Audit Report

OIG-14-010

Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2013 and 2012 Financial Statements

December 16, 2013

Office of
Inspector General

Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 16, 2013

**MEMORANDUM FOR ERIC HAMPL, DIRECTOR
TREASURY FORFEITURE FUND**

FROM: Michael Fitzgerald
Director, Financial Audit

SUBJECT: Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2013 and 2012 Financial Statements

I am pleased to transmit the attached audited Department of the Treasury Forfeiture Fund (TFF) financial statements for Fiscal Years 2013 and 2012. Under a contract monitored by the Office of Inspector General, GKA, P.C. (GKA), an independent certified public accounting firm, performed an audit of the financial statements of the TFF as of September 30, 2013 and 2012 and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards and applicable provisions of Office of Management and Budget Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*.

The following reports, prepared by GKA, are incorporated in the attachment:

- Independent Auditor's Report on Financial Statements;
- Independent Auditor's Report on Internal Control over Financial Reporting; and
- Independent Auditor's Report on Compliance and Other Matters.

In its audit, GKA found:

- the financial statements were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws and regulations 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 generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. GKA is responsible for the attached auditor's reports dated November 13, 2013 and the conclusions expressed in the reports. However, our review disclosed no instances where GKA did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Catherine Yi, Manager, Financial Audit at (202) 927-5591.

Attachment

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Treasury Forfeiture Fund
ACCOUNTABILITY REPORT
Fiscal Year 2013

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

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Message from the Director

I am pleased to present the fiscal year (FY) 2013 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 2013 was the highest revenue year since the inception of the Fund with income of over $1.7 billion from forfeitures and recoveries, as compared to $516.6 in million received in FY 2012. Among these forfeitures, a total of nine major cases accounted for more than $1.3 billion in gross revenues, with the remaining $400 million coming from direct forfeitures, recoveries, interest, and equitable sharing received from the Department of Justice.

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 2013, our member bureaus exceeded the target with a performance level of 95 percent as compared to 76.4 percent in FY 2012. If we exclude a single forfeiture totaling $881 million, our performance measure for FY 2013 would be 88 percent.

In FY 2013, the Fund prioritized the support of law enforcement efforts targeting Third Party Money Laundering Networks (3PML). This is a critically important investigative area aimed at dismantling the financial infrastructure of Transnational Criminal Organizations. After reviewing existing 3PML cases being investigated by the Fund's Treasury and Homeland Security member law enforcement agencies, the Fund provided funding resources to enhance their analytical and operational needs. In union with this initiative, the Fund conducted two seminars in San Antonio and Fort Lauderdale, which focused on 3PML issues specific to those locations. The curriculum also included money laundering typologies, such as bank capture, trade-based money laundering, black market peso exchange, and the use of money service businesses.

Contributing to this year's record revenue levels was the highest single forfeiture in the Fund's history. Hong Kong Shanghai Banking Corporation (HSBC), one of the world's largest financial institutions, agreed to forfeit $881 million as a result of a Deferred Prosecution Agreement for allowing over $200 trillion in wire transfers from medium risk countries to pass through its branches around the world. HSBC was willfully blind in administering its anti-money laundering program, and ultimately admitted to knowingly aiding financial institutions in sanctioned countries by disguising wire transfers to avoid detection by U.S. authorities.

During FY 2013, Ernst & Young, one of the 'Big Four' accounting firms, agreed to forfeit $123 million as part of a Non Prosecution Agreement for its role in promoting tax shelters to high end clients in an effort to reduce or eliminate approximately $2 billion in aggregate tax liabilities. Ernst & Young also agreed to certain restrictions on its tax practices, including a prohibition on promoting illegal tax shelters.

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 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 2014.

Eric E. Hampl, Director
Executive Office for Asset Forfeiture
U.S. Department of the Treasury

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Treasury Forfeiture Fund
FY 2013 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 Executive Office for Asset Forfeiture (EOAF), which provides management oversight of the Fund, falls under the auspices of the Under Secretary for Terrorism and Financial Intelligence. EOAF's organizational structure includes the Fund Director, Legal Counsel, Assistant Director for Financial Management and Assistant Director for Policy. Functional responsibilities are delegated to various team leaders. EOAF is located in Washington, D.C., and currently has 25 authorized full time equivalent positions.

Strategic Mission

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

Strategic Vision

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

The following case highlights are intended to give the reader an idea of the types of investigative cases worked by the Fund's law enforcement bureaus during FY 2013 that resulted in the seizure and forfeiture of assets. Such cases as those profiled below are consistent with the Strategic Mission and Vision of the Treasury Forfeiture Program, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

Immigration and Customs Enforcement (ICE)
Department of Homeland Security

HSBC Forfeits $1.256 Billion in Deferred Prosecution

Information included in the following forfeiture article is attributed to: United States District Court, Eastern District of New York, Deferred Prosecution Agreement, as well as the Statement of Facts, Case No. 12-cr-00763-ILG, dated December 10, 2012; Article Samuel Rubenfeld, entitled: "The Rogues Gallery: A Sample of HSBC's High-Risk Customers," published in the Wall Street Journal, on July 23, 2012.

In one of the most highly-publicized forfeitures of the last decade, HSBC forfeited $1.256 billion to the U.S. Government as part of a December 10, 2012 Deferred Prosecution Agreement (DPA). The DPA stipulated that $881 million of the forfeited amount was involved in transactions made in violation of 18 USC sections 1956 and 1957 (money laundering offenses). This $881 million was deposited in the Treasury Forfeiture Fund. The remaining $375 million was stipulated as resolving various violations under Title 50, Appendix, sections 3, 5, and 16 (which detail restrictions on trading with foreign enemies). The $375 million was deposited in the Justice Forfeiture Fund.

HSBC failed to adequately monitor over $200 trillion in wire transfers from 2006 to 2009 in "standard" or "medium" risk countries, including over $670 billion from HSBC Mexico. HSBC also failed to keep an adequate "Know Your Customer" program in place, and did not have adequate staffing for its anti-money laundering program. HSBC further allowed a large amount of money to enter the financial system through its Mexican branches, ignoring the large amount of risk the transactions and customers posed. A large amount of suspicious activity was a result of casa de cambios moving funds through HSBC that should have raised red flags. At the height of this activity, one high-risk Mexican customer was moving over $113 million through HSBC per month.

In addition to these offenses, HSBC also admitted to knowingly aiding financial institutions in sanctioned countries, such as Iran and Cuba. HSBC employees disguised wire transfers to these countries so as to avoid detection by the U.S. Government. As part of the deal, HSBC agreed to significantly strengthen its anti-money laundering compliance program.

To date, the $881 million forfeiture is the largest ever received by the Treasury Forfeiture Fund.

Nevada ICE Agents Seize $1,089,300 at Airport from Romanian Organized Crime Courier

Information included in the following forfeiture article is attributed to: United States District Court, District of Nevada Final Order of Forfeiture in case number 10-CR-00579-GMN-RJJ; Additional case information was provided from the ICE Liaison to the Treasury Executive Office for Asset Forfeiture.

In October 2009, ICE agents seized $1,089,300 in U.S. currency from an individual known to be associated with a Romanian Organized Crime group. The target was attempting to board a flight with the currency concealed in his carry-on luggage. The currency was seized for violations of bulk currency smuggling and money laundering offenses.

The initial seizure led investigators to make several additional seizures, including $248,800 in a storage locker controlled by the defendant. All of the seizures and property involved in the case were forfeited in the same court order on December 21, 2012.

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

Wegelin Agrees to Forfeit Additional $15.821 million in Conjunction with Guilty Plea

Information included in the following forfeiture article is attributed to: U.S. Department of Justice (DOJ) Press Release dated January 3, 2013, entitled: "*Swiss Bank Pleads Guilty in Manhattan Federal Court to Conspiracy to Evade Taxes.*"

On January 3, 2013, Wegelin & Co. pled guilty to charges of conspiracy to evade taxes. As part of its guilty plea, WEGELIN agreed to a civil forfeiture of $15.821 million. In addition, WEGELIN agreed to pay approximately $20 million in restitution to the IRS and to pay a $22.05 million fine. In April 2012, the U.S. Government forfeited over $16.2 million from WEGELIN's correspondent bank account; this amounts to a total recovery to the United States of approximately $74 million.

