Audit Report

OIG-19-022

FINANCIAL MANAGEMENT

Audit of the Department of the Treasury Forfeiture Fund's Financial Statements for Fiscal Years 2018 and 2017

December 13, 2018

Office of Inspector General
Department of the Treasury

This Page Intentionally Left Blank

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 13, 2018

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

FROM: James Hodge /s/
Director, Financial Audit

SUBJECT: Audit of the Department of the Treasury Forfeiture Fund's Financial Statements for Fiscal Years 2018 and 2017

I am pleased to transmit the attached subject report. Under a contract monitored by our office, GKA, P.C. (GKA), a certified independent public accounting firm, audited the financial statements of the Department of the Treasury Forfeiture Fund (TFF) as of September 30, 2018 and 2017, and for the years then ended, and provided a report on internal control over financial reporting, and a report on compliance with laws, regulations, and contracts tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the TFF, GKA found

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

GKA also issued a management letter dated October 30, 2018, discussing a matter involving internal controls that was identified during the audit but was not required to be included in the auditors' report. This letter will be transmitted separately.

In connection with the contract, we reviewed GKA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on TFF's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. GKA is responsible for the attached auditors' reports dated October 30, 2018, 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

gka, p.c.
Certified Public Accountants
& Consultants

1920 L Street, NW
Suite 425
Washington, DC 20036
Tel: 202-857-1777
www.gkacpa.com

Treasury Forfeiture Fund

ACCOUNTABILITY REPORT

Fiscal Year 2018

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

Member of the American Institute of Certified Public Accountants

THIS PAGE INTENTIONALLY LEFT BLANK

Message from the Director

I am pleased to present the fiscal year (FY) 2018 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 2018 was another challenging year with a permanent rescission of $1.1 billion as part of the Consolidated Appropriations Act of 2018 (P.L. 115-141). Additionally, $150 million was sequestered as part of the government-wide sequestration order. In terms of overall revenue, FY 2018 was another highly successful year for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with earned revenue of $1.3 billion 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 2018, our member bureaus exceeded the target with a performance level of 94 percent.

In FY 2018, we continued prioritizing the strategic use of forfeited funds to enhance our participating agencies' infrastructure and capabilities while supporting high-impact financial investigations. These capabilities are particularly critical for highly complex Third Party Money laundering (3PML) investigations aimed at dismantling the financial networks of major criminal enterprises. In union with the 3PML initiative, the Fund hosted a multi-agency seminar on 3PML issues in Charlotte, NC. The seminar specifically highlighted the importance of the partnership between law enforcement agencies and financial institutions in combating money laundering, and it featured a number of speakers representing major banks' Anti-Money laundering units. The topics also included investigations targeting non-compliant financial institutions, TFF-funded resources available to support our member agencies' 3PML cases, and recent investigative and prosecutorial successes in this investigative area.

This fiscal year, the Fund was able to provide $47.1 million in Strategic Support (SS) funding to its member agencies for their priority initiatives. This funding enabled Treasury Forfeiture Fund agencies to advance their operational capabilities to include new cutting edge technology, IT systems, and big data analysis tools in order to respond in real time to emerging criminal threats.

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 2019.

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

THIS PAGE INTENTIONALLY LEFT BLANK

Table of Contents

Section I: Overview

Section II: Independent Auditor’s Reports

Section III: Financial Statements and Notes

Section IV:

Section V:

THIS PAGE INTENTIONALLY LEFT BLANK

Treasury Forfeiture Fund
FY 2018 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 a Director, Deputy Director, Legal Counsel, and three Assistant Directors for; Financial Management, Policy & Administration, and Strategic Planning. Functional responsibilities are delegated to various team leaders. TEOAF is located in Washington, D.C., and currently has 28 authorized full time equivalent positions.

Strategic Mission

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

Strategic Vision

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

Case Highlights

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 2018 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.

Immigration and Customs Enforcement (ICE)
Department of Homeland Security

and

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

Rabobank Forfeits $318,701,259 as Part of Guilty Plea

Information included in the following forfeiture article is attributed to: Information provided by the HSI-ICE and IRS-CI Liaisons to TEOAF; U.S. Attorney's February 7, 2018 press release entitled, "*Rabobank NA Pleads Guilty, Agrees to Pay Over $360 Million*"; TEOAF internal records.

On February 7, 2018, Rabobank National Association (Rabobank) pleaded guilty to a felony conspiracy charge for impairing, impeding and obstructing its primary regulator, the Department of the Treasury's Office of the Comptroller of the Currency (the OCC) by concealing deficiencies in its anti-money laundering (AML) program and for obstructing the OCC's examination of Rabobank. Rabobank agreed to forfeit $368,701,259 as a result of allowing illicit funds to be processed through the bank without adequate Bank Secrecy Act (BSA) or AML review. Of that sum, $318,701,259 was forfeited to the Treasury Forfeiture Fund. The OCC imposed a $50,000,000 civil money penalty, which was credited towards the forfeiture agreement.

Rabobank pleaded guilty to conspiracy to defraud the United States and to obstruct an examination of a financial institution. In pleading guilty, Rabobank admitted to conspiring with several former executives to defraud the United States by unlawfully impeding the OCC's ability to regulate the bank, and to obstruct an examination by the OCC of its operations throughout California, including its Calexico and Tecate bank branches. Rabobank admitted that its deficient AML program allowed hundreds of millions of dollars in untraceable cash, sourced from Mexico and elsewhere, to be deposited into its rural bank branches in Imperial County, and transferred via wire transfers, checks, and cash transactions, without proper notification to federal regulators as required by law. Knowing these failures, during the OCC's 2012 examination of Rabobank's BSA/AML compliance program, Rabobank executives actively sought to hide and minimize the deficiencies in its AML program in an effort to deceive the regulators as to its true state in hopes of avoiding regulatory sanctions that had previously been imposed on Rabobank in 2006 and 2008 for nearly identical failures.

According to court documents, Rabobank received regular alerts of transactions by “High-Risk” customers, or through accounts deemed to be “High-Risk,” and that had been the subject of prior SARs filed by Rabobank. These High-Risk customers and accounts included those controlled and managed by Mexican businesses, nonresident aliens, and U.S.-based accountholders who transacted hundreds of millions of dollars in untraceable cash, sourced from Mexico and elsewhere, into and through Rabobank accounts.

According to court documents, Rabobank also created and implemented policies and procedures to prevent adequate investigations into these suspicious transactions, customers, and accounts. Among those policies and procedures was Rabobank’s “Verified List” – a policy that effectively resulted in Rabobank executing an end-run around the BSA/AML and SAR requirements. In particular, Rabobank instructed its employees that if a customer was on the “Verified List,” no further review of that customer’s transactions was necessary -- even if the transactions generated an internal alert, or the customer’s activity had changed dramatically from when it was “verified.” Rabobank’s BSA/AML staff were further instructed to aggressively increase the number of bank accounts on the Verified List, as evidenced by the fact that in 2009, Rabobank had less than 10 “verified” customers, but by 2012, as a result of its defective BSA/AML policies and procedures, it had more than 1,000 “verified” customers.

