus engaged in and facilitated a scheme to offer and pay bribes to persons that had influence or to foreign officials to obtain improper business advantages. Airbus engaged in this scheme to win business from state owned entities and private business. In China, Airbus used third parties to conceal payments intended to be used for bribes to government officials. Those Chinese officials were connected to the approval of the purchase and sale of Airbus aircraft to state- owned and state-controlled airlines in China. Airbus bribed officials and decision makers in various countries around the globe to include Malaysia, Taiwan, Ghana, Sri Lanka and Indonesia. Additionally, the HSI New York Counter Proliferation Task Force discovered fraud that violated the ITAR.

Under the AECA and the ITAR, the U.S. Department of State's Directorate of Defense Trade Controls (DDTC) regulates the export and import of U.S. defense services and articles and requires companies to obtain the correct licenses and DDTC approval to export overseas. In Airbus' applications to sell U.S. defense services and articles to foreign governments, they knowingly violated the ITAR by failing to provide accurate information to the DDTC on commissions paid to third party brokers who were hired to secure the sale to foreign armed services. HSI New York's Special Agent in Charge said of the case, "Airbus's fraud and bribery in commercial aircraft transactions strengthened corrupt airlines and bad actors worldwide, at the expense of straightforward enterprises. Additionally, the bribery of government officials, specifically those involved in the procurement of U.S. military technology, posed a national security threat

to both the U.S. and its allies. The global threats facing the U.S. have never been greater than they are today, and HSI New York is committed to working with our federal and international partners to assure sensitive U.S. technologies are not unlawfully and fraudulently acquired. As this investigation reflects, national security continues to be a top priority not just for Department of Homeland Security, but for HSI New York.”

On January 31, 2020, the DPA was announced in U.S. District Court for the District of Columbia between Department of Justice and Airbus. As part of the DPA, Airbus agreed to pay the United States Government \$527 million for FCPA and ITAR violations. They also agreed to a civil forfeiture of approximately \$55 million to HSI for violations tied to the ITAR related conduct. At the DPA announcement, the U.S. Attorney of the District of Columbia, Jessie K. Liu, said “This case exemplifies the ability of our prosecutors and law enforcement to work with our foreign counterparts to ensure that corruption around the world is prevented and punished at the highest levels.”

## **Internal Revenue Service, Criminal Investigation (IRS-CI), Department of the Treasury**

### **HSBC pays penalty after helping to hide over \$1 Billion in U.S. clients’ assets from the IRS.**

Information included in the following forfeiture article is attributed to: DOJ news release dated December 10, 2019 entitled “Justice Department Announces Deferred Prosecution Agreement with HSBC Private Bank (Suisse) SA”; Voreacos, David, and Jonathan Levin. “HSBC Agrees to Pay \$192 Million to Resolve U.S. Tax Probe.” Bloomberg, December 10, 2019. <https://www.bloomberg.com/news/articles/2019-12-10/hsbc-agrees-to-pay-192-million-to-resolve-u-s-tax-probe>. ; and from information provided by the IRS-CI Liaison to TEOAF.

HSBC Switzerland, a private bank headquartered in Geneva, entered into a deferred prosecution agreement (DPA) with the Department of Justice in the U.S. District Court for the Southern District of Florida. HSBC admitted to conspiring with their U.S. account holders to hide their assets abroad from the IRS and evade U.S. taxes. Don Fort, Chief of IRS-CI, said of the case, “Taxpayers and financial institutions each have the most basic responsibilities to pay taxes and report suspicious activity regarding financial transactions. When financial institutions devise a massive tax evasion scheme and actually facilitate the activity, they not only must be held accountable, they must take actions to ensure this behavior will not happen again.”

From 2000 to 2010, HSBC Switzerland worked with third party and wholly owned fiduciaries, bank employees, and approximately 720 U.S. clients to conceal up to \$1.26 billion in undeclared assets. The bank used a variety of methods to include using code names, numbered accounts, and hold-mail agreements. They used third parties to serve as directors or trustees of shell companies in tax haven countries to hide the true owners of the accounts and relied on Swiss bank secrecy to prevent disclosure to U.S. authorities. Throughout the ten years, HSBC Switzerland bankers would come to the U.S. to meet with and recruit new clients who wanted to hide income and assets. In 2008, the U.S. began to crackdown on offshore tax evasion and HSBC started to close the undeclared accounts, but some bankers assisted in closing those accounts in a way that still concealed those assets. After an internal investigation in 2008, HSBC contacted the U.S. Department of Justice and reported the misconduct.

According to the terms of the DPA, HSBC Switzerland agreed to pay \$192.35 million in three parts. The first part was \$60.6 million to the IRS for restitution on unpaid taxes for the undeclared assets. Second, they forfeited \$71.8 million, which represented the gross fees they charged clients, and finally HSBC Switzerland agreed to pay a \$59.9 million penalty. The DPA also required that HSBC cooperate fully with the Tax Division and the IRS. The DPA did not provide any protection for any of the individuals involved. At the announcement of the DPA, Don Fort stated “The integrity of our nation’s tax system depends on

voluntary compliance and fair, consistent enforcement of the law. We owe it to all Americans to hold financial institutions accountable just as we hold individual taxpayers accountable. Today's DPA shows that engaging in this type of behavior has consequences."

### **Largest Health Care Fraud Scheme in Mississippi.**

Information included in the following forfeiture article is attributed to: DOJ news release dated August 9, 2018 entitled "Pharmacy Owner Pleads Guilty As Part Of Largest Health Care Fraud Case Ever In Mississippi"; and from information provided by the IRS-CI Liaison to TEOAF.

Pharmacy owner Thomas Edward Spell Jr. pled guilty to his role in a more than \$240 million scheme to defraud TRICARE, the health care benefit program for the military, veterans, and their families. The case was the largest health care fraud scheme ever investigated and prosecuted in the State of Mississippi. It was a part of a multi-agency investigation into health care fraud that spanned several states including California, Arkansas, Connecticut, and Tennessee. Agents from IRS-CI, FBI, and the Defense Criminal Investigative Service participated in this investigation that was related to drug compounding fraud. Drug compounding is combining or mixing of more than two drugs to tailor a medication to an individual patient's need. This happens when a patient cannot be treated by a FDA-approved medication. Compound drugs are not FDA-approved, but they can serve an important medical need for a patient. For example, if a child cannot swallow a capsule, they can use drug compounding to make a liquid form of the drug.

Thomas Edward Spell Jr. owned and operated pharmacies in Mississippi and several other states. From 2014 to 2016, he directed his co-conspirators to market compounded medications at his pharmacies. Instead of tailoring the medication based on individualized needs patients, they selected compound medications that provided the highest reimbursements from TRICARE to maximize profits. Spell's pharmacies submitted fraudulent claims to TRICARE resulting in reimbursements of over \$243 million. Of the \$243 million, Spell personally profited \$29 million which he used to buy investments. After Spell pleaded guilty, he agreed to forfeit over \$22 million and several properties. He was later sentenced to 10 years in federal prison and ordered to pay over \$243 million in restitution. The day Spell pleaded guilty, IRS-CI Acting Special Agent in Charge Thomas J. Holloman stated, "Thomas Spell was a leader and organizer in this far-reaching fraud and his guilty plea today is a win for all taxpayers. The special agents of IRS – Criminal Investigation will continue to seek justice on behalf of this nation's taxpayers, and will pursue the prosecution of wrong doers at the highest levels of these criminal organizations."

## **United States Secret Service (USSS), Department of Homeland Security**

### **Final Forfeitures in Johnny Lee ET AL case, an International Counterfeit Currency Ring responsible for distributing over \$70 million in fake bills.**

Information included in the following forfeiture article is attributed to: DOJ news release dated September 18, 2015 entitled "Leader of International Counterfeit Currency Ring Sentenced to 15 years in Prison"; Wilber, Del Quentin. "Fantastic Fakes: Busting a \$70 Million Counterfeiting Ring." Bloomberg Businessweek, April 27, 2016. <https://www.bloomberg.com/features/2016-counterfeit-money/>. ; and from information provided by the USSS liaison to TEOAF.

In May 2020, the final order of forfeiture was signed forfeiting properties that were associated with a large-scale counterfeiting ring. From 2004 to 2014, Itzhak Loz was the head of international counterfeiting ring that was producing high quality \$50 and \$100 dollar bills in Israel and in the United States. These counterfeit bills imitated several of the real security features that are in US currency. Because of the high quality, it was difficult for retailers to spot the notes during cash transactions with customers. At the height

of the operation, the organization smuggled in \$3 million of counterfeit bills every three months into the United States. The fake bills were hidden within shipping containers that contained printing equipment.

In 2004, Loz, with the help of brothers Arkadiy Bangiyev and Eduard Bangiyev, jewelry storeowners who assisted in financing the counterfeiting enterprise, began using offset and lithography printing machines to manufacture the \$50 and \$100 counterfeit bills. The bills that they manufactured used two sheets of low-grade paper glued together to mimic the thickness and feel of genuine US currency. After the counterfeits were created, the Bangiyev brothers passed them to a network of distributors that used the counterfeits along the east coast. Over the course of ten years, Loz's organization was able to pass over \$70 million in counterfeit bills into the U.S. financial system.



Figure 1: Offset printing press seized at a warehouse in Cherry Hill, N.J.

One of the bills that was passed to a business in Northern Virginia in 2012 led to a 2-year investigation by the United States Secret Service. During the course of the investigation, USSS agents were able to chart out Loz's entire organization. By August 2014, Loz and 12 co-conspirators were indicted by a federal grand jury. Loz was sentenced to 15 years and had to forfeit \$20 million and several assets. From 2015 to 2020 those assets were forfeited and deposited into the Treasury Forfeiture Fund. "The conclusion of this case highlights the Secret Service's investigative prowess and ability to detect one of the most prolific counterfeit notes in history," said Special Agent in Charge James M. Murray of the U.S. Secret Service's Washington Field Office. "This investigation joins a long list of successful counterfeit suppressions over our 150 year history. We will continue to work closely with our network of law enforcement partners to combat criminal enterprises and protect the nation's financial infrastructure."



Figure 2: A stack of the counterfeit currency that was seized at the Cherry Hill warehouse.



Figure 3: Various counterfeiting equipment from the warehouse in Cherry Hill.



# Customs and Border Patrol (CBP), Department of Homeland Security

## Border Patrol Bike Unit arrest two men smuggling 165 pounds of suspected methamphetamine through drainage tunnel.

Information included in the following forfeiture article is attributed to: CBP news release dated January 24, 2020 entitled “Agents Rope in more than 165 Pounds of Meth” and from information provided by the CBP liaison to TEOAF.

On January 17, 2020, agents from the Nogales Border Patrol Bike Unit received intelligence that narcotics were being smuggled through storm drains that originated in Mexico and extended approximately 20 miles into the United States. Based off the intelligence, agents waited in the tunnel for the suspects. These types of tunnels are unlit and flow under the DeConcini port of entry in Arizona. Using night vision goggles, agents observed two adult men floating 70 packages through the storm drain. The packages were tied together with rope to prevent them from free floating down the drainage system. Agents then observed them pulling the packages through grates on the Mexico side into the United States and stuffing the packages into duffle bags. The two men were apprehended as they began to walk through the tunnel carrying the duffle bags. Agents were able to determine through interviews that an additional individual was waiting for the narcotics in a car which they quickly located. In the Nogales area, exploiting the unlit subterranean tunnels has become a growing trend for transnational criminal organizations to smuggle narcotics.



