Audit Report

OIG-17-024

FINANCIAL MANAGEMENT

Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2016 and 2015 Financial Statements

December 15, 2016

Office of Inspector General

Department of the Treasury

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[1] The objective of this technique is to present tabular information in a way that preserves relationships within the information even when users cannot see the table or the presentation format is changed. Information is considered tabular when logical relationships among text, numbers, images, or other data exist in two dimensions (vertical and horizontal). These relationships are represented in columns and rows, and the columns and rows must be recognizable in order for the logical relationships to be perceived.

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[2] Table Regularity requires that to be accessible, tables must contain the same number of columns in each row, and rows in each column.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 15, 2016

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 Fiscal Years 2016 and 2015 Financial Statements

Under a contract monitored by our office, GKA, P.C. (GKA), an independent certified public accounting firm, audited the financial statements of the Department of the Treasury Forfeiture Fund (TFF) as of September 30, 2016 and 2015, and for the years then ended and provided a report on internal control over financial reporting and a report on reportable noncompliance 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. 15-02, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/President's Council 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, regulations, and contracts. GKA is responsible for the attached auditors' reports dated October 31, 2016, and the conclusions expressed in the reports. However, our review disclosed no instances where GKA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Should you have any questions, 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 2016

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

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Message from the Director

I am pleased to present the fiscal year (FY) 2016 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 2016 was another challenging year with a rescission of $876 million as part of the Consolidated Appropriations Act of 2016 (P.L. 114-113). Additionally, $124 million was sequestered as part of the government-wide sequestration order. In terms of overall revenue, FY 2016 was another highly successful year for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with earned revenue of $870 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 2016, our member bureaus exceeded the target with a performance level of 89 percent.

In FY 2016, the Fund continued prioritizing the support of law enforcement efforts targeting Third Party Money Laundering Networks (3PML). This is a critically important investigative area aimed at dismantling the financial infrastructure of major criminal enterprises. The Fund continues to provide resources to enhance the analytical and operational capabilities of 3PML cases, as well as their supporting infrastructure. In union with this initiative, the Fund conducted a seminar on 3PML issues in Chicago, Il. The discussion highlighted criminal money movements from bulk currency to a variety of complex financial networks operated by professional money launders. The topics included trade based money laundering, the black market peso exchange, shell companies and trusts, and specific investigative and prosecutorial best practices, as well as resources available to support member agencies' 3PML cases.

Contributing to this year's revenue levels were a few investigations of note. An investigation of Crédit Agricole Corporate and Investment Bank in Geneva, a subsidiary of Crédit Agricole S.A. headquartered in Paris, resulted in a deferred prosecution agreement and a total forfeiture of $312 million. One half, or $156 million, was sent to the Fund. Between 2003 and 2008, Crédit Agricole in Geneva knowingly and intentionally violated laws by moving approximately $312 million through the U.S. financial system on behalf of sanctioned entities located in Sudan, Burma, Iran and Cuba. Bank Julius Baer & Co., Ltd., a financial institution headquartered in Zurich, entered into a deferred prosecution agreement for knowingly assisting U.S. taxpayer-clients in evading their U.S. tax obligations. From 2001 to 2011, Julius Baer earned approximately $219.5 million in gross revenues from its undeclared U.S. Accounts. The $219.5 was forfeited to the Fund during FY 2016.

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 2017.

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

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Treasury Forfeiture Fund
FY 2016 Management Overview

Profile of the Treasury Forfeiture Fund

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 the Fund 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 25 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.

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 2016 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.

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

Bank Julius Baer of Switzerland Enters into a Deferred Prosecution Agreement

Information included in the following article is attributed to US Attorney's February 4, 2016 press release titled, *Manhattan U.S. Attorney Announces Criminal Charges Against Bank Julius Baer Of Switzerland With Deferred Prosecution Agreement Requiring Payment Of $547 Million, As Well As Guilty Pleas Of Two Julius Baer Bankers;* TEOAF records; and information from the IRS-CI liaison to TEOAF.

On Feb. 4, 2016, in Manhattan, New York, Bank Julius Baer & Co., Ltd., a financial institution headquartered in Zurich, Switzerland, entered into a deferred prosecution agreement. Julius Baer admitted that it knowingly assisted many of its U.S. taxpayer-clients in evading their tax obligations under U.S. law and agreed to pay the United States $547 million.

"Bank Julius Baer not only turned a blind eye to tax avoiders, but actually conspired with them to break the law," said Manhattan U.S. Attorney Preet Bharara. "Together with our partners at the IRS, we will continue to prosecute financial institutions and individuals who facilitate tax evasion."

Julius Baer admitted to a number of improper actions, such as establishing accounts with "code words" for account identifiers, instead of the account holder's name. In addition, two Julius Baer client advisers, Daniela Casadei, a Swiss citizen, and Fabio Frazzetto, an Italian and Swiss citizen, each pleaded guilty to conspiring with U.S. taxpayer-clients and others to help U.S. taxpayers hide their assets in offshore accounts and to evade U.S. taxes on the income earned in those accounts.

According to court documents, from at least the 1990s through 2009, Julius Baer took numerous steps to help U.S. taxpayers hide assets from the IRS and evade taxes including opening and maintaining undeclared accounts for U.S. taxpayers. Casadei, Frazzetto, and others, advised U.S. taxpayer-clients that their accounts at Julius Baer would not be disclosed to the IRS because Julius Baer had a long tradition of bank secrecy and no longer had offices in the United States.

At its high-water mark in 2007, Julius Baer had approximately $4.7 billion in assets under management relating to approximately 2,589 undeclared accounts held by U.S. taxpayer-clients. From 2001 through 2011, Julius Baer earned approximately $87 million in profit on approximately $219 million gross revenues from its undeclared U.S. taxpayer accounts. As a result, $219.5 million was forfeited the Treasury Department on May 19, 2016.

Crédit Agricole Admits to Sanctions Violations, Agrees to Large Forfeiture

Information included in the following forfeiture article is attributed to: US Attorney's February 4, 2016 press release titled, *Credit Agricole Corporate and Investment Bank Admits to Sancions Violations, Agrees to Forfeit $312 Million;* TEOAF records; Information provided by the IRS-CI Liaison to TEOAF.

On October 20, 2015, Crédit Agricole Corporate and Investment Bank (CACIB), a corporate and investment bank owned by Crédit Agricole S.A. and headquartered in Paris, agreed to forfeit a total of $312 million and enter into a deferred prosecution agreement with the U.S. Attorney's Office of the District of Columbia for CACIB's violations of the International Emergency Economic Powers Act (IEEPA) and the Trading With the Enemy Act (TWEA).

Of the $312 million forfeited, $156 million was forfeited to the New York District Attorney's Office. An additional $156 million was sent to the Treasury Executive Office for Asset Forfeiture (TEOAF). Of the funds sent to TEOAF, $78 million was forfeited and placed in the Treasury Forfeiture Fund (TFF), while the other $78 million was distributed on September 9, 2016 to the newly created United States Victims of State Sponsored Terrorism Fund ("the USVSST"). The USVSST was created by Congress in Public Law 114-113 (codified at 42 USC 10609), enacted on December 18, 2015, in order to compensate U.S. persons who were injured in acts of state-sponsored terrorism. This legislation also directs that certain forfeitures arising from certain offenses involving state sponsors of terrorism to the USVSST, instead of the TFF.