Additionally, Rabobank admitted failing to monitor and conduct adequate investigations into these transactions and submit SARs to the Financial Crimes Enforcement Network (FinCEN), as required by the BSA. Rabobank’s border branches, including those located in Calexico and Tecate in Imperial County, California, were heavily dependent on cash deposits from Mexico. Rabobank knew that millions of dollars in cash deposits at these branches were likely tied to illicit conduct. In particular, the Calexico branch, located about two blocks from the U.S.-Mexico border, was the “highest performing” branch in the Imperial Valley region due to the cash deposits from Mexico. Throughout the relevant time period, Rabobank continued this practice of soliciting cash-intensive customers from Mexico and elsewhere, all the while employing the foregoing inadequate BSA/AML policies and procedures to address the obvious, known “High Risks” associated with these accounts, transactions, and transactors.

When the OCC began conducting its periodic examination of Rabobank in 2012, Rabobank, acting through three of its executives, agreed to, among other things, knowingly obstruct the OCC’s examination. Rabobank responded to the OCC’s February 2013 initial report of examination with false and misleading information about the state of Rabobank’s BSA/AML program. Rabobank also made false and misleading statements to the OCC regarding the existence of reports developed by a third-party consultant, which detailed the deficiencies and resulting ineffectiveness of Rabobank’s BSA/AML program.

To further conceal the inadequate nature of its BSA/AML program and to avoid “others contradicting our findings” and statements to the OCC, Rabobank demoted or terminated two RNA employees who were raising questions about the adequacy of Rabobank’s BSA/AML program.

The investigation was conducted by HSI, IRS-CI, and the Financial Investigations and Border Crimes Task Force (FIBC), a multiagency Task Force based in San Diego and Imperial County. The investigation was funded by the Treasury Executive Office of Asset Forfeiture (TEOAF) and occurred parallel to regulatory investigations by the OCC, Office of General Counsel, and FinCEN’s Enforcement Division.

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

New York Man Sentenced to 87 Months and Forfeits $1,624,172 for Multi-State Biodiesel Fraud Scheme

Information included in the following article is attributed to US Attorney's February 6, 2018 press release entitled, "*New York Man Sentenced to 87 Months for Multi-State Biodiesel Fraud Scheme*," TEOAF records, and from information provided by the IRS-CI Liaison to TEOAF.

Andre Bernard, of Mount Kisco, New York, pleaded guilty for his participation in a multi-state scheme to defraud biodiesel buyers and U.S. taxpayers by fraudulently selling biodiesel credits and fraudulently claiming tax credits.

According to his plea, Bernard conspired with Thomas Davanzo, of Estero, Florida, Robert Fedyna, of Naples, Florida, and Scott Johnson of Pasco, Washington in a scheme to defraud biodiesel credit (known as "RIN" credits) buyers and U.S. taxpayers. The conspiracy involved having Gen-X Energy Group (Gen-X and its subsidiary, Southern Resources and Commodities (SRC), generate fraudulent RINs and tax credits multiple times on the same material.

Bernard and his co-conspirators operated several shell companies that claimed to purchase and sell the renewable fuel. The co-conspirators also cycled the funds through these shell companies' bank accounts to perpetuate the fraud scheme and conceal its proceeds.

From March 2013 to March 2014, the co-conspirators generated at least 60 million RINs that were based on fuel that was either never produced or was merely re-processed at the Gen-X or SRC facilities. The co-conspirators received at least $42 million from the sale of these fraudulent RINs to third parties. In addition, Gen-X received approximately $4,360,724.50 in false tax credits for this fuel.

U.S. District Judge Sherri Polster Chappell sentenced Andre Bernard to seven years and three months in federal prison for his role in a multi-state scheme to defraud biodiesel buyers and U.S. taxpayers by fraudulently selling biodiesel credits and fraudulently claiming tax credits. As part of his sentence, the Court also entered a money judgment in the amount of $10,500,497.92, the proceeds Bernard personally received as a result of the charged criminal conduct.

On November 29, 2017, a Default Judgment was issued for bank accounts previously seized worth $1,624,172.53. Those funds were received and processed by the TFF on January 10, 2018.

Internal Revenue Service Criminal Investigations (IRS-CI) was joined in this case by the U.S. Secret Service and the Environmental Protection Agency, Criminal Investigation Division.

United States Secret Service (USSS)
Department of Homeland Security

Man who defrauded Hmong Community is Sentenced to 87 Months in Prison, Forfeits $1,612,451

Information included in the following forfeiture article is attributed to: October 11, 2017 DOJ press release entitled, "*Seng Xiong Sentenced To 87 Months In Prison For Defrauding Members Of The Hmong Community*"; information provided by the USSS Liaison to TEOAF; TEOAF internal records.

In September 2015, the St. Paul Police Department contacted the U.S. Secret Service Minneapolis Field Office requesting assistance regarding the investigation of a large scale nationwide wire fraud scheme targeting an elderly Southeast Asia ethnic group known as the Hmong people living in approximately 18 known states in the U.S. The primary criminal schemes date back to at least October 2014 and involved Seng Xiong purporting to be leaders of an organization called the "Hmong Tebchaws Organization" or "International Fund for Hmong Development."

Through a series of YouTube videos and nationwide conference calls, Xiong promoted his scheme in the Hmong language to solicit elderly members of the Hmong community to invest money in the range of $3,000 - $5,000 or more in monthly payments to bank accounts in the name of Seng Xiong. The suspects promised victims that they would use the money to issue land rights of up to 10 acres in a future proposed Hmong Country they claim to be developing with the assistance of the United Nations (UN) and the approval of the White House. Additional promises for the initial investment of $3,000 - $5,000 included receiving a house, healthcare, free education, as well as possible positions in the future cabinet of the government and other benefits.

The case went to trial, and Seng Xiong was convicted of wire fraud and mail fraud, and was sentenced to 87 months in prison. On December 20, 2017, a final order of forfeiture was signed in the District of Minnesota for $1,612,451.84.

Coast Guard
Department of Homeland Security

Coast Guard Cutter Offloads Over 18 Tons of Cocaine

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) news release dated March 20, 2018 entitled: "*Coast Guard offloads 36,000 lbs of cocaine seized from Eastern Pacific Ocean*," and from information provided by the Coast Guard Liaison to TEOAF.

On March 20, 2018, the U.S. Coast Guard offloaded approximately 36,000 pounds of cocaine, with an estimated value of $500 million. The seized narcotics were the result of 17 interdictions of suspected smuggling vessels off the coasts of Central and South America between early February and early March of 2018.

As part of its Western Hemisphere Strategy, the Coast Guard has increased its presence in the Eastern Pacific Ocean and Caribbean Basin. During interdictions in international waters, a suspect vessel is initially located and tracked by U.S. and allied, military or law enforcement personnel. Coast Guard members conduct the interdictions, including the actual boarding.

In addition to Coast Guard crews, numerous U.S. agencies from the Departments of Homeland Security, Defense and Justice along with allied and international partner agencies are involved in the effort to combat transnational organized crime.

The bulk offload consisted of seized drugs from 17 interdictions by crews aboard the following Coast Guard cutters:

- Coast Guard Cutter Venturous, one case, estimated 2,877 pounds seized.
- Coast Guard Cutter Bear, three cases, estimated 9,016 pounds seized.
- Coast Guard Cutter Diligence, three cases, estimated 3902 pounds seized.
- Coast Guard Cutter Bertholf, four cases, estimated 5,103 pounds seized.
- Coast Guard Cutter Harriet Lane, six cases, estimated 15,434 pounds seized.