Figure 1: (Left): Duffle bags with several packages inside along with the rope that was used to tie together the packages of suspected methamphetamine.

Figure 2: (Right): 65 out of 70 packages of suspected methamphetamine that was seized.

## United States Coast Guard (USCG), Department of Homeland Security

### Two month long Coast Guard operation nets 20,000 pounds of cocaine.

Information included in the following forfeiture article is attributed to: Madani, Doha. “Coast Guard seizes 20,000 pounds of cocaine and offloads it in San Diego.” NBC News, February 10, 2020.

<https://www.nbcnews.com/news/military/coast-guard-seizes-20-000-pounds-cocaine-offloads-it-san-n1134431>; and from information provided by the Coast Guard Liaison to TEOAF.

The Coast Guard offloaded approximately \$338 million worth of cocaine on February 10, 2020. The seizure of cocaine resulted from a months-long operation in the Pacific Ocean. Four crews seized nearly 20,000 pounds of cocaine from “known drug transit zones” off the coast of Mexico, Central America, and South America. Coast Guard cutters Thetis, Resolute, Tampa, and Munro took part in the operation from mid-November to mid-January.

The offload was the latest in a number of high volume drug seizures the Coast Guard has made in recent months. According to Rear Admiral Peter Gautier, commander of the 11th Coast Guard District, the cocaine was heading towards Central America to be diluted by other chemicals. After the cocaine is diluted, it is smuggled into the United States. Admiral Gautier stated that an operation like this provides “invaluable information” to stop drug cartels’ supply chain.

“By disrupting the profits of these cartels, we are reducing their effectiveness and helping our partner nations maintain their stability,” Gautier said. Crewmembers of the cutters talked about the bust with one unnamed member calling it “exhilarating “. The crewmember continued by saying, “We’re out here doing this great job, helping people out, stopping the bad guys. It is an honor being aboard this boat and with the Coast Guard doing this.”



Figure 1: Crew of the Coast Guard cutter Munro gather before offloading the bales of cocaine.

## Program and Fund Highlights

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The Treasury Forfeiture Fund is a “special receipt account.” Such accounts represent federal fund collections earmarked by law for a specific purpose. The enabling legislation for the Treasury Forfeiture Fund (31 U.S.C. § 9705, Public Law 114-22) defines those purposes for which Treasury forfeiture revenue may be used. Once property or cash is seized, there is a forfeiture process. Upon forfeiture, seized currency, initially deposited into a suspense account, or holding account, is transferred to the Fund as forfeited revenue. Once forfeited, physical properties are sold, and the proceeds are deposited into the Fund as forfeited revenue. It is this forfeiture revenue that comprises the budget authority for meeting expenses of running Treasury’s forfeiture program.

Expenses of the Fund are set in a relative priority so that unavoidable or “mandatory” costs are met first as a matter of policy. Expenses may not exceed revenue in the Fund. The Fund has several different spending authorities. Each of them is described below.

### *Mandatory Authority*

The mandatory authority items are generally used to meet “business expenses” of the Fund, including expenses of storing and maintaining seized and forfeited assets, valid liens and mortgages, investigative expenses incurred in pursuing a seizure, information and inventory systems, and certain costs of local police agencies incurred in joint law enforcement operations. Following forfeiture, equitable shares are paid to state and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement.

It is a strategic goal of the Fund to emphasize and monitor high impact forfeitures. To make significant forfeitures requires longer, more in-depth investigations. To this end, Fund management emphasizes the use of mandatory funding authorities that fuel large case initiatives. These authorities include the Purchase of Evidence and Information, expenses associated with Joint Operations, Investigative Expenses Leading to Seizure, and Asset Identification and Removal Groups. In recent years, funding provided to computer forensic investigative tools has yielded high impact results.

### *Secretary’s Enforcement Fund*

The Secretary’s Enforcement Fund (SEF) is derived from equitable shares received from the Justice Department’s Forfeiture Fund for work done by law enforcement bureaus participating in the Treasury Forfeiture Fund leading to Justice forfeitures. SEF revenue is available for federal law enforcement purposes of any Treasury law enforcement organization or law enforcement bureau that participates in the Treasury Forfeiture Fund. In FY 2020, the Fund expensed just over \$21 million in SEF authority as compared to \$23 million in FY 2019, a decrease of \$2 million.

### *Strategic Support*

Strategic Support represents the remaining unobligated balance after an amount is reserved for Fund operations in the next fiscal year. Strategic Support can be used for any federal law enforcement purpose. In FY 2020, no Strategic Support funds were expensed due to available funding and unanticipated Covid-19 expenses.

### *Strategic View*

Fund management continues to focus on strategic cases and investigations that result in high-impact forfeitures. We believe this approach affects the greatest damage to criminal organizations while accomplishing the ultimate objective – to disrupt and dismantle criminal activity. Generally, significant forfeitures require longer, more in-depth investigations. To this end, Fund management emphasizes the use of mandatory funding authorities that fuel large case initiatives including Purchase of Evidence and Information, expenses associated with Joint Operations, Investigative Expenses Leading to Seizure, Asset Identification and Removal teams and state-of-the-art Computer Forensics capability.

FY 2020 was a successful revenue year by our member bureaus and was another successful year in equitable share deposits received from the Department of Justice (DOJ) forfeiture fund for forfeitures in which one or more of our member bureaus played a role. Equitable shares received totaled \$20.3 million in FY 2020 as compared to \$10.3 million in FY 2019. In addition, the Fund continues to support record levels of sharing of federal forfeitures with the state and local and foreign governments that contributed to the successful seizure and forfeiture activity of the Fund. The Fund expensed \$110.4 million for state and local equitable sharing expenses in FY 2020; the Fund did not share with foreign governments in FY 2020. By comparison, the Fund expensed \$62.7 million for state and local and foreign equitable sharing expenses in in FY 2019, with \$314 thousand of the total amount going to foreign governments. These are important resources afforded by policy of the Treasury Forfeiture Fund to protect and preserve the valuable working relationships between our federal law enforcement bureaus and the critically important state, local and foreign law enforcement agencies that work with them in an investigative capacity day-in and day-out.

### *Strategic Mission and Goal*

The mission of the Treasury Forfeiture Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus to disrupt and dismantle criminal enterprises. The goal of the Treasury Forfeiture Fund is to support the Department of the Treasury's national asset forfeiture program in a manner that results in federal law enforcement's continued and effective use of asset forfeiture as a high-impact law enforcement sanction to disrupt and dismantle criminal activity. To achieve our mission and goal, the program must be administered in a fiscally responsible manner that seeks to minimize the administrative costs incurred, thereby maximizing the benefits for law enforcement and the society it protects.

### *Multi-Departmental Fund*

The Treasury Forfeiture Fund continued in its capacity as a multi-Departmental Fund in FY 2020, representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. FY 2020 posed continued management challenges including oversight of significant general property contract expenses associated with an increasingly complex forfeiture program. In addition, commensurate with the successful revenue year, there were significant expenses incurred by the bureaus to run their programs. During this period of growth and change, the Fund's family of law enforcement bureaus continued their hard work of federal law enforcement and the application of asset forfeiture as a sanction to bring criminals to justice.

FY 2020 was another robust year with regular revenue of \$529.9 million from all sources, as compared with FY 2019 revenue of \$891.3 million. As we enter fiscal year 2021, the Fund remains focused on support for strategic investigative initiatives that will have the greatest impact on national and international criminal enterprise including valuable training and investigative expense funding which emphasizes high-impact cases.

*Performance Measure*

In FY 2020, the Fund measured performance through the use of the following performance measure: Percent of forfeited cash proceeds resulting from high-impact cases. This measures the percentage of forfeited cash proceeds resulting from high-impact cases (those with currency seizures in excess of \$100,000). Focusing on strategic cases and investigations which result in high-impact seizures will affect the greatest damage to criminal organizations while accomplishing the ultimate objective – to disrupt and dismantle criminal activity.

*Results*

The Fund performance measure and result for FY 2020 is as follows:

Performance Measure	FY 2019 Actual	FY 2020 Target	FY 2020 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	91%	80%	83%

A target of 75 percent high-impact cases was set for FY 2010 and prior years since inception of the performance measure in FY 2002. However, for FY 2011, the target was increased to 80 percent, reflecting member bureaus’ prior success in meeting the previous target. This is a fixed target for the Fund designed to afford our law enforcement bureaus the opportunity to undertake smaller seizure activity that is important to the overall federal law enforcement mission. The final percentage for FY 2020 was 83 percent, exceeding the new target set in 2011. This compares with our FY 2018 and FY 2019 performance of 94 percent and 91 percent, respectively.

The performance of our member bureaus is excellent and reflects Fund management’s longstanding emphasis on high-impact forfeiture strategies as well as the use of Fund authorities to assist member bureaus with larger cases that may take longer or require additional resources not otherwise available. This measure was put into effect beginning with FY 2002, and in all but 3 years, member bureaus met the target for high-impact forfeitures.

This measure is calculated by dividing the total amount of forfeited cash proceeds from cases greater than \$100,000 by the total amount of forfeited cash proceeds for all cases.

## Financial Statement Highlights

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The following provides a brief explanation for each major section of the audited financial statements accompanying this report for the fiscal year ended September 30, 2020.

These statements have been prepared to disclose the financial position of the Fund, its net costs, changes in net position, and budgetary resources, pursuant to the requirements of the *Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 (GMRA)*. While the financial statements have been prepared from the books and records of the Fund in accordance with the formats prescribed by the Office of Management and Budget, the statements are different from the financial reports used to monitor and control budgetary resources that are prepared from the same books and records and are subsequently presented in federal budget documents. Further, the notes to the financial statements and the independent auditor's opinion and reports on internal control over financial reporting, and compliance and other matters are also integral components to understanding fully the financial highlights of Fund operations described in this chapter.

### **Statements: Changes in Net Position**

Follows are brief highlights from the Statements of Changes in Net Position for FY 2020 and 2019.

**Net Position – End of Year.** For FY 2020, the Net Position for the Fund at the end of the year, an indicator of the future capability to support ongoing operations of the Fund, totaled \$1.2 billion versus \$1.1 billion at the end of FY 2019. Both years closed with a strong and viable net position with which to commence the next fiscal year's operations.

**Total Gross Non-Exchange Revenues.** This line item on the *Statements of Changes in Net Position* is the best indicator of regular "business-type" income of the account on an annual basis. For FY 2020, the Fund closed with \$529.9 million in Gross Non-Exchange Revenues and a total of \$891.3 million for FY 2019, reflecting two, highly successful revenue years for the Treasury Forfeiture Fund.

**Proceeds from Participating with other Federal Agencies.** This line item on the *Statements of Changes in Net Position* indicates revenue earned from the participation of Treasury Forfeiture Fund law enforcement bureaus in the seizures leading to forfeiture of bureaus that participate in the Department of Justice Assets Forfeiture Fund or with the forfeiture fund of the U.S. Postal Service (Postal Service).

As of the close of FY 2020, Treasury Forfeiture Fund bureaus earned a total of \$20.3 million in revenue from participation in the seizures leading to forfeiture of the Justice and Postal Service forfeiture funds as compared to a total of \$10.3 million during FY 2019. Fund management continues to work with the Department of Justice to identify delays and/or explain downward adjustments to percentages associated with equitable sharing payments owed to the Treasury Forfeiture Fund. This revenue affords Treasury management significant funding flexibilities for our participating agencies as the authority is broad and not confined to funding program costs; it can be used for any law enforcement purpose of our participating bureaus. The allocation of this type of revenue for FY 2019 and FY 2020 was restricted by the need to meet enacted budget rescissions, sequestrations, and permanent reductions.