Between August 2003 and September 2008, CACIB subsidiaries in Geneva knowingly and willfully moved approximately $312 million through the U.S. financial system on behalf of sanctioned entities located in Sudan, Burma, Iran and Cuba. These CACIB subsidiaries employed deceptive practices that concealed the involvement of banks designated as Specially Designated Nationals (SDNs) and other corporate entities in financial transactions that transited through the United States. These actions deprived the United States and CACIB's New York branch and other U.S. financial institutions of the ability to filter for, and consequently block or reject, sanctioned payments. The bank's conduct caused approximately $312 million in unlawful transactions to transit through the United States financial systems. Nearly all of the bank's violations involved Sudanese business organizations.

CACIB acknowledged that compliance personnel within CACIB subsidiaries in Geneva were aware of the U.S. sanctions against Sudan and that these sanctions applied to payments the bank sent through the United States. Despite this knowledge, compliance personnel authorized payments on behalf of the bank's Sudanese customers.

CACIB has admitted that its employees permitted 11 Sudanese banks to maintain U.S. dollar accounts with CACIB—six of the Sudanese banks were SDNs. CACIB's subsidiaries relied primarily on non-transparent payment messages, known as cover payments, to mask the unlawful payments that were sent through the United States.

This case was investigated by the IRS-CI and the FBI's New York Field Office. The New York County District Attorney's Office also conducted its own investigation in conjunction with the Department of Justice. The Board of Governors of the Federal Reserve Bank of New York, the New York State Department of Financial Services, and the Treasury Department's OFAC provided assistance with this matter.

Homeland Security Investigations Seizes $2,027,643 from Heroin Trafficking Ring

Information included in the following forfeiture article is attributed to: Information provided by the HSI Liaison to TEOAF.

On May 17, 2015, HSI agents in New York seized over $2 million in currency from a heroin trafficking organization. The case had begun in September of 2012, when HSI agents who were part of the El Dorado Task Force (EDTF), in conjunction with US Drug Enforcement Administration (DEA) agents, initiated a money laundering/drug trafficking investigation of heroin traffickers operating in the Bronx, NY area.

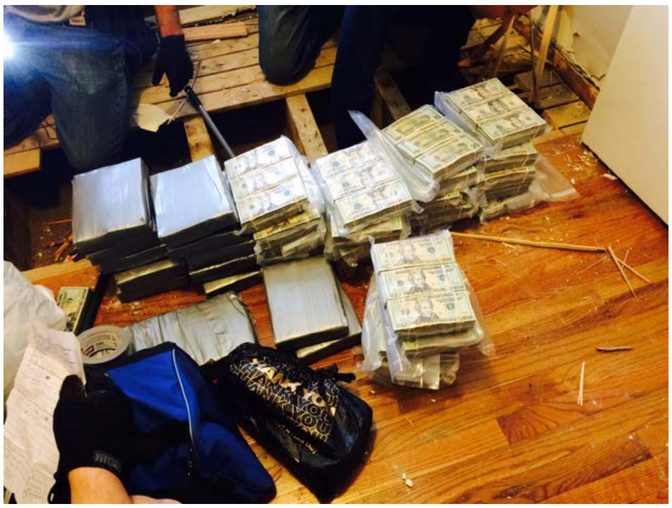

Figure 1: Currency discovered hidden beneath the floorboards.

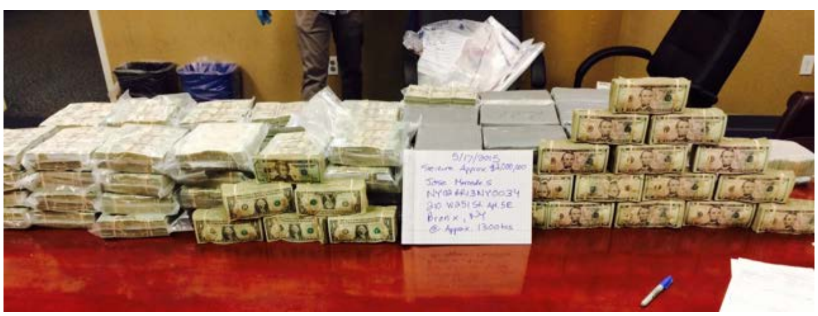

Figure 2: $2,027,643 in seized currency.

Based on information from a variety of sources, five search warrants were obtained for the addresses associated with the drug trafficking organization (DTO) in anticipation of a large shipment arriving. On May 17, 2015, a known leader of the DTO parked in front of the stash location and was approached by members of HSI New York and DEA New York. In plain sight on the passenger's seat was a small bag of heroin, which resulted in an arrest. The search warrants were subsequently executed, resulting in the discovery of approximately $2,027,643 in bundled U.S. currency hidden in a floor trap in a bedroom in the stash location. Additionally, approximately 70 kilograms of heroin were seized from a hidden compartment located in a vehicle belonging to the individual.

The currency was seized, and administratively forfeited on October 21, 2015.

HSI seizes $1,358,540.00 in Cash from Drug Trafficking Organization

Information included in the following forfeiture article is attributed to: Information provided by the HSI Liaison to TEOAF.

In August of 2015, the HSI Houston Currency and Narcotics Enforcement Team (CNET) launched an investigation into an international drug trafficking organization (DTO). The DTO is a cocaine smuggling organization that smuggles cocaine into the U.S. through Mexico and distributes to Houston and other cities nationwide.

On August 27, 2015, HSI Houston agents conducted surveillance on DTO members living in the Houston, Texas area that were believed to collect illicit drug proceeds from the sale of cocaine and transport the currency Mexico. Agents observed DTO members meeting with a variety of individuals in the Houston area and receiving suit case-type bags from these individuals which contained U.S. currency.

The DTO members then met with a tractor-trailer on a side road near a major highway in Houston, Texas. Agents observed the DTO members load two large duffle bags into the cab of the tractor truck. Agents then followed the tractor-truck and trailer to a truck stop on the north side of Houston. Another vehicle parked on the side of the tractor-truck and retrieved a large duffle bag from the trunk of the car and handed it to the driver of the tractor-truck. Agents then followed the truck south out of Houston via Hwy 59.

HSI Houston agents contacted HSI Corpus Christi to pick up the surveillance of truck and requested they stop the truck. HSI Corpus Christi coordinated a traffic stop in Alice, Texas with the Alice Police Department, which resulted in the seizure of $1,358,540.00 in U.S. currency. The currency was found inside the duffle bags HSI Houston observed being loaded into the tractor-truck and trailer in Houston, Texas.

The currency was forfeited on December 4, 2015.

United States Secret Service (USSS)
Department of Homeland Security

Secret Service Works with Health and Human Services to Stop Medicare Fraud Scheme

Information included in the following forfeiture article is attributed to: Information provided by the USSS Liaison to TEOAF.

In August 2014, the United States Department of Health and Human Services, Office of Inspector General, Office of Investigations, contacted US Secret Service agents in Raleigh, North Carolina, requesting investigative and asset forfeiture assistance regarding a referral from Care Improvement Plus (CIP), a United Healthcare Company assigned a Medicare Advantage Part C contract. The investigation determined that Ramon Enrique Lazaro Furelos and his wife, Tiffany Lynn Walsh Furelos, opened at least seven Durable Medical Equipment companies using fictitious names. In furtherance of this scheme, the Furelos submitted fictitious claims to Medicare for medical supplies and equipment, without delivering items to any beneficiaries. The investigation discovered that up to $2.9M in false claims were submitted for payment.

On August 29, 2014, pursuant to federal seizure warrants, Secret Service agents seized the subjects' SunTrust and Wells Fargo bank accounts, totaling $1,496,311.17, based on violations of 18 USC 1035 (False Statements Relating to Health Care Matters), 18 USC 1347 (Health Care Fraud), and 18 USC 1956 (Money Laundering).

