Audit Report

OIG-20-020

FINANCIAL MANAGEMENT

Audit of the Department of the Treasury Forfeiture Fund's Financial Statements for Fiscal Years 2019 and 2018

December 11, 2019

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 11, 2019

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 2019 and 2018

We hereby transmit the attached subject report. Under a contract monitored by our office, GKA, P.C. (GKA), a certified independent public accounting firm, audited the financial statements of the Department of the Treasury Forfeiture Fund (TFF) as of September 30, 2019 and 2018, and for the years then ended, and provided a report on internal control over financial reporting, and a report on compliance with laws, regulations, and contracts tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the TFF, GKA found

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

In connection with the contract, we reviewed GKA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on TFF's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. GKA is responsible for the attached auditors' reports dated October 31, 2019, 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.

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

Attachment

This Page Intentionally Left Blank

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 2019

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

THIS PAGE INTENTIONALLY LEFT BLANK

Message from the Director

I am pleased to present the fiscal year (FY) 2019 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 2019 was another challenging year with a permanent rescission of $200 million as part of the Consolidated Appropriations Act of 2019 (P.L. 116-6). Additionally, $54.3 million was sequestered as part of the government-wide sequestration order. In terms of overall revenue, FY 2019 was another highly successful year for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with earned revenue of $891 million deposited to the Fund.

The continued high-impact performance of the Fund reflects the ongoing hard work of our law enforcement bureaus as well as Fund management's emphasis on major case initiatives, asset forfeiture program training, and a focused approach regarding our performance measure, which gauges revenue from high-impact cases. The mission of the Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by our law enforcement bureaus to disrupt and dismantle criminal enterprises. It is our view that the greatest damage to criminal enterprises can be achieved through large forfeitures; hence we have set a target level of 80 percent of our forfeitures to be high-impact, i.e., cash forfeitures equal to or greater than $100,000. This target level is up from 75 percent set for FY 2010 and prior years. For FY 2019, our member bureaus exceeded the target with a performance level of 91 percent.

In FY 2019, we continued prioritizing the strategic use of forfeited funds to enhance our participating agencies' infrastructure and capabilities while supporting high-impact financial investigations. These capabilities are particularly critical for highly complex Third Party Money laundering (3PML) investigations aimed at dismantling the financial networks of major criminal enterprises. The TFF's 3PML initiative supports the particular needs of 3PML investigations related to new technologies, analytical tools, and professional services. It also promotes collaborative use of TFF funded resources by TFF agencies. In union with the 3PML initiative, the Fund hosted a multi-agency seminar on 3PML issues in Los Angeles, CA. 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 financial institutions' Anti-Money laundering units. The topics also included investigations targeting non-compliant financial institutions, trade based money laundering, 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 $599.7 million in Strategic Support (SS) funding. The funding in SS is used for federal law enforcement purposes and generally used to fund initiatives that are suited for one-time funding support and align with the program interests of participating federal law enforcement agencies, the Treasury Forfeiture Fund, and other identified priorities. This funding enables Treasury Forfeiture Fund law enforcement agencies to advance their operational capabilities to include areas such as new cutting edge technology, information technology 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 2020.

October 31, 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 2019 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 27 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 2019 that resulted in the seizure and forfeiture of assets. Such cases as those profiled below are consistent with the Strategic Mission and Vision of the Treasury Forfeiture Program, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

Homeland Security Investigations (HSI)
Department of Homeland Security

and

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

Largest Bribe Payment Ever Received by Individual Defendant in FCPA Case. Russian Telecommunications Company Agreed to Pay More than $850 Million in Penalties, Including the Largest FCPA Criminal Penalty Ever Paid to the United States.

Information included in the following forfeiture summary is attributed to: Information provided by the HSI-ICE and IRS-CI Liaisons to TEOAF; U.S. Attorney's March 7, 2019 press release entitled, "Former Uzbek Government Official And Uzbek Telecommunications Executive Charged In Bribery And Money Laundering Scheme Involving The Payment Of Nearly $1 Billion In Bribes"; and TEOAF internal records.

On March 7, 2019, Gulnara Karimova, a former Uzbek government official was charged in an indictment filed in the Southern District of New York with one count of conspiracy to commit money laundering related to a bribery scheme. Bekhzod Akhmedov, Karimova's chief lieutenant and the former CEO of Mobile Telesystems PJSC (MTS), the largest telecommunications company in Russia, was charged in the same indictment with one count of conspiracy to violate the Foreign Corrupt Practices Act (FCPA), two counts of violating the FCPA, and one count of conspiracy to commit money laundering. Those charges stemmed from the largest Foreign Corrupt Practices Act bribery scheme ever charged in a decades long corrupt scheme to pay Karimova more than $865 million in bribes.