Founded in 1741, WEGELIN is Switzerland's oldest bank. It provided private banking, asset management, and other services to clients around the world, including U.S. taxpayers. WEGELIN had no branches outside Switzerland, but it directly accessed the U.S. banking system through a correspondent bank account that it held at UBS AG ("UBS") in Stamford, Connecticut.

From 2002 through 2011, WEGELIN conspired with various U.S. taxpayers and others, to hide from the IRS the existence of bank accounts held at WEGELIN, and the income generated in those secret accounts. WEGELIN employees told various U.S. taxpayer-clients that their undeclared accounts would not be disclosed to the United States authorities because the bank had a long tradition of secrecy. They also persuaded U.S. taxpayer-clients to transfer assets from UBS to WEGELIN by emphasizing that, unlike UBS, WEGELIN did not have offices outside of Switzerland and was therefore less vulnerable to United States law enforcement pressure. Members of WEGELIN's senior management approved efforts to capture the clients who were leaving UBS and also participated in some meetings with U.S. taxpayer-clients who were fleeing UBS.

To further the goals of the conspiracy from 2002 through 2011, WEGELIN took steps that included the following:

- Opening and servicing undeclared accounts for U.S. taxpayer-clients in the names of sham corporations and foundations formed under the laws of Liechtenstein, Panama, Hong Kong, and other jurisdictions for the purpose of concealing some clients' identities from the IRS;
- Accepting documents that falsely declared that the sham entities were the beneficiary owners of certain accounts, when in fact the accounts were controlled by U.S. taxpayers, and making them part of WEGELIN's client files;
- Permitting certain U.S. taxpayer-clients to open and maintain undeclared accounts at WEGELIN using code names and numbers to minimize references to the actual names of the U.S. taxpayers on Swiss bank documents;

- Ensuring that account statements and other mail for U.S. taxpayer-clients were not mailed to them in the United States;
- Communicating with some U.S. taxpayer-clients using their personal email accounts to reduce the risk of detection by law enforcement; and
- Issuing checks drawn on, and executing wire transfers through, its U.S. correspondent bank account for the benefit of U.S. taxpayers with undeclared accounts at WEGELIN and at least two other Swiss banks. In so doing, WEGELIN sometimes separated the transactions into batches of checks or multiple wire transfers in amounts that were less than $10,000 to reduce the risk that the IRS would detect the undeclared accounts.

Ernst and Young Forfeits $123 Million as Part of Non-Prosecution Deal

Information included in the following forfeiture article is attributed to: DOJ Press Release No. 13-065, "Manhattan U.S. Attorney Announces Agreement With Ernst & Young LLP To Pay $123 Million To Resolve Federal Tax Shelter Fraud Investigation," dated March 1, 2013; Article by Bob Van Voris, entitled: "Ernst & Young to Pay $123 Million to End Tax-Fraud Probe," published in Bloomberg BusinessWeek, March 2, 2013.

On February 26, 2013, Ernst and Young entered into a non-prosecution agreement (NPA) with the United States, in which the company agreed to forfeit $123 million and acknowledged in a detailed Statement of Facts that some employees intentionally promoted tax shelters and attempted to disguise this behavior as legitimate investments.

According to the statement of facts, Ernst and Young worked in conjunction with various law firms, banks, and investment advisers, to develop, market, and implement four tax shelter products. Ernst and Young implemented these four tax shelter products for approximately 200 high net worth clients in an effort to defer, reduce, or eliminate $2 billion in aggregate tax liabilities between 1999 and 2002. Ernst and Young prepared tax returns reflecting tax losses claimed to have been derived from those tax shelter products and subsequently defended certain of its clients in connection with audits of those transactions by the IRS.

A small group within Ernst and Young known as the Strategic Individual Solutions Group (SISG) was primarily responsible for supervising and coordinating the marketing, implementation and defense of Ernst and Young's tax shelter products. Certain SISG tax shelter products were designed to appear to the IRS to be substantive investments that had favorable tax consequences when, in reality, the products were actually designed and marketed to clients as a series of preplanned steps that would defer, reduce or eliminate their tax liabilities.

In order to deceive the IRS as to the true nature of the tax strategies, and to bolster arguments that the transactions had economic substance, some SISG personnel agreed upon and directed other Ernst and Young employees to participate in a concerted effort not to create, disseminate, or publicize documents reflecting the tax motivation behind the strategies, or the preplanned sequence of steps necessary to effect the strategies. These SISG personnel thereby sought to prevent the IRS from detecting their clients' purposes in employing these strategies.

In addition to the forfeiture, Ernst and Young also agreed to certain permanent restrictions and controls on its tax practice, including a prohibition against planning, promoting or recommending any "listed transaction." In exchange, the United States agreed not to criminally prosecute Ernst and Young for its participation in the tax shelter scheme. In the event that the firm violates the NPA, the U.S. Attorney's Office may prosecute Ernst and Young.

Customs and Border Protection (CBP)
Department of Homeland Security

CBP had another productive year for seizures of cash and drugs at the border and border regions; the following represents a sample of their law enforcement seizures that have been deposited into the Treasury Forfeiture Fund in FY 2013[1].

CBP Officers Seize 14,353 lbs of Marijuana at Laredo Port of Entry

Information included in the following forfeiture article is attributed to: CBP news Release dated October 15, 2012, entitled: "Over $11M Worth of Marijuana Seized by Border Patrol Agents"; additional information was provided by the CBP Liaisons to TEOAF.

On October 11, 2012, a Laredo South Border Patrol Station Watch Commander observed a 2006 Mack truck pulling a 1984 trailer carrying a large steel container suddenly turn around on Highway 83 south of the checkpoint. The watch commander executed a vehicle stop, requested back up, and approached the driver and subsequently received consent to search the truck and trailer. A canine alerted to the container on the trailer. Further investigation of the container led agents to trap doors, an overwhelming smell of marijuana, and numerous cellophane wrapped bundles, weighing a total of 14,353.19 pounds. The estimated street value of the drugs was $11,482,552.

Figure 1: Over 14,000 pounds of marijuana seized in Laredo, TX

[1] With regard to any undeclared currency seizures identified in the following investigative narratives, individuals are permitted to carry any amount of currency or monetary instruments into or out of the United States. However, if the quantity is $10,000 or more, they must formally report the currency to CBP. Failure to declare may result in seizure of the currency and/or arrest. An individual may petition for the return of currency seized by CBP officers, but the petitioner must prove that the source and intended use of the currency was legitimate.

CBP Officers Seize $329,104 near San Clamente, CA

Information included in the following forfeiture was provided by the CBP Liaisons to TEOAF, and by court documents filed in case number 3:12-CV-01606, Southern District of California.

On February 9, 2012, Border Patrol Agents from the San Diego Sector Smuggling Interdiction Group (SIG) encountered a male subject erratically driving south on Interstate 5 near San Clemente, California. The SIG agents began following the Chevrolet truck to further observe the suspect's behavior, and executed a vehicle stop. During the stop, a canine alerted to the presence of narcotics. A search of the bed of the 1995 Chevrolet C2500 truck revealed a duffle bag concealed under a spare tire, a space heater box, traffic cones and tools. Agents discovered a total of $329,144 in U.S. currency wrapped in bundles inside of the heater box and duffle bag. SIG agents arrested the male driver who was a citizen of Mexico in possession of a valid Border Crossing Card, seized the currency, and vehicle. During processing it was discovered that the currency contained residue from cocaine, and that $40 was counterfeit. Of the $329,104 U.S. currency seized, $2,900 was ordered to be refunded to the driver, and the remaining $326,204 was judicially forfeited in May 2013.

Figure 2: the duffle bag of cash

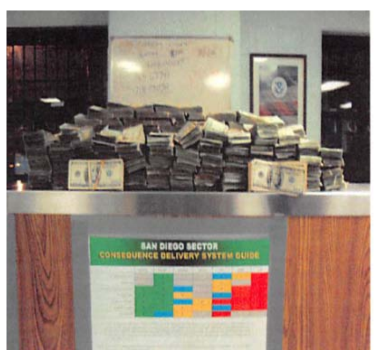

Figure 3: the full currency seizure

CBP Officers Seize $270,780 From Attempted Smuggler

Information included in the following forfeiture is attributed to: Information provided by the CBP Liaisons to TEOAF; Declarations of Administrative Forfeiture, dated 10/18/2012 and 12/17/2012; article by Edward Sifuentes published in U-T San Diego titled: "Border Patrol agents seize $270,000 in cash, 22 pounds of meth" dated June 1, 2012.