“This offload by the Bertholf represents the great work being conducted in the Eastern Pacific combating the transnational organized crime groups, behind the drug trade which spreads instability, fear and harm to people, communities and entire nations,” said Rear Adm. Todd Sokalzuk, the 11th Coast Guard District commander, who oversees the law enforcement phase of counter-smuggling operations in the Eastern Pacific region. “Thanks in part to the hard work and dedication of the brave crew men and women of the Bertholf, and other ships on patrol, we’re seizing record amounts of cocaine for the third year in a row.”

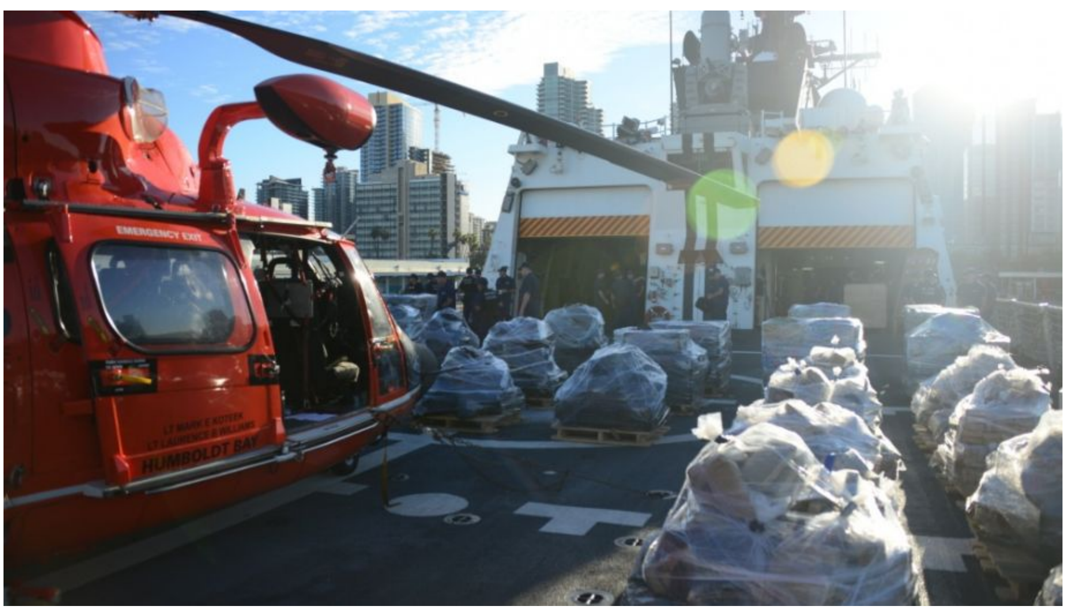

Figure 1: Pallets containing approximately 18 tons of seized cocaine.

Coast Guard unloads $721 million in cocaine seized since November in San Diego

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) news release dated January 25, 2018 entitled: "*Coast Guard offloads $721 million worth of cocaine in San Diego*," and from information provided by the Coast Guard Liaison to TEOAF.

In San Diego on January 25, 2018, the U.S. Coast Guard Cutter Stratton offloaded more than 47,000 pounds of cocaine worth over $721 million. U.S. and Canadian forces operating in international waters off the coast of Central and South America seized the cocaine in 23 separate interdictions in the eastern Pacific Ocean.

Senior U.S. and Canadian officials discussed new tactics used by transnational organized crime groups and to highlight international cooperation in combating the threat posed by these dangerous groups. U.S. Coast Guard personnel currently assigned to Cutter Stratton turned the narcotics over to federal agents for investigation, prosecution and, ultimately, destruction.

"The threat of transnational organized crime is a danger no one ship, agency, country or person can address alone," said Vice Adm. Fred Midgette, commander, U.S. Coast Guard Pacific Area. "We stand alongside our interagency and international partners resolved in a shared purpose to protect those harmed by these dangerous drugs and bring the criminals who smuggle them to justice."

In a three-day period, the crew of Cutter Stratton stopped two low profile go-fast boats and seized more than 5,800 pounds of cocaine worth almost $78 million. In a period of less than five months, the Coast Guard stopped five suspected drug smuggling boats and seized a total of over 12,000 pounds of cocaine worth $165 million.

Other interdiction seizures from the offload included:

- Coast Guard Cutter Steadfast, five cases, 12,000 pounds
- Coast Guard Cutter Mohawk, five cases, 6,700 pounds
- Coast Guard Cutter Northland, five cases, 10,300 pounds
- Coast Guard Cutter Thetis, two cases, 3,100 pounds
- Coast Guard Cutter Stratton, five cases, 12,000 pounds
- HMCS Nanaimo, one case, 3,300 pounds

Fifteen of the seizures represented in the offload were taken from go-fast boats, and an additional four were from "low-profile go-fast boats." Low-profile go-fast boats, a variant design from traditional go-fast boats, ride low in the water to reduce their radar signature, have multiple outboard engines to allow them to travel at high speeds and are painted to blend in with the water to avoid detection from military and law enforcement authorities operating in the region.

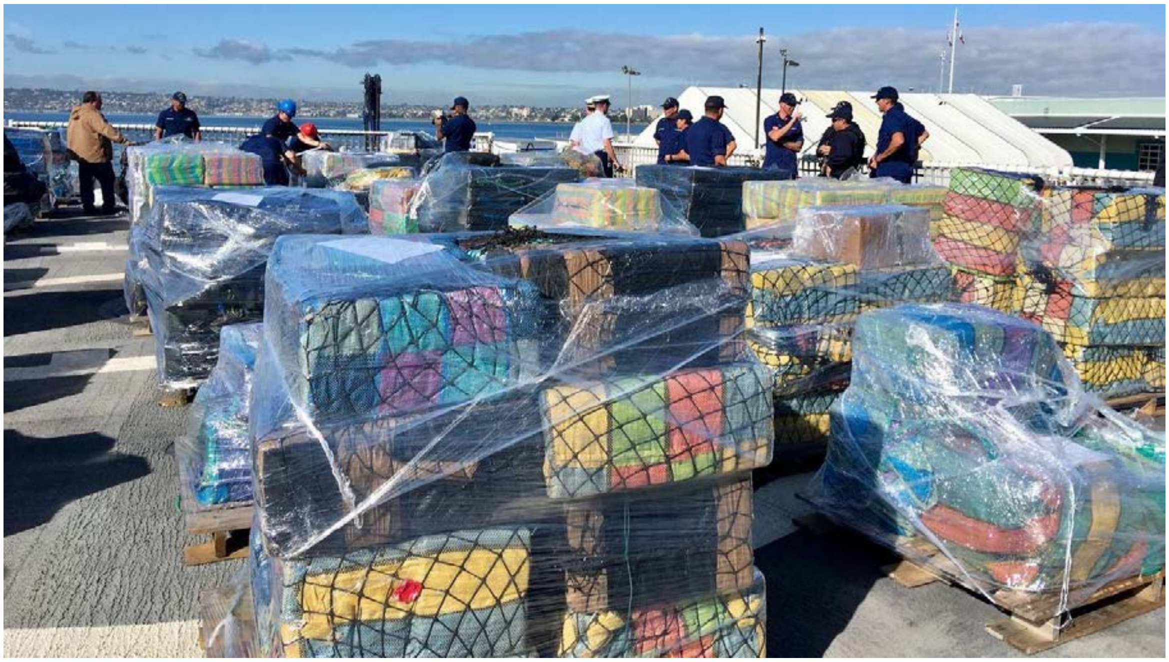

Figure 2: Seized pallets of cocaine on board the *Stratton*.