**Net Cost of Operations.** For FY 2020, the Net Cost of Operations totaled \$236.7 million, up from \$226.2 million in FY 2019.

**Investment Interest Income.** The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2020, investments totaled \$3 billion as compared with \$2.1 billion invested as of September 30, 2019. During FY 2020, investment income totaled \$18.2 million, as compared to \$70.4 million in FY 2019.

**Equitable Sharing with Federal, State and Local Governments, and Foreign Countries.** Each year, the Fund pays tens of millions of dollars to state and local law enforcement agencies, and foreign governments, for their participation in seizures that lead to forfeitures of the Treasury Forfeiture Fund. State and local law enforcement agencies can use these resources to augment their law enforcement budgets to fight crime in their jurisdictions. Without these funds, budgets of the local municipalities would be taxed to provide these important resources, or the need would go unmet. During FY 2020, the Fund shared a total of \$114 million with other federal, state and local law enforcement agencies, and \$0 with foreign countries. This compares with \$68 million shared with other federal, state and local law enforcement agencies during FY 2019 and \$314 thousand with foreign countries.

**Victim Restitution.** During FY 2020, the Fund paid \$67.7 million in restitution to victims as compared to \$83.2 million in FY 2019.

**Summary of Statements of Changes in Net Position.** The Fund closed with a strong net position in FY 2020. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2020 performance with forfeiture revenue earnings of \$529.9 million from all sources, while exceeding the new higher performance measure target rate of high-impact cases, is truly a credit to the dedicated law enforcement personnel of our participating law enforcement bureaus.

### **Statements: Net Cost**

**Costs of the Forfeiture Program – Intra-governmental.** After revenue is applied toward policy mandates such as equitable sharing, shown in the Statements of Changes in Net Position as negative revenue or applied non-exchange revenue, the remaining financing supports the law enforcement activities of the Fund and pays for the storage of seized and forfeited property and sales associated with the disposition of forfeited property.

On the Statements of Net Cost, the Net Cost of Operations totaled \$236.7 million in FY 2020, up from \$226.2 million in FY 2019.

**Intra-governmental.** This cost category totaled \$166.8 million in FY 2020, up from \$158.7 million in FY 2019. The amounts represent costs incurred by participating bureaus in running their respective forfeiture programs.

**National Seized Property Contracts and Other.** One of the largest program costs of the Fund is the storage, maintenance and disposal of real and personal property. During FY 2020, general property was maintained by Amentum Services Inc. Real property was maintained by the CWS Asset Management & Sales Group, both contracts of the Department of the Treasury. In FY 2020, expenses of these contracts, which comprised over 76% of the total expenses for this line, including other contracts, totaled \$53.9 million, up from \$51.5 million expensed in FY 2019.

## **Statements: Budgetary Resources**

As of the end of FY 2020, the Fund has estimated future expenditures and commitments of \$512.8 million (reductions) which may need to be paid in future years. These reductions relate to remissions, victim restitution and equitable sharing. These future obligations will be funded from the unobligated balance of \$691.5 million as reported on the SF-133” Report on Budget Execution” for FY 2020. The unobligated balance less reductions would result in \$178.7 million remaining at the end of FY 2020.

## **Balance Sheet**

### **Assets, Liabilities and Net Position**

Total assets of the Fund increased in FY 2020 to \$3.4 billion, up from \$3.0 billion in FY 2019, an increase in asset value of 13 percent. If seized currency and other monetary assets, which are assets in the custody of the government but not yet owned by the government, are backed out of both figures, the adjusted total assets of the Fund increased to \$1.4 billion in FY 2020, up from \$1.3 billion in FY 2019. During FY 2020, total liabilities of the Fund were \$2.2 billion, comparable to the \$1.9 billion in FY 2019. If seized currency and other monetary assets, which are also shown as a liability because they are not yet owned by the government, are backed out of both figures, the adjusted total liabilities of the Fund decreased to \$205.6 million in FY 2020, down from \$209.1 million in FY 2019.

With increasing asset amounts and increasing liabilities, the Cumulative Results of Operations, i.e., retained earnings, increased at the end of FY 2020 to a total of \$1.2 billion, up from \$1.1 billion at the end of FY 2019.

**Financial and Program Performance - What is needed and planned.** OMB Circular A-136, *Financial Reporting Requirements*, requires that agencies include an explanation of what needs to be done and what is being planned to improve financial or program performance. In this regard, Fund management continues to work closely with member bureaus, through the financial planning process, to review revenue and expense projections during the operating year.

### **Auditor’s Findings**

**FY 2020 Audit.** The Fund’s independent auditors have given the FY 2020 financial statements an Unmodified Opinion with no material weaknesses or significant deficiencies in internal control over financial reporting identified. The auditor’s report on compliance and other matters disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*.

### **Summary of Financial Statement Highlights**

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**Net Position.** To summarize, Fund management concluded a highly productive FY 2020 “in the black,” with the necessary resources to commence the business of the asset forfeiture program for FY 2021. There was no permanent rescission in FY 2020, but the Fund had \$30.3 million sequestered. Due to unanticipated Covid-19 expenses, the Fund was not able to declare Strategic Support funding for FY 2020. The Fund does anticipate that there will be Strategic Support funding for the agencies in FY 2021.



Fund management will continue to work with our large and diverse array of federal law enforcement bureaus as they undertake increasingly sophisticated methods and global efforts to secure the financial and commercial markets of the nation and the world given the interdependence of financial systems. Our bureaus support immigration enforcement that is designed to identify illegal smuggling to deter its impact on the nation's financial infrastructure and to ensure that human smugglers do not harm unsuspecting victims keen on seeking a new if illegal start in the United States. Investigative initiatives intended to interrupt the financial support for terrorism remains a critical part of the work of federal law enforcement. Emphasis will continue to be placed on ever-evolving state-of-the-art investigative techniques, high-impact major case initiatives, and training to support these areas of emphasis. This has and will continue to be the key to the growing success and law enforcement reach of the Treasury Forfeiture Fund.

### **Payment Integrity**

Our FY 2020 Payment Integrity reporting includes information required by the *Payment Integrity Information Act of 2019* (PIIA), Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in the Federal Government*; Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, and OMB Circular A-136. PIIA rescinded the *Improper Payments Information Act of 2002* (IPIA), the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), and *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), however many of the requirements for reporting Payment Integrity information remain in place.

Currently the Fund conducts an internal review and analysis for its major contracts. The contract activity is high dollar value for each payment with limited volume. This activity has low risk, but based on the high dollar value requiring minimal resources, the Fund will continue to conduct these internal contract audits. Based on this analysis, the Fund has determined that performing recapture audit is not cost effective and will not be implementing them at this time. PIIA requires agencies to incorporate the Do Not Pay Initiative (DNP) to further reduce improper payments. The Fund uses the Death Master File and the System of Award Management as part of a continuous monitoring process and post payment review. During FY 2020 and 2019, the Fund reviewed 15,465 and 13,482 payments totaling \$501 million and \$1.638 billion respectively, and reports less than .09% and .2% respectively, of reportable improper payments.

**Limitations of the Financial Statements.** As required by OMB Circular A-136, Fund management makes the following statements regarding the limitations of the financial statements:

- The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC § 3515(b).
- While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

- The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

**SECTION II**

**INDEPENDENT AUDITOR'S REPORT**

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Certified Public Accountants  
& Consultants

Member of the American Institute of Certified Public Accountants

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## Independent Auditor's Report

Deputy Inspector General  
U.S. Department of the Treasury

Director  
Treasury Executive Office for Asset Forfeiture

### Report on the Financial Statements

We have audited the accompanying financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of the Treasury Forfeiture Fund as of September 30, 2020 and 2019, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in Section I: Overview, and Section IV: Required Supplemental Information be presented to supplement the basic financial statements referred to in the first paragraph of this report. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in the *Message from the Director*, and Section V: Other Accompanying Information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2020, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Fund's financial statements as of and for the year ended September 30, 2020 are free from material misstatement, we performed tests of the Fund's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GKA, P.C.

Washington, DC  
November 16, 2020



**SECTION III**  
**FINANCIAL STATEMENTS AND NOTES**

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**Department of the Treasury Forfeiture Fund**  
**BALANCE SHEETS**  
**As of September 30, 2020, and 2019**  
(Dollars in thousands)

	<b>2020</b>	<b>2019</b>
<b>Assets:</b>		
<b>Intragovernmental:</b>		
Fund balance with Treasury	\$ 34,430	\$ 34,013
Investments and related interest receivable (Note 3)	<u>2,990,759</u>	<u>2,135,047</u>
<b>Total Intragovernmental</b>	<u>3,025,189</u>	<u>2,169,060</u>
Cash and other monetary assets (Note 5)	327,747	724,091
Accounts Receivable	<u>2,734</u>	<u>1,454</u>
	<u>330,481</u>	<u>725,545</u>
Forfeited property (Note 6)		
Held for sale, net of mortgages, liens and claims	86,620	92,551
To be shared with federal, state or local, or foreign governments	<u>327</u>	<u>617</u>
Total forfeited property, net of mortgages, liens and claims	<u>86,947</u>	<u>93,168</u>
<b>Total Assets</b>	<u>\$3,442,617</u>	<u>\$2,987,773</u>
<b>Liabilities:</b>		
<b>Intragovernmental:</b>		
Accounts payable	<u>\$ 81,333</u>	<u>\$ 84,938</u>
<b>Total Intragovernmental</b>	<u>81,333</u>	<u>84,938</u>
Seized currency and other monetary instruments (Note 8)	2,020,170	1,652,576
Distributions payable (Note 10)		
State and local agencies and foreign governments	32,601	22,957
Accounts payable	4,687	7,996
Deferred revenue from forfeited assets	<u>86,947</u>	<u>93,168</u>
<b>Total Liabilities</b>	<u>2,225,738</u>	<u>1,861,635</u>
Commitments and contingencies (Note 15)	-	-
<b>Net Position:</b>		
Cumulative results of operations (Note 11)	<u>1,216,879</u>	<u>1,126,138</u>
<b>Total Liabilities and Net Position</b>	<u>\$3,442,617</u>	<u>\$2,987,773</u>

*The accompanying notes are an integral part of these financial statements.*

**Department of the Treasury Forfeiture Fund**  
**STATEMENTS OF NET COST**  
**For the years ended September 30, 2020 and 2019**  
(Dollars in thousands)

	<b>2020</b>	<b>2019</b>
<b>Program:</b>		
<b>ENFORCEMENT</b>		
<b>Intragovernmental:</b>		
Seizure investigative costs and asset management	\$ 91,592	\$ 98,383
Other asset related contract services	7,374	7,118
Data systems, training and others	<u>67,789</u>	<u>53,230</u>
<b>Total Intragovernmental</b>	<u>166,755</u>	<u>158,731</u>
<b>With the Public:</b>		
National contract services seized property and other	53,933	51,526
Joint operations	<u>16,017</u>	<u>15,974</u>
<b>Total with the Public</b>	<u>69,950</u>	<u>67,500</u>
<b>Net Cost of Operations (Note 16)</b>	<u>\$ 236,705</u>	<u>\$ 226,231</u>

*The accompanying notes are an integral part of these financial statements.*

**Department of the Treasury Forfeiture Fund**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**For the years ended September 30, 2020 and 2019**  
(Dollars in thousands)