On June 9, 2016, a Final Order of Forfeiture was issued for the funds, as well as a property located in Fuquay-Varina, North Carolina.

Coast Guard
Department of Homeland Security

Coast Guard Cutter Seizes $214 Million of Cocaine during Deployment

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) news release, dated June 13, 2016, entitled: "*Coast Guard Offloads Over $214 Million Established Wholesale Value of Cocaine in Miami.*"

On June 13, 2016, the Coast Guard Cutter Bernard C. Webber delivered approximately eight tons of cocaine, worth an estimated $214 million in wholesale value. The seizures are a result of multiple U.S. Coast Guard ships interdicting 11 smuggling vessels during the months of April and May.

The drugs were interdicted in international waters of the Eastern Pacific Ocean drug transit zone off the coast of Central and South America.

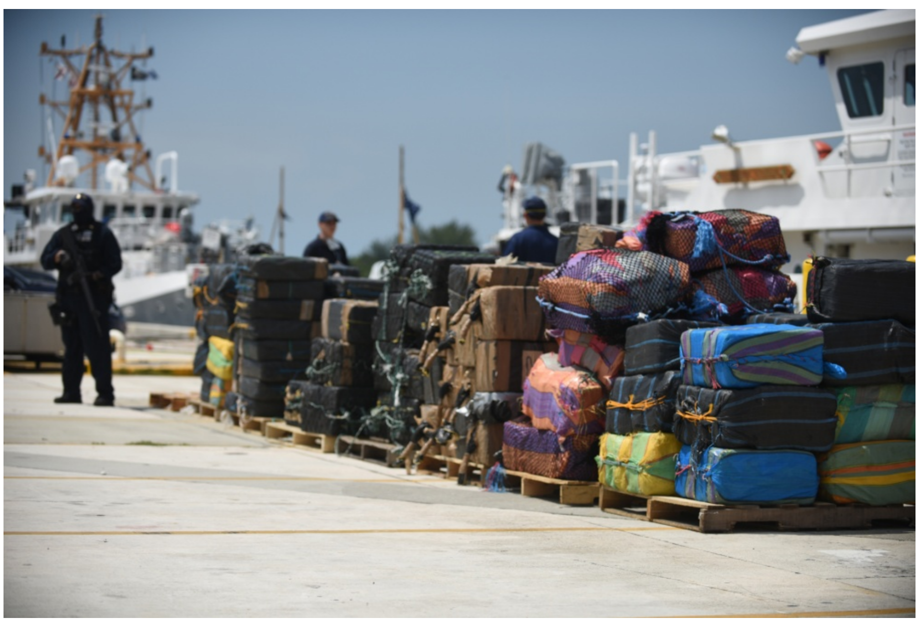

Figure 3: Approximately eight tons of seized cocaine offloaded from Coast Guard Cutter Bernard C. Webber to Coast Guard Base Miami Beach on June 13, 2016.

The Coast Guard has increased U.S. and allied presence in the Eastern Pacific Ocean and Caribbean Basin, which are known drug transit zones off of Central and South America, as part of its Western Hemisphere Strategy. During at-sea interdictions in international waters, a suspect vessel is initially located and tracked by allied military or law enforcement aircraft or vessels. The interdictions, including the actual boarding, are led and conducted by U.S. Coast Guardsmen. The law enforcement phase of counter-smuggling operations in the Eastern Pacific are conducted under the authority of the 11th Coast Guard District headquartered in Alameda.

The Bernard C. Webber is a 154-foot fast response cutter homeported in Miami.

Coast Guard Cutter Seizes $373 Million of Cocaine, travels over 10,000 miles

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) news release, dated July 14, 2016, entitled: "*Virginia Beach Based Coast Guard Cutter Vigorous Returns Home, Seizes Cocaine.*"

On July 11, 2016, the Coast Guard Cutter Vigorous returned from a 55-day deployment in the Eastern Pacific Ocean in support of the U.S. Coast Guard's Western Hemisphere Strategy Monday. During the patrol, the Vigorous transited more than 10,000 nautical miles in both the Atlantic and Pacific Oceans.

Within a few days of leaving Virginia Beach, the Vigorous interdicted a sailing vessel in the Atlantic Ocean, detained the three individuals on board, and seized more than 1,200 pounds of cocaine.

The Vigorous crew conducted seven additional at-sea boardings, detaining nine suspected drug smugglers, and stopping 26 metric tons of cocaine, with a wholesale value of more than $373 million, from reaching the United States. The Vigorous also rescued three survivors who were found adrift in their vessel more than 200 nautical miles from the nearest point of land.

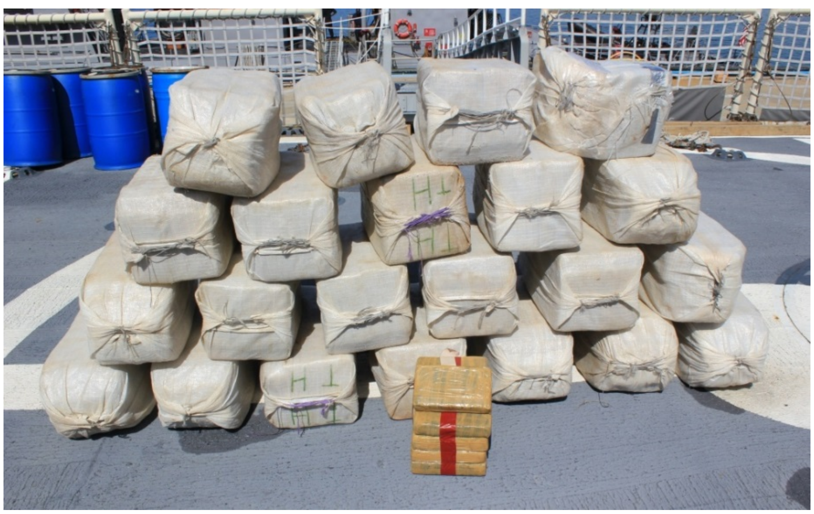

Figure 4: Bales of cocaine are shown on the deck of the Coast Guard Cutter Vigorous May 30, 2016, in the Atlantic Ocean.

"Our crew performed magnificently throughout our highly-successful, 55-day Joint Inter-Agency Task Force-South patrol. With the help of our international, and inter-agency partners, we interdicted drug laden suspect vessels in both the Atlantic and Pacific Oceans and prevented over 26 metric tons of cocaine from reaching our shores," said Cmdr. Arthur Ray, commanding officer of the Vigorous. "In short, while standing the watch, we did our part in ensuring the maritime domain in the Western Hemisphere was safe and secure."

The Vigorous is a 210-foot medium endurance cutter with a crew of approximately 80 that conducts maritime safety, security and stewardship operations.

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 2016, the Fund expensed just over $57.4 million in SEF authority as compared to $21.1 million in FY 2015, an increase of $36.3 million.

Super Surplus

Super Surplus represents the remaining unobligated balance after an amount is reserved for Fund operations in the next fiscal year. Super Surplus can be used for any federal law enforcement purpose. In FY 2016, there was no available Super Surplus funding, and after returns from prior years, the Fund ‘transferred in’ $0.6 million, as compared to ‘transferring in’ $.5 million in FY 2015. The allocation of Super Surplus resources to bureaus was restricted in FY 2015 by the need to meet enacted budget rescissions and sequestration.