The Stratton was equipped with at least one unmanned aerial vehicle known as a ScanEagle that can be used on long patrol flights and fitted with infrared and telescope cameras to scan the ocean for vessels.

"The drones are a game changer for us because they can stay up so long and they have a very wide swath of the water they can look at," Midgette said. "When you are trying to find one of these pangas or low-profile vessels, it is hard to spot them on the water. The radars don't pick them up well if they are painted correctly....They absolutely have increased our effectiveness."

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 2018, the Fund expensed just over $37 million in SEF authority as compared to $5.9 million in FY 2017, an increase of $31.1 million.

Strategic Support

Strategic Support (formerly Super Surplus) represents the remaining unobligated balance after an amount is reserved for Fund operations in the next fiscal year. Strategic Support can be used for any federal law enforcement purpose. In FY 2018, the fund expensed 47.1 million in Strategic Support authority as compared to $39.5 million in FY 2017.

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 2018 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 $49.6 million in FY 2018 as compared to $14.2 million in FY 2017. 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 $138.5 million for state and local and foreign equitable sharing expenses in FY 2018 as compared to $67.3 million in FY 2017. 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 2018, representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. FY 2018 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 2018 was another robust year with regular revenue of $1.3 billion from all sources, as compared with FY 2017 revenue of $507.7 million. As we enter fiscal year 2019, 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 2018, 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 2018 is as follows:

Performance Measure	FY 2017 Actual	FY 2018 Target	FY 2018 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	82%	80%	**94%**

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 2018 was 94 percent, exceeding the new target set in 2011. This compares with our FY 2016 and FY 2017 performance of 89 percent and 82 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, 2018.

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 2018 and 2017.

Net Position – End of Year. For FY 2018, the Net Position for the Fund at the end of the year, an indicator of the future capability to support ongoing operations of the Fund, totaled $1.4 billion versus $2.2 billion at the end of FY 2017. Both years closed with a strong and viable net position with which to commence the next fiscal year's operations.

Total Gross Non-Exchange Revenues. This line item on the *Statements of Changes in Net Position* is the best indicator of regular "business-type" income of the account on an annual basis. For FY 2018, the Fund closed with $1.3 billion in Gross Non-Exchange Revenues and a total of $507.7 million for FY 2017, 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 2018, Treasury Forfeiture Fund bureaus earned a total of $49.6 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 $14.2 million during FY 2017. 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 2017 and FY 2018 was restricted by the need to meet enacted budget rescissions, sequestrations, and permanent reductions.

Net Cost of Operations. For FY 2018, the Net Cost of Operations totaled $239.4 million, up from $221.5 million in FY 2017.

Investment Interest Income. The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2018, investments totaled $2.6 billion as compared with $3.1 billion invested as of September 30, 2017. During FY 2018 investment income totaled $47.8 million, as compared to $19.1 million in FY 2017.

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 2018, the Fund shared a total of $156.7 million with other federal, state and local law enforcement agencies, and another $627 thousand with foreign countries. This compares with $188.9 million shared with other federal, state and local law enforcement agencies during FY 2017 and $2.9 million and with foreign countries.

Victim Restitution. During FY 2018, the Fund paid $524.8 million in restitution to victims as compared to $77.2 million in FY 2017.

Summary of Statements of Changes in Net Position. The Fund closed with a strong net position in FY 2018. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2018 performance with forfeiture revenue earnings of $1.3 billion 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 $239.4 million in FY 2018, up from $221.5 million in FY 2017.

Intra-governmental. This cost category totaled $166.9 million in FY 2018, up from $154.8 million in FY 2017. 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 2018, 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 2018, expenses of these contracts, which comprised over 99% of the total expenses for this line, including other contracts, totaled $57.0 million, up from $51.0 million expensed in FY 2017.

Statements: Budgetary Resources

As of the end of FY 2018, the Fund has estimated future expenditures and commitments of $434.6 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 $825.2 million as reported on the SF-133" Report on Budget Execution" for FY 2018. The unobligated balance less reductions would result in $390.6 million remaining at the end of FY 2018.

Balance Sheet

Assets, Liabilities and Net Position

Total assets of the Fund decreased in FY 2018 to $3.4 billion, down from $4.0 billion in FY 2017, a decrease in asset value of 15 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 $1.7 billion in FY 2018, down from $2.4 billion in FY 2017. During FY 2018, total liabilities of the Fund were $2.0 billion, comparable to the $1.7 billion in FY 2017. 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 increases to $260.1 million in FY 2018, up from $190.8 million in FY 2017.

With decreasing asset amounts and increasing liabilities, the Cumulative Results of Operations, i.e., retained earnings, decreased at the end of FY 2018 to a total of $1.4 billion, down from $2.2 billion at the end of FY 2017.

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 2018 Audit. The Fund's independent auditors have given the FY 2018 financial statements an Unmodified Opinion with no material weaknesses or significant deficiencies in internal control over financial reporting identified**.** The auditor's report on compliance and other matters disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*.

Summary of Financial Statement Highlights

Net Position. To summarize, Fund management concluded a highly productive FY 2018 "in the black," with the necessary resources to commence the business of the asset forfeiture program for FY 2019. Even though there was a rescission of $1.1 billion and a sequestration of $150 million, Fund management was able to declare Strategic Support funding from FY 2018 operations, and will work to recognize the hard work of our participating agencies in the allocation of these resources.

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 1.5 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 2018 and 2017, the Fund reviewed 13,580 and 15,038 payments totaling $1.036 billion and $649.5 million respectively, and reports less than .01% of 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.

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION II

INDEPENDENT AUDITOR'S REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK

gka, p.c.
Certified Public Accountants
& Consultants

www.gkacpa.com

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, 2018 and 2017, 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. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 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.

1920 L Street, NW
Suite 425
Washington, DC 20036
Tel: 202-857-1777

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, 2018 and 2017, 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 30, 2018, 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 grant agreements, 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 30, 2018

gka, p.c.
Certified Public Accountants
& Consultants

www.gkacpa.com

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. 19-01, *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, 2018 and 2017, 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 30, 2018.

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2018, 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.

1920 L Street, NW
Suite 425
Washington, DC 20036
Tel: 202-857-1777

Member of the American Institute of Certified Public Accountants

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 30, 2018

gka, p.c.
Certified Public Accountants
& Consultants

www.gkacpa.com

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. 19-01, *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, 2018 and 2017, 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 30, 2018.

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. 19-01. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-01.

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.

1920 L Street, NW
Suite 425
Washington, DC 20036
Tel: 202-857-1777

Member of the American Institute of Certified Public Accountants

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 30, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION III

FINANCIAL STATEMENTS AND NOTES

THIS PAGE INTENTIONALLY LEFT BLANK

Department of the Treasury Forfeiture Fund
BALANCE SHEETS
As of September 30, 2018 and 2017
(Dollars in thousands)

	2018	2017
Assets:		
Intragovernmental:		
Fund balance with Treasury	$ 32,425	$ 35,607
Investments and related interest receivable (Note 3)	2,574,872	3,124,344
Total Intragovernmental	2,607,297	3,159,951
Cash and other monetary assets (Note 5)	703,476	743,749
Accounts Receivable	815	1,478
	704,291	745,227
Forfeited property (Note 6)		
Held for sale, net of mortgages, liens and claims	74,699	62,678
To be shared with federal, state or local, or foreign governments	415	153
Total forfeited property, net of mortgages, liens and claims	75,114	62,831
Total Assets	$3,386,702	$3,968,009
Liabilities:		
Intragovernmental:		
Accounts payable	$ 133,240	$ 87,782
Total Intragovernmental	133,240	87,782
Seized currency and other monetary instruments (Note 8)	1,690,876	1,529,034
Distributions payable (Note 10)		
State and local agencies and foreign governments	43,127	32,755
Accounts payable	8,589	7,409
Deferred revenue from forfeited assets	75,114	62,831
Total Liabilities	1,950,946	1,719,811
Commitments and contingencies (Note 15)	-	-
Net Position:		
Cumulative results of operations (Note 11)	1,435,756,	2,248,198
Total Liabilities and Net Position	$3,386,702	$3,968,009

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, 2018 and 2017
(Dollars in thousands)

	2018	2017
Program:		
ENFORCEMENT		
Intragovernmental:		
Seizure investigative costs and asset management	$ 112,193	$ 99,068
Other asset related contract services	6,634	8,581
Data systems, training and others	48,089	47,175
Total Intragovernmental	166,916	154,824
With the Public:		
National contract services seized property and other	56,964	51,048
Joint operations	15,551	15,660
Total with the Public	72,515	66,708
Net Cost of Operations (Note 16)	$ 239,431	$ 221,532

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, 2018 and 2017
(Dollars in thousands)

	2018	2017
Net Position – Beginning of Year	$ 2,248,198	$ 2,590,444
Financing Sources (Non-Exchange Revenues):		
Intragovernmental		
Investment interest income	47,840	19,085
Public		
Forfeited currency and monetary instruments	1,089,225	374,895
Sales of forfeited property net of mortgages and claims	99,240	83,711
Proceeds from participating with other federal agencies	49,553	14,175
Value of property transferred in equitable sharing	545	240
Payments in lieu of forfeiture, net of refunds (Note 19)	9,990	8,840
Reimbursed costs	3,708	3,330
Other	(1,486)	3,466
Total Gross Non-Exchange Revenues	1,298,615	507,742
Less: Equitable Sharing		
Intragovernmental		
Federal	(18,799)	(124,595)
Public		
State and local agencies	(137,873)	(64,306)
Foreign countries	(627)	(2,953)
Victim restitution	(524,763)	(77,195)
	(663,263)	(144,454)
Total Equitable Sharing	(682,062)	(269,049)
Total Non-Exchange Revenues, Net	616,553	238,693
Transfers –In (Out)		
Intragovernmental		
Strategic support (Note 13)	(47,125)	(39,497)
Secretary's enforcement fund (Note 14)	(37,477)	(5,910)
Transfer to the general fund (Note 9)	(1,104,962)	(314,000)
Total Transfers Out	(1,189,564)	(359,407)
Total Financing Sources - Net	(573,011)	(120,714)
Net Cost of Operations	(239,431)	(221,532)
Net Results of Operations	(812,442)	(342,246)
Net Position – End of Year	$ 1,435,756	$ 2,248,198

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, 2018 and 2017
(Dollars in thousands)

	2018	2017
Budgetary Resources:		
Unobligated balances- beginning of year	$ 668,529	$ 1,034,832
Recoveries of prior year unpaid obligations	16,163	41,094
Other changes in unobligated balance	770	528
Unobligated balance from prior year budget authority, net	685,462	1,076,454
Budget authority	1,147,136	118,303
Total Budgetary Resources	$ 1,832,598	$ 1,194,757
Status of Budgetary Resources:		
Obligations incurred	$ 1,007,425	$ 526,228
Unobligated balances – apportioned	$ 466,136	$ 557,363
Unobligated balances – unapportioned	359,037	111,166
Unobligated balances – end of year (Note 17)	$ 825,173	$ 668,529
Total Budgetary Resources	$ 1,832,598	$ 1,194,757
Outlays, net		
Outlays, net	$ 952,274	$ 578,067
Agency outlays, net	$ 952,274	$ 578,067

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

Note 1: Reporting Entity

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

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

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

The mission of the Treasury Forfeiture Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus to disrupt and dismantle criminal enterprises. The goal of the Treasury Forfeiture Fund is to support the Treasury’s national asset forfeiture program in a manner that results in federal law enforcement’s continued and effective use of asset forfeiture as a high-impact law enforcement sanction to disrupt and dismantle criminal activity. Under a Memorandum of Understanding (MOU) with Treasury, CBP acts as the executive agent for certain operations of the Fund. Pursuant to that executive 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 2017 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.

- **Accounts Receivables –** The values reported for other receivables are primarily funds due from the national seized property contractor for properties sold; the proceeds of which have not yet been deposited into the Fund. No allowance has been made for uncollectible amounts as the accounts recorded as a receivable at year end were considered to be fully collectible as of September 30, 2018 and 2017.

- **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 2019. 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, 2018 and 2017, respectively (dollars in thousands):

Entity Assets

Description	Cost	Unamortized Discount	Investment, Net
September 30, 2018			
Treasury Forfeiture Fund -			
28 days 2.0650% U.S. Treasury Bills	$1,542,772	($2,478)	$1,540,294
Interest Receivable			444
Total Investment, Net, and Interest Receivable			$1,540,738
Fair Market Value			$1,540,622
September 30, 2017			
Treasury Forfeiture Fund -			
28 days 0.09550% U.S. Treasury Bills	$2,237,149	($1,662)	$2,235,487
Interest Receivable			162
Total Investment, Net, and Interest Receivable			$2,235,649
Fair Market Value			$2,235,747

Non-entity Assets

Description	Cost	Unamortized Discount	Investment, Net
<u>September 30, 2018</u>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
28 days 2.0650% U.S. Treasury Bills	$1,035,798	($1,664)	$1,034,134
Fair Market Value			$1,034,354
<u>September 30, 2017</u>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
28 days 0.09550% U.S. Treasury Bills	$809,294	($601)	$ 808,693
Fair Market Value			$ 808,787

Note 4: Analysis of Non-Entity Assets

The following schedule presents the non-entity assets as of September 30, 2018 and 2017, respectively (dollars in thousands):

	2018	2017
Seized currency:		
Intragovernmental Investments (Note 3)	$ 1,034,134	$ 808,693
Cash and other monetary assets (Note 5)	656,742	720,341
Total Non-Entity Assets	1,690,876	1,529,034
Total Entity Assets	1,695,826	2,438,975
Total Assets	$ 3,386,702	$ 3,968,009

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 $46.7 million and $23.4 million as of September 30, 2018 and 2017, 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 $656.7 million and $720.3 million as of September 30, 2018 and 2017, respectively.