	<b>2020</b>	<b>2019</b>
<b>Net Position – Beginning of Year</b>	<u>\$ 1,126,138</u>	<u>\$ 1,435,756</u>
<b>Financing Sources (Non-Exchange Revenues):</b>		
<b>Intragovernmental</b>		
Investment interest income	18,193	70,360
<b>Public</b>		
Forfeited currency and monetary instruments	409,893	742,856
Sales of forfeited property net of mortgages and claims	64,649	59,210
Proceeds from participating with other federal agencies	20,306	10,259
Value of property transferred in equitable sharing	1,498	593
Payments in lieu of forfeiture, net of refunds (Note 19)	10,731	7,058
Reimbursed costs	4,270	4,171
Other	<u>358</u>	<u>(3,224)</u>
<b>Total Gross Non-Exchange Revenues</b>	<u>529,898</u>	<u>891,283</u>
<b>Less: Equitable Sharing</b>		
<b>Intragovernmental</b>		
Federal	<u>(3,573)</u>	<u>(5,577)</u>
<b>Public</b>		
State and local agencies	(110,398)	(62,427)
Foreign countries	--	(314)
Victim restitution	<u>(67,687)</u>	<u>(83,206)</u>
	<u>(178,085)</u>	<u>(145,947)</u>
<b>Total Equitable Sharing</b>	<u>(181,658)</u>	<u>(151,524)</u>
<b>Total Non-Exchange Revenues, Net</b>	<u>348,240</u>	<u>739,759</u>
<b>Transfers –In (Out)</b>		
<b>Intragovernmental</b>		
Strategic support (Note 13)	667	(599,718)
Secretary’s enforcement fund (Note 14)	(21,461)	(23,428)
Transfer to the general fund (Note 9)	<u>--</u>	<u>(200,000)</u>
<b>Total Transfers Out</b>	<u>(20,794)</u>	<u>(823,146)</u>
<b>Total Financing Sources - Net</b>	327,446	(83,387)
<b>Net Cost of Operations</b>	<u>(236,705)</u>	<u>(226,231)</u>
<b>Net Results of Operations</b>	<u>90,741</u>	<u>(309,618)</u>
<b>Net Position – End of Year</b>	<u>\$ 1,216,879</u>	<u>\$ 1,126,138</u>

*The accompanying notes are an integral part of these financial statements.*

**Department of the Treasury Forfeiture Fund**  
**STATEMENTS OF BUDGETARY RESOURCES**  
**For the years ended September 30, 2020 and 2019**  
(Dollars in thousands)

	<b>2020</b>	<b>2019</b>
<b>Budgetary Resources:</b>		
Unobligated balance from prior year budget authority, net (Note 17)	\$ 641,990	\$ 860,599
Budget authority	<u>537,504</u>	<u>771,717</u>
<b>Total Budgetary Resources</b>	<u><u>\$ 1,179,494</u></u>	<u><u>\$ 1,632,316</u></u>
<b>Status of Budgetary Resources:</b>		
Obligations incurred	<u>\$ 488,041</u>	<u>\$ 1,022,684</u>
Unobligated balances – apportioned	\$ 674,095	\$ 596,206
Unobligated balances – unapportioned	<u>17,358</u>	<u>13,426</u>
Unobligated balances – end of year (Note 17)	<u>\$ 691,453</u>	<u>\$ 609,632</u>
<b>Total Budgetary Resources</b>	<u><u>\$ 1,179,494</u></u>	<u><u>\$ 1,632,316</u></u>
<b>Outlays, net</b>		
Net Outlays	<u><u>\$ 437,049</u></u>	<u><u>\$ 1,072,955</u></u>

*The accompanying notes are an integral part of these financial statements.*

## **Note 1: Reporting Entity**

The Department of the Treasury Forfeiture Fund (Treasury Forfeiture Fund or the Fund) was established by the Treasury Forfeiture Fund Act of 1992, Public Law 102-393 (the TFF Act), and is codified at 31 USC 9705. The Fund was created to consolidate all Treasury law enforcement bureaus under a single forfeiture fund program administered by the Department of the Treasury (Treasury). Treasury law enforcement bureaus fully participating in the Fund upon enactment of this legislation were the U.S. Customs Service (Customs); the Internal Revenue Service – Criminal Investigation (IRS-CI); the United States Secret Service (Secret Service); the Bureau of Alcohol, Tobacco and Firearms (ATF); the Financial Crimes Enforcement Network (FinCEN); and the Federal Law Enforcement Training Center (FLETC). FinCEN and FLETC contribute no revenue to the Fund, however in FY 2016, significant amounts of Strategic Support funds were allocated to FinCEN towards Bank Secrecy Act (BSA) Information Technology (IT) modernization, a tool used in the fight against money laundering and other criminal activity. The U.S. Coast Guard, formerly part of the Department of Transportation, now part of the Department of Homeland Security (DHS), also participates in the Fund. However, all Coast Guard seizures are treated as Customs seizures because the Coast Guard lacks forfeiture authority.

With enactment of the Homeland Security Act of 2002 (Homeland Security Act), law enforcement bureaus currently participating in the Fund are: the Internal Revenue Service - Criminal Investigation (IRS-CI) of Treasury, Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE) and the U.S. Secret Service (USSS) of DHS. The U.S. Coast Guard of DHS joins these bureaus. The Fund continues in its capacity as a multi-departmental fund, representing the interests of law enforcement components of the Departments of Treasury and Homeland Security.

The Fund is a special fund that is accounted for under Treasury symbol number 20X5697. From this no-year account, expenses may be incurred consistent with 31 USC 9705, as amended. A portion of these expenses, referred to as discretionary expenses, are subject to annual appropriation limitations. Others, referred to as non-discretionary (mandatory) expenses, are limited only by the availability of resources in the Fund. Both expense categories are limited in total by the amount of revenue in the Fund. The Fund is managed by Treasury's Executive Office for Asset Forfeiture (TEOAF).

The mission of the Treasury Forfeiture Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus to disrupt and dismantle criminal enterprises. The goal of the Treasury Forfeiture Fund is to support the Treasury's national asset forfeiture program in a manner that results in federal law enforcement's continued and effective use of asset forfeiture as a high-impact law enforcement sanction to disrupt and dismantle criminal activity. Under a Memorandum of Understanding (MOU) with Treasury, CBP acts as the executive agent for certain operations of the Fund. Pursuant to that executive agent role, CBP's National Finance Center (NFC) is responsible for accounting and financial reporting for the Fund, including timely and accurate reporting and compliance with Treasury, the Comptroller General and the Office of Management and Budget (OMB) regulations and reporting requirements.

## **Note 2: Summary of Significant Accounting Policies**

### ***Basis of Accounting and Presentation***

The Fund began preparing audited financial statements in Fiscal Year 1993 as required by the Fund's enabling legislation, 31 USC 9705(f)(2)(H), and the Chief Financial Officers Act of 1990. Beginning with the Fiscal Year 1996 report, the Government Management Reform Act of 1994 (GMRA) requires executive agencies, including the Treasury, to produce audited consolidated accountability reports and related footnotes for all activities and funds.

The financial statements have been prepared from the accounting records of the Fund in conformity with accounting principles generally accepted in the United States of America (GAAP) and specified by OMB in OMB Circular A-136, *Financial Reporting Requirements (OMB Circular A-136)*. GAAP for federal entities is prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is designated the official accounting standards setting body of the Federal Government by the American Institute of Certified Public Accountants.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain fiscal year 2019 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

### ***Allowable Fund Expenses***

The majority of the revenue recorded by the Fund is utilized for operating expenses or distributed to state and local law enforcement agencies, other federal agencies, and foreign governments, in accordance with the various laws and policies governing the operations and activities of the Fund. Under the TFF Act, the Fund is authorized to pay certain expenses using discretionary or mandatory funding authorities of the Fund.

Discretionary authorities include but may not be limited to: the payment of expenses for the purchase of awards for information or assistance leading to a civil or criminal forfeiture involving any law enforcement bureau participating in the Fund; purchase of evidence or information that meet the criteria set out in 31 USC 9705(a)(2)(B); payment for equipment for vessels, vehicles, or aircraft available for official use as described by 31 USC 9705(a)(2)(D) and (F); reimbursement of private persons for expenses incurred while cooperating with a Treasury law enforcement organization in investigations; publication of the availability of certain awards; and payment for training foreign law enforcement personnel with respect to seizure or forfeiture activities of the Fund. Discretionary expenses are subject to an annual, definite Congressional appropriation from revenue in the Fund.



Expenses from the mandatory authorities of the Fund include but are not limited to: all proper expenses of the seizure, including investigative costs and purchases of evidence and information leading to seizure, holding costs, security costs, etc., awards of compensation to informers under section 619 of the Tariff Act (19 USC 1619); satisfaction of liens against the forfeited property, and claims of parties with interest in forfeited property; expenses incurred by state and local law enforcement agencies in joint law enforcement operations with law enforcement agencies participating in the Fund; and equitable sharing payments made to state and local law enforcement agencies in recognition of their efforts in a Fund seizure leading to forfeiture. These mandatory expenses are paid pursuant to the permanent indefinite authorities of the Fund; are only limited by revenue in the Fund each year and do not require additional Congressional action for expenditure.

The Fund's expenses are either paid on a reimbursement basis or paid directly on behalf of a participating bureau. Reimbursable expenses are incurred by the respective bureaus participating in the Fund against their appropriation and then submitted to the Fund for reimbursement. The bureaus are reimbursed through Inter-Agency Transfers (SF-1081) or Intra-governmental Payments and Collection (IPAC) System. Certain expenses such as equitable sharing, liens, claims and state and local joint operations costs are paid directly from the Fund.

Further, the Fund is a component unit of the Treasury with participating bureaus in the DHS. As such, employees of both Departments may perform certain operational and administrative tasks related to the Fund. Payroll costs of employees directly involved in the security and maintenance of forfeited property are also recorded as expenses in the financial statements of the Fund (included in the line item "seizure investigative costs and asset management" in the statement of net cost.)

### ***Revenue and Expense Recognition***

Revenue from the forfeiture of property is deferred until the property is sold or transferred to a state, local or federal agency. Revenue is not recorded if the forfeited property is ultimately destroyed or cannot be legally sold.

Revenue from currency is recognized upon forfeiture. Payments in lieu of forfeiture (mitigated seizures) are recognized as revenue when the payment is received. Revenue received from participating with certain other federal agencies is recognized when the payment is received. Operating costs are recorded as expenses and related liabilities when goods are received, or services are performed. Certain probable equitable sharing liabilities existing at year end are accrued based on estimates.

As provided for in the TFF Act, the Fund invests seized and forfeited currency that is not needed for current operations. Treasury's Bureau of Fiscal Service invests the funds in obligations of, or guaranteed by, the United States Government. Interest is reported to the Fund and recorded monthly as revenue in the general ledger.

### ***Funds from Dedicated Collections***

Funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. In accordance with SFFAS 43, *Funds from Dedicated Collections*, all of the TFF's revenue meets these criteria and constitutes funds from dedicated collections.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash collected from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the TFF as evidence of its receipts. Treasury securities are an asset to the TFF and a liability to the U.S. Treasury. Because the TFF and U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide the TFF with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the TFF requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt or by curtailing other expenditures. This is the same way that the government finances all other expenditures.