On May 31, 2012, San Diego Border Patrol Agents arrested one male U.S. citizen and one female who was a citizen of Mexico, for attempting to smuggle more than $200,000 in the quarter panels of a Honda

Accord. Border Patrol Agents were on patrol when they observed the 2002 Honda traveling southbound on Interstate 15 near Temecula, California, and the driver acting suspiciously. The agents performed a vehicle stop and the driver of the Civic consented to a search of his vehicle. A Border Patrol canine alerted to both of the rear quarter panels. Agents dismantled the panels and discovered a total of seven duct taped bundles containing $270,780 in U.S. currency behind a plastic sheet. When counting the money, agents also discovered 23 counterfeit $100 bills. Lab results indicated that the currency tested positive for cocaine residue. The currency was forfeited in October 2012, and the vehicle was forfeited in December 2012.

Figure 4: Currency seized from attempted smuggler.

Figure 5: Smuggler's vehicle with rear panel removed.

United States Secret Service (USSS)
Department of Homeland Security

E-Gold Forfeits $10.8M in Criminal Proceeds

Information included in the following forfeiture article is attributed to: The Baynet News Release, dated June 6, 2011, entitled: "E-Gold Forfeiture Complaint Filed"; DOJ Press Release, dated April 27, 2007, entitled: "Digital Currency Business E-Gold Indicted for Money Laundering and Illegal Money Transmitting."

E-gold, a digital currency business engaged in the business of exchanging traditional forms of currency for precious metals held in electronic form known as "e-metals" or "e-gold" was first indicted in 2007 on charges of money laundering, conspiracy, and operating an unlicensed money transmitting business. In the spring of 2010, the U.S. Secret Service was contacted by a law firm representing E-Gold to reach a deal. An internal review of bank accounts owned by E-Gold identified numerous accounts containing proceeds of criminal activities, including child pornography, credit card fraud, identity theft, investment fraud, and the sale of stolen or non-existent goods on the internet. The investigation revealed approximately $90,000,000 that is subject to forfeiture in bank accounts owned by E-Gold. These funds were voluntarily surrendered to the U.S. Secret Service and, per judicial order, will be forfeited in multiple stages.

On December 14, 2012, the first final order of forfeiture for $10.8M was issued by U.S District Judge Ellen Hounder, Federal Judicial District of Maryland, Northern Division, for the value of approximately 12,868 accounts held in the E-Gold Remission bank account. This forfeiture has been deposited in the Treasury Forfeiture Fund.

U.S. Secret Service Seizes Over $2 Million Worth of Cash, Firearms and Precious Metals While Shutting Down Large Scale Investment Scheme

Information included in the following forfeiture article is attributed to: Commodity Futures Trading Commission (CFTC) Press Release, dated February 28, 2013, entitled: "CFTC Settles Charges against Ronnie Gene Wilson of South Carolina and His Company, Atlantic Bullion and Coin, for Operating a Multi-Million Dollar Silver Bullion Ponzi Scheme"; Additional information was provided by the USSS Liaison to TEOAF.

In February 2012, the South Carolina Attorney General's Office contacted the Secret Service requesting assistance regarding a multi-million dollar investment scheme. The investigation determined that Atlantic Bullion & Coin Inc., a precious metals brokering house, operated a large-scale fraudulent investment operation in which they solicited funds from clients for a non-existent silver venture opportunity. Agents executed multiple search warrants and recovered several computers containing databases of clients and their investments. Forensic analysis of the computers revealed that the owner stole over $95 million from more than 1,000 victims.

On April 4, 2012, agents arrested the target for violations of 18 USC 1341 (mail fraud). Agents seized cash, firearms, artwork and precious metals valued at $725,000.

On March 14, 2013, agents arrested two targets for violations of 18 USC 371 (conspiracy) and 18 USC 1343 (wire fraud). A federal search warrant was executed on their residence, located in Mesa, Arizona. Pursuant to the above violations, cash, jewelry and precious metals worth approximately $100,000 were seized.

Additionally, one investor has acknowledged receiving payouts for fabricated profits above his initial investment and agreed to voluntarily surrender $1.17 million to the Secret Service.

To date, this case has resulted in four federal arrests and the seizure of approximately $2.3 million in cash, firearms, artwork and precious metals. Investigative efforts to identify additional suspects and assets are ongoing. USSS anticipates returning forfeited funds in this case to over 1,000 identified victims.

U.S. Secret Service Seizes $452,445.45 From America Wholesale Lender For Fraudulently Altering the Terms of Home Loans

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

This investigation began in December 2011, when the Louisville Field Office was contacted by the U.S. Attorney's Office regarding a scheme in which multiple conspirators fraudulently obtained money from victims by claiming the ability to modify their home loans. The investigation discovered that conspirators fraudulently removed promissory notes owned by Countrywide Home Loans and subsequently incorporated a business titled America's Wholesale Lender in order to fraudulently alter the terms of mortgages. The total loss in this case is approximately $3.6 million.

On November 13, 2012, a TD Bank account totaling $452,445.45, held in the name of America's Wholesale Lender, was seized based on a federal seizure warrant for violations of 18 USC sections 1343 and 1344 (wire fraud and bank fraud). The USSS anticipates returning a prorated percentage of the forfeited funds to the identified victims in this case.

Coast Guard
Department of Homeland Security

Coast Guard Offloads $27 Million of Seized Cocaine

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) United States Southern Command news release, dated April 26, 2013, entitled: "Coast Guard offloads $27 million of seized cocaine"

Crewmembers from the Coast Guard Cutter Bernard C. Webber offloaded and seized 2,200 pounds of cocaine, worth an estimated value of $27 million, at Base Miami Beach, Florida, on April 26, 2013.

While conducting a law enforcement patrol on April 18, 2013, the crew of the Coast Guard Cutter Gallatin located a 68-foot fishing vessel in the western Caribbean Sea. The crew boarded the vessel, located 2,200 pounds of cocaine, and detained three suspected smugglers before transferring them to FBI agents in Miami.

This interdiction was carried out as part of Operation Martillo, a component in the United States government's efforts to counter the use of the Central American coastal regions as transshipment routes for illicit drugs, weapons, and cash. Operation Martillo is an international operation focused on sharing information and bringing together air, land, and maritime assets from the U.S. Department of Defense, the Department of Homeland Security, and Western Hemisphere and European partner nation agencies to counter this illicit trafficking.

Figure 6: 2,200 pounds of cocaine seized during Operation Martillo.

Coast Guard Cutter Unloads $45 million worth of Seized Cocaine

Information included in the following forfeiture article is attributed to: USCG
United States Southern Command news release, dated December 5, 2012, entitled: "Coast Guard cocaine seizure unloaded in St. Petersburg: $45 million worth of cocaine to be destroyed"

On December 5, 2012, more than 50 bales of cocaine were off-loaded from the Coast Guard cutter Decisive in St. Petersburg to be destroyed. The estimated street value was $45 million.

The drugs came from two separate seizures south of Puerto Rico. In the first, one boat jettisoned 38 bales of cocaine and got away. In the second, a sail boat was boarded, 16 bales of cocaine were discovered, and the sole crew member detained.

These drug seizures are part of an increased effort in Puerto Rico and the U.S. Virgin Islands against drug running from South America.

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. § 9703) 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 2013, the Fund expensed just over $12.1 million in SEF authority as compared to $9.5 million in FY 2012, an increase of about $2.6 million. The allocation of SEF resources to bureaus was restricted in FY 2012 and FY 2013 by the need to meet enacted budget rescissions.

Super Surplus

Super Surplus represents the remaining unobligated balance after an amount is reserved for Fund operations in the next fiscal year. Super Surplus can be used for any federal law enforcement purpose. In FY 2013, the Fund expensed $82.3 million in Super Surplus authority as compared to $78.7 million in FY 2012, an increase of 4.6 percent.

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 2013 was a banner revenue year by our member bureaus and 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 totaled $76.7 million in FY 2013 as compared to $108.8 million in FY 2012. In addition, the Fund continues to support record levels of sharing of federal forfeitures with the state and local governments that contributed to the successful seizure and forfeiture activity of the Fund. The Fund expensed $300.5 million for state and local equitable sharing expenses in FY 2013 as compared to $107.4 million in FY 2012. In FY 2012, the Fund expensed $3.5 million for equitable sharing expenses with foreign countries that assisted in cases during FY 2012; this year the Fund did not have the opportunity to share with foreign law enforcement agencies. 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 2013, representing the interests of law enforcement components of the Departments of Treasury and Homeland Security. FY 2013 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 2013 had its most robust year ever, with regular revenue of $1.7 billion from all sources, quite successful, compared with FY 2012 revenue of $516.6 million. As we enter fiscal year 2014, 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 2013, 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 2013 is as follows:

Performance Measure	FY 2012 Actual	FY 2013 Target	FY 2013 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	76.38%	80%	95%

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 2013 was 95 percent, well exceeding the new target. This compares with our FY 2011 and FY 2012 performance of 91.44 percent and 76.38 percent, respectively. Our member bureaus exceeded the target by 15 percent because of one seizure for $881 million; if we excluded that seizure from the calculation, our performance measure for FY 2013 would be 88 percent.

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

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

The following provides a brief explanation for each major section of the audited financial statements accompanying this report for the fiscal year ended September 30, 2013.

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 2013 and 2012.

Net Position – End of Year. For FY 2013, the Net Position for the Fund at the end of the year, an indicator of the future capability to support ongoing operations of the Fund, totaled $2.487 billion versus $1.556 billion at the end of FY 2012. 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 2013, the Fund closed with $1.7 billion in Gross Non-Exchange Revenues and a total of $516.6 million for FY 2012, 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). It is noted that this category of revenue is recognized when received on deposit by the Treasury Forfeiture Fund. Therefore, there is no accrual recorded on the Fund's financial statements for this category of revenue.

As of the close of FY 2013, Treasury Forfeiture Fund bureaus earned a total of $76.7 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 $108.8 million during FY 2012. 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 2012 and FY 2013 was restricted by the need to meet enacted budget rescissions.

Cost of Operations. For FY 2013, the Cost of Operations totaled $203.1 million, up from $161.0 million in FY 2012.

Investment Interest Income. The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2013, investments totaled $4.1 billion, up from $3.1 billion invested as of September 30, 2012. Given the increased investment balance, and with continued negligible interest rates on Treasury securities during FY 2013, investment income totaled just under 1.8 million in FY 2013, as compared to just over $1 million in FY 2012.

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 2013, the Fund shared a total of $408.2 million with other federal, state and local law enforcement agencies; the fund did not have an opportunity to share with foreign countries this year. This compares with $114.4 million shared with other federal, state and local law enforcement agencies during FY 2012, and another $3.5 million with foreign countries.

Victim Restitution. During FY 2013, the Fund paid $74.6 million in restitution to victims as compared to $46.6 million in FY 2012.

Summary of Statements of Changes in Net Position. The Fund closed with a strong net position in FY 2013. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2013 performance with forfeiture revenue earnings of $1.7 billion from all sources, while exceeding the new higher performance measure target rate of high-impact cases, is truly a credit to the dedicated law enforcement personnel of our participating law enforcement bureaus.

Statements: Net Cost

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

On the Statements of Net Cost, the Net Cost of Operations totaled $203.1 million in FY 2013, up from $161.0 million in FY 2012.

Intra-governmental. This cost category totaled $133.6 million in FY 2013, up from $100.5 million in FY 2012. 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 2013, general property was maintained by VSE Corporation and real property was maintained by the CWS Asset Management & Sales Group, both contracts of the Department of the Treasury. In FY 2013, expenses of these two contracts, which comprised over 99% of the total expenses for this line, including other contracts and depreciation, totaled $54.8 million, up from $48.3 million expensed in FY 2012.

Balance Sheet

Assets, Liabilities and Net Position

Total assets of the Fund increased in FY 2013 to $4.4 billion, up from $3.4 billion in FY 2012, an increase in asset value of over 29.4 percent. If seized currency and other monetary assets, which are assets in the custody of the government but not yet owned by the government, are backed out of both figures, the adjusted total assets of the Fund increased to $2.93 billion in FY 2013, up from $1.75 billion in FY 2012. During FY 2013, total liabilities of the Fund remained basically the same at $1.9 billion, matching the $1.9 billion in FY 2012. 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 $443.3 million in FY 2013, up from $195.5 million in FY 2012.

With increasing asset amounts and relatively stable costs, the Cumulative Results of Operations, i.e., retained earnings, increased at the end of FY 2013 to a total of $2.487 billion, up from $1.556 billion at the end of FY 2012.

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 2013 Audit. The Fund’s independent auditors have given the FY 2013 financial statements an Unqualified 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. 14-02, *Audit Requirements for Federal Financial Statements*. There are no management letter findings for FY 2013.

Summary of Financial Statement Highlights

Net Position. To summarize, Fund management concluded a highly productive FY 2013 “in the black,” with the necessary resources to commence the business of the asset forfeiture program for FY 2014. Fund management declared a Super Surplus from FY 2013 operations and will work to recognize the hard work of our participating bureaus 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.

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

- The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC § 3515(b).

- While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

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

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SECTION II

INDEPENDENT AUDITOR'S REPORTS

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Independent Auditor's Report on Financial Statements

Inspector General
United States 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, 2013 and 2012, 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 Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of the Treasury Forfeiture Fund as of September 30, 2013 and 2012, 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 November 13, 2013, on our consideration of the Fund's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

GKA, P.C.

Washington, DC
November 13, 2013

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Independent Auditor's Report on Internal Control over Financial Reporting

Inspector General
United States 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. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheet as of September 30, 2013, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2013.

In planning and performing our audit of the financial statements, 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.

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results 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
November 13, 2013

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Independent Auditor's Report on Compliance and Other Matters

Inspector General
United States 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. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheet as of September 30, 2013, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2013.

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. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Purpose of this Report

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

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

GKA, P.C.

Washington, DC
November 13, 2013

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SECTION III

FINANCIAL STATEMENTS AND NOTES

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Department of the Treasury Forfeiture Fund
BALANCE SHEETS
As of September 30, 2013 and 2012
(Dollars in thousands)

	2013	2012
Assets:		
Intragovernmental:		
Fund balance with Treasury	$ 26,091	$ 14,526
Investments and related interest receivable (Note 3)	4,062,862	3,136,274
Advances	75	40
Total Intragovernmental	4,089,028	3,150,840
Cash and other monetary assets (Note 5)	229,086	205,137
Accounts Receivable	1,554	1,987
	230,640	207,124
Forfeited property (Note 6)		
Held for sale, net of mortgages, liens and claims	59,670	83,143
To be shared with federal, state or local, or foreign governments	532	1,157
Total forfeited property, net of mortgages, liens and claims	60,202	84,300
Capitalized software, net of accumulated depreciation (Note 9)	873	660
Total Assets	$4,380,743	$3,442,924
Liabilities:		
Intragovernmental:		
Accounts payable	$ 67,421	$ 32,665
Total Intragovernmental	67,421	32,655
Seized currency and other monetary instruments (Note 8)	1,450,864	1,691,498
Distributions payable (Note 10)		
State and local agencies and foreign governments	308,565	71,123
Accounts payable	7,063	7,443
Deferred revenue from forfeited assets	60,202	84,300
Total Liabilities	1,894,115	1,887,029
Net Position:		
Cumulative results of operations (Note 11)	2,486,628	1,555,895
Total Liabilities and Net Position	$4,380,743	$3,442,924

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, 2013 and 2012
(Dollars in thousands)

	2013	2012
Program:		
ENFORCEMENT		
Intragovernmental:		
Seizure investigative costs and asset management	$ 99,030	$ 62,942
Other asset related contract services	7,151	7,290
Data systems, training and others	27,457	30,255
Total Intragovernmental	133,638	100,487
With the Public:		
National contract services seized property and other	54,818	48,328
Joint operations	14,627	12,198
Total with the Public	69,445	60,526
Net Cost of Operations	$ 203,083	$ 161,013

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, 2013 and 2012
(Dollars in thousands)

	2013	**2012**
Net Position – Beginning of year	$ 1,555,895	$ 1,452,922
Financing Sources (Non-Exchange Revenues):		
Intragovernmental		
Investment interest income	1,768	1,047
Public		
Forfeited currency and monetary instruments	1,560,460	344,789
Sales of forfeited property net of mortgages and claims	51,901	52,213
Proceeds from participating with other federal agencies	76,747	108,781
Value of property transferred in equitable sharing	2,490	1,600
Payments in lieu of forfeiture, net of refunds (Note 19)	6,957	2,914
Reimbursed costs	3,029	2,457
Other	7,625	2,828
Total Gross Non-Exchange Revenues	1,710,977	516,629
Less: Equitable Sharing		
Intragovernmental		
Federal	(107,668)	(7,020)
Public		
State and local agencies	(300,537)	(107,365)
Foreign countries	0	(3,488)
Victim restitution	(74,583)	(46,589)
	(375,120)	(157,442)
Total Equitable Sharing	(482,788)	(164,462)
Total Non-Exchange Revenues, Net	1,228,189	352,167
Transfers –Out		
Intragovernmental		
Super surplus (Note 13)	(82,267)	(78,654)
Secretary's enforcement fund (Note 14)	(12,106)	(9,527)
Total Transfers Out	(94,373)	(88,181)
Total Financing Sources - Net	1,133,816	263,986
Net Cost of Operations	(203,083)	(161,013)
Net Results of Operations	930,733	102,973
Net Position – End of Year	$ 2,486,628	$ 1,555,895

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, 2013 and 2012
(Dollars in thousands)

	2013	2012
Budgetary Resources:		
Unobligated balances- beginning of year	$ 144,913	$ 646,405
Recoveries of prior year unpaid obligations	23,887	29,747
Unobligated balance from prior year budget authority, net	168,800	676,152
Budget authority	1,627,422	(3,822)
Total Budgetary Resources	$ 1,796,222	$ 672,330
Status of Budgetary Resources:		
Obligations incurred	$ 908,113	$ 527,417
Unobligated balances – apportioned	$ 888,109	$ 144,913
Unobligated balances – end of year	$ 888,109	$ 144,913
Total Status of Budgetary Resources	$ 1,796,222	$ 672,330
Change in Obligated Balance:		
Obligated balance, net-beginning of year	$ 550,841	$ 539,063
Obligations incurred	908,113	527,417
Less: Gross outlays	(510,622)	(485,892)
Less: Recoveries of prior year unpaid obligations, actual	(23,887)	(29,747)
Obligated balance, net – end of year	$ 924,445	$ 550,841
Budget Authority and Outlays		
Budget authority, net	$ 1,627,422	$ (3,822)
Net outlays	$ 510,622	$ 485,892

The accompanying notes are an integral part of these financial statements

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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 9703. The Fund was created to consolidate all Treasury law enforcement bureaus under a single forfeiture fund program administered by the Department of the Treasury (Treasury). Treasury law enforcement bureaus fully participating in the Fund upon enactment of this legislation were the U.S. Customs Service (Customs); the Internal Revenue Service – Criminal Investigation (IRS-CI); the United States Secret Service (Secret Service); the Bureau of Alcohol, Tobacco and Firearms (ATF); the Financial Crimes Enforcement Network (FinCEN); and the Federal Law Enforcement Training Center (FLETC). FinCEN and FLETC contribute no revenue to the Fund, however in recent years, significant amounts of Super Surplus funds have been allocated to FinCEN towards Bank Secrecy Act (BSA) Information Technology (IT) modernization, a tool used in the fight against money laundering and other criminal activity. The U.S. Coast Guard, formerly part of the Department of Transportation, now part of the Department of Homeland Security (DHS), also participates in the Fund. However, all Coast Guard seizures are treated as Customs seizures because the Coast Guard lacks forfeiture authority.

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

The Fund is a special fund that is accounted for under Treasury symbol number 20X5697. From this no-year account, expenses may be incurred consistent with 31 USC 9703, 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 (EOAF).

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

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Fund began preparing audited financial statements in Fiscal Year 1993 as required by the Fund's enabling legislation, 31 USC 9703(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.

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 9703(a)(2)(B); payment for equipment for vessels, vehicles, or aircraft available for official use as described by 31 USC 9703(a)(2)(D) and (F); reimbursement of private persons for expenses incurred while cooperating with a Treasury law enforcement organization in investigations; publication of the availability of certain awards; and payment for training foreign law enforcement personnel with respect to seizure or forfeiture activities of the Fund. Discretionary expenses are subject to an annual, definite Congressional appropriation from revenue in the Fund.

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

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

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

Revenue and Expense Recognition

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

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

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

Funds from Dedicated Collections

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

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash collected from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the TFF as evidence of its receipts. Treasury securities are an asset to the TFF and a liability to the U.S. Treasury. Because the TFF and U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the TFF with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the TFF requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt or by curtailing other expenditures. This is the same way that the government finances all other expenditures.

Equitable Sharing (Assets Distributed)

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

Entity Assets

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

- **Fund Balance with Treasury –** This represents amounts on deposit with Treasury.

- **Investments and Related Interest Receivable –** This includes forfeited cash held by the Fund and seized currency held in the Customs Suspense Account that had been invested in short term U.S. Government Securities.

- **Receivables –** The values reported for other receivables are primarily funds due from the national seized property contractor for properties sold; the proceeds of which have not yet been deposited into the Fund. No allowance has been made for uncollectible amounts as the accounts recorded as a receivable at year end were considered to be fully collectible as of September 30, 2013 and 2012.

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

- **Cash and Other Monetary Assets –** This includes forfeited currency on hand not yet deposited and forfeited currency held as evidence.

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

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

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

Non-entity Assets

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

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

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

- **Investments and Related Interest Receivable –** This balance includes seized cash on deposit in the Fund's suspense account held by Treasury, which has been invested in short term U.S. Government Securities.

- **Cash and Other Monetary Assets –** This balance represents the aggregate amount of the Fund's seized currency on deposit in the Fund's suspense account held by Treasury, seized cash on deposit held with other financial institutions and, cash on hand in vaults held at field office locations.

Liabilities Covered by Budgetary Resources

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

- **Distributions Payable –** Distributions payable to federal and non-federal agencies is primarily related to equitable sharing payments and payments to be made by the Fund to the victims of fraud.

- **Accounts Payable –** Amounts reported in this category include accrued expenses authorized by the TFF Act (See "Allowable Fund Expenses") for which payment was pending at year end.

- **Seized Currency –** Amounts reported in this category represent the value of seized currency that is held by the Fund which equals the amount of seized currency reported as an asset.

- **Deferred Revenue from Forfeited Assets –** At year end, the Fund held forfeited assets, which had not yet been converted into cash through a sale. The amount reported here represents the value of these assets, net of mortgages and claims.

Liabilities Not Covered by Budgetary Resources

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

Net Position

The components of net position are classified as follows:

- **Retained Capital –** There is no cap on amounts that the Fund can carry forward into Fiscal Year 2014. 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 Public Debt. 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, 2013 and 2012, respectively (dollars in thousands):

Entity Assets

Description.	Cost	Unamortized Discount	Investment, Net
September 30, 2013			
Treasury Forfeiture Fund -			
35 days 0.0350% U.S. Treasury Bills	$2,824,018	($96)	$2,823,922
Interest Receivable			16
Total Investment, Net, and Interest Receivable			$2,823,938
Fair Market Value			$2,823,948
September 30, 2012			
Treasury Forfeiture Fund -			
35 days 0.0450% U.S. Treasury Bills	$1,631,299	($71)	$1,631,228
Interest Receivable			39
Total Investment, Net, and Interest Receivable			$1,631,267
Fair Market Value			$1,631,234

Non-entity Assets

Description.	Cost	Unamortized Discount	Investment, Net
September 30, 2013			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.0350% U.S. Treasury Bills	$1,238,966	($42)	$1,238,924
Fair Market Value			$1,238,935
September 30, 2012			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.0450% U.S. Treasury Bills	$1,505,073	($66)	$ 1,505,007
Fair Market Value			$ 1,505,013

Note 4: Analysis of Non-Entity Assets

The following schedule presents the non-entity assets as of September 30, 2013 and 2012, respectively, (dollars in thousands):

	2013	2012
Seized currency:		
Intragovernmental Investments (Note 3)	$ 1,238,924	$ 1,505,007
Cash and other monetary assets (Note 5)	211,940	186,491
Total Non-Entity Assets	1,450,864	1,691,498
Total Entity Assets	2,929,879	1,751,426
Total Assets	$ 4,380,743	$ 3,442,924

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 $17.1 million and $18.6 million as of September 30, 2013 and 2012, 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 $211.9 million and $186.5 million as of September 30, 2013 and 2012, respectively.

Note 6: Forfeited Property/Deferred Revenue

The following summarizes the components of forfeited property (net), as of September 30, 2013 and 2012, respectively, (dollars in thousands):

	2013	2012
Held for Sale	$ 67,916	$ 86,191
To be shared with federal, state or local, or foreign government	532	1,157
Total forfeited property (Note 7)	68,448	87,348
Less: Allowance for liens and claims	(8,246)	(3,048)
Total forfeited property, net	$ 60,202	$ 84,300

Note 7: FY 2013 Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2012 to September 30, 2013. (Dollar value is in thousands.)

	10/1/12 Financial Statement Balance		Adjustments		10/1/12 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	$18,441	-	$-	-	$18,441	-	$1,546,617	-	$(1,567,585)	-	$ -	-		
Other Monetary Instruments	205	-	-	-	205	-	3,876	-	(1,805)	-		-		
Subtotal	**18,646**	**-**	**-**	**-**	**18,646**	**-**	**1,550,493**	**-**	**(1,569,390)**	**-**		**-**		
Real Property	66,507	270	8,930	-	75,437	270	24,846	122	(28,389)	(144)	(3,247)	(3)		
General Property	11,148	13,684	24,117	-	35,265	13,684	27,128	28,779	(12,999)	(5,334)	(3,437)	(2,969)		
Vessels	774	66	852	-	1,626	66	3,047	180	(2,339)	(70)	(277)	(9)		
Aircraft	400	9	404	-	804	9	3,214	17	(2,241)	(17)	(39)	(1)		
Vehicles	8,519	2,314	5,933	-	14,452	2,314	33,705	8,461	(26,922)	(7,524)	(5,722)	(1,012)		
Subtotal	**87,348**	**16,343**	**40,236**	**-**	**127,584**	**16,343**	**91,940**	**37,559**	**(72,890)**	**(13,089)**	**(12,722)**	**(3,994)**		
Grand Total	**$105.994**	**16,343**	**$40,236**	**-**	**$146,230**	**16,343**	**$1,642,433**	**37,559**	**$(1,642,280)**	**(13,089)**	**$(12,722)**	**(3,994)**		

	Victim Restitution		Destroyed		Other Adjustments		Value Change		2013 Carrying Value		Fair Market Value Adjustment		9/30/13 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$-	-	$-	-	$15,906	-	$(1,843)	-	$11,536	-	$-	-	$11,536	-
Other Monetary Instruments	-	-		-	34	-	3,300	-	5,610	-	-	-	5,610	-
Subtotal	**-**	**-**	**-**	**-**	**15,940**	**-**	**1,457**	**-**	**17,146**	**-**	**-**	**-**	**17,146**	**-**
Real Property	-	-	-	-	(5,445)	8	-	-	63,202	253	(18,384)	-	44,818	253
General Property	-	-	(118)	(19,306)	2,748	(858)	(5,003)	-	43,584	13,996	(31,013)	-	12,571	13,996
Vessels	-	-	-	(96)	263	13	(23)	-	2,297	84	(1,052)	-	1,245	84
Aircraft	-	-	-	-	349	1	-	-	2,087	9	(763)	-	1,324	9
Vehicles	-	-	(9)	(389)	55	119	(1,452)	-	14,107	1,969	(5,617)	-	8,490	1,969
Subtotal	**-**	**-**	**(127)**	**(19,791)**	**(2,030)**	**(717)**	**(6,478)**	**-**	**125,277**	**16,311**	**(56,829)**	**-**	**68,448**	**16,311**
Grand Total	**$-**	**-**	**$(127)**	**(19,791)**	**$13,910**	**(717)**	**$(5,021)**	**-**	**$142,423**	**16,311**	**$(56,829)**	**-**	**$85,594**	**16,311**

Note 7 (Cont'd): FY 2012 Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2011 to September 30, 2012. (Dollar value is in thousands.)

	10/1/11 Financial Statement Balance		Adjustments		10/1/11 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$19,629	-	$-	-	$19,629	-	$307,400	-	$(337,273)	-	$ -	-
Other Monetary Instruments	219	-	-	-	219	-	9	-	(209)	-	(2)	-
Subtotal	**19,848**	**-**	**-**	**-**	**19,848**	**-**	**307,409**	**-**	**(337,482)**	**-**	**(2)**	**-**
Real Property	40,967	251	36,742	-	77,709	251	16,735	93	(29,073)	(118)	(834)	(2)
General Property	12,107	12,358	32,021	-	44,128	12,358	36,829	27,824	(32,516)	(4,034)	(1,907)	(3,683)
Vessels	529	46	453	-	982	46	1,988	160	(1,327)	(57)	(182)	(9)
Aircraft	335	6	228	-	563	6	2,462	16	(1,976)	(13)	(514)	(1)
Vehicles	7,076	2,636	4,981	-	12,057	2,636	36,971	9,467	(28,105)	(8,423)	(7,921)	(1,094)
Subtotal	**61,014**	**15,297**	**74,425**	**-**	**135,439**	**15,297**	**94,985**	**37,560**	**(92,997)**	**(12,645)**	**(11,358)**	**(4,789)**
Grand Total	**$80,862**	**15,297**	**$74,425**	**-**	**$155,287**	**15,297**	**$402,394**	**37,560**	**$(430,479)**	**(12,645)**	**$(11,360)**	**(4,789)**

	Victim Restitution		Destroyed		Other Adjustments		Value Change		2012 Carrying Value		Fair Market Value Adjustment		9/30/12 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$-	-	$-	-	$29,454	-	$(769)	-	$18,441	-	$-	-	$18,441	-
Other Monetary Instruments	-	-	-	-	205	-	(17)	-	205	-	-	-	205	-
Subtotal	**-**	**-**	**-**	**-**	**29,659**	**-**	**(786)**	**-**	**18,646**	**-**	**-**	**-**	**18,646**	**-**
Real Property	-	-	-	-	10,455	46	445	-	75,437	270	(8,930)	-	66,507	270
General Property	-	-	(73)	(19,758)	(9,876)	977	(1,320)	-	35,265	13,684	(24,117)	-	11,148	13,684
Vessels	-	-	-	(82)	183	8	(18)	-	1,626	66	(852)	-	774	66
Aircraft	-	-	-	-	269	1	-	-	804	9	(404)	-	400	9
Vehicles	-	-	-	(388)	2,044	116	(594)	-	14,452	2,314	(5,933)	-	8,519	2,314
Subtotal	**-**	**-**	**(73)**	**(20,228)**	**3,075**	**1,148**	**(1,487)**	**-**	**127,584**	**16,343**	**(40,236)**	**-**	**87,348**	**16,343**
Grand Total	**$-**	**-**	**$(73)**	**(20,228)**	**$32,734**	**1,148**	**$(2,273)**	**-**	**$146,230**	**16,343**	**$(40,236)**	**-**	**$105,994**	**16,343**

Note 8: FY 2013 Analysis of Changes in Seized Property and Currency

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

	9/30/12 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/13 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$1,669,346	-	$1,637,332	-	$(374,411)	-	$(1,546,617)	-	$48,931	-	$(1,850)	-	$1,432,731	-
Other Monetary Instruments	22,152	-	74	-	-	-	(3,876)	-	(135)	-	(82)	-	18,133	-
Subtotal	**1,691,498**	**-**	**1,637,406**	**-**	**(374,411)**	**-**	**(1,550,493)**	**-**	**48,796**	**-**	**(1,932)**	**-**	**1,450,864**	**-**
Real Property	206,483	571	53,277	208	(22,141)	(82)	(24,846)	(122)	16,286	34	(9,568)	-	219,491	609
General Property	301,964	25,608	82,532	39,086	(35,756)	(4,894)	(27,128)	(28,779)	8,039	(2,486)	12,203	-	341,854	28,535
Vessels	6,506	166	3,683	216	(1,014)	(21)	(3,047)	(180)	(340)	(19)	(140)	-	5,648	162
Aircraft	10,735	21	4,501	24	(3,442)	(9)	(3,214)	(17)	(350)	(4)	(70)	-	8,160	15
Vehicles	45,460	4,336	108,681	13,915	(45,385)	(4,196)	(33,705)	(8,461)	(2,581)	(356)	(1,789)	-	70,681	5,238
Subtotal	**571,148**	**30,702**	**252,674**	**53,449**	**(107,738)**	**(9,202)**	**(91,940)**	**(37,559)**	**21,054**	**(2,831)**	**636**	**-**	**645,834**	**34,559**
Grand Total	**$2,262,646**	**30,702**	**$1,890,080**	**53,449**	**$(482,149)**	**(9,202)**	**$(1,642,433)**	**(37,559)**	**$69,850**	**(2,831)**	**$(1,296)**	**-**	**$2,096,698**	**34,559**

Note 8 (Cont'd): FY 2012 Analysis of Changes in Seized Property and Currency

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

	9/30/11 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/12 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	$804,427	-	$1,236,049	-	$(80,924)	-	$(307,400)	-	$18,027	-	$ (833)	-	$1,669,346	-
Other Monetary Instruments	19,792	-	1,804	-	(99)	-	(9)	-	1,366	-	(702)	-	22,152	-
Subtotal	**824,219**	**-**	**1,237,853**	**-**	**(81,023)**	**-**	**(307,409)**	**-**	**19,393**	**-**	**(1,535)**	**-**	**1,691,498**	**-**
Real Property	206,061	546	52,622	198	(9,267)	(66)	(16,735)	(93)	(24,359)	(14)	(1,839)	-	206,483	571
General Property	225,508	24,408	156,842	39,104	(55,430)	(4,533)	(36,829)	(27,824)	13,948	(5,547)	(2,075)	-	301,964	25,608
Vessels	5,149	138	3,814	228	(846)	(28)	(1,988)	(160)	513	(12)	(136)	-	6,506	166
Aircraft	6,121	29	9,910	23	(2,309)	(13)	(2,462)	(16)	(289)	(2)	(236)	-	10,735	21
Vehicles	51,035	5,779	82,057	13,302	(45,922)	(4,800)	(36,971)	(9,467)	(2,455)	(478)	(2,284)	-	45,460	4,336
Subtotal	**493,874**	**30,900**	**305,245**	**52,855**	**(113,774)**	**(9,440)**	**(94,985)**	**(37,560)**	**(12,642)**	**(6,053)**	**(6,570)**	**-**	**571,148**	**30,702**
Grand Total	**$1,318,093**	**30,900**	**$1,543,098**	**52,855**	**$(194,797)**	**(9,440)**	**$(402,394)**	**(37,560)**	**$6,751**	**(6,053)**	**$(8,105)**	**-**	**$2,262,646**	**30,702**

Note 9: Capitalized Software

The Automated Obligation & Equitable Sharing Management System is to be used to process requests to transfer funds from the Suspense Account to the Fund, obligate assets for equitable sharing and issue equitable sharing payments, along with documenting the disposition of forfeited assets.

The system was operational in its entirety by the end of FY 2013. Fund management has determined that several modules of the developmental software will not be placed in service or will be deferred until the next fiscal year pending final determination for implementation. Fund management calculated percentages for FY 2013 of the capitalized costs to be depreciated (40%), written off (35%) and capitalized pending final determination (25%). The Fund spent $696 thousand and $660 thousand for software development as of September 30, 2013 and 2012, respectively. Total depreciation expense for capitalized software was $9 thousand and $0 as of September 30, 2013 and 2012, respectively, $474 thousand, written off in FY 2013 and $882 thousand remaining capitalized as of September 30, 2013.

Depreciation is expensed on a straight-line basis over the estimated useful life (5 years) of the internal software asset. Internal-use software in development is not depreciated.

The following schedule presents Internal-Use Software as of September 30, 2013 and 2012, consisting of the following (dollars in thousands):

		2013						
Categories		**Useful Life (in years)**		**Acquisition Cost**		**Accumulated Depreciation**		**Net Book Value**
Internal Use Software		5		$543		$9		$534
Internal Use Software -in Development		N/A		$339		N/A		$339
Total				**$882**		**$9**		**$873**

		2012						
Categories		**Useful Life (in years)**		**Acquisition Cost**		**Accumulated Depreciation**		**Net Book Value**
Internal Use Software		5		$0		$0		$0
Internal Use Software -in Development		N/A		$660		N/A		$660
Total				**$660**		**$0**		**$660**

* The depreciation expense amount and the amount written off are included in the *National Contract Services Seized Property & Other* line on the Statement of Net Cost. Accumulated Depreciation is included in the *Capitalized Software* line on the Balance Sheet.

Note 10: Distributions Payable (state and local agencies and foreign governments)

Distributions Payable (state and local agencies and foreign governments) amounted to$308.6 million and $71.1 million as of September 30, 2013 and 2012, 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, 2013 and 2012, 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

The following summarizes components of cumulative results as of and for the years ended September 30, 2013 and 2012, respectively, (dollars in thousands):

	2013	2012
Retained Capital	$ 1,014,745	$ 1,013,826
Unliquidated Obligations	541,150	439,096
Net Results of Operations	930,733	102,973
	$2,486,628	$ 1,555,895

Unliquidated Obligations

The following summarizes the components of unliquidated obligations as of September 30, 2013 and 2012 respectively, (dollars in thousands):

	2013	2012
Equitable Sharing	$ 302,688	$ 161,416
Mandatory	238,462	277,680
	$ 541,150	$ 439,096

Note 12: Related Party Transactions

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

Note 13: Super Surplus

31 USC 9703 (g)(4)(B) allows for the expenditure, without fiscal year limitation, after the reservation of amounts needed to continue operations of the Fund. This "Super Surplus" balance may be used for law enforcement activities of any federal agency.

Amounts distributed to other federal agencies for law enforcement activities under "Super Surplus" requirements amounts to $82.3 million and $78.7 million in fiscal years 2013 and 2012, respectively.

Note 14: Secretary's Enforcement Fund

31 USC 9703(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 9703(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 $12.1 million and $9.5 million in fiscal years 2013 and 2012, respectively.

Note 15: Commitments and Contingencies

COMMITMENTS

A portion of the equitable sharing requests that were in final stages of approval are recognized as liabilities as of September 30 (See also Note 10, Distributions Payable).

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

CONTINGENCIES

In the opinion of the Fund's 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:

	2013	2012
Gross Costs	$ 203,083	$ 161,013
Earned Revenues	-	-
Net Costs	$ 203,083	$ 161,013

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

Note 17: Disclosures Related to the Statements of Budgetary Resources

The Fund's net amount of budgetary resources obligated at the end of fiscal years 2013 and 2012 were $924.4 million and $550.8 million, respectively. This amount is fully covered by cash on hand in the Fund and Entity Investments. The Fund does not have borrowing or contract authority and, therefore, has no repayment requirements, financing sources for repayment, or other terms of borrowing authority. There are no legal arrangements, outside of normal government wide restrictions, specifically affecting the Fund's use of unobligated balances of budget authority.

Adjustments to budgetary resources available at the beginning of fiscal years 2013 and 2012 consist of the following (in thousands):

	2013	2012
Recoveries of Prior Year Unpaid Obligations	$ 23,887	$ 29,747

Recoveries of prior year obligations are the difference between amounts that Fund management obligated (including equitable sharing) and amounts subsequently approved for payment against those obligations.

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, 2013 and 2012, respectively, (dollars in thousands):

	2013	2012
Payments in Lieu of Forfeiture	$ 8,673	$ 9,159
Refunds	(1,716)	(6,245)
Total	$ 6,957	$ 2,914

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

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

	2013	2012
Resources Used to Finance Activities:		
Budgetary resources obligated		
Obligations incurred	$ 908,113	$ 527,417
Less: Spending authority from offsetting Collections and recoveries	(23,887)	(29,747)
Net Obligations	884,226	497,670
Other resources		
Transfers – out	(94,373)	(88,181)
Total Resources Used to Finance Activities	789,853	409,489
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	(99,786)	(74,992)
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Mortgages and claims	(2,489)	(2,777)
Refunds	(1,716)	(6,245)
Equitable Sharing (federal, state/local and foreign)	(408,205)	(117,873)
Victim restitution	(74,583)	(46,589)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(586,779)	(248,476)
Components not Requiring or Generating Resources-Depreciation	9	-
Total Resources Used to Finance the Net Cost of Operations	203,083	161,013
Net Cost of Operations	$ 203,083	$ 161,013

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SECTION IV

REQUIRED SUPPLEMENTAL INFORMATION

(UNAUDITED)

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Intragovernmental Amounts – Assets (Dollars in thousands)

	2013			2012		
Partner Agency	**Fund Balance with Treasury**	**Accounts Receivable/ Advances**	**Investments**	**Fund Balance with Treasury**	**Accounts Receivable/ Advances**	**Investments**
Treasury	$ 26,091	$ -	$ -	$ 14,526	$ -	$ -
Departmental Offices	-	75	-	-	40	-
Bureau of Fiscal Service	-	-	4,062,862	-	-	3,136,274
Totals	$ 26,091	$ 75	$ 4,062,862	$ 14,526	$ 40	$ 3,136,274

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	**2013 Accounts Payable**	**2012 Accounts Payable**
Department of Justice	$ 3,960	$ 5,440
Department of Homeland Security	36,406	-
Departmental Offices	3,380	1,305
FinCen	2,235	2,527
Tax and Trade	86	68
Treasury Office of the Inspector General	152	14
Internal Revenue Service	21,202	23,311
Totals	$ 67,421	$ 32,665

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

	2013		2012	
Budget Functions	**Cost to Generate Exchange Intragovernmental Revenue**	**Costs to Generate Non-Exchange Intragovernmental Revenue**	**Cost to Generate Exchange Intragovernmental Revenue**	**Costs to Generate Non-Exchange Intragovernmental Revenue**
Administration of Justice	$ -	$ 133,638	$ -	$ 100,487

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

	2013		2012	
Partner Agency	**In**	**Out**	**In**	**Out**
Department of Justice	$ -	$ 3,687	$ -	$ 2,267
Department of Homeland Security	-	68,062	-	43,524
Department of Treasury	-	92	-	1,266
Internal Revenue Service	-	15,965	-	28,818
Financial Crimes Enforcement Network	-	5,443	-	11,509
Tax and Trade	-	693	-	91
Department of Defense	-	431	-	206
Department of Commerce	-	-	-	500
Totals	$ -	$ 94,373	$ -	$ 88,181

SECTION V

OTHER ACCOMPANYING INFORMATION

(UNAUDITED)

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TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2013
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Alabama	$ 236	$ 16
Alaska	1,951	621
Arizona	959	58
Arkansas	640	-
California	11,973	374
Colorado	1,874	11
Connecticut	158	-
D.C. Washington	11	-
Delaware	290	75
Florida	3,788	1,090
Georgia	2,750	4
Guam	55	-
Hawaii	92	-
Idaho	192	37
Illinois	1,523	14
Indiana	135	-
Iowa	538	5
Kansas	373	2
Kentucky	306	2
Louisiana	489	33
Maine	1,370	-
Maryland	3,185	21
Massachusetts	665	528
Michigan	589	98
Minnesota	333	124
Mississippi	25	-
Missouri	5,253	2
Montana	36	5
Nebraska	150	-
Nevada	215	14
New Jersey	3,157	30
New Hampshire	1	-
New Mexico	196	6
New York	11,135	57
North Carolina	4,377	625
North Dakota	-	-
Ohio	609	159
Oklahoma	151	4
Oregon	370	66
Pennsylvania	457	28
Puerto Rico	877	31
Rhode Island	132	-
South Carolina	2,181	276
South Dakota	12	-
Tennessee	21	27
Texas	4,796	288
Utah	135	-
Subtotal carried forward	$ 68,761	$4,731

TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2013
(Dollars in Thousands)
(Unaudited)

State/U.S. Territories	Currency Value	Property Value
Subtotal brought forward	$68,761	$4,731
Vermont	95	-
Virgin Islands	-	-
Virginia	45,836	2
Washington	2,799	72
West Virginia	1,336	-
Wisconsin	56	65
Wyoming	12	-
Totals	$118,895	$4,870

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, 2013
(Dollars in Thousands)

31 U.S.C. 9703(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 72 administrative seizures over $100 thousand over 120 days old totaling $28,957 that had not been transferred from the Seized Currency Suspense Account to the Treasury Forfeiture Fund as of the end of FY 2013.

TREASURY FORFEITURE FUND
Analysis of Revenue and Expenses and Distributions
For the Year Ended September 30, 2013
(Dollars in Thousands)

Revenue, Expenses and Distributions by Asset Category:

	Revenue	Expenses and Distributions
Vehicles	$ 13,269	$ 191,960
Vessels	3,686	244,577
Aircraft	3,686	78,794
General Property	11,795	776,301
Real Property	41,282	30,407
Currency and monetary instruments	1,641,464	393,143
	1,715,182	1,715,182
Less:		
Mortgages and claims	(2,489)	(2,489)
Refunds	(1,716)	(1,716)
Add:		
Excess of net revenues and financing sources over total program expenses	--	--
Total	$ 1,710,977	$ 1,710,977

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

	Revenue	Expenses and Distributions
Sales of property and forfeited currency and monetary instruments	$ 1,229,365	$ 325,885
Reimbursed storage costs	3,029	171,518
Assets shared with state and local agencies	300,537	300,537
Assets shared with other federal agencies	107,668	107,668
Assets shared with foreign countries	--	--
Victim Restitution	74,583	74,583
Destructions	--	205,822
Pending disposition	--	529,169
	1,715,182	1,715,182
Less:		
Mortgages and claims	(2,489)	(2,489)
Refunds	(1,716)	(1,716)
Add:		
Excess of net revenues and financing sources over total program expenses	--	--
Total	$ 1,710,977	$ 1,710,977

The revenue amount of $1,710,977 is from the Statement of Changes in Net Position. This supplemental schedule “Analysis of Revenues, Expenses and Distributions” is required under the Treasury Forfeiture Fund Act of 1992.

TREASURY FORFEITURE FUND
Schedule of Spending
For the Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012 Reclassified
What Money is Available to Spend?		
Total resources	1,796,222	672,330
Less amount not available to be spent	(888,109)	(144,913)
Total Amounts Agreed to be Spent	$ 908,113	$ 527,417
How was the Money Spent?		
Other contractual services	$ 185,688	$ 287,207
Supplies and materials	18	20
Grants, subsidies and contributions	581,555	152,131
Interest and dividends	26	325
Refunds	92,690	87,734
Others (i.e. unvouchered, undistributed)	48,136	-
Total Amounts Agreed to be Spent	$ 908,113	$ 527,417
Who did the Money go to?		
Federal	$ 182,447	$ 235,581
Non-Federal	-	291,836
State/Local/Tribal/Foreign Governments	581,556	-
Business and Organizations	53,928	-
Individuals	90,182	-
Total Amounts Agreed to be Spent	$ 908,113	$ 527,417

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9703(f)
For the Year Ended September 30, 2013
(Dollars in Thousands)

The Treasury Forfeiture Fund Act of 1992, 31 U.S.C. 9703(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 of the United States Coast Guard, in the case of fiscal years beginning after 1993.

As reported in the audited financial statements, at September 30, 2013, the Fund had forfeited property held for sale of $67,916. 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, 2013, there was $17,146 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 $118,895 and total property transferred was $4,870 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, 2012 which became the beginning balance for the Fund on October 1, 2012, as reported in the audited financial statements is $1,555,895.

(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 $2,489. 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	**$300,537**
Foreign countries	**-**
Other federal agencies	**107,668**
Victim restitution	**74,583**

(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 $203,083.

The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2013, was $211,940. This amount includes some funds in the process of being deposited at year-end; cash seized in August or September 2013 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 $888,109 for fiscal year 2013. This excludes $1,037,459 in FY 2013 rescinded authority that is classified as "temporary." If this figure is added to the unobligated balances at the end of FY 2013, the figure becomes $1,925,568.

(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	**$258,371**	**54 seizures**
IRS	**791,769**	**132 seizures**
U.S. Secret Service	**144,208**	**24 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 $28,957. This is also documented on page 52.

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

The total net position of the Fund at September 30, 2013, as reported in the audited financial statements is $2,486,628.

(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 2013 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 53.