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 2016 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 $60.9 million in FY 2016 as compared to $18.8 million in FY 2015. 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 $182.7 million for state and local and foreign equitable sharing expenses in FY 2016 as compared to $163.3 million in FY 2015. 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 2016, representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. FY 2016 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. In the midst of 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 2016 was another robust year with regular revenue of $870.0 million from all sources, as compared with FY 2015 revenue of $4.6 billion. It should be noted that FY 2015 was an anomaly in that one deposit to the fund of $3.8 billion accounted for the bulk of the revenue in 2015; all of the $3.8 billion was transferred to the newly formed victims' fund. As we enter fiscal year 2017, 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 2016, 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 2016 is as follows:

Performance Measure	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	98%	80%	89%

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 2016 was 89 percent, exceeding the new target set in 2011. This compares with our FY 2014 and FY 2015 performance of 87 percent and 98 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.

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, 2016.

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 2016 and 2015.

Net Position – End of Year. For FY 2016, 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 $2.6 billion versus $6.1 billion at the end of FY 2015. Both years closed with a strong and viable net position with which to commence the next fiscal year's operations. It should be noted that the strong net position at the end of FY 2015 was aided by a $3.8 billion forfeiture, of which 100% was returned to the newly formed victims' fund.

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 2016, the Fund closed with $870.0 million in Gross Non-Exchange Revenues and a total of $4.6 billion for FY 2015, 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 2016, Treasury Forfeiture Fund bureaus earned a total of $60.9 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 $18.8 million during FY 2015. 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 2015 and FY 2016 was restricted by the need to meet enacted budget rescissions, sequestrations, and permanent reductions.

Net Cost of Operations. For FY 2016, the Net Cost of Operations totaled $199.5 million, down from $204.7 million in FY 2015.

Investment Interest Income. The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2016, investments totaled $3.5 billion as compared with $7.0 billion invested as of September 30, 2015. During FY 2016, investment income totaled $7.6 million in FY 2016, as compared to $955 thousand in FY 2015.

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 2016, the Fund shared a total of $210.1 million with other federal, state and local law enforcement agencies, and another $33.3 million with foreign countries. This compares with $181.3 million shared with other federal, state and local law enforcement agencies during FY 2015, and $4.6 million and with foreign countries.

Victim Restitution. During FY 2016, the Fund paid $47.2 million in restitution to victims as compared to $47.6 million in FY 2015.

Summary of Statements of Changes in Net Position. The Fund closed with a strong net position in FY 2016. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2016 performance with forfeiture revenue earnings of $870.0 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 $199.5 million in FY 2016, down from $204.7 million in FY 2015.

Intra-governmental. This cost category totaled $138.2 million in FY 2016, up from $134.2 million in FY 2015. 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 2016, general property was maintained by AECOM/URS. Real property was maintained by the CWS Asset Management & Sales Group, both contracts of the Department of the Treasury. In FY 2016, expenses of these contracts, which comprised over 99% of the total expenses for this line, including other contracts, totaled $47.1 million, down from $57.1 million expensed in FY 2015.

Statements: Budgetary Resources

As of the end of FY 2016, the Fund has estimated future expenditures and commitments of $485.4 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 $1,034.8 million as reported on the SF-133" Report on Budget Execution" for FY 2016. The unobligated balance less reductions would result in a $549.4 million remaining at the end of FY 2016.

Balance Sheet

Assets, Liabilities and Net Position

Total assets of the Fund decreased in FY 2016 to $4.4 billion, down from $7.9 billion in FY 2015, a decrease in asset value of 44 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 decreased to $2.8 billion in FY 2016, down from $6.3 billion in FY 2015. During FY 2016, total liabilities of the Fund were $1.8 billion, comparable to the $1.8 billion in FY 2015. 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 decreases to $254.1 million in FY 2016, down from $273.1 million in FY 2015.

With decreasing asset amounts and decreasing revenue relative to costs, the Cumulative Results of Operations, i.e., retained earnings, decreased at the end of FY 2016 to a total of $2.6 billion, down from $6.1 billion at the end of FY 2015.

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 2016 Audit. The Fund's independent auditors have given the FY 2016 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. 15-02, *Audit Requirements for Federal Financial Statements*.

Summary of Financial Statement Highlights

Net Position. To summarize, Fund management concluded a highly productive FY 2016 "in the black," with the necessary resources to commence the business of the asset forfeiture program for FY 2017. Due to the rescission of $876.0 million and the sequestration of $124.0 million, Fund management was not able to declare a Super Surplus from FY 2016 operations.

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.

Improper Payments Elimination and Recovery Act (IPERA) and Improper Payments Elimination and Recovery Improvement Act (IPERIA) Reporting Detail

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires agencies to review their programs and activities increasing efforts to recapture improper payments by intensifying and expanding payment recapture audits. All agencies are required to develop a method of reviewing all programs to identify those that are susceptible to significant erroneous payments. "Significant" means that an estimated error rate and a dollar amount exceed the threshold of 2.5 percent of program outlays and $10 million of total program or activity payments made during the fiscal year reported or $100 million regardless of the improper payment percentage of total program outlays.

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 recapture audits are not necessary and will not be implementing them at this time.

The Improper Payments Elimination and Recovery Improvement Act of 2012 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 2016 and 2015, the Fund reviewed 15,624 and 17,404 payments totaling $702.2 million and $537.4 million respectively, and reports no IPERA or DNP 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.

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SECTION II

INDEPENDENT AUDITOR'S REPORTS

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Independent Auditor's Report on Financial Statements

Inspector General
U.S. Department of the Treasury
Washington, D.C.

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, 2016 and 2015, 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 accounting principles generally accepted in the United States of America; 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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.

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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

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, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America 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*

In accordance with *Government Auditing Standards,* we have also issued our reports dated October 31, 2016, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

GKA, P.C.

Washington, DC
October 31, 2016

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Independent Auditor's Report on Internal Control over Financial Reporting

Inspector General
U.S. Department of the Treasury
Washington, D.C.

We have audited, 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. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheets as of September 30, 2016 and 2015, 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, and have issued our report thereon dated October 31, 2016.

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2016, 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.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses.

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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.

Purpose of this Report

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

GKA, P.C.

Washington, DC
October 31, 2016

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Independent Auditor's Report on Compliance and Other Matters

Inspector General
U.S. Department of the Treasury
Washington, D.C.

We have audited, 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. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheets as of September 30, 2016 and 2015, 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, and have issued our report thereon dated October 31, 2016.

As part of obtaining reasonable assurance about whether the Fund's financial statements 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, and certain provisions of other laws and regulations specified in OMB Bulletin No. 15-02. 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. 15-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the Fund's compliance.

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This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's compliance. Accordingly, this communication is not suitable for any other purpose.

GKA, P.C.

Washington, DC
October 31, 2016

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SECTION III

FINANCIAL STATEMENTS AND NOTES

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Department of the Treasury Forfeiture Fund
BALANCE SHEETS
As of September 30, 2016 and 2015
(Dollars in thousands)

	2016	2015
Assets:		
Intragovernmental:		
Fund balance with Treasury	$ 36,902	$ 27,618
Investments and related interest receivable (Note 3)	3,481,996	7,000,074
Advances	-	2
Total Intragovernmental	3,518,898	7,027,694
Cash and other monetary assets (Note 5)	769,268	790,970
Accounts Receivable	891	1,254
	770,159	792,224
Forfeited property (Note 6)		
Held for sale, net of mortgages, liens and claims	88,044	84,008
To be shared with federal, state or local, or foreign governments	267	492
Total forfeited property, net of mortgages, liens and claims	88,311	84,500
Total Assets	$ 4,377,368	$7,904,418
Liabilities:		
Intragovernmental:		
Accounts payable	$ 81,133	$ 98,135
Total Intragovernmental	81,133	98,135
Seized currency and other monetary instruments (Note 8)	1,532,790	1,563,506
Distributions payable (Note 10)		
State and local agencies and foreign governments	76,321	77,666
Accounts payable	8,369	12,758
Deferred revenue from forfeited assets	88,311	84,500
Total Liabilities	1,786,924	1,836,565
Commitments and contingencies (Note 15)	-	-
Net Position:		
Cumulative results of operations (Note 11)	2,590,444	6,067,853
Total Liabilities and Net Position	$4,377,368	$7,904,418