### ***Equitable Sharing (Assets Distributed)***

Forfeited property, currency, or proceeds from the sales of forfeited property may be shared with federal, state and local law enforcement agencies or foreign governments, which provided direct or indirect assistance in the related seizure. In addition, the Fund may transfer forfeited property to other federal agencies, which would benefit from the use of the item. A class of asset distribution was established for victim restitution in 1995. These distributions include property and cash returned to victims of fraud and other illegal activity. Upon approval by Fund management to share or transfer the assets, both revenue from distributed forfeited assets and distributions are recognized for the net realizable value of the asset to be shared or transferred, thereby resulting in no gain or loss recognized. Revenue and /or expenses are recognized for property and currency, which are distributed to or shared with non-federal agencies, per SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*.

### ***Entity Assets***

Entity assets are used to conduct the operations and activities of the Fund. Entity assets comprise intragovernmental and non-intragovernmental assets. Intragovernmental balances arise from transactions among federal agencies. These assets are claims of a federal entity against another federal entity. Entity assets consist of cash or other assets, which could be converted into cash to meet the Fund's current or future operational needs. Such other assets include investments of forfeited balances, accrued interest on seized balances, receivables, and forfeited property, which are held for sale or to be distributed.

- **Fund Balance with Treasury** – This represents amounts on deposit with Treasury.
- **Investments and Related Interest Receivable** – This includes forfeited cash held by the Fund and seized currency held in the Customs Suspense Account that had been invested in short term U.S. Government Securities.
- **Accounts Receivables** – The values reported for other receivables are primarily funds due from the national seized property contractor for properties sold; the proceeds of which have not yet been deposited into the Fund. No allowance has been made for uncollectible amounts as the accounts recorded as a receivable at year end were considered to be fully collectible as of September 30, 2020 and 2019.

- **Cash and Other Monetary Assets** – This includes forfeited currency on hand not yet deposited and forfeited currency held as evidence.
- **Forfeited Property and Currency** – Forfeited property and currency is recorded in the respective seized property and forfeited asset tracking systems at the estimated fair value at the time of seizure. However, based on historical sales experiences for the year, properties are adjusted to reflect the market value at the end of the fiscal year for financial statement reporting purposes. Direct and indirect holding costs are not capitalized for individual forfeited assets. Forfeited currency not deposited into the Fund is included as part of Entity Assets - Cash and Other Monetary Assets.

Further, mortgages and claims on forfeited assets are recognized as a valuation allowance and a reduction of deferred revenue from forfeited assets when the asset is forfeited. The allowance includes mortgages and claims on forfeited property held for sale and a minimal amount of claims on forfeited property previously sold. Mortgage and claims expenses are recognized when the related asset is sold and is reflected as a reduction of sales of forfeited property.

Additionally, SFFAS No. 3, *Accounting for Inventory and Related Property*, requires certain additional disclosures in the notes to the financial statements, including an analysis of changes in seized and forfeited property and currency, for both carrying value and quantities, from that on hand at the beginning of the year to that on hand at the end of the year. These analyses are disclosed in Notes 7 and 8.

#### *Non-entity Assets*

Non-entity assets held by the Fund are not available for use by the Fund. Non-entity assets comprise intragovernmental and other assets. Intragovernmental balances arise from transactions among federal agencies. These assets are claims of a federal entity against another federal entity. Non-entity assets are not considered as financing sources (revenue) available to offset operating expenses, therefore, a corresponding liability is recorded and presented as governmental liabilities in the balance sheet to reflect the custodial/fiduciary nature of these activities.

- **Seized Currency and Property** – Seized Currency is defined as cash or monetary instruments that are readily convertible to cash on a dollar for dollar basis. SFFAS No. 3 requires that seized monetary instruments (cash and cash equivalents) be recognized as an asset in the financial statements and a liability be established in an amount equal to the seized asset value due to: (i) the fungible nature of monetary instruments, (ii) the high level of control that is necessary over these assets; and (iii) the possibility that these monies may be returned to their owner in lieu of forfeiture.

Seized property is recorded at its appraised value at the time of seizure. The value is determined by the seizing entity and is usually based on a market analysis such as a third-party appraisal, standard property value publications or bank statements. Seized property is not recognized as an asset in the financial statements, as transfer of ownership to the government has not occurred as of September 30. Accordingly, seized property other than monetary instruments is disclosed in the footnotes in accordance with SFFAS No. 3.

- **Investments and Related Interest Receivable** – This balance includes seized cash on deposit in the Fund’s suspense account held by Treasury, which has been invested in short term U.S. Government Securities.
- **Cash and Other Monetary Assets** – This balance represents the aggregate amount of the Fund’s seized currency on deposit in the Fund’s suspense account held by Treasury, seized cash on deposit held with other financial institutions and, cash on hand in vaults held at field office locations.

*Liabilities Covered by Budgetary Resources*

Liabilities covered by budgetary resources represent liabilities incurred, which are covered by available budgetary resources. The components of such liabilities for the Fund are as follows:

- **Distributions Payable** – Distributions payable to federal and non-federal agencies is primarily related to equitable sharing payments and payments to be made by the Fund to the victims of fraud.
- **Accounts Payable** – Amounts reported in this category include accrued expenses authorized by the TFF Act (See "Allowable Fund Expenses") for which payment was pending at year end.
- **Seized Currency** – Amounts reported in this category represent the value of seized currency that is held by the Fund which equals the amount of seized currency reported as an asset.
- **Deferred Revenue from Forfeited Assets** – At year end, the Fund held forfeited assets, which had not yet been converted into cash through a sale. The amount reported here represents the value of these assets, net of mortgages and claims.

*Liabilities Not Covered by Budgetary Resources*

The Fund does not currently have liabilities not covered by available budgetary resources.

*Net Position*

The components of net position are classified as follows:

- **Retained Capital** – There is no cap on amounts that the Fund can carry forward into Fiscal Year 2021. The cap was removed by the Fiscal Year 1997 Omnibus Appropriations Act (PL 104-208).
- **Unliquidated Obligations** – This category represents the amount of undelivered purchase orders, contracts and equitable sharing requests which have been obligated with current budget resources or delivered purchase orders and contracts that have not been invoiced. An expense and liability are recognized, and the corresponding obligations are reduced as goods are received or services are performed. A portion of the equitable sharing requests that were in final stages of approval are recognized as liabilities at year end. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain liabilities at year end. (See also Distributions Payable at Note 10).

- **Net Results of Operations** – This category represents the net difference, for the activity during the year, between: (i) financing sources including transfers, and revenues; and (ii) expenses.

**Note 3: Investments and Related Interest Receivable**

All investments are intragovernmental short-term (35 days or less) non-marketable par value federal debt securities issued by, and purchased through Treasury's Bureau of the Fiscal Service, Federal Investments Branch. Investments are always purchased at a discount and are reported at acquisition cost, net of discount. The discount is amortized into interest income over the term of the investment. The investments are always held to maturity. They are made from cash in the Fund and from seized currency held in the Customs Suspense Account. The Customs Suspense Account became the depository for seized cash for the Fund following enactment of the TFF Act.

The following schedule presents the investments on hand as of September 30, 2020 and 2019, respectively (dollars in thousands):

**Entity Assets**

<b>Description</b>	<b>Cost</b>	<b>Unamortized Discount</b>	<b>Investment, Net</b>
<b><u>September 30, 2020</u></b>			
Treasury Forfeiture Fund -			
35 days .075% U.S. Treasury Bills	\$1,218,277	(\$89)	\$1,218,188
Interest Receivable			<u>37</u>
Total Investment, Net, and Interest Receivable			<u>\$1,218,225</u>
Fair Market Value			<u>\$1,218,192</u>
<b><u>September 30, 2019</u></b>			
Treasury Forfeiture Fund -			
35 days 1.7200% U.S. Treasury Bills	\$1,144,108	(\$1,913)	\$1,142,195
Interest Receivable			<u>409</u>
Total Investment, Net, and Interest Receivable			<u>\$1,142,604</u>
Fair Market Value			<u>\$1,142,421</u>

## Non-entity Assets

Description	Cost	Unamortized Discount	Investment, Net
<b><u>September 30, 2020</u></b>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days .075% U.S. Treasury Bills	\$1,772,663	(\$129)	<u>\$1,772,534</u>
Fair Market Value			<u>\$1,772,539</u>
<b><u>September 30, 2019</u></b>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 1.7200% U.S. Treasury Bills	\$994,105	(\$1,662)	<u>\$ 992,443</u>
Fair Market Value			<u>\$ 992,639</u>

### **Note 4: Analysis of Non-Entity Assets**

The following schedule presents the non-entity assets as of September 30, 2020 and 2019, respectively (dollars in thousands):

	<u>2020</u>	<u>2019</u>
<b>Seized currency:</b>		
Intragovernmental Investments (Note 3)	\$ 1,772,534	\$ 992,443
Cash and other monetary assets (Note 5)	<u>247,636</u>	<u>660,133</u>
<b>Total Non-Entity Assets</b>	2,020,170	1,652,576
<b>Total Entity Assets</b>	<u>1,422,447</u>	<u>1,335,197</u>
<b>Total Assets</b>	<u>\$ 3,442,617</u>	<u>\$ 2,987,773</u>

## **Note 5: Cash and Other Monetary Assets**

### **Entity Assets**

Cash and Other Monetary Assets held on hand included forfeited currency not yet deposited, as well as forfeited currency held as evidence, amounting to \$80.1 million and \$64.0 million as of September 30, 2020 and 2019, respectively.

### **Non-Entity Assets**

Cash and Other Monetary Assets included seized currency not yet deposited, as well as deposited seized currency, which is not invested in order to pay remissions, amounted to \$247.6 million and \$660.1 million as of September 30, 2020 and 2019, respectively.

## **Note 6: Forfeited Property/Deferred Revenue**

The following summarizes the components of forfeited property (net), as of September 30, 2020 and 2019, respectively (dollars in thousands):

	<b><u>2020</u></b>	<b><u>2019</u></b>
Held for sale	\$ 91,203	\$ 97,226
To be shared with federal, State or local, or foreign government	<u>327</u>	<u>617</u>
Total forfeited property (Note 7)	91,530	97,843
Less: Allowance for liens and claims	<u>(4,583)</u>	<u>(4,675)</u>
Total forfeited property, net	<b><u>\$ 86,947</u></b>	<b><u>\$ 93,168</u></b>

**Note 7: FY 2020 Analysis of Changes in Forfeited Property and Currency**

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2019 to September 30, 2020.  
(Dollar value is in thousands)