According to the U.S. Attorney press release, between approximately 2001 and 2012, Karimova and Akhmedov agreed that Akhmedov would solicit and obtain corrupt bribes for Karimova from telecommunications companies, including MTS and Kolorit, MTS' Uzbek subsidiary, so that the companies could obtain and retain telecommunications business in Uzbekistan. The bribes were paid to Karimova, who, in exchange, exercised her corrupt influence over Uzbek telecommunications industry regulators to allow the telecommunications companies to obtain lucrative business deals and operate in the Uzbek market. MTS and KOLORIT structured and concealed the bribes through various payments to shell companies that certain members of MTS and Kolorit management knew were beneficially owned by Karimova. In total, Akhmedov and others conspired to pay Karimova more than $865 million in bribes. Karimova, Akhmedov, and others agreed to launder those funds in order to promote and conceal the bribery scheme. For their part, MTS, Kolorit, and affiliated entities paid Karimova more than $420 million in bribes. A substantial portion of the illicit funds were transmitted through financial institutions in the Southern District of New York before they were deposited into bank accounts controlled by Karimova in various countries around the world.

MTS agreed to pay a total criminal penalty of $850 million to the United States, including a $500,000 criminal fine and $40 million in criminal forfeiture that MTS agreed to pay on behalf of Kolorit. MTS also agreed to the imposition of an independent compliance monitor for a term of three years and to implement rigorous internal controls and cooperate fully with SDNY's and DOJ's ongoing investigation. The $40 million was split evenly between IRS-CI and HSI and deposited into the TFF in May and June 2019 respectively.

This was a joint investigation being conducted by HSI-ICE and IRS-CI, under the auspices of the GIFT and prosecuted by the U.S. Department of Justice (DOJ), Fraud Section, FCPA Unit. GIFT is a task force led by IRS-CI and funded by the Treasury Executive Office for Asset Forfeiture.

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

Swiss bank agrees to pay $60.4 Million for hiding US Taxpayers assets.

Information included in the following forfeiture article is attributed to: Department of Justice news release titled "Bank Admits to Helping U.S. Taxpayers Conceal Income and Assets from the United States; Agrees to Pay $60.4 Million" dated August 28, 2018; from information provided by the IRS-CI Liaison to TEOAF; and internal TEOAF records.

In the years leading up to 2008, Swiss bank UBS AG and others regularly sent bankers to the United States in an effort to assist US Citizens in a corrupt scheme to undermine US tax laws. During the time just before and after 2009, several of the larger Swiss banks began providing US clients with an ultimatum to either prove the account was properly reported on their US tax return or to close the account. As a result, accounts often were transferred to smaller Swiss banks with limited international exposure such as Swiss-based Basler Kantonalbank (BKB).

BKB made a conscious decision to actively seek the deposits of undeclared US bank accounts by establishing a network of External Asset Managers (EAM). In many cases, this network of EAMs were former UBS AG bankers that opened independent offices and transferred their book of undeclared UBS AG (US) accounts to BKB. Although BKB utilized third-party money managers in an effort to shield the bank from liability, BKB officials actively assisted the money managers by allowing the EAMs to meet clients and BKB executives in the offices of BKB. Additionally, BKB executives would also communicate and provide new account paperwork to EAMs as they traveled throughout the US meeting with clients. In the Deferred Prosecution Agreement (DPA) and related court documents, BKB admitted that between 2002 and 2012, it conspired with its employees, external asset managers, and clients to defraud the United States with respect to taxes, commit tax evasion, and file false federal tax returns. At its peak in 2010, the bank held approximately 1,144 accounts for US customers, with an aggregate value of approximately $813.2 million.

According to the terms of the DPA, BKB agreed to cooperate with the United States, the Internal Revenue Service (IRS), and other U.S. authorities. BKB also agreed to pay a penalty of $60.4 million, $17.2 million in restitution to the IRS for unpaid taxes, a $29.7 million forfeiture to the United States, and a $13.5 million dollar fine. The $29.7 million was deposited to the TFF in February 2019.

"The era of hiding money overseas to evade US tax obligations is over," said Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division. "Financial institutions, professionals, and accountholders are on notice that the Department continues to aggressively pursue these offenses and will hold both individuals and entities accountable."

United States Secret Service (USSS)
Department of Homeland Security

Business email compromise scam bilked company out of $1.6 million

Information included in the following forfeiture article is attributed to: Miami Herald article "The 21- year-old's company had $1.6 million after 23 days. She'll be sentenced in July" dated June 13, 2018; from information provided by the US Secret Service to TEOAF; and internal TEOAF records.

In August 2017, the Secret Service's Miami Electronic Crimes Task Force was contacted regarding a possible wire fraud scheme involving a Business E-Mail Compromise perpetrated against Precision Pipeline LLC ("Precision"), which is located in Eau Claire, WI. An investigation determined that Precision wired the funds to a Bank of America business account under the name of Asjee Luxury, Inc., and not to the company with which it thought it was actually doing business.