Note 6: Forfeited Property/Deferred Revenue

The following summarizes the components of forfeited property (net), as of September 30, 2018 and 2017, respectively (dollars in thousands):

	2018	**2017**
Held for sale	$ 78,263	$ 67,670
To be shared with federal, State or local, or foreign government	415	153
Total forfeited property (Note 7)	78,678	67,823
Less: Allowance for liens and claims	(3,564)	(4,992)
Total forfeited property, net	$ 75,114	$ 62,831

Note 7: Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2017 to September 30, 2018. (Dollar value is in thousands)

	10/1/17 Financial Statement Balance		Adjustments		10/1/17 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	$12,329	-	$-	-	$12,329	-	$1,020,421	-	$(1,065,906)	-	$ -	-		
Other Monetary Instruments	11,079	-	-	-	11,079	-	-	-	(3,786)	-	(45)	-		
Subtotal	**23,408**	**-**	**-**	**-**	**23,408**	**-**	**1,020,421**	**-**	**(1,069,692)**	**-**	**(45)**	**-**		
Real Property	44,828	217	6,790	-	51,618	217	42,012	135	(41,036)	(170)	(1,690)	(4)		
General Property	12,319	16,708	38,582	-	50,901	16,780	33,407	20,244	(13,669)	(1,785)	(1,290)	(2,673)		
Vessels	1,306	119	171	-	1,477	119	792	106	(1,082)	(58)	(29)	(3)		
Aircraft	813	8	279	-	1,092	8	1,840	8	(2,163)	(11)	-	(1)		
Vehicles	8,557	2,610	9,563	-	18,120	2,610	27,047	7,691	(19,133)	(4,394)	(6,357)	(768)		
Subtotal	**67,823**	**19,734**	**55,385**	**-**	**123,208**	**19,734**	**105,098**	**28,184**	**(77,083)**	**(6,418)**	**(9,366)**	**(3,449)**		
Grand Total	**$91,231**	**19,734**	**$55,385**	**-**	**$146,616**	**19,734**	**$1,125,519**	**28,184**	**$(1,146,775)**	**(6,418)**	**$(9,411)**	**(3,449)**		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2018 Carrying Value		Fair Market Value Adjustment		9/30/18 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$-	-	$-	-	$72,878	-	$(236)	-	$39,486	-	$-	-	$39,486	-
Other Monetary Instruments	-	-		-	-	-	-	-	7,248	-	-	-	7,248	-
Subtotal	**-**	**-**	**-**	**-**	**72,878**	**-**	**(236)**	**-**	**46,734**	**-**	**-**	**-**	**46,734**	**-**
Real Property	-	-	-	-	9,219	7	330	-	60,453	185	(11,805)	-	48,648	185
General Property	-	-	(8,920)	(17,369)	(891)	845	(17,136)	-	42,402	16,042	(22,433)	-	19,969	16,042
Vessels	-	-	(96)	(63)	547	12	77	-	1,686	113	(648)	-	1,038	113
Aircraft	-	-	-	-	1,300	3	(161)	-	1,908	7	(1,056)	-	852	7
Vehicles	-	-	(4,703)	(2,993))	1614	216	(1,065)	-	15,523	2,362	(7,352)	-	8,171	2,362
Subtotal	**-**	**-**	**(13,719)**	**(20,425)**	**11,789**	**1,083**	**(17,955)**	**-**	**121,972**	**18,709**	**(43,294)**	**-**	**78,678**	**18,709**
Grand Total	**$-**	**-**	**$(13,719)**	**(20,425)**	**$84,667**	**1,083**	**$(18,191)**	**-**	**$168,706**	**18,709**	**$(43,294)**	**-**	**$125,412**	**18,709**

Note 7: Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2016 to September 30, 2017. (Dollar value is in thousands)

	10/1/16 Financial Statement Balance		Adjustments		10/1/16 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$17,152	-	$-	-	$17,152	-	$353,185	-	$(381,016)	-	$ -	-
Other Monetary Instruments	11,079	-	-	-	11,079	-	1,836	-	(1,811)	-	(25)	-
Subtotal	**28,231**	**-**	**-**	**-**	**28,231**	**-**	**355,021**	**-**	**(382,827)**	**-**	**(25)**	**-**
Real Property	36,698	255	17,679	-	54,377	255	34,376	132	(44,453)	(194)	-	-
General Property	46,946	20,636	51,400	-	98,346	20,636	14,352	21,574	(44,341)	(3,467)	(1,354)	(1,308)
Vessels	1,043	95	859	-	1,902	95	896	114	(452)	(32)	(73)	(2)
Aircraft	454	8	1,479	-	1,933	8	1,133	11	(3,215)	(8)	-	-
Vehicles	8,897	2,159	7,654	-	16,551	2,159	29,565	7,811	(20,880)	(5,983)	(6,079)	(942)
Subtotal	**94,038**	**23,153**	**79,071**	**-**	**173,109**	**23,153**	**80,322**	**29,642**	**(113,341)**	**(9,684)**	**(7,506)**	**(2,252)**
Grand Total	**$122,269**	**23,153**	**$79,071**	**-**	**$201,340**	**23,153**	**$435,343**	**29,642**	**$(496,168)**	**(9,684)**	**$(7,531)**	**(2,252)**

	Victim Restitution		Destroyed		Other Adjustments		Value Change		2017 Carrying Value		Fair Market Value Adjustment		9/30/17 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$-	-	$-	-	$24,995	-	$(1,987)	-	$12,329	-	$-	-	$12,329	-
Other Monetary Instruments	-	-		-	-	-	-	-	11,079	-	-	-	11,079	-
Subtotal	**-**	**-**	**-**	**-**	**24,995**	**-**	**(1,987)**	**-**	**23,408**	**-**	**-**	**-**	**23,408**	**-**
Real Property	-	-	-	(1)	6,803	25	515	-	51,618	217	(6,790)	-	44,828	217
General Property	-	-	(378)	(20,628)	(6,274)	(27)	(9,450)	-	50,901	16,780	(38,582)	-	12,319	16,780
Vessels	-	-	-	(53)	(617)	(3)	(179)	-	1,477	119	(171)	-	1,306	119
Aircraft	-	-	-	(1)	1,292	(2)	(51)	-	1,092	8	(279)	-	813	8
Vehicles	-	-	(35)	(612)	(681)	177	(321)	-	18,120	2,610	(9,563)	-	8,557	2,610
Subtotal	**-**	**-**	**(413)**	**(21,295)**	**523**	**170**	**(9,486)**	**-**	**123,208**	**19,734**	**(55,385)**	**-**	**67,823**	**19,734**
Grand Total	**$-**	**-**	**$(413)**	**(21,295)**	**$25,518**	**170**	**$(11,473)**	**-**	**$146,616**	**19,734**	**$(55,385)**	**-**	**$91,231**	**19,734**

Note 8: Analysis of Changes in Seized Property and Currency

Seized property and currency result primarily from enforcement activities. Seized property is not legally owned by the Fund until judicially or administratively forfeited. Because of the fungible nature of currency and the high level of control necessary over these assets and the possibility that these monies may be returned to their owners in lieu of forfeiture, seized currency is reported as a custodial asset upon seizure. Seized property other than currency is reported as a custodial asset upon forfeiture. The following schedule presents the changes in the seized property and currency balances from October 1, 2017 to September 30, 2018. (Dollar value is in thousands)