	10/1/19 Financial Statement Balance		Adjustments		10/1/19 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$61,393	-	\$-	-	\$61,393	-	\$397,807	-	\$(394,056)	-	\$ (105)	-		
Other Monetary Instruments	2,565	-	-	-	2,565	-	3	-	-	-	-	-		
<b>Subtotal</b>	<b>63,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,958</b>	<b>-</b>	<b>397,810</b>	<b>-</b>	<b>(394,056)</b>	<b>-</b>	<b>(105)</b>	<b>-</b>		
Real Property	62,477	173	12,101	-	74,578	173	18,908	48	(34,474)	(78)	(1,384)	(2)		
General Property	21,407	11,914	25,915	-	47,322	11,914	44,361	20,874	(9,894)	(1,568)	(2,532)	(903)		
Vessels	2,066	98	764	-	2,830	98	2,566	234	(733)	(30)	(25)	(1)		
Aircraft	414	8	290	-	704	8	6,295	18	(104)	(3)	-	-		
Vehicles	11,479	2,332	10,437	-	21,916	2,332	41,571	9,161	(24,067)	(5,712)	(2,041)	(177)		
<b>Subtotal</b>	<b>97,843</b>	<b>14,525</b>	<b>49,507</b>	<b>-</b>	<b>147,350</b>	<b>14,525</b>	<b>113,701</b>	<b>30,335</b>	<b>(69,272)</b>	<b>(7,391)</b>	<b>(5,982)</b>	<b>(1,083)</b>		
<b>Grand Total</b>	<b>\$161,801</b>	<b>14,525</b>	<b>\$49,507</b>	<b>-</b>	<b>\$211,308</b>	<b>14,525</b>	<b>\$511,511</b>	<b>30,335</b>	<b>\$(463,328)</b>	<b>(7,391)</b>	<b>\$(6,087)</b>	<b>(1,083)</b>		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2020 Carrying Value		Fair Market Value Adjustment		9/30/20 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	-	\$12,868	-	\$(339)	-	\$77,568	-	\$-	-	\$77,568	-
Other Monetary Instruments	-	-	-	-	(25)	-	-	-	2,543	-	-	-	2,543	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,843</b>	<b>-</b>	<b>(339)</b>	<b>-</b>	<b>80,111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,111</b>	<b>-</b>
Real Property	-	-	-	-	(7,494)	1	770	-	50,904	142	(7,483)	-	43,421	142
General Property	-	-	(20,678)	(10,998)	8,279	(1,207)	(5,591)	-	61,267	18,112	(33,431)	-	27,836	18,112
Vessels	-	-	(129)	(94)	102	(14)	(6)	-	4,605	193	(530)	-	4,075	193
Aircraft	-	-	(3,140)	(5)	-	-	-	-	3,755	18	(65)	-	3,690	18
Vehicles	-	-	(3,512)	(1,479)	(9,786)	(983)	(522)	-	23,559	3,142	(11,051)	-	12,508	3,142
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>(27,459)</b>	<b>(12,576)</b>	<b>(8,899)</b>	<b>(2,203)</b>	<b>(5,349)</b>	<b>-</b>	<b>144,090</b>	<b>21,607</b>	<b>(52,560)</b>	<b>-</b>	<b>91,530</b>	<b>21,607</b>
<b>Grand Total</b>	<b>\$-</b>	<b>-</b>	<b>\$(27,459)</b>	<b>(12,576)</b>	<b>\$3,944</b>	<b>(2,203)</b>	<b>\$(5,688)</b>	<b>-</b>	<b>\$224,201</b>	<b>21,607</b>	<b>\$(52,560)</b>	<b>-</b>	<b>\$171,641</b>	<b>21,607</b>



**Note 7: FY 2019 Analysis of Changes in Forfeited Property and Currency**

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2018 to September 30, 2019. (Dollar value is in thousands)

	10/1/18 Financial Statement Balance		Adjustments		10/1/18 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$39,486	-	\$-	-	\$39,486	-	\$690,315	-	\$(719,548)	-	\$-	-		
Other Monetary Instruments	7,248	-	-	-	7,248	-	70	-	-	-	-	-		
<b>Subtotal</b>	<b>46,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,734</b>	<b>-</b>	<b>690,385</b>	<b>-</b>	<b>(719,548)</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Real Property	48,648	185	11,805	-	60,453	185	53,908	106	(61,468)	(171)	-	(2)		
General Property	19,969	16,042	22,433	-	42,402	16,042	47,164	14,006	(12,592)	(2,183)	(1,669)	(3,169)		
Vessels	1,038	113	648	-	1,686	113	2,073	160	(853)	(42)	(37)	(26)		
Aircraft	852	7	1,056	-	1,908	7	399	5	(214)	(3)	-	-		
Vehicles	8,171	2,362	7,352	-	15,523	2,362	39,395	8,052	(19,628)	(4,923)	(9,809)	(1,161)		
<b>Subtotal</b>	<b>78,678</b>	<b>18,709</b>	<b>43,294</b>	<b>-</b>	<b>121,972</b>	<b>18,709</b>	<b>142,939</b>	<b>22,329</b>	<b>(94,755)</b>	<b>(7,322)</b>	<b>(11,515)</b>	<b>(4,358)</b>		
<b>Grand Total</b>	<b>\$125,412</b>	<b>18,709</b>	<b>\$43,294</b>	<b>-</b>	<b>\$168,706</b>	<b>18,709</b>	<b>\$833,324</b>	<b>22,329</b>	<b>\$(814,303)</b>	<b>(7,322)</b>	<b>\$(11,515)</b>	<b>(4,358)</b>		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2019 Carrying Value		Fair Market Value Adjustment		9/30/19 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	-	\$51,827	-	\$(687)	-	\$61,393	-	\$-	-	\$61,393	-
Other Monetary Instruments	-	-	-	-	(4,753)	-	-	-	2,565	-	-	-	2,565	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,074</b>	<b>-</b>	<b>(687)</b>	<b>-</b>	<b>63,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,958</b>	<b>-</b>
Real Property	-	-	-	-	24,259	55	(2,574)	-	74,578	173	(12,101)	-	62,477	173
General Property	-	-	(23,499)	(12,555)	3,252	(227)	(7,736)	-	47,322	11,914	(25,915)	-	21,407	11,914
Vessels	-	-	(114)	(111)	126	4	(51)	-	2,830	98	(764)	-	2,066	98
Aircraft	-	-	-	-	(1,337)	(1)	(52)	-	704	8	(290)	-	414	8
Vehicles	-	-	(4,796)	(2,227)	1,663	229	(432)	-	21,916	2,332	(10,437)	-	11,479	2,332
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>(28,409)</b>	<b>(14,893)</b>	<b>27,963</b>	<b>60</b>	<b>(10,845)</b>	<b>-</b>	<b>147,350</b>	<b>14,525</b>	<b>(49,507)</b>	<b>-</b>	<b>97,843</b>	<b>14,525</b>
<b>Grand Total</b>	<b>\$-</b>	<b>-</b>	<b>\$(28,409)</b>	<b>(14,893)</b>	<b>\$75,037</b>	<b>60</b>	<b>\$(11,532)</b>	<b>-</b>	<b>\$211,308</b>	<b>14,525</b>	<b>\$(49,507)</b>	<b>-</b>	<b>\$161,801</b>	<b>14,525</b>

**Note 8: FY 2020 Analysis of Changes in Seized Property and Currency**

Seized property and currency result primarily from enforcement activities. Seized property is not legally owned by the Fund until judicially or administratively forfeited. Because of the fungible nature of currency and the high level of control necessary over these assets and the possibility that these monies may be returned to their owners in lieu of forfeiture, seized currency is reported as a custodial asset upon seizure. Seized property other than currency is reported as a custodial asset upon forfeiture. The following schedule presents the changes in the seized property and currency balances from October 1, 2019 to September 30, 2020. (Dollar value is in thousands)

	10/1/19 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/20 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$1,639,822	-	\$1,329,437	-	\$(79,202)	-	\$(397,807)	-	\$(487,487)	-	\$(1,373)	-	\$2,003,390	-
Other Monetary Instruments	12,754	-	13,436	-	-	-	(3)	-	(9,407)	-	-	-	16,780	-
<b>Subtotal</b>	<b>1,652,576</b>	<b>-</b>	<b>1,342,873</b>	<b>-</b>	<b>(79,202)</b>	<b>-</b>	<b>(397,810)</b>	<b>-</b>	<b>(496,894)</b>	<b>-</b>	<b>(1,373)</b>	<b>-</b>	<b>2,020,170</b>	<b>-</b>
Real Property	202,835	380	195,516	109	(18,836)	(30)	(18,908)	(48)	11,357	(34)	(7,987)	-	363,977	377
General Property	385,432	31,854	299,733	27,827	(31,651)	(4,621)	(44,361)	(20,874)	(9,091)	(1,955)	11,172	-	611,234	32,231
Vessels	94,197	152	6,247	255	(956)	(14)	(2,566)	(234)	(489)	(12)	(674)	-	95,759	147
Aircraft	20,753	44	8,866	26	(1,859)	(6)	(6,295)	(18)	(120)	(10)	(45)	-	21,300	36
Vehicles	56,533	6,491	131,779	15,074	(63,125)	(4,644)	(41,571)	(9,161)	(19,842)	(1,644)	(259)	-	63,515	6,116
<b>Subtotal</b>	<b>759,750</b>	<b>38,921</b>	<b>642,141</b>	<b>43,291</b>	<b>(116,427)</b>	<b>(9,315)</b>	<b>(113,701)</b>	<b>(30,335)</b>	<b>(18,185)</b>	<b>(3,655)</b>	<b>2,207</b>	<b>-</b>	<b>1,155,785</b>	<b>38,907</b>
<b>Grand Total</b>	<b>\$2,412,326</b>	<b>38,921</b>	<b>\$1,985,014</b>	<b>43,291</b>	<b>\$(195,629)</b>	<b>(9,315)</b>	<b>\$(511,511)</b>	<b>(30,335)</b>	<b>\$(515,079)</b>	<b>(3,655)</b>	<b>834</b>	<b>-</b>	<b>\$3,175,955</b>	<b>38,907</b>

**Note 8: FY 2019 Analysis of Changes in Seized Property and Currency**

Seized property and currency result primarily from enforcement activities. Seized property is not legally owned by the Fund until judicially or administratively forfeited. Because of the fungible nature of currency and the high level of control necessary over these assets and the possibility that these monies may be returned to their owners in lieu of forfeiture, seized currency is reported as a custodial asset upon seizure. Seized property other than currency is reported as a custodial asset upon forfeiture. The following schedule presents the changes in the seized property and currency balances from October 1, 2018 to September 30, 2019. (Dollar value is in thousands)

	10/1/18 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/19 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$1,678,309	-	\$1,314,497	-	\$(585,130)	-	\$(690,315)	-	\$(76,967)	-	\$(572)	-	\$1,639,822	-
Other Monetary Instruments	12,567	-	245	-	(2)	-	(70)	-	15	-	(1)	-	12,754	-
<b>Subtotal</b>	<b>1,690,876</b>	<b>-</b>	<b>1,314,742</b>	<b>-</b>	<b>(585,132)</b>	<b>-</b>	<b>(690,385)</b>	<b>-</b>	<b>(76,952)</b>	<b>-</b>	<b>(573)</b>	<b>-</b>	<b>1,652,576</b>	<b>-</b>
Real Property	257,608	488	50,860	102	(6,715)	(46)	(53,908)	(106)	(34,685)	(58)	(10,325)	-	202,835	380
General Property	415,623	30,431	98,910	31,542	(69,795)	(5,460)	(47,164)	(14,006)	(5,856)	(10,653)	(6,286)	-	385,432	31,854
Vessels	6,386	130	91,378	209	(702)	(18)	(2,073)	(160)	(768)	(9)	(24)	-	94,197	152
Aircraft	13,731	35	6,378	20	(1,224)	(10)	(399)	(5)	3,801	4	(1,534)	-	20,753	44
Vehicles	47,124	4,949	124,864	15,576	(55,873)	(4,342)	(39,395)	(8,052)	(18,403)	(1,640)	(1,784)	-	56,533	6,491
<b>Subtotal</b>	<b>740,472</b>	<b>36,033</b>	<b>372,390</b>	<b>47,449</b>	<b>(134,309)</b>	<b>(9,876)</b>	<b>(142,939)</b>	<b>(22,329)</b>	<b>(55,911)</b>	<b>(12,356)</b>	<b>(19,953)</b>	<b>-</b>	<b>759,750</b>	<b>38,921</b>
<b>Grand Total</b>	<b>\$2,431,348</b>	<b>36,033</b>	<b>\$1,687,132</b>	<b>47,449</b>	<b>\$(719,441)</b>	<b>(9,876)</b>	<b>\$(833,324)</b>	<b>(22,329)</b>	<b>\$(132,863)</b>	<b>(12,356)</b>	<b>(20,526)</b>	<b>-</b>	<b>\$2,412,326</b>	<b>38,921</b>

### **Note 9: Permanent Reduction/Transfer to the General Fund**

The unobligated balance is usually available to cover costs related to seizures and forfeitures and certain other law enforcement activities. A permanent reduction or cancellation means that the cancelled amount cannot be used for those purposes. In fiscal year 2020, there was not a permanent reduction or cancellation. In fiscal year 2019, the Consolidated Appropriations Act of 2019 permanently cancelled \$200 million. The cancelled funds were transferred to the General Fund on September 27, 2019.

### **Note 10: Distributions Payable**

Distributions Payable (state and local agencies and foreign governments) amounted to \$32.6 million and \$23 million as of September 30, 2020 and 2019, respectively. Fund management recognizes as a liability a portion (based on the average of historical pay-out percentage) of the equitable sharing requests, that were approved or in final stages of approval on September 30, 2020 and 2019, respectively. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain to be paid out by the Fund during the following fiscal year.

### **Note 11: Net Position**

#### *Cumulative Results of Operations*

The following summarizes components of cumulative results of operations as of September 30, 2020 and 2019, respectively (dollars in thousands):

	<b>2020</b>	<b>2019</b>
Retained Capital	\$ 713,889	\$ 1,039,438
Unliquidated Obligations	412,249	396,318
Net Results of Operations	90,741	(309,618)
	<u>\$ 1,216,879</u>	<u>\$ 1,126,138</u>

#### *Unliquidated Obligations*

The following summarizes the components of unliquidated obligations as of September 30, 2020 and 2019 respectively (dollars in thousands):

	<b>2020</b>	<b>2019</b>
Equitable Sharing	\$ 216,863	\$ 190,164
Mandatory	195,386	206,154
	<u>\$ 412,249</u>	<u>\$ 396,318</u>

## **Note 12: Related Party Transactions**

The Fund reimbursed agencies for the purchase of certain capital assets. These assets are reported by the participating agencies in their financial statements.

## **Note 13: Strategic Support**

31 USC 9705 (g)(4)(B) allows for the expenditure, without fiscal year limitation, after the reservation of amounts needed to continue operations of the Fund. This “Strategic Support” balance may be used for law enforcement activities of any federal agency.

No amount was distributed to other federal agencies for law enforcement activities under “Strategic Support” requirements in fiscal year 2020, while \$599.7 million was distributed in fiscal year 2019.

The following summarizes Strategic Support payments, net of Transfers-In for the years ended September 30, 2020 and 2019, respectively, (dollars in thousands):

	<u>2020</u>	<u>2019</u>
Transfers - Out	\$ -	\$(602,972)
Transfers - In	667	3,254
Total	<u>\$ 667</u>	<u>\$(599,718)</u>

## **Note 14: Secretary’s Enforcement Fund**

31 USC 9705(b)(5) is another category of permanent indefinite authority. These funds are available to the Secretary, without further action by Congress and without fiscal year limitation, for federal law enforcement purposes of Treasury law enforcement organizations. The source of Section 9705(b)(5) funds is equitable sharing payments received from the Department of Justice and the U.S. Postal Service (USPS) representing Treasury's share of forfeiture proceeds from Justice and USPS cases.

Amounts distributed for federal law enforcement purposes of Treasury law enforcement organizations amounted to \$21.5 million and \$23.4 million in fiscal years 2020 and 2019, respectively.

The following summarizes Secretary’s Enforcement Fund payments, net of Transfers-In for the years ended September 30, 2020 and 2019, respectively, (dollars in thousands):

	<u>2020</u>	<u>2019</u>
Transfers - Out	\$ (22,830)	\$ (24,615)
Transfers - In	1,369	1,187
Total	<u>\$ (21,461)</u>	<u>\$ (23,428)</u>

## **Note 15: Commitments and Contingencies**

### COMMITMENTS

The Fund is subject to equitable sharing claims from participating state and local law enforcement agencies. A portion of these claims that were in final stages of approval have been recognized as liabilities as of September 30 (See Note 10).

In addition to the amounts estimated above, there are other amounts, which may ultimately be shared, that are not identified at this time.

### CONTINGENCIES

As of September 30, 2020, the Fund had future expenditures of \$512.8 million (see Note 17) for refunds and equitable sharing matters, which are reasonably estimable. The future expenditures are based upon the best estimate of costs to be incurred for refunds in light of the progress made by seizing agencies and the relevant United States Attorney's Offices in achieving a resolution to forfeitures. Additionally, part of the amount will soon be equitably shared with the Department of Justice pursuant to a long-standing memorandum of agreement.

The Fund has a litigation to report that could have a future material impact. A civil lawsuit was filed on September 16, 2020, against the Departments of Justice and Treasury, and against a fund set up for the U.S. Victims of State Sponsored Terrorism (USVSST). The lawsuit seeks to have the court determine that legislation Congress passed on November 21, 2019, ('The Clarification Act') is retroactive to December 2015. The 'Clarification Act' increased the mandatory percentage of deposits into the USVSST fund from eligible civil forfeitures, fines, and penalties from 50% to 75%. The additional 25% translates into approximately \$228 million in previously forfeited funds which likely have been spent in accordance with Title 31 U.S.C. 9705. Though the government plans to contest this lawsuit, it is too early to assess the likelihood of loss.

## **Note 16: Disclosures Related to the Statements of Net Cost**

Gross costs and earned revenue related to Law Enforcement Programs administered by the Fund are presented in Treasury's budget functional classification (in thousands) as set out below:

	<b>2020</b>	<b>2019</b>
Gross Costs	\$ 236,705	\$ 226,231
Earned Revenues	-	-
Net Costs	<u>\$ 236,705</u>	<u>\$ 226,231</u>

The Fund falls under the Treasury's budget functional classification related to Administration of Justice.

**Note 17: Disclosures Related to the Statements of Budgetary Resources**

The Fund's budgetary obligations are fully covered by cash on hand in the Fund and Entity Investments. The Fund does not have borrowing or contract authority and, therefore, has no repayment requirements, financing sources for repayment, or other terms of borrowing authority. There are no legal arrangements, outside of normal government wide restrictions, specifically affecting the Fund's use of unobligated balances of budget authority.

Adjustments to budgetary resources available at the beginning of fiscal years 2020 and 2019 consist of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Recoveries of Prior Year Unpaid Obligations	\$ 32,358	\$ 35,426
Other Changes in Unobligated Balance	-	-
Total	<u>\$ 32,358</u>	<u>\$ 35,426</u>

The Fund was required to change its methodology for recognizing remissions and equitable sharing obligations beginning in FY 2016. Under the newly adopted method, an obligation for refunds or remissions will be created only upon receipt of a Ruling Letter from the Department of Justice for judicial forfeiture cases or from Fund member agencies for administrative forfeitures. Additionally, obligations related to equitable sharing will be recognized upon TEOAF's approval of Fund member agencies' request for transfers and related distribution percentages and amounts on the Decision Form. Consequently, the Fund has future expenditures and commitments from remissions and equitable sharing that will be funded from the September 30, 2020 unobligated balance.

The following shows anticipated reductions to the unobligated balances of budget authority resulting from these future expenditures and commitments for fiscal years 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Unobligated balance	\$ 691,453	\$ 609,632
Future expenditures (Note 15):		
Refund and remissions	(386,604)	(341,355)
Equitable sharing	(126,161)	(131,961)
Total future expenditures	<u>(512,765)</u>	<u>(473,316)</u>
Commitments (Note 15)	-	-
Total reductions to unobligated balance	<u>(512,765)</u>	<u>(473,316)</u>
Unobligated balance net of future expenditures, and commitments	<u>\$ 178,688</u>	<u>\$ 136,316</u>

**Note 18: Dedicated Collections**

The Fund is classified as a special fund. All its activities are reported as dedicated collections held for later use.

**Note 19: Payments in Lieu of Forfeiture, Net of Refunds**

The following summarizes Payments in Lieu of Forfeiture, Net of Refunds for the years ended September 30, 2020 and 2019, respectively (dollars in thousands):

	<u>2020</u>	<u>2019</u>
Payments in Lieu of Forfeiture	\$ 11,713	\$ 8,337
Refunds	(982)	(1,279)
Total	<u>\$ 10,731</u>	<u>\$ 7,058</u>



**Note 20: Reconciliation of Net Cost of Operations to Net Budgetary Outlays**

The reconciliation of Net Cost of Operations to Net Budgetary Outlays demonstrates the relationship between the Fund's proprietary (net cost of operations) and budgetary accounting (net outlays) information (in thousands):

**September 30, 2020**

	<u>Intra- Governmental</u>	<u>Intra- Departmental</u>	<u>With the Public</u>	<u>Total</u>
<b>Net Cost</b>	\$110,221	\$56,534	\$69,950	\$236,705
<b>(Increase)/decrease in assets:</b>				
Investments		(371)		(371)
<b>(Increase)/decrease in liabilities:</b>				
Accounts payable	(2,443)	(5,232)	(6,335)	(14,010)
Other liabilities	10,981	298		11,279
<b>Other financing sources</b>				
Transfers out (in) without reimbursement	14,589	6,205		20,794
<b>Total components of Net Cost not part of Net Outlays</b>	23,127	900	(6,335)	17,692
<b>Components of Net Outlays that are not part of Net Cost:</b>				
Other		372	182,280	182,652
<b>Total components of Net Outlays that are not part of Net Costs</b>		372	182,280	182,652
<b>Net Outlays</b>	<u>\$133,348</u>	<u>\$57,806</u>	<u>\$245,895</u>	<u>\$437,049</u>

**September 30, 2019**

	<b>Intra- Governmental</b>	<b>Intra- Departmental</b>	<b>With the Public</b>	<b>Total</b>
<b>Net Cost</b>	\$111,545	\$47,186	\$67,500	\$226,231
<b>(Increase)/decrease in liabilities:</b>				
Accounts payable	(1,597)	154	20,804	19,361
Other liabilities	32,429	17,274		49,703
<b>Other financing sources</b>				
Transfers out (in) without reimbursement	613,427	9,719		623,146
<b>Total components of Net Cost not part of Net Outlays</b>	644,259	27,147	20,804	692,210
<b>Components of Net Outlays that are not part of Net Cost:</b>				
Other			154,514	154,514
<b>Total components of Net Outlays that are not part of Net Costs</b>			154,514	154,514
<b>Net Outlays</b>	<b>\$755,804</b>	<b>\$74,333</b>	<b>\$242,818</b>	<b>\$1,072,955</b>

**SECTION IV**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**(UNAUDITED)**

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Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2020		2019	
	Fund Balance with Treasury	Investments	Fund Balance with Treasury	Investments
Treasury	\$ 34,430	\$ -	\$ 34,013	\$ -
Bureau of the Fiscal Service	-	2,990,759	-	2,135,047
Totals	<u>\$ 34,430</u>	<u>\$ 2,990,759</u>	<u>\$ 34,013</u>	<u>\$ 2,135,047</u>

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2020 Accounts Payable	2019 Accounts Payable
Department of Justice	\$ 16,389	\$ 15,693
Department of Homeland Security	47,815	57,050
Departmental Offices	614	813
Treasury Office of the Inspector General	134	139
Tax and Trade	870	677
Internal Revenue Service	15,511	10,566
Totals	<u>\$ 81,333</u>	<u>\$ 84,938</u>

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2020		2019	
	Cost to Generate Exchange Intragovernmental Revenue	Costs to Generate Non-Exchange Intragovernmental Revenue	Cost to Generate Exchange Intragovernmental Revenue	Costs to Generate Non-Exchange Intragovernmental Revenue
Administration of Justice	\$ -	\$ 166,755	\$ -	\$ 158,731

Intragovernmental Amounts – Non-exchange Revenue (Dollars in thousands):

<b>Partner Agency</b>	<b>2020</b>			<b>2019</b>		
	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Net Transfers In (Out)</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Net Transfers In (Out)</b>
Department of Homeland Security	\$ 1,163	\$ (15,751)	\$ (14,588)	\$ 3,738	\$ (617,205)	\$ (613,467)
Internal Revenue Service	872	(6,728)	(5,856)	663	(9,782)	(9,119)
Tax and Trade	-	(350)	(350)	-	(600)	(600)
Department of Justice	-	-	-	40	-	40
General Fund	-	-	-	-	(200,000)	(200,000)
	<u>\$ 2,035</u>	<u>\$ (22,829)</u>	<u>\$ (20,794)</u>	<u>\$ 4,441</u>	<u>\$(827,587)</u>	<u>\$ (823,146)</u>

**SECTION V**  
**OTHER ACCOMPANYING INFORMATION**  
**(UNAUDITED)**

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**TREASURY FORFEITURE FUND**  
**Equitable Sharing Summarized by State and U.S. Territories**  
**For the Year Ended September 30, 2020**  
**(Dollars in Thousands)**  
**(Unaudited)**

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
Alabama	\$ 2,148	\$ -
Alaska	-	2
Arizona	433	18
Arkansas	127	100
California	5,069	102
Colorado	209	8
Connecticut	822	-
D.C. Washington	10	-
Delaware	131	-
Florida	2,916	1,406
Georgia	1,997	-
Guam	-	-
Hawaii	118	4
Idaho	-	-
Illinois	5,341	26
Indiana	5,776	-
Iowa	7	-
Kansas	530	225
Kentucky	448	1
Louisiana	295	-
Maine	6	-
Maryland	1,711	-
Massachusetts	311	185
Michigan	147	161
Minnesota	838	26
Mississippi	588	-
Missouri	2,917	125
Montana	-	-
Nebraska	6,365	5
Nevada	412	2
New Jersey	1,025	-
New Hampshire	149	-
New Mexico	-	-
New York	14,660	1,418
North Carolina	5,467	-
North Dakota	4	-
Northern Marianas	3	-
Ohio	3,122	11
Oklahoma	1,647	8
Oregon	3,651	-
Pennsylvania	2,383	36
Puerto Rico	2,301	20
Rhode Island	214	-
South Carolina	626	533
South Dakota	19	-
Tennessee	924	242
Texas	<u>15,931</u>	<u>2,417</u>
<i>Subtotal carried forward</i>	\$91,798	\$7,081

**TREASURY FORFEITURE FUND**  
**Equitable Sharing Summarized by State and U.S. Territories**  
**For the Year Ended September 30, 2020**  
**(Dollars in Thousands)**  
**(Unaudited)**

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<i>State/U.S. Territories</i>	<u>Currency Value</u>	<u>Property Value</u>
<i>Subtotal brought forward</i>	91,798	7,081
Utah	11	11
Vermont	43	-
Virgin Islands	-	-
Virginia	829	7
Washington	1,057	5
West Virginia	3	11
Wisconsin	50	16
Wyoming	<u>-</u>	<u>38</u>
Totals	<u>\$93,791</u>	<u>\$ 7,169</u>

Summarized above are the currency and property values of assets forfeited and shared with state and local agencies and U.S. Territories participating in the seizure. This supplemental schedule is not a required part of the financial statement of the Department of the Treasury Forfeiture Fund. Information presented on this schedule represents assets physically transferred during the year and, therefore, does not agree with total assets shared with state and local agencies in the financial statements. In addition, the above numbers do not include the adjustment to present property distributed at net realizable value.

**TREASURY FORFEITURE FUND**  
**Uncontested Seizures of Currency and Monetary Instruments Valued Over**  
**\$100 Thousand Taking More Than 120 Days from Seizure to Deposit in Fund**  
**For the Year Ended September 30, 2020**  
**(Dollars in Thousands)**

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**31 U.S.C. 9705(f)(2)(E) requires the Secretary of the Treasury to report annually to Congress uncontested seizures of currency or proceeds of monetary instruments over \$100 thousand which were not deposited in the Department of the Treasury Forfeiture Fund within 120 days of the seizure date. There were 35 administrative seizures over \$100 thousand over 120 days old totaling \$19,878 that had not been transferred from the Seized Currency Suspense Account to the Treasury Forfeiture Fund as of the end of FY 2020.**

**TREASURY FORFEITURE FUND**  
**Analysis of Revenue and Expenses and Distributions**  
**For the Year Ended September 30, 2020**  
**(Dollars in Thousands)**

Revenue, Expenses and Distributions by Asset Category:

	<u>Revenue</u>	<u>Expenses and Distributions</u>
Vehicles	\$ 14,783	\$ 62,114
Vessels	4,106	79,140
Aircraft	4,106	25,496
General Property	13,140	251,193
Real Property	45,991	9,839
Currency and monetary instruments	<u>449,892</u>	<u>104,236</u>
	532,018	532,018
Less:		
Mortgages and claims	(1,138)	(1,138)
Refunds	(982)	(982)
Add:		
Excess of net revenues and financing sources over total program expenses	<u>-</u>	<u>-</u>
Total	<u>\$529,898</u>	<u>\$ 529,898</u>

Revenue, Transfers, Expenses and Distributions by Type of Disposition:

Sales of property and forfeited currency and monetary instruments	\$ 346,090	\$ 101,083
Reimbursed storage costs	4,270	53,202
Assets shared with state and local agencies	110,398	110,398
Assets shared with other federal agencies	3,573	3,573
Assets shared with foreign countries	-	-
Victim Restitution	67,687	67,687
Destructions	-	63,843
Pending disposition	<u>-</u>	<u>132,232</u>
	532,018	532,018
Less:		
Mortgages and claims	(1,138)	(1,138)
Refunds	(982)	(982)
Add:		
Excess of net revenues and financing sources over total program expenses	<u>-</u>	<u>-</u>
Total	<u>\$ 529,898</u>	<u>\$ 529,898</u>

The revenue amount of \$529,898 is from the Statement of Changes in Net Position. This supplemental schedule "Analysis of Revenues, Expenses and Distributions" is required under the Treasury Forfeiture Fund Act of 1992.

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9705(f)**  
**For the Year Ended September 30, 2020**  
**(Dollars in Thousands)**

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**The Treasury Forfeiture Fund Act of 1992, 31 U.S.C. 9705(f), requires the Secretary of the Treasury to transmit to Congress, no later than February 1, of each year, certain information. The following summarizes the required information.**

**(1) A report on:**

- (A) The estimated total value of property forfeited with respect to which funds were not deposited in the Department of the Treasury Forfeiture Fund during the preceding fiscal year under any law enforced or administered by the Department of the Treasury law enforcement organizations or the United States Coast Guard, in the case of fiscal years beginning after 1993.

**As reported in the audited financial statements, at September 30, 2020, the Fund had forfeited property held for sale of \$91,203. The realized proceeds will be deposited in the Fund when the property is sold.**

**Upon seizure, currency and other monetary instruments not needed for evidence in judicial proceedings are deposited in a Customs and Border Protection (CBP) suspense account. Upon forfeiture, it is transferred to the Treasury Forfeiture Fund. At September 30, 2020, there was \$80,111 of forfeited currency and other monetary instruments that had not yet been transferred to the Fund. This is reported as a part of “Cash and Other Monetary Assets” in the audited financial statements.**

- (B) The estimated total value of all such property transferred to any state or local law enforcement agency.

**The estimated total value of all such property transferred to any state or local law enforcement bureau is summarized by state and U.S. territories. Total currency transferred was \$93,791 and total property transferred was \$7,169 at appraised value.**

**(2) A report on:**

- (A) The balance of the Fund at the beginning of the preceding fiscal year.

**The total net position of the Treasury Forfeiture Fund on September 30, 2019 which became the beginning balance for the Fund on October 1, 2019, as reported in the audited financial statements is \$1,126,138.**

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9705(f)**  
**For the Year Ended September 30, 2020**  
**(Dollars in Thousands)**

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- (B) Liens and mortgages paid and the amount of money shared with federal, state, local and foreign law enforcement bureaus during the preceding fiscal year.

**Mortgages and claims expense, as reported in the audited financial statements, was \$1,138. The amount actually paid on a cash basis was not materially different.**

**The amount of forfeited currency and property shared with federal, and distributed to state, local and foreign law enforcement bureaus as reported in the audited financial statements was as follows:**

	<u>Amount</u>
State and local	\$110,398
Foreign countries	-
Other federal agencies	3,573
Victim restitution	67,687

- (C) The net amount realized from the operations of the Fund during the preceding fiscal year, the amount of seized cash being held as evidence, and the amount of money that has been carried over into the current fiscal year.

**The net cost of operations of the Fund as shown in the audited financial statements is \$236,705.**

**The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2020, was \$247,636. This amount includes some funds in the process of being deposited at year-end, cash seized in August or September 2020 that is pending determination of its evidentiary value from the U.S. Attorney, and the currency seized for forfeiture being held as evidence.**

**On a budgetary basis, unobligated balances as originally reported on the Office of Management and Budget Reports, SF-133, "Report on Budget Execution" was approximately \$691,453 for fiscal year 2020. There was no rescinded authority that was classified as "permanent".**

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9705(f)**  
**For the Year Ended September 30, 2020**  
**(Dollars in Thousands)**

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(D) Any defendant’s property not forfeited at the end of the preceding fiscal year, if the equity in such property is valued at \$1 million or more.

**The total approximate value of such property for the Treasury Forfeiture Fund, at estimated values determined by bureau and contractor’s officials, and the number of seizures is as follows:**

<u>Bureau</u>	<u>Amount</u>	<u>Number</u>
CBP	\$ 271,821	50 seizures
IRS	1,145,131	134 seizures
U.S. Secret Service	125,966	18 seizures

(E) The total dollar value of uncontested seizures of monetary instruments having a value of over \$100 thousand which, or the proceeds of which, have not been deposited into the Fund within 120 days after the seizure, as of the end of the preceding fiscal year.

**The total dollar value of such seizures is \$19,878. This is also documented on page 49.**

(F) The balance of the Fund at the end of the current fiscal year.

**The total net position of the Fund at September 30, 2020, as reported in the audited financial statements is \$1,216,879.**

(G) The net amount, if any, of the excess unobligated amounts remaining in the Fund at the end of the preceding fiscal year and available to the Secretary for Federal law enforcement related purposes.

**There is no cap on amounts that can be carried forward into Fiscal Year 2021 per the fiscal year 1997 Omnibus Appropriations Act (PL 104-208).**

(H) A complete set of audited financial statements prepared in a manner consistent with the requirements of the Chief Financial Officers Act of 1990.

**The audited financial statements, including the Independent Auditor’s Report, are found in Sections II and III.**

(I) An analysis of income and expense showing revenue received or lost: (i) by property category (such as general property, vehicles, vessels, aircraft, cash, and real property); and (ii) by type of disposition (such as sale, remission, cancellation, placement into official use, sharing with state and local agencies, and destruction).

**A separate schedule is presented on page 50.**



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