A month earlier, the accounting manager at Precision, had received an email from what appeared to be the credit manager from Sterling Lumber, one of their vendors, stating that they would not be able to accept funds in their existing account, and that funds should be sent to one of their international accounts instead. After an email correspondence with the suspected vendor, the accounting manager from Precision transferred $1.6 million to a domestic account set up by the vendor. The manger was under the impression that she was actually emailing the credit manager at Sterling Lumber, and that the bank account number provided was actually held by Sterling, but in reality the emails were from an imposter and the $1.6 million went to Asjee Luxury, a fraudulent company setup by a 21-year-old money mule that was involved in the fraud scheme. According to the Miami Herald article, the Business E-mail Compromise scheme was a part of a $16 million dollar international con game that targeted US businesses.

The operation to break up the scheme was a six-month collaboration among the United States Secret Service, the FBI, the United States Postal Inspection Service, and the Department of Justice. The operation led to the arrest of 29 people in Nigeria, 23 in South Florida and others in Canada and Poland. A final order of forfeiture for $1,643,674.22 was entered in October 2018, and the funds deposited into the TFF on November 2018.

Coast Guard
Department of Homeland Security

Coast Guard boards narco-sub carrying 17,000 lbs of cocaine

Information included in the following forfeiture article is attributed to: CNN article "Watch the US Coast Guard board a narco-sub carrying 17,000 pounds of cocaine"; WSVN news article "Dramatic video shows US Coast Guard boarding a narco-sub carrying 17,000 pounds of cocaine" dated July 12, 2019; and from information provided by the Coast Guard Liaison to TEOAF.

On June 18, 2019, in the East Pacific Ocean, two Coast Guard vessels intercepted a semi-submersible that was traversing through the ocean. Semi-submersibles are submarine like boats that are half underwater and half exposed on the surface of the ocean. The semi-submersibles are expensive to build and drug cartels have to construct these vessels deep in the jungle to avoid detection. Once built, they are painted blue to blend in with the ocean, which makes it difficult for the Coast Guard to detect these vessels without prior intelligence or aircraft surveillance. According to the articles, drug cartels are increasing the use of these semi-submersibles to transport drugs to the United States.

The Coast Guard detected the semi-submersible with an aircraft and relayed that information to two guard boats, which then intercepted the vessel. In a dramatic video, Coast Guard members are seen ordering the vessel to stop and then jumping on the semi-submersible while it is still in motion to force the top of the vessel open and exposing the drug smugglers inside. The Coast Guard retrieved 17,000 pounds of cocaine worth over $569 million dollars from the semi-submersible.

The bust was the first time the Coast Guard used a new type of ship on a counter-drug patrol, and Lt. Commander Stephen Brickey said the incident is a great example of what these new ships can do. “These sorts of capabilities on these ships are what will make us successful in the future,”

Figure 1: Coast Guard footage of semi-submersible narco-sub in the East Pacific Ocean.

Figure 2: Coast Guard footage of narco-sub in the East Pacific Ocean.

Figure 3: Coast Guard footage of coast guard crewmembers boarding the narco-sub in the East Pacific Ocean.

Figure 4: Coast Guard footage of coast guard crewmembers boarding the narco-sub in the East Pacific Ocean.

Figure 5: 17,000 pounds of cocaine found in the narco-sub worth over $569 million dollars.

Coast Guard offloads $13.5 million worth of cocaine and marijuana at Base Miami Beach

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) news release dated April 19, 2019 entitled: "Coast Guard offloads 970 pounds of cocaine and 550 pounds of marijuana at Base Miami Beach"; and from information provided by the Coast Guard Liaison to TEOAF.

The crew of the Coast Guard Cutter Raymond Evans offloaded approximately 970 pounds of cocaine and 550 pounds of marijuana at Coast Guard Base Miami Beach worth an estimated $13.5 million wholesale, which was seized in international waters. This was the Cutter Raymond Evans first-ever stop, interdiction, and seizure of a vessel trafficking illicit narcotics. While patrolling the Caribbean Sea on April 8, 2019, on three separate interdictions off the coasts of Jamaica, Haiti, and Cuba, the Cutter Raymond Evans crew seized the 550 pounds of marijuana and 970 pounds of cocaine.

"This was our first deployment outside of the Florida Straits in 18 months and I'm extremely proud of my crew for the work they did over the past few weeks to make this patrol successful," said Lt. Patrick Frost, commanding officer of the cutter Raymond Evans. "It was exciting to exercise the capabilities of the fast response cutter in the Caribbean counter-drug narcotics mission and we're honored to have played a role in the first drug interdiction for Raymond Evans."

The interdiction completed by the Cutter Raymond Evans' crew was part of a recent interagency operation to increase intelligence and targeting capabilities in order to disrupt criminal organizations in the Caribbean Sea and secure approaches to the U.S. along the southern border. The cutter Raymond Evans crew collaborated with Department of Homeland Security components to interdict suspected drug smugglers off the coast of Jamaica.

Figure 1: Crew of Coast Guard Cutter Raymond Evans behind 970 pounds of cocaine and 550 pounds of marijuana.