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, 2016 and 2015
(Dollars in thousands)

	2016	2015
Program:		
ENFORCEMENT		
Intragovernmental:		
Seizure investigative costs and asset management	$ 96,117	$ 98,543
Other asset related contract services	10,239	8,953
Data systems, training and others	31,878	26,721
Total Intragovernmental	138,234	134,217
With the Public:		
National contract services seized property and other	47,147	57,127
Joint operations	14,133	13,389
Total with the Public	61,280	70,516
Net Cost of Operations	$ 199,514	$ 204,733

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, 2016 and 2015
(Dollars in thousands)

	2016	**2015**
Net Position – Beginning of Year	$ 6,067,853	$ 1,903,622
Financing Sources (Non-Exchange Revenues):		
Intragovernmental		
Investment interest income	7,640	955
Public		
Forfeited currency and monetary instruments	697,039	4,540,079
Sales of forfeited property net of mortgages and claims	76,275	55,654
Proceeds from participating with other federal agencies	60,941	18,801
Value of property transferred in equitable sharing	2,110	1,694
Payments in lieu of forfeiture, net of refunds (Note 19)	16,922	4,450
Reimbursed costs	5,187	2,942
Other	3,412	(1,470)
Total Gross Non-Exchange Revenues	869,526	4,623,105
Less: Equitable Sharing		
Intragovernmental		
Federal	(60,772)	(22,569)
Public		
State and local agencies	(149,367)	(158,754)
Foreign countries	(33,298)	(4,570)
Victim restitution	(47,208)	(47,634)
	(229,873)	(210,958)
Total Equitable Sharing	(290,645)	(233,527)
Total Non-Exchange Revenues, Net	578,881	4,389,578
Transfers –In (Out)		
Intragovernmental		
Super surplus (Note 13)	640	496
Secretary's enforcement fund (Note 14)	(57,416)	(21,110)
Transfer to the general fund (Note 9)	(3,800,000)	-
Total Transfers Out	(3,856,776)	(20,614)
Total Financing Sources - Net	(3,277,895)	4,368,964
Net Cost of Operations	(199,514)	(204,733)
Net Results of Operations	(3,477,409)	4,164,231
Net Position – End of Year	$ 2,590,444	$ 6,067,853

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, 2016 and 2015
(Dollars in thousands)

	2016	2015
Budgetary Resources:		
Unobligated balances- beginning of year	$ 3,655,752	$ 144,147
Recoveries of prior year unpaid obligations	499,317	25,567
Unobligated balance from prior year budget authority, net	4,155,069	169,714
Budget authority	(2,611,491)	4,251,378
Total Budgetary Resources	$ 1,543,578	$ 4,421,092
Status of Budgetary Resources:		
Obligations incurred	$ 508,746	$ 765,340
Unobligated balances – apportioned	$ 527,534	$ 3,655,752
Unobligated balances – unapportioned	507,298	-
Unobligated balances – end of year (Note 17)	$ 1,034,832	$ 3,655,752
Total Status of Budgetary Resources	$ 1,543,578	$ 4,421,092
Change in Obligated Balance:		
Obligated balance, net-beginning of year	$ 1,220,031	$ 982,686
Obligations incurred	508,746	765,340
Less: Gross outlays	(576,283)	(502,428)
Less: Recoveries of prior year unpaid obligations, actual	(499,317)	(25,567)
Obligated balance, net – end of year	$ 653,177	$1,220,031
Budget Authority and Outlays		
Budget authority, net	$ (2,611,491)	4,251,378
Net outlays	$ 576,283	$ 502,428

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 recent years, significant amounts of Super Surplus funds have been 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 agency 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 Unites 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 2015 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

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.

- **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, 2016 and 2015.

- **Advances –** This primarily represents cash transfers to Treasury or law enforcement bureaus participating in the Fund for orders to be delivered.

- **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. Mortgages 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 2017. 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, 2016 and 2015, respectively (dollars in thousands):

Entity Assets

Description	**Cost**	**Unamortized Discount**	**Investment, Net**
September 30, 2016			
Treasury Forfeiture Fund -			
28 days 0.0950% U.S. Treasury Bills	$2,690,433	($199)	$2,690,234
Interest Receivable			9
Total Investment, Net, and Interest Receivable			$2,690,243
Fair Market Value			$2,690,092
September 30, 2015			
Treasury Forfeiture Fund -			
35 days 0.0000% U.S. Treasury Bills	$2,042,987	($0)	$2,042,987
Interest Receivable			0
Total Investment, Net, and Interest Receivable			$2,042,987
Fair Market Value			$2,042,987

Description	Cost	Unamortized Discount	Investment, Net
September 30, 2015			
Treasury Forfeiture Fund -			
28 days 0.0000% U.S. Treasury Bills	$4,148,469	($0)	$4,148,469
Interest Receivable			0
Total Investment, Net, and Interest Receivable			$4,148,469
Fair Market Value			$4,148,469

This account did not exist as at September 30, 2016.

Non-entity Assets

Description	Cost	Unamortized Discount	Investment, Net
September 30, 2016			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
28 days 0.0950% U.S. Treasury Bills	$791,812	($59)	$791,753
Fair Market Value			$791,711
September 30, 2015			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.0000% U.S. Treasury Bills	$808,618	$0	$ 808,618
Fair Market Value			$ 808,618

Note 4: Analysis of Non-Entity Assets

The following schedule presents the non-entity assets as of September 30, 2016 and 2015, respectively (dollars in thousands):

	2016	2015
Seized currency:		
Intragovernmental Investments (Note 3)	$ 791,753	$ 808,618
Cash and other monetary assets (Note 5)	741,037	754,888
Total Non-Entity Assets	1,532,790	1,563,506
Total Entity Assets	2,844,578	6,340,912
Total Assets	$ 4,377,368	$ 7,904,418

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 $28.2 million and $36.1 million as of September 30, 2016 and 2015, 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 $741.0 million and $754.9 million as of September 30, 2016 and 2015, respectively.

Note 6: Forfeited Property/Deferred Revenue

The following summarizes the components of forfeited property (net), as of September 30, 2016 and 2015, respectively (dollars in thousands):

	2016	2015
Held for sale	$ 93,771	$ 88,427
To be shared with federal, State or local, or foreign government	267	492
Total forfeited property (Note 7)	94,038	88,919
Less: Allowance for liens and claims	(5,727)	(4,419)
Total forfeited property, net	$ 88,311	$ 84,500

Note 7: FY 2016 Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2015 to September 30, 2016. (Dollar value is in thousands.)