	9/30/17 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/18 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$1,516,467	-	$1,288,943	-	$(70,784)	-	$(1,020,421)	-	$(35,908)	-	$12	-	$1,678,309	-
Other Monetary Instruments	12,567	-	4	-	(4)	-	-	-	-	-	-	-	12,567	-
Subtotal	**1,529,034**	**-**	**1,288,947**	**-**	**(70,788)**	**-**	**(1,020,421)**	**-**	**(35,908)**	**-**	**12**	**-**	**1,690,876**	**-**
Real Property	212,913	534	92,272	136	(10,161)	(51)	(42,012)	(135)	13,687	4	(9,091)	-	257,608	488
General Property	436,381	33,979	119,182	27,966	(28,575)	(4,162)	(33,407)	(20,244)	(61,956)	(7,108)	(16,002)	-	415,623	30,431
Vessels	6,412	117	2,799	155	(269)	(12)	(792)	(106)	(1,712)	(24)	(52)	-	6,386	130
Aircraft	15,130	26	6,518	29	(2,301)	(4)	(1,840)	(8)	(3,327)	(8)	(449)	-	13,731	35
Vehicles	44,342	4,227	89,091	12,571	(54,020)	(3,978)	(27,047)	(7,691)	(2,763)	(180)	(2,479)	-	47,124	4,949
Subtotal	**715,178**	**38,883**	**309,862**	**40,857**	**(95,326)**	**(8,207)**	**(105,098)**	**(28,184)**	**(56,071)**	**(7,316)**	**(28,073)**	**-**	**740,472**	**36,033**
Grand Total	**$2,244,212**	**38,883**	**$1,598,809**	**40,857**	**$(166,114)**	**(8,207)**	**$(1,125,519)**	**(28,184)**	**$(91,979)**	**(7,316)**	**(28,061)**	**-**	**$2,431,348**	**36,033**

Note 8: Analysis of Changes in Seized Property and Currency

Seized property and currency result primarily from enforcement activities. Seized property is not legally owned by the Fund until judicially or administratively forfeited. Because of the fungible nature of currency and the high level of control necessary over these assets and the possibility that these monies may be returned to their owners in lieu of forfeiture, seized currency is reported as a custodial asset upon seizure. Seized property other than currency is reported as a custodial asset upon forfeiture. The following schedule presents the changes in the seized property and currency balances from October 1, 2016 to September 30, 2017. (Dollar value is in thousands)

	9/30/16 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/17 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$1,518,587	-	$459,036	-	$(165,398)	-	$(353,185)	-	$57,727	-	$(300)	-	$1,516,467	-
Other Monetary Instruments	14,203	-	82	-	(7)	-	(1,836)	-	125	-	-	-	12,567	-
Subtotal	**1,532,790**	**-**	**459,118**	**-**	**(165,405)**	**-**	**(355,021)**	**-**	**57,852**	**-**	**(300)**	**-**	**1,529,034**	**-**
Real Property	222,587	572	41,186	115	(14,271)	(41)	(34,376)	(132)	6,247	20	(8,460)	-	212,913	534
General Property	272,833	29,455	210,312	30,103	(26,081)	(3,738)	(14,352)	(21,574)	3,985	(267)	(10,316)	-	436,381	33,979
Vessels	5,350	112	2,600	148	(426)	(15)	(896)	(114)	(121)	(14)	(95)	-	6,412	117
Aircraft	18,909	30	3,998	20	(781)	(6)	(1,133)	(11)	(3,702)	(7)	(2,161)	-	15,130	26
Vehicles	47,053	4,710	87,682	12,106	(56,680)	(4,389)	(29,565)	(7,811)	(3,257)	(389)	(891)	-	44,342	4,227
Subtotal	**566,732**	**34,879**	**345,778**	**42,492**	**(98,239)**	**(8,189)**	**(80,322)**	**(29,642)**	**3,152**	**(657)**	**(21,923)**	**-**	**715,178**	**38,883**
Grand Total	**$2,099,522**	**34,879**	**$804,896**	**42,492**	**$(263,644)**	**(8,189)**	**$(435,343)**	**(29,642)**	**$61,004**	**(657)**	**(22,223)**	**-**	**$2,244,212**	**38,883**

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 2018 permanently cancelled $1.1 billion. This permanent reduction or cancellation means that the amount will never be used for its intended purposes. The cancelled funds were transferred to the General Fund on June 1, 2018. In fiscal year 2017, the Consolidated Appropriations Act of 2017 permanently cancelled $314 million. The cancelled funds were transferred to the General Fund on May 25, 2017.

Note 10: Distributions Payable

Distributions Payable (state and local agencies and foreign governments) amounted to $43.1 million and $32.8 million as of September 30, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, respectively (dollars in thousands):

	2018	2017
Retained Capital	$ 1,835,220	$ 2,158,651
Unliquidated Obligations	412,978	431,793
Net Results of Operations	(812,442)	(342,246)
	$ 1,435,756	$ 2,248,198

Unliquidated Obligations

The following summarizes the components of unliquidated obligations as of September 30, 2018 and 2017 respectively (dollars in thousands):

	2018	2017
Equitable Sharing	$ 259,984	$ 210,405
Mandatory	152,994	221,388
	$ 412,978	$ 431,793

Note 12: Related Party Transactions

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

Note 13: Strategic Support

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

Amounts distributed to other federal agencies for law enforcement activities under "Strategic Support" requirements amounts to $47.1 million and $39.5 million in fiscal years 2018 and 2017, respectively.

The following summarizes Strategic Support payments, net of Transfers-In as of September 30, 2018 and 2017, respectively, (dollars in thousands):

	2018	2017
Transfers - Out	$ (49,500)	$ (39,537)
Transfers - In	2,375	40
Total	$ (47,125)	$ (39,497)

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 $37.5 million and $5.9 million in fiscal years 2018 and 2017, respectively.

The following summarizes Secretary's Enforcement Fund payments, net of Transfers-In as of September 30, 2018 and 2017, respectively, (dollars in thousands):

	2018	2017
Transfers - Out	$ (38,564)	$ (7,015)
Transfers - In	1,087	1,105
Total	$ (37,477)	$ (5,910)

Note 15: Commitments and Contingencies

COMMITMENTS

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

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

CONTINGENCIES

As of September 30, 2018, the Fund had future expenditures of $434.6 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:

	2018	2017
Gross Costs	$ 239,431	$ 221,532
Earned Revenues	-	-
Net Costs	$ 239,431	$ 221,532

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

Note 17: Disclosures Related to the Statements of Budgetary Resources

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

Adjustments to budgetary resources available at the beginning of fiscal years 2018 and 2017 consist of the following (in thousands):

	2018	2017
Recoveries of Prior Year Unpaid Obligations	$ 16,163	$ 41,094
Other Changes in Unobligated Balance	770	528
Total	$ 16,933	$ 41,622

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, 2018 unobligated balance.

The following shows anticipated reductions to the unobligated balances of budget authority resulting from these future expenditures and commitments for fiscal years 2018 and 2017.

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).

	2018	2017
Unobligated balance	$ 825,173	$ 668,529
Future expenditures (Note 15):		
Refund and remissions	(346,150)	(344,498)
Equitable sharing	(88,409)	(60,283)
Total future expenditures	(434,559)	(404,781)
Commitments (Note 15)	-	(13,633)
Total reductions to unobligated balance	(434,559)	(418,414)
Unobligated balance net of future expenditures, and commitments	$ 390,614	$ 250,115

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, 2018 and 2017, respectively (dollars in thousands):

	2018	2017
Payments in Lieu of Forfeiture	$ 10,769	$ 11,104
Refunds	(779)	(2,264)
Total	$ 9,990	$ 8,840

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).