Program and Fund Highlights

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 2019, the Fund expensed just over $23 million in SEF authority as compared to $37 million in FY 2018, a decrease of $14 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 2019, the fund expensed $599.7 million in Strategic Support authority as compared to $47.1 million in FY 2018.

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 2019 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 $10.3 million in FY 2019 as compared to $49.6 million in FY 2018. 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 $62.7 million for state and local and foreign equitable sharing expenses in FY 2019 as compared to $138.5 million in FY 2018. 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 2019, representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. FY 2019 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 2019 was another robust year with regular revenue of $891.3 million from all sources, as compared with FY 2018 revenue of $1.3 billion. As we enter fiscal year 2020, 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 2019, 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 2019 is as follows:

Performance Measure	FY 2018 Actual	FY 2019 Target	FY 2019 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	94%	80%	91%

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 2019 was 91 percent, exceeding the new target set in 2011. This compares with our FY 2017 and FY 2018 performance of 82 percent and 94 percent, respectively.

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

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

Financial Statement Highlights

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, 2019.

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 2019 and 2018.

Net Position – End of Year. For FY 2019, 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 $1.1 billion versus $1.4 billion at the end of FY 2018. 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 2019, the Fund closed with $891.3 million in Gross Non-Exchange Revenues and a total of $1.3 billion for FY 2018, 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 2019, Treasury Forfeiture Fund bureaus earned a total of $10.3 million in revenue from participation in the seizures leading to forfeiture of the Justice and Postal Service forfeiture funds as compared to a total of $49.6 million during FY 2018. 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 2018 and FY 2019 was restricted by the need to meet enacted budget rescissions, sequestrations, and permanent reductions.

Net Cost of Operations. For FY 2019, the Net Cost of Operations totaled $226.2 million, down from $239.4 million in FY 2018.

Investment Interest Income. The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2019, investments totaled $2.1 billion as compared with $2.6 billion invested as of September 30, 2018. During FY 2019 investment income totaled $70.4 million, as compared to $47.8 million in FY 2018.

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 2019, the Fund shared a total of $68.0 million with other federal, state and local law enforcement agencies, and another $314 thousand with foreign countries. This compares with $156.7 million shared with other federal, state and local law enforcement agencies during FY 2018 and $627 thousand with foreign countries.

Victim Restitution. During FY 2019, the Fund paid $83.2 million in restitution to victims as compared to $524.8 million in FY 2018.

Summary of Statements of Changes in Net Position. The Fund closed with a strong net position in FY 2019. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2019 performance with forfeiture revenue earnings of $891.3 million from all sources, while exceeding the new higher performance measure target rate of high-impact cases, is truly a credit to the dedicated law enforcement personnel of our participating law enforcement bureaus.

Statements: Net Cost

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

On the Statements of Net Cost, the Net Cost of Operations totaled $226.2 million in FY 2019, down from $239.4 million in FY 2018.

Intra-governmental. This cost category totaled $158.7 million in FY 2019, down from $166.9 million in FY 2018. 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 2019, 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 2019, expenses of these contracts, which comprised over 76% of the total expenses for this line, including other contracts, totaled $51.5 million, down from $57.0 million expensed in FY 2018.

Statements: Budgetary Resources

As of the end of FY 2019, the Fund has estimated future expenditures and commitments of $473.3 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 $609.6 million as reported on the SF-133" Report on Budget Execution" for FY 2019. The unobligated balance less reductions would result in $136.3 million remaining at the end of FY 2019.

Balance Sheet

Assets, Liabilities and Net Position

Total assets of the Fund decreased in FY 2019 to $3.0 billion, down from $3.4 billion in FY 2018, a decrease in asset value of 12 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 $1.3 billion in FY 2019, down from $1.7 billion in FY 2018. During FY 2019, total liabilities of the Fund were $1.9 billion, comparable to the $2.0 billion in FY 2018. If seized currency and other monetary assets, which are also shown as a liability because they are not yet owned by the government, are backed out of both figures, the adjusted total liabilities of the Fund decreases to $209.1 million in FY 2019, down from $260.1 million in FY 2018.

With decreasing asset amounts and decreasing liabilities, the Cumulative Results of Operations, i.e., retained earnings, decreased at the end of FY 2019 to a total of $1.1 billion, down from $1.4 billion at the end of FY 2018.

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 2019 Audit. The Fund's independent auditors have given the FY 2019 financial statements an Unmodified Opinion with no material weaknesses or significant deficiencies in internal control over financial reporting identified**.** The auditor's report on compliance and other matters disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*.