	10/1/15 Financial Statement Balance		Adjustments		10/1/15 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$24,993	-	$-	-	$24,993	-	$678,689	-	$(719,087)	-	$ -	-
Other Monetary Instruments	11,090	-	-	-	11,090	-	12	-	(430)	-	-	-
Subtotal	**36,083**	**-**	**-**	**-**	**36,083**	**-**	**678,701**	**-**	**(719,517)**	**-**	**-**	**-**
Real Property	55,374	299	10,391	-	65,765	299	34,557	166	(54,274)	(227)	(2,419)	(7)
General Property	23,748	21,037	47,371	-	71,119	21,037	64,976	23,361	(22,168)	(2,757)	(2,764)	(1,107)
Vessels	969	101	971	-	1,940	101	1,860	132	(1,526)	(80)	(149)	(4)
Aircraft	215	3	102	-	317	3	2,308	11	(802)	(6)	(1)	(2)
Vehicles	8,613	2,020	6,751	-	15,364	2,020	33,973	8,216	(25,674)	(6,870)	(6,127)	(1,267)
Subtotal	**88,919**	**23,460**	**65,586**	**-**	**154,505**	**23,460**	**137,674**	**31,886**	**(104,444)**	**(9,940)**	**(11,460)**	**(2,387)**
Grand Total	**$125,002**	**23,460**	**$65,586**	**-**	**$190,588**	**23,460**	**$816,375**	**31,886**	**$(823,961)**	**(9,940)**	**$(11,460)**	**(2,387)**

	Victim Restitution		Destroyed		Other Adjustments		Value Change		2016 Carrying Value		Fair Market Value Adjustment		9/30/16 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$-	-	$-	-	$34,713	-	$(2,156)	-	$17,152	-	$-	-	$17,152	-
Other Monetary Instruments	-	-		-	408	-	(1)	-	11,079	-	-	-	11,079	-
Subtotal	**-**	**-**	**-**	**-**	**35,121**	**-**	**(2,157)**	**-**	**28,231**	**-**	**-**	**-**	**28,231**	**-**
Real Property	-	-	-	-	10,738	24	10	-	54,377	255	(17,679)	-	36,698	255
General Property	-	-	(342)	(19,569)	169	(329)	(12,644)	-	98,346	20,636	(51,400)	-	46,946	20,636
Vessels	-	-	-	(49)	(107)	(5)	(116)	-	1,902	95	(859)	-	1,043	95
Aircraft	-	-	-	-	218	2	(107)	-	1,933	8	(1,479)	-	454	8
Vehicles	-	-	(2)	(239)	(291)	299	(692)	-	16,551	2,159	(7,654)	-	8,897	2,159
Subtotal	**-**	**-**	**(344)**	**(19,857)**	**10,727**	**(9)**	**(13,549)**	**-**	**173,109**	**23,153**	**(79,071)**	**-**	**94,038**	**23,153**
Grand Total	**$-**	**-**	**$(344)**	**(19,857)**	**$45,848**	**(9)**	**$(15,706)**	**-**	**$201,340**	**23,153**	**$(79,071)**	**-**	**$122,269**	**23,153**

Note 7: FY 2015 Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2014 to September 30, 2015. (Dollar value is in thousands.)

	10/1/14 Financial Statement Balance		Adjustments		10/1/14 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$26,263	-	$-	-	$26,263	-	$4,520,028	-	$(4,540,760)	-	$ -	-
Other Monetary Instruments	14,016	-	-	-	14,016	-	546	-	(500)	-	(3,490)	-
Subtotal	**40,279**	**-**	**-**	**-**	**40,279**	**-**	**4,520,574**	**-**	**(4,541,260)**	**-**	**(3,490)**	**-**
Real Property	46,941	246	21,535	-	68,476	246	26,307	137	(32,359)	(124)	(1,221)	(6)
General Property	13,330	17,091	34,873	-	48,203	17,091	52,679	27,090	(24,694)	(3,342)	(1,498)	(1,201)
Vessels	960	133	694	-	1,654	133	2,206	133	(1,817)	(99)	-	-
Aircraft	1,203	6	711	-	1,914	6	448	5	(2,066)	(7)	-	-
Vehicles	10,610	2,451	6,488	-	17,098	2,451	34,938	7,736	(30,866)	(7,144)	(6,160)	(1,077)
Subtotal	**73,044**	**19,927**	**64,301**	**-**	**137,345**	**19,927**	**116,578**	**35,101**	**(91,802)**	**(10,716)**	**(8,879)**	**(2,284)**
Grand Total	**$113,323**	**19,927**	**$64,301**	**-**	**$177,624**	**19,927**	**$4,637,152**	**35,101**	**$(4,633,062)**	**(10,716)**	**$(12,369)**	**(2,284)**

	Victim Restitution		Destroyed		Other Adjustments		Value Change		2015 Carrying Value		Fair Market Value Adjustment		9/30/15 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$-	-	$-	-	$20,077	-	$(615)	-	$24,993	-	$-	-	$24,993	-
Other Monetary Instruments	-	-		-	520	-	(2)	-	11,090	-	-	-	11,090	-
Subtotal	**-**	**-**	**-**	**-**	**20,597**	**-**	**(617)**	**-**	**36,083**	**-**	**-**	**-**	**36,083**	**-**
Real Property	-	-	-	-	4,707	46	(145)	-	65,765	299	(10,391)	-	55,374	299
General Property	-	-	(232)	(18,317)	2,728	(284)	(6,067)	-	71,119	21,037	(47,371)	-	23,748	21,037
Vessels	-	-	(3)	(65)	(24)	(1)	(76)	-	1,940	101	(971)	-	969	101
Aircraft	-	-	-	(2)	21	1	-	-	317	3	(102)	-	215	3
Vehicles	-	-	(6)	(177)	732	231	(372)	-	15,364	2,020	(6,751)	-	8,613	2,020
Subtotal	**-**	**-**	**(241)**	**(18,561)**	**8,164**	**(7)**	**(6,660)**	**-**	**154,505**	**23,460**	**(65,586)**	**-**	**88,919**	**23,460**
Grand Total	**$-**	**-**	**$(241)**	**(18,561)**	**$28,761**	**(7)**	**$(7,277)**	**-**	**$190,588**	**23,460**	**$(65,586)**	**-**	**$125,002**	**23,460**

Note 8: FY 2016 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. (Dollar value is in thousands.)

	9/30/15 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/16 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$1,558,930	-	$811,594	-	$(144,702)	-	$(678,689)	-	$(25,795)	-	$(2,751)	-	$1,518,587	-
Other Monetary Instruments	4,576	-	10,535	-	-	-	(12)	-	(896)	-	-	-	14,203	-
Subtotal	**1,563,506**	**-**	**822,129**	**-**	**(144,702)**	**-**	**(678,701)**	**-**	**(26,691)**	**-**	**(2,751)**	**-**	**1,532,790**	**-**
Real Property	205,751	641	98,860	187	(46,536)	(78)	(34,557)	(166)	10,949	(12)	(11,880)	-	222,587	572
General Property	308,430	28,269	62,237	34,094	(21,342)	(5,921)	(64,976)	(23,361)	(5,358)	(3,626)	(6,158)	-	272,833	29,455
Vessels	5,247	128	3,885	143	(767)	(19)	(1,860)	(132)	(72)	(8)	(1,083)	-	5,350	112
Aircraft	13,610	39	12,221	15	(4,106)	(10)	(2,308)	(11)	(520)	(3)	12	-	18,909	30
Vehicles	54,185	4,683	85,713	12,663	(56,005)	(3,946)	(33,973)	(8,216)	(2,128)	(474)	(739)	-	47,053	4,710
Subtotal	**587,223**	**33,760**	**262,916**	**47,102**	**(128,756)**	**(9,974)**	**(137,674)**	**(31,886)**	**2,871**	**(4,123)**	**(19,848)**	**-**	**566,732**	**34,879**
Grand Total	**$2,150,729**	**33,760**	**$1,085,045**	**47,102**	**$(273,458)**	**(9,974)**	**$(816,375)**	**(31,886)**	**$(23,820)**	**(4,123)**	**(22,599)**	**-**	**$2,099,522**	**34,879**

Note 8: FY 2015 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. (Dollar value is in thousands.)