	2018	2017
Resources Used to Finance Activities:		
Budgetary resources obligated		
Obligations incurred	$ 1,007,425	$ 526,228
Less: Spending authority from offsetting Collections and recoveries	(16,933)	(41,622)
Net Obligations	990,492	484,606
Other resources		
Transfers – out	(1,189,564)	(359,407)
Total Resources Used to Finance Activities	(199,072)	125,199
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	1,124,300	370,096
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Mortgages and claims	(2,956)	(2,450)
Refunds	(779)	(2,264)
Equitable Sharing (federal, state/local and foreign)	(157,299)	(191,854)
Victim restitution	(524,763)	(77,195)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	438,503	96,333
Total Resources Used to Finance the Net Cost of Operations	239,431	221,532
Net Cost of Operations	$ 239,431	$ 221,532

SECTION IV

REQUIRED SUPPLEMENTAL INFORMATION

(UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2018 Fund Balance with Treasury	2018 Investments	2017 Fund Balance with Treasury	2017 Investments
Treasury	$ 32,425	$ -	$ 35,607	$ -
Bureau of the Fiscal Service	-	2,574,872	-	3,124,344
Totals	$ 32,425	$ 2,574,872	$ 35,607	$ 3,124,344

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2018 Accounts Payable	2017 Accounts Payable
Department of Justice	$ 10,820	$ 6,309
Department of Homeland Security	92,754	59,921
Departmental Offices	2,209	2,888
Treasury Office of the Inspector General	135	131
Tax and Trade	1,075	348
Treasury Franchise Fund	-	90
Internal Revenue Service	26,247	18,095
Totals	$ 133,240	$ 87,782

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2018 Cost to Generate Exchange Intragovernmental Revenue	2018 Costs to Generate Non-Exchange Intragovernmental Revenue	2017 Cost to Generate Exchange Intragovernmental Revenue	2017 Costs to Generate Non-Exchange Intragovernmental Revenue
Administration of Justice	$ -	$ 166,916	$ -	$ 154,824

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

	2018			2017		
Partner Agency	**Transfers In**	**Transfers Out**	**Net Transfers In (Out)**	**Transfers In**	**Transfers Out**	**Net Transfers In (Out)**
Department of Homeland Security	$ 2,091	$ (60,833)	$ (58,742)	$ 23	$ (29,816)	$ (29,793)
Internal Revenue Service	493	(26,231)	(25,738)	1,121	(16,513)	(15,392)
Financial Crimes Enforcement Network	90	-	90	-	-	-
Tax and Trade	18	(1,000)	(982)	-	(200)	(200)
Central Intelligence Agency	770	-	770	-	-	-
Department of Defense	-	-	-	-	(22)	(22)
General Fund	-	(1,104,962)	(1,104,962)	-	(314,000)	(314,000)
	$ 3,462	$ (1,193,026)	$ (1,189,564)	$ 1,144	$ (360,551)	$ (359,407)

SECTION V

OTHER ACCOMPANYING INFORMATION

(UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2018
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Alabama	$ 229	$ 24
Alaska	37	-
Arizona	215	407
Arkansas	76	51
California	53,304	62
Colorado	853	24
Connecticut	1060	53
D.C. Washington	8	-
Delaware	0	-
Florida	4,425	522
Georgia	2,657	-
Guam	349	-
Hawaii	30	-
Idaho	81	-
Illinois	6,864	-
Indiana	1,931	-
Iowa	17	-
Kansas	39	13
Kentucky	980	-
Louisiana	4	4
Maine	48	-
Maryland	1,790	26
Massachusetts	307	34
Michigan	141	234
Minnesota	30	-
Mississippi	730	-
Missouri	267	1
Montana	212	-
Nebraska	1,699	-
Nevada	402	1
New Jersey	929	-
New Hampshire	24	-
New Mexico	-	-
New York	27,137	231
North Carolina	2,235	2
North Dakota	113	-
Ohio	2,859	180
Oklahoma	363	-
Oregon	294	-
Pennsylvania	1,430	26
Puerto Rico	13	32
Rhode Island	39	-
South Carolina	259	124
South Dakota		14
Tennessee	945	57
Texas	7,101	2,041
Utah	370	-
Subtotal carried forward	$ 122,896	$4,163

TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2018
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Subtotal brought forward	122,896	4,163
Vermont	-	-
Virgin Islands	-	-
Virginia	183	123
Washington	445	-
West Virginia	190	182
Wisconsin	21	1
Wyoming	194	-
Totals	$123,929	$ 4,469

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, 2018
(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 50 administrative seizures over $100 thousand over 120 days old totaling $21,173 that had not been transferred from the Seized Currency Suspense Account to the Treasury Forfeiture Fund as of the end of FY 2018.

TREASURY FORFEITURE FUND
Analysis of Revenue and Expenses and Distributions
For the Year Ended September 30, 2018
(Dollars in Thousands)

Revenue, Expenses and Distributions by Asset Category:	Revenue	Expenses and Distributions
Vehicles	$ 20,734	$ 167,134
Vessels	5,759	212,946
Aircraft	5,759	68,603
General Property	18,430	675,902
Real Property	64,504	26,474
Currency and monetary instruments	1,187,164	151,291
	1,302,350	1,302,350
Less:		
Mortgages and claims	(2,956)	(2,956)
Refunds	(779)	(779)
Add:		
Excess of net revenues and financing sources over total program expenses	-	-
Total	$1,298,615	$ 1,298,615

Revenue, Transfers, Expenses and Distributions by Type of Disposition:	Revenue	Expenses and Distributions
Sales of property and forfeited currency and monetary instruments	$ 616,580	$ 247,448
Reimbursed storage costs	3,708	130,235
Assets shared with state and local agencies	137,873	137,873
Assets shared with other federal agencies	18,799	18,799
Assets shared with foreign countries	627	627
Victim Restitution	524,763	524,763
Destructions	-	156,282
Pending disposition	-	86,323
	1,302,350	1,302,350
Less:		
Mortgages and claims	(2,956)	(2,956)
Refunds	(779)	(779)
Add:		
Excess of net revenues and financing sources over total program expenses	-	-
Total	$ 1,298,615	$ 1,298,615

The revenue amount of $1,298,615 is from the Statement of Changes in Net Position. This supplemental schedule “Analysis of Revenues, Expenses and Distributions” is required under the Treasury Forfeiture Fund Act of 1992.

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9705(f)
For the Year Ended September 30, 2018
(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, 2018, the Fund had forfeited property held for sale of $78,263. 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, 2018, there was $46,734 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 $123,929 and total property transferred was $4,469 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, 2017 which became the beginning balance for the Fund on October 1, 2017, as reported in the audited financial statements is $2,248,198.

(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 $2,956. 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	**$137,873**
Foreign countries	**627**
Other federal agencies	**18,799**
Victim restitution	**524,763**

(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 $239,431.

The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2018, was $656,742. This amount includes some funds in the process of being deposited at year-end, cash seized in August or September 2018 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 $825,173 for fiscal year 2018. This excluded $149,613 in FY 2018 rescinded authority that was classified as "temporary". If these figures are added to the unobligated balances at the end of FY 2018, the figure became $974,786.

(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	**$ 206,754**	**65 seizures**
IRS	**1,015,590**	**142 seizures**
U.S. Secret Service	**40,393**	**15 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 $21,173. 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, 2018, as reported in the audited financial statements is $1,435,756.

(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 2018 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.

REPORT WASTE, FRAUD, AND ABUSE

Treasury OIG Hotline: 1-800-359-3898
Hotline@oig.treas.gov

Gulf Coast Restoration Hotline: 1-855-584.GULF (4853)
gulfcoastrestorationhotline@oig.treas.gov

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