Summary of Financial Statement Highlights

Net Position. To summarize, Fund management concluded a highly productive FY 2019 "in the black," with the necessary resources to commence the business of the asset forfeiture program for FY 2020. Even though there was a rescission of $200 million and a sequestration of $54.3 million, Fund management was able to declare Strategic Support funding from FY 2019 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 2019 and 2018, the Fund reviewed 13,482 and 13,580 payments totaling $1.638 billion and $1.036 billion respectively, and reports less than .2% and .1% respectively, 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
Member of the American Institute of Certified Public Accountants

Independent Auditor's Report on Financial Statements

Acting Inspector General
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, 2019 and 2018, 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

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, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2019, 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 31, 2019

Independent Auditor's Report on Internal Control over Financial Reporting

Acting Inspector General
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. 19-03, *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, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2019, 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

GKA, P.C.

Washington, DC
October 31, 2019

gka,p.c.

Certified Public Accountants
& Consultants

Member of the American Institute of Certified Public Accountants

Independent Auditor's Report on Compliance and Other Matters

Acting Inspector General
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. 19-03, *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, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

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. 19-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Purpose of 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.

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

GKA, P.C.

Washington, DC
October 31, 2019

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, 2019 and 2018
(Dollars in thousands)

	2019	2018
Assets:		
Intragovernmental:		
Fund balance with Treasury	$ 34,013	$ 32,425
Investments and related interest receivable (Note 3)	2,135,047	2,574,872
Total Intragovernmental	2,169,060	2,607,297
Cash and other monetary assets (Note 5)	724,091	703,476
Accounts Receivable	1,454	815
	725,545	704,291
Forfeited property (Note 6)		
Held for sale, net of mortgages, liens and claims	92,551	74,699
To be shared with federal, state or local, or foreign governments	617	415
Total forfeited property, net of mortgages, liens and claims	93,168	75,114
Total Assets	$2,987,773	$3,386,702
Liabilities:		
Intragovernmental:		
Accounts payable	$ 84,938	$ 133,240
Total Intragovernmental	84,938	133,240
Seized currency and other monetary instruments (Note 8)	1,652,576	1,690,876
Distributions payable (Note 10)		
State and local agencies and foreign governments	22,957	43,127
Accounts payable	7,996	8,589
Deferred revenue from forfeited assets	93,168	75,114
Total Liabilities	1,861,635	1,950,946
Commitments and contingencies (Note 15)	-	-
Net Position:		
Cumulative results of operations (Note 11)	1,126,138	1,435,756
Total Liabilities and Net Position	$2,987,773	$3,386,702

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, 2019 and 2018
(Dollars in thousands)

	2019	2018
Program:		
ENFORCEMENT		
Intragovernmental:		
Seizure investigative costs and asset management	$ 98,383	$ 112,193
Other asset related contract services	7,118	6,634
Data systems, training and others	53,230	48,089
Total Intragovernmental	158,731	166,916
With the Public:		
National contract services seized property and other	51,526	56,964
Joint operations	15,974	15,551
Total with the Public	67,500	72,515
Net Cost of Operations (Note 16)	$ 226,231	$ 239,431

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, 2019 and 2018
(Dollars in thousands)

	2019	2018
Net Position – Beginning of Year	$ 1,435,756	$ 2,248,198
Financing Sources (Non-Exchange Revenues):		
Intragovernmental		
Investment interest income	70,360	47,840
Public		
Forfeited currency and monetary instruments	742,856	1,089,225
Sales of forfeited property net of mortgages and claims	59,210	99,240
Proceeds from participating with other federal agencies	10,259	49,553
Value of property transferred in equitable sharing	593	545
Payments in lieu of forfeiture, net of refunds (Note 19)	7,058	9,990
Reimbursed costs	4,171	3,708
Other	(3,224)	(1,486)
Total Gross Non-Exchange Revenues	891,283	1,298,615
Less: Equitable Sharing		
Intragovernmental		
Federal	(5,577)	(18,799)
Public		
State and local agencies	(62,427)	(137,873)
Foreign countries	(314)	(627)
Victim restitution	(83,206)	(524,763)
	(145,947)	(663,263)
Total Equitable Sharing	(151,524)	(682,062)
Total Non-Exchange Revenues, Net	739,759	616,553
Transfers –In (Out)		
Intragovernmental		
Strategic support (Note 13)	(599,718)	(47,125)
Secretary's enforcement fund (Note 14)	(23,428)	(37,477)
Transfer to the general fund (Note 9)	(200,000)	(1,104,962)
Total Transfers Out	(823,146)	(1,189,564)
Total Financing Sources - Net	(83,387)	(573,011)
Net Cost of Operations	(226,231)	(239,431)
Net Results of Operations	(309,618)	(812,442)
Net Position – End of Year	$ 1,126,138	$ 1,435,756

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, 2019 and 2018
(Dollars in thousands)

	2019	2018
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (Note 17)	$ 860,599	$ 685,462
Budget authority	771,717	1,147,136
Total Budgetary Resources	$ 1,632,316	$ 1,832,598
Status of Budgetary Resources:		
Obligations incurred	$ 1,022,684	$ 1,007,425
Unobligated balances – apportioned	$ 596,206	$ 466,136
Unobligated balances – unapportioned	13,426	359,037
Unobligated balances – end of year (Note 17)	$ 609,632	$ 825,173
Total Budgetary Resources	$ 1,632,316	$ 1,832,598
Outlays, net		
Net Outlays	$ 1,072,955	$ 952,274

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

Note 1: Reporting Entity

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

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

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

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

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

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

The preparation of financial statements in accordance with accounting principles generally accepted in the 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 2018 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, 2019 and 2018.

- **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 2020. 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, 2019 and 2018, respectively (dollars in thousands):

Entity Assets

Description	Cost	Unamortized Discount	Investment, Net
September 30, 2019			
Treasury Forfeiture Fund -			
35 days 1.7200% U.S. Treasury Bills	$1,144,108	($1,913)	$1,142,195
Interest Receivable			409
Total Investment, Net, and Interest Receivable			$1,142,604
Fair Market Value			$1,142,421
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

Non-entity Assets

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

Note 4: Analysis of Non-Entity Assets

The following schedule presents the non-entity assets as of September 30, 2019 and 2018, respectively (dollars in thousands):

	2019	2018
Seized currency:		
Intragovernmental Investments (Note 3)	$ 992,443	$ 1,034,134
Cash and other monetary assets (Note 5)	660,133	656,742
Total Non-Entity Assets	1,652,576	1,690,876
Total Entity Assets	1,335,197	1,695,826
Total Assets	$ 2,987,773	$ 3,386,702

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 $64.0 million and $46.7 million as of September 30, 2019 and 2018, 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 $660.1 million and $656.7 million as of September 30, 2019 and 2018, respectively.

Note 6: Forfeited Property/Deferred Revenue

The following summarizes the components of forfeited property (net), as of September 30, 2019 and 2018, respectively (dollars in thousands):

	2019	2018
Held for sale	$ 97,226	$ 78,263
To be shared with federal, State or local, or foreign government	617	415
Total forfeited property (Note 7)	97,843	78,678
Less: Allowance for liens and claims	(4,675)	(3,564)
Total forfeited property, net	$ 93,168	$ 75,114

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, 2018 to September 30, 2019. (Dollar value is in thousands)

	10/1/18 Financial Statement Balance		Adjustments		10/1/18 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$39,486	-	$-	-	$39,486	-	$690,315	-	$(719,548)	-	$ -	-
Other Monetary Instruments	7,248	-	-	-	7,248	-	70	-	-	-	-	-
Subtotal	**46,734**	**-**	**-**	**-**	**46,734**	**-**	**690,385**	**-**	**(719,548)**	**-**	**-**	**-**
Real Property	48,648	185	11,805	-	60,453	185	53,908	106	(61,468)	(171)	-	(2)
General Property	19,969	16,042	22,433	-	42,402	16,042	47,164	14,006	(12,592)	(2,183)	(1,669)	(3,169)
Vessels	1,038	113	648	-	1,686	113	2,073	160	(853)	(42)	(37)	(26)
Aircraft	852	7	1,056	-	1,908	7	399	5	(214)	(3)	-	-
Vehicles	8,171	2,362	7,352	-	15,523	2,362	39,395	8,052	(19,628)	(4,923)	(9,809)	(1,161)
Subtotal	**78,678**	**18,709**	**43,294**	**-**	**121,972**	**18,709**	**142,939**	**22,329**	**(94,755)**	**(7,322)**	**(11,515)**	**(4,358)**
Grand Total	**$125,412**	**18,709**	**$43,294**	**-**	**$168,706**	**18,709**	**$833,324**	**22,329**	**$(814,303)**	**(7,322)**	**$(11,515)**	**(4,358)**

	Victim Restitution		Destroyed		Other Adjustments		Value Change		2019 Carrying Value		Fair Market Value Adjustment		9/30/19 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$-	-	$-	-	$51,827	-	$(687)	-	$61,393	-	$-	-	$61,393	-
Other Monetary Instruments	-	-		-	(4,753)	-	-	-	2,565	-	-	-	2,565	-
Subtotal	**-**	**-**	**-**	**-**	**47,074**	**-**	**(687)**	**-**	**63,958**	**-**	**-**	**-**	**63,958**	**-**
Real Property	-	-	-	-	24,259	55	(2,574)	-	74,578	173	(12,101)	-	62,477	173
General Property	-	-	(23,499)	(12,555)	3,252	(227)	(7,736)	-	47,322	11,914	(25,915)	-	21,407	11,914
Vessels	-	-	(114)	(111)	126	4	(51)	-	2,830	98	(764)	-	2,066	98
Aircraft	-	-	-	-	(1,337)	(1)	(52)	-	704	8	(290)	-	414	8
Vehicles	-	-	(4,796)	(2,227)	1,663	229	(432)	-	21,916	2,332	(10,437)	-	11,479	2,332
Subtotal	**-**	**-**	**(28,409)**	**(14,893)**	**27,963**	**60**	**(10,845)**	**-**	**147,350**	**14,525**	**(49,507)**	**-**	**97,843**	**14,525**
Grand Total	**$-**	**-**	**$(28,409)**	**(14,893)**	**$75,037**	**60**	**$(11,532)**	**-**	**$211,308**	**14,525**	**$(49,507)**	**-**	**$161,801**	**14,525**

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 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, 2018 to September 30, 2019. (Dollar value is in thousands)

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

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)

	10/1/17 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 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 2019 permanently cancelled \$200.0 million. 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 September 27, 2019. In fiscal year 2018, the Consolidated Appropriations Act of 2018 permanently cancelled \$1.1 billion. The cancelled funds were transferred to the General Fund on June 1, 2018.

Note 10: Distributions Payable

Distributions Payable (state and local agencies and foreign governments) amounted to \$23.0 million and \$43.1 million as of September 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, respectively (dollars in thousands):

	2019	2018
Retained Capital	\$ 1,039,438	\$ 1,835,220
Unliquidated Obligations	396,318	412,978
Net Results of Operations	(309,618)	(812,442)
	\$ 1,126,138	\$ 1,435,756

Unliquidated Obligations

The following summarizes the components of unliquidated obligations as of September 30, 2019 and 2018 respectively (dollars in thousands):

	2019	2018
Equitable Sharing	\$ 190,164	\$ 259,984
Mandatory	206,154	152,994
	\$ 396,318	\$ 412,978

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 amount to $599.7 million and $47.1 million in fiscal years 2019 and 2018, respectively.

The following summarizes Strategic Support payments, net of Transfers-In as of September 30, 2019 and 2018, respectively, (dollars in thousands):

	2019	2018
Transfers - Out	$ (602,972)	$ (49,500)
Transfers - In	3,254	2,375
Total	$ (599,718)	$ (47,125)

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 $23.4 million and $37.5 million in fiscal years 2019 and 2018, respectively.

The following summarizes Secretary's Enforcement Fund payments, net of Transfers-In as of September 30, 2019 and 2018, respectively, (dollars in thousands):

	2019	2018
Transfers - Out	$ (24,615)	$ (38,564)
Transfers - In	1,187	1,087
Total	$ (23,428)	$ (37,477)

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, 2019, the Fund had future expenditures of $473.3 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:

	2019	2018
Gross Costs	$ 226,231	$ 239,431
Earned Revenues	-	-
Net Costs	$ 226,231	$ 239,431

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 2019 and 2018 consist of the following (in thousands):

	2019	2018
Recoveries of Prior Year Unpaid Obligations	$ 35,426	$ 16,163
Other Changes in Unobligated Balance	-	770
Total	$ 35,426	$ 16,933

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, 2019 unobligated balance.

The following shows anticipated reductions to the unobligated balances of budget authority resulting from these future expenditures and commitments for fiscal years 2019 and 2018.

	2019	2018
Unobligated balance	$ 609,632	$ 825,173
Future expenditures (Note 15):		
Refund and remissions	(341,355)	(346,150)
Equitable sharing	(131,961)	(88,409)
Total future expenditures	(473,316)	(434,559)
Commitments (Note 15)	-	-
Total reductions to unobligated balance	(473,316)	(434,559)
Unobligated balance net of future expenditures, and commitments	$ 136,316	$ 390,614

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, 2019 and 2018, respectively (dollars in thousands):

	2019	2018
Payments in Lieu of Forfeiture	$ 8,337	$ 10,769
Refunds	(1,279)	(779)
Total	$ 7,058	$ 9,990

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

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

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

SECTION IV

REQUIRED SUPPLEMENTAL INFORMATION

(UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2019 Fund Balance with Treasury	2019 Investments	2018 Fund Balance with Treasury	2018 Investments
Treasury	$ 34,013	$ -	$ 32,425	$ -
Bureau of the Fiscal Service	-	2,135,047	-	2,574,872
Totals	$ 34,013	$ 2,135,047	$ 32,425	$ 2,574,872

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2019 Accounts Payable	2018 Accounts Payable
Department of Justice	$ 15,693	$ 10,820
Department of Homeland Security	57,050	92,754
Departmental Offices	813	2,209
Treasury Office of the Inspector General	139	135
Tax and Trade	677	1,075
Internal Revenue Service	10,566	26,247
Totals	$ 84,938	$ 133,240

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2019 Cost to Generate Exchange Intragovernmental Revenue	2019 Costs to Generate Non-Exchange Intragovernmental Revenue	2018 Cost to Generate Exchange Intragovernmental Revenue	2018 Costs to Generate Non-Exchange Intragovernmental Revenue
Administration of Justice	$ -	$ 158,731	$ -	$ 166,916

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

	2019			2018		
Partner Agency	**Transfers In**	**Transfers Out**	**Net Transfers In (Out)**	**Transfers In**	**Transfers Out**	**Net Transfers In (Out)**
Department of Homeland Security	$ 3,738	$ (617,205)	$ (613,467)	$ 2,091	$ (60,833)	$ (58,742)
Internal Revenue Service	663	(9,782)	(9,119)	493	(26,231)	(25,738)
Financial Crimes Enforcement Network	-	-		90	-	90
Tax and Trade	-	(600)	(600)	18	(1,000)	(982)
Central Intelligence Agency	-	-	-	770	-	770
Department of Justice	40	-	40	-	-	-
General Fund	-	(200,000)	(200,000)	-	(1,104,962)	(1,104,962)
	$ 4,441	$ (827,587)	$ (823,146)	$ 3,462	$(1,193,02)	$ (1,189,564)

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, 2019
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Alabama	$ 753	$ -
Alaska	92	-
Arizona	710	-12
Arkansas	567	-
California	10,007	16
Colorado	40	-
Connecticut	828	9
D.C. Washington		-
Delaware	11	-
Florida	10,547	189
Georgia	939	146
Guam	75	-
Hawaii	58	-
Idaho	-	1
Illinois	7,406	2
Indiana	942	-
Iowa	73	-
Kansas	2,040	6
Kentucky	928	7
Louisiana	169	-
Maine	-	-
Maryland	1,117	224
Massachusetts	584	418
Michigan	68	4
Minnesota	569	865
Mississippi	1,548	-
Missouri	1,413	4
Montana	18	-
Nebraska	2,930	6
Nevada	109	-
New Jersey	1,587	47
New Hampshire	22	-
New Mexico	-	-
New York	16,141	134
North Carolina	1,019	-
North Dakota	20	-
Ohio	1,324	128
Oklahoma	123	41
Oregon	1,046	-
Pennsylvania	1,337	402
Puerto Rico	1,242	192
Rhode Island	58	-
South Carolina	364	-
South Dakota	49	-
Tennessee	110	11
Texas	6,290	1,387
Utah	198	32
Subtotal carried forward	$75,471	$4,259

TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2019
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Subtotal brought forward	75,471	4,259
Vermont	87	-
Virgin Islands	-	-
Virginia	50	25
Washington	102	-
West Virginia	-	-
Wisconsin	154	8
Wyoming	153	-
Totals	$76,017	$ 4,292

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, 2019
(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 86 administrative seizures over $100 thousand over 120 days old totaling $34,903 that had not been transferred from the Seized Currency Suspense Account to the Treasury Forfeiture Fund as of the end of FY 2019.

TREASURY FORFEITURE FUND
Analysis of Revenue and Expenses and Distributions
For the Year Ended September 30, 2019
(Dollars in Thousands)

Revenue, Expenses and Distributions by Asset Category:

	Revenue	Expenses and Distributions
Vehicles	$ 12,743	$ 120,750
Vessels	3,540	153,848
Aircraft	3,540	49,564
General Property	11,327	488,322
Real Property	39,646	19,127
Currency and monetary instruments	824,068	63,253
	894,864	894,864
Less:		
Mortgages and claims	(2,302)	(2,302)
Refunds	(1,279)	(1,279)
Add:		
Excess of net revenues and financing sources over total program expenses	-	-
Total	$891,283	$ 891,283

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

	Revenue	Expenses and Distributions
Sales of property and forfeited currency and monetary instruments	$ 739,169	$ 170,024
Reimbursed storage costs	4,171	89,486
Assets shared with state and local agencies	62,427	62,427
Assets shared with other federal agencies	5,577	5,577
Assets shared with foreign countries	314	314
Victim Restitution	83,206	83,206
Destructions	-	107,384
Pending disposition	-	376,446
	894,864	894,864
Less:		
Mortgages and claims	(2,302)	(2,302)
Refunds	(1,279)	(1,279)
Add:		
Excess of net revenues and financing sources over total program expenses	-	-
Total	$ 891,283	$ 891,283

The revenue amount of $891,283 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, 2019
(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, 2019, the Fund had forfeited property held for sale of $97,226. 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, 2019, there was $63,958 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 $76,017 and total property transferred was $4,292 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, 2018 which became the beginning balance for the Fund on October 1, 2018, as reported in the audited financial statements is $1,435,756.

(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 $2,302. 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	**$62,427**
Foreign countries	**314**
Other federal agencies	**5,577**
Victim restitution	**83,206**

(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 $226,231.

The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2019, was $660,133. This amount includes some funds in the process of being deposited at year-end, cash seized in August or September 2019 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 $609,632 for fiscal year 2019. This excluded $200,000 in FY 2019 rescinded authority that was classified as "permanent". If this figure is added to the unobligated balances at the end of FY 2019, the figure became $809,632.

(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	**$ 305,076**	**53 seizures**
IRS	**924,438**	**126 seizures**
U.S. Secret Service	**117,087**	**17 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 $34,903. 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, 2019, as reported in the audited financial statements is $1,126,138.

(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 2020 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.

This Page Intentionally Left Blank

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