	9/30/14 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/15 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$5,341,935	-	$888,930	-	$(150,108)	-	$(4,520,028)	-	$(1,799)	-	$-	-	$1,558,930	-
Other Monetary Instruments	7,380	-	12	-	(155)	-	(546)	-	(2,115)	-	-	-	4,576	-
Subtotal	**5,349,315**	**-**	**888,942**	**-**	**(150,263)**	**-**	**(4,520,574)**	**-**	**(3,914)**	**-**	**-**	**-**	**1,563,506**	**-**
Real Property	189,444	675	63,222	188	(33,712)	(104)	(26,307)	(137)	13,286	19	(182)	-	205,751	641
General Property	333,232	31,825	87,189	33,276	(48,561)	(4,003)	(52,679)	(27,090)	(18,317)	(5,739)	7,566	-	308,430	28,269
Vessels	5,199	135	4,415	165	(1,233)	(24)	(2,206)	(133)	(806)	(15)	(122)	-	5,247	128
Aircraft	11,646	24	7,938	30	(1,975)	(7)	(448)	(5)	(3,382)	(3)	(169)	-	13,610	39
Vehicles	68,452	4,941	88,836	12,458	(59,812)	(4,403)	(34,938)	(7,736)	(7,350)	(577)	(1,003)	-	54,185	4,683
Subtotal	**607,973**	**37,600**	**251,600**	**46,117**	**(145,293)**	**(8,541)**	**(116,578)**	**(35,101)**	**(16,569)**	**(6,315)**	**6,090**	**-**	**587,223**	**33,760**
Grand Total	**$5,957,288**	**37,600**	**$1,140,542**	**46,117**	**$(295,556)**	**(8,541)**	**$(4,637,152)**	**(35,101)**	**$(20,483)**	**(6,315)**	**6,090**	**-**	**$2,150,729**	**33,760**

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. The Consolidated Appropriations Act of 2016 permanently cancelled $3.8 billion of this balance specifically related to the BNP Paribas S.A. settlement. This permanent reduction or cancellation means that the amount will never be used for its intended purposes. The cancelled funds were transferred to Receipt Account 020 3231 on March 30, 2016.

Note 10: Distributions Payable

Distributions Payable (state and local agencies and foreign governments) amounted to $76.3 million and $77.7 million as of September 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, respectively (dollars in thousands):

	2016	**2015**
Retained Capital	$ 5,580,205	$ 871,901
Unliquidated Obligations	487,648	1,031,721
Net Results of Operations	(3,477,409)	4,164,231
	$ 2,590,444	$ 6,067,853

Unliquidated Obligations

The following summarizes the components of unliquidated obligations as of September 30, 2016 and 2015 respectively (dollars in thousands):

	2016	**2015**
Equitable Sharing	$ 252,675	$ 400,408
Mandatory	234,973	631,313
	$ 487,648	$ 1,031,721

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: Super Surplus

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 "Super Surplus" balance may be used for law enforcement activities of any federal agency.

Amounts transferred in from other federal agencies for law enforcement activities under "Super Surplus" requirements amounts to $0.6 million and $0.5 million in fiscal years 2016 and 2015, respectively.

The following summarizes Super Surplus payments, net of Transfers-In as of September 30, 2016 and 2015, respectively, (dollars in thousands):

	2016	2015
Transfers - Out	$ (1,054)	$ (1,069)
Transfers - In	1,694	1,565
Total	$ 640	$ 496

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 $57.4 million and $21.1 million in fiscal years 2016 and 2015, respectively.

The following summarizes Secretary's Enforcement Fund payments, net of Transfers-In as of September 30, 2016 and 2015, respectively, (dollars in thousands):

	2016	2015
Transfers - Out	$ (57,828)	$ (21,725)
Transfers - In	412	615
Total	$ (57,416)	$ (21,110)

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.

As a result of an October 2014 policy change and a series of recent Congressional hearings, on June 17, 2016, the Fund mailed several hundred letters to parties who received notice of administrative and judicial forfeitures in certain structuring forfeiture cases that occurred from approximately October 2009 to the time of the policy change when such cases ceased. The letters offer these parties a chance to file petitions for remission or mitigation for the money that was previously forfeited.

The petitions filed to date total approximately $32.0 million and are now being reported as commitments. Additionally, approximately $8.0 million in unasserted claims remain from petitions that may still be accepted in the event they are filed (See Note 17).

The forfeitures were all deposited into the Fund in prior fiscal years and disposed of according to law. The Fund plans to reserve sufficient funding from current or future fiscal years to cover any granted petitions. It is anticipated that the Fund will be asked to pay any granted petitions or mitigations on a rolling basis, i.e., as they are granted.

Out of the $32.0 million, $7.1 million was granted and $3.1 million was denied.

CONTINGENCIES

As of September 30, 2016, the Fund had future expenditures of $445.4 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.

In the opinion of the Fund management and legal counsel, there are no pending or threatened litigation claims for which the amount of potential loss, individually, or in aggregate, will have a material adverse effect on the Fund's financial statements.

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:

	2016	2015
Gross Costs	$ 199,514	$ 204,733
Earned Revenues	-	-
Net Costs	$ 199,514	$ 204,733

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 net amount of budgetary resources obligated at the end of fiscal years 2016 and 2015 were $653.2 million and $1,220.0 million, respectively. This amount is 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 2016 and 2015 consist of the following (in thousands):

	2016	2015
Recoveries of Prior Year Unpaid Obligations	$ 499,317	$ 25,567

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, 2016 unobligated balance.

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

The change in the methodology for recognizing remissions and equitable sharing obligations was accounted for as a change in accounting estimate on a prospective basis effective October 1, 2015 (See Note 15).

	2016
Unobligated balance	$ 1,034,832
Future expenditures (Note 15):	
Refund and remissions	(301,921)
Equitable sharing	(143,500)
Total future expenditures	(445,421)
Commitments (Note 15)	(40,000)
Total reductions to unobligated balance	(485,421)
Unobligated balance net of future expenditures, and commitments	$ 549,411

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 as of September 30, 2016 and 2015, respectively (dollars in thousands):

	2016	2015
Payments in Lieu of Forfeiture	$ 22,704	$ 9,404
Refunds	(5,782)	(4,954)
Total	$ 16,922	$ 4,450

Note 20: Reconciliation of Net Cost of Operations (Proprietary) to Budget

The reconciliation of Net Cost of Operations to Budget demonstrates the relationship between the Fund's proprietary (net cost of operations) and budgetary accounting (net obligations) information (in thousands).

	2016	2015
Resources Used to Finance Activities:		
Budgetary resources obligated		
Obligations incurred	$ 508,746	$ 765,340
Less: Spending authority from offsetting Collections and recoveries	(499,317)	(25,567)
Net Obligations	9,429	739,773
Other resources		
Transfers – out	(3,856,766)	(20,614)
Total Resources Used to Finance Activities	(3,847,347)	(719,159)
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	4,346,184	(273,266)
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Mortgages and claims	(2,896)	(2,679)
Refunds	(5,782)	(4,954)
Equitable Sharing (federal, state/local and foreign)	(243,437)	(185,893)
Victim restitution	(47,208)	(47,634)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	4,046,861	(514,426)
Total Resources Used to Finance the Net Cost of Operations	199,514	204,733
Net Cost of Operations	$ 199,514	$ 204,733

SECTION IV

REQUIRED SUPPLEMENTAL INFORMATION

(UNAUDITED)

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Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2016 Fund Balance with Treasury	2016 Accounts Receivable/ Advances	2016 Investments	2015 Fund Balance with Treasury	2015 Accounts Receivable/ Advances	2015 Investments
Treasury	$ 36,902	$ -	$ -	$ 27,618	$ -	$ -
Departmental Offices	-	-	-	-	2	-
Bureau of the Fiscal Service	-	-	3,481,996	-	-	7,000,074
Totals	$ 36,902	$ -	$ 3,481,996	$ 27,618	$ 2	$ 7,000,074

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2016 Accounts Payable	2015 Accounts Payable
Department of Justice	$ 3,285	$ 4,493
Department of Homeland Security	57,333	71,291
Departmental Offices	6,185	10,397
Treasury Office of the Inspector General	127	-
FinCen	90	90
Tax and Trade	110	171
Internal Revenue Service	14,003	11,693
Totals	$ 81,133	98,135

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2016 Cost to Generate Exchange Intragovernmental Revenue	2016 Costs to Generate Non-Exchange Intragovernmental Revenue	2015 Cost to Generate Exchange Intragovernmental Revenue	2015 Costs to Generate Non-Exchange Intragovernmental Revenue
Administration of Justice	$ -	$ 138,234	$ -	$ 134,217

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

	2016			2015		
Partner Agency	**Transfers In**	**Transfers Out**	**Net Transfers In (Out)**	**Transfers In**	**Transfers Out**	**Net Transfers In (Out)**
Department of Justice	$ -	$ -	$ -	$ 43	$ -	$ 43
Department of Homeland Security	1,321	(39,759)	(38,438)	965	(12,378)	(11,413)
Internal Revenue Service	785	(19,113)	(18,328)	1,122	(10,314)	(9,192)
Financial Crimes Enforcement Network	-	(10)	(10)	49	-	49
Department of Defense	-	-	-	-	(101)	(101)
General Fund	-	(3,800,000)	(3,800,000)	-	-	-
	$ 2,106	($3,858,882)	($3,856,776)	$ 2,179	($ 22,793)	($ 20,614)

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, 2016
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Alabama	$ 696	$ 28
Alaska	-	-
Arizona	1325	7
Arkansas	100	-
California	10,520	395
Colorado	253	50
Connecticut	354	-
D.C. Washington	26	8
Delaware	26	-
Florida	5,986	98
Georgia	1,412	188
Guam	33	-
Hawaii	155	19
Idaho	95	209
Illinois	2,170	4
Indiana	2,813	2
Iowa	114	14
Kansas	345	-
Kentucky	1,814	-
Louisiana	81	-
Maine	213	-
Maryland	567	75
Massachusetts	938	-
Michigan	658	686
Minnesota	48	-
Mississippi	91	-
Missouri	1,839	171
Montana	174	-
Nebraska	1,673	48
Nevada	240	8
New Jersey	670	3
New Hampshire	16	14
New Mexico	-	-
New York	83,128	718
North Carolina	4,268	1,212
North Dakota	-	-
Ohio	671	38
Oklahoma	68	-
Oregon	703	139
Pennsylvania	526	-
Puerto Rico	641	-
Rhode Island	67	-
South Carolina	4,431	479
South Dakota	80	-
Tennessee	258	138
Texas	6,751	1,922
Utah	90	-
Subtotal carried forward	$ 137,127	$6,673

TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2016
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Subtotal brought forward	137,127	6,673
Vermont	8	-
Virgin Islands	-	-
Virginia	1,531	27
Washington	1,867	43
West Virginia	127	57
Wisconsin	239	416
Wyoming	25	23
Totals	$140,924	$ 7,239

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, 2016
(Dollars in Thousands)

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 40 administrative seizures over $100 thousand over 120 days old totaling $13,380 that had not been transferred from the Seized Currency Suspense Account to the Treasury Forfeiture Fund as of the end of FY 2016.

TREASURY FORFEITURE FUND
Analysis of Revenue and Expenses and Distributions
For the Year Ended September 30, 2016
(Dollars in Thousands)

Revenue, Expenses and Distributions by Asset Category:

	Revenue	Expenses and Distributions
Vehicles	$ 19,885	$ 93,916
Vessels	5,524	119,659
Aircraft	5,524	38,550
General Property	17,676	379,804
Real Property	61,865	14,877
Currency and monetary instruments	767,730	231,398
	878,204	878,204
Less:		
Mortgages and claims	(2,896)	(2,896)
Refunds	(5,782)	(5,782)
Add:		
Excess of net revenues and financing sources over total program expenses	-	-
Total	$ 869,526	$ 869,526

Revenue, Transfers, Expenses and Distributions by Type of Disposition:		
Sales of property and forfeited currency and monetary instruments	$ 582,372	$ 166,860
Reimbursed storage costs	5,187	87,820
Assets shared with state and local agencies	149,367	149,367
Assets shared with other federal agencies	60,772	60,772
Assets shared with foreign countries	33,298	33,298
Victim Restitution	47,208	47,208
Destructions	-	105,384
Pending disposition	-	227,495
	878,204	878,204
Less:		
Mortgages and claims	(2,896)	(2,896)
Refunds	(5,782)	(5,782)
Add:		
Excess of net revenues and financing sources over total program expenses	-	-
Total	$ 869,526	$ 869,526

The revenue amount of $869,526 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
Schedule of Spending
For the Years Ended September 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
What Money is Available to Spend?		
Total resources	$ 1,543,578	$ 862,524
Less amount not agreed to be spent	(527,534)	(97,184)
Less amount not available to be spent	(507,298)	-
Total Amounts Agreed to be Spent	$ 508,746	$ 765,340
How was the Money Spent?		
Other contractual services	$ 228,544	$ 195,562
Supplies and materials	14	17
Grants, subsidies and contributions	188,678	177,270
Interest and dividends	5	1
Refunds	34,348	370,527
Others (i.e. unvouchered, undistributed)	57,157	21,963
Total Amounts Agreed to be Spent	$ 508,746	$ 765,340
Who did the Money go to?		
Federal	$ 231,916	$ 164,212
Non-Federal :		
State/Local/Tribal/Foreign Governments	188,678	177,274
Business and Organizations	56,820	56,034
Individuals	31,332	367,820
Total Amounts Agreed to be Spent	$ 508,746	$ 765,340

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9705(f)
For the Year Ended September 30, 2016
(Dollars in Thousands)

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, 2016, the Fund had forfeited property held for sale of $93,771. 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, 2016, there was $28,231 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 $140,924 and total property transferred was $7,239 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, 2015 which became the beginning balance for the Fund on October 1, 2015, as reported in the audited financial statements is $6,067,853.

(Dollars in Thousands)

(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 $2,896. 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:

	Amount
State and local	**$149,367**
Foreign countries	**33,298**
Other federal agencies	**60,772**
Victim restitution	**47,208**

(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 $199,514.

The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2016, was $741,037. This amount includes some funds in the process of being deposited at year-end, cash seized in August or September 2016 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 $1,034,832 for fiscal year 2016. This excluded $1,000,327 in FY 2016 rescinded authority that was classified as "temporary" and $38,800 precluded from obligation. If these figures are added to the unobligated balances at the end of FY 2016, the figure became $2,073,959.

(Dollars in Thousands)

(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:

Bureau	Amount	Number
CBP	**$ 132,224**	**35 seizures**
IRS	**843,544**	**136 seizures**
U.S. Secret Service	**12,413**	**9 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 $13,380. 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, 2016, as reported in the audited financial statements is $2,590,444.

(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 2016 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.

Treasury OIG Website

Access Treasury OIG reports and other information online:
http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx

Report Waste, Fraud, and Abuse

OIG Hotline for Treasury Programs and Operations – Call toll free: 1-800-359-3898
Gulf Coast Restoration Hotline – Call toll free: 1-855-584.GULF (4853)
Email: Hotline@oig.treas.gov
Submit a complaint using our online form:
https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx