



Audit Report



OIG-15-019

Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2014 and 2013 Financial Statements

December 8, 2014

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 8, 2014

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

FROM: Michael Fitzgerald
Director, Financial Audit

SUBJECT: Audit of the Department of the Treasury Forfeiture Fund's
Fiscal Years 2014 and 2013 Financial Statements

I am pleased to transmit the attached audited Department of the Treasury Forfeiture Fund (TFF) financial statements for Fiscal Years 2014 and 2013. 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, 2014 and 2013 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 (OMB) 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

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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 October 31, 2014, and the conclusions expressed therein. However, our review disclosed no instances where GKA did not comply, in all material respects, with generally accepted government auditing standards and OMB Bulletin No. 14-02.

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 2014**

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

Member of the American Institute of Certified Public Accountants

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Message from the Director

I am pleased to present the fiscal year (FY) 2014 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 2014 was one of the more challenging years since the inception of the Fund in 1992 with the first ever cancellation of fund balances in the amount of \$867 million as a result of the Bipartisan Budget Act of 2013 (P.L. 113-067). In addition, as part of the Consolidated Appropriations Act of 2014 (P.L. 113-076), the Fund implemented a temporary rescission of \$836 million. Finally, an estimated \$125 million was sequestered from the Fund as part of the government wide sequestration order. In terms of overall revenue, the Fund experienced an above average year with income of \$807 million from forfeitures and recoveries, as compared to the banner year of \$1.7 billion received in FY 2013.

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 2014, our member bureaus exceeded the target with a performance level of 87 percent.

In FY 2014, the Fund continued prioritizing the support of law enforcement efforts targeting Third Party Money Laundering Networks (3PML). This is a critically important investigative area aimed at dismantling the financial infrastructure of Transnational Criminal Organizations. The Fund has continued to review the progress of identified 3PML cases being investigated by the Fund's Treasury and Homeland Security member law enforcement agencies. The Fund continues to provide funding resources to enhance their analytical and operational needs. In union with this initiative, the Fund conducted a seminar on 3PML issues in New York, NY. The discussion included trade-based money laundering, black market peso exchange, the use of banks for money laundering purposes, and the specific issues and needs of the New York investigative community.

Contributing to this year's revenue levels were several investigations of note. An investigation of E-Gold that began in 2007, resulted in the forfeiture of over \$45 million in 2014. E-Gold, a digital currency enterprise, was indicted for money laundering, conspiracy, and operating an unlicensed money transmitting business. A non-prosecution agreement with Liechtensteinische Landesbank AG (LLB-Vaduz), based in Vaduz, Liechtenstein, led to the forfeiture of \$15.9 million. This investigation revealed that from 2001-2011, LLB-Vaduz assisted a significant number of U.S. taxpayers in evading their tax obligations through the use of undisclosed Liechtenstein bank accounts. Also, during FY 2014, Alcoa, Inc. subsidiary Alcoa World Alumina pled guilty to foreign bribery which resulted in hundreds of millions in fines, penalties, and forfeitures; \$14 million was forfeited to the Treasury Forfeiture Fund. The investigation found that Alcoa World Alumina used shell companies to bribe foreign officials in order to procure inflated contracts.

The Treasury Forfeiture Fund continues in its capacity as a successful multi-Departmental Fund representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. Member bureaus include the Internal Revenue Service's Criminal Investigation (IRS-CI), the U.S. Secret Service (USSS), Immigration and Customs Enforcement (ICE), and Customs and Border Protection (CBP). The U.S. Coast Guard (USCG) continues its close working relationship with the legacy Customs bureaus. We look forward to another successful year in FY 2015.

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

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Treasury Forfeiture Fund FY 2014 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.

Case Highlights

The following case highlights are intended to give the reader an idea of the types of investigative cases worked by the Fund's law enforcement bureaus during FY 2014 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

Infosys Forfeits \$5 Million as Part of Settlement Agreement

Information included in the following forfeiture article is attributed to: Information provided by the HSI Liaison to TEOAF; article by Miriam Jordan and Joel Schectman entitled "U.S. Accuses Infosys of 'Fraud and Abuse' in Visa Case", published October 30, 2013 by the *Wall Street Journal*; article by Aaron Smith entitled "Infosys Agrees to Record U.S. Immigration Settlement," published by CNN on October 30, 2013.

On October 30, 2013, India-based software company Infosys agreed to a settlement of \$34 million to resolve charges of visa fraud.

Infosys is one of the largest participants of United States B-1 visas. The B-1 visa is a short-term business visa, unlike the HB-1, which is a long-term work visa. The B-1 is more easily attained, and significantly less expensive.

Federal prosecutors from the Eastern District of Texas alleged that Infosys systematically deceived the government as to the nature of work visa applicants would be conducting in the United States in order to procure the less expensive B-1 visas. Furthermore, prosecutors alleged that Infosys as a matter of practice advised visa-applicants how to fill out forms to misrepresent the nature of work to be performed. Infosys has denied the government's charges.

Of the \$34 million settlement, \$5 million was forfeited to the Treasury Forfeiture Fund.

HSI Sells Three Brooklyn Warehouses at Auction for \$10.85 Million

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

On May 22, 2014, Homeland Security Investigations (HSI) sold three Brooklyn warehouses for a total of \$10.85 million. The warehouses were used by a cocaine smuggling ring, and had been the center of a legal battle for over 20 years.

In November 1990, the then United States Customs Service, Associate SAC Newark Office, began investigating Anthony Viola, Sr. for the importation of narcotics into the United States via the seaports of New Jersey and New York after the seizure of 262 kilograms of cocaine seized at the Port of Newark, NJ. Viola owned the Brooklyn-based Cimballi Espresso, Blue Chip Coffee, and Caffe Nadia Companies. Viola was utilizing these businesses and commercial properties that he owned and operated to accept large shipments of coffee beans from Colombia and extract the cocaine that was secreted within.

Viola was arrested by special agents on July 22, 1991 for the importation of and conspiracy to import narcotics into the United States. At the time of his arrest, he was also charged with receiving and possessing property stolen from interstate commerce. On April 8, 1993, Viola was convicted of numerous crimes including conspiring and attempting to possess cocaine, the trafficking of stolen goods, and violating the Racketeer Influenced and Corrupt Organizations Act (RICO). Viola was subsequently sentenced to a term of life imprisonment.

At the time of his arrest, the government moved to forfeit the commercial properties located in Brooklyn, NY that Viola used to facilitate his illicit activities. Viola submitted numerous motions during his incarceration to prevent the forfeiture of these properties. The government eventually obtained a final order of forfeiture for the warehouses on July 16, 2013.

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

LLB-Vaduz Pays \$15,899,000 as Part of Non-Prosecution Agreement

Information included in the following forfeiture article is attributed to: DOJ press release entitled “Manhattan U.S. Attorney Announces Agreement With Liechtenstein Bank To Pay \$23.8 Million To Resolve Criminal Tax Investigation,” published July 30, 2013; Forbes article by Robert Woods entitled “*Liechtenstein Bank Pays \$23.8M To IRS For Helping Americans Evade Taxes*,” published July 31, 2013.

Lichtenstein-based LLB-Vaduz agreed to a Non-Prosecution Agreement (NPA) with the Department of Justice, which led to the forfeiture of \$15,899,000 to the Treasury Forfeiture Fund. From 2001 to 2011, LLB-Vaduz assisted U.S. taxpayers in evading their tax obligations by assisting them in filing false IRS tax forms and keeping undeclared bank accounts, which LLB-Vaduz maintained and allowed third-party investment advisers to open.

LLB-Vaduz admitted it knew that a large number of U.S. taxpayers were using their undeclared LLB-Vaduz accounts to avoid paying taxes. They also knew it was likely that many other U.S. taxpayers held undeclared accounts for the same unlawful purpose, because significant numbers of U.S. taxpayers employed structures to hold their accounts, instructed LLB-Vaduz to use code names or numbers to refer to them on account statements, instructed LLB-Vaduz not to mail such documents to them in the United States, and instructed LLB-Vaduz not to disclose their identity to the IRS, among other things. At the end of 2006, LLB-Vaduz held more than \$340 million of undeclared assets on behalf of U.S. taxpayers in more than 900 accounts.

According to the Southern District of New York, the NPA agreement factored in the significant level of cooperation provided by LLB-Vaduz, and the voluntary steps the financial institution had taken to begin addressing the problem.

In addition to the forfeiture action, LLB-Vaduz was also required to pay over \$7.5 million to the IRS as restitution.

Alcoa Subsidiary Forfeits \$14 Million as Part of Settlement in Bribery Case

Information included in the following forfeiture article is attributed to: article by John W. Miller entitled “*Alcoa Affiliate Pleads Guilty to Bribery*,” published by the Wall Street Journal on January 9, 2014; and DOJ Press Release “*Alcoa World Alumina Agrees to Plead Guilty to Foreign Bribery and Pay \$223 Million in Fines and Forfeiture*,” published January 9, 2014.

On January 9, 2014, Alcoa, Inc. subsidiary Alcoa World Alumina pled guilty in the Western District of Pennsylvania to violating the anti-bribery provisions of the Foreign Corrupt Practices Act (FCPA). In conjunction with the plea, Alcoa World Alumina agreed to pay \$384 million in fines, penalties, and forfeiture. Of that amount, \$14 million was forfeited to the Treasury Forfeiture Fund.

The investigation found that Alcoa World Alumina had used shell companies to bribe foreign officials, including members of the royal family of Bahrain, in order to procure inflated contracts. According to court documents, the company used a third party in order to facilitate the kickback scheme, and that from 2005 to 2009, an estimated \$188 million markup was paid on contracts, with tens of millions being paid in bribes.

Alcoa, Inc., which has a controlling interest in Alcoa World Alumina, has denied any involvement in these actions.

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

E-Gold Forfeits over \$45M in Criminal Proceeds Derived from Child Pornography, Identity Theft and Credit Card Fraud (seizure 192-2013-001)

Information included in the following forfeiture article was provided by the USSS Liaison to TEOAF.

E-gold, a digital currency enterprise engaged in the business of exchanging traditional forms of currency for precious metals held in electronic form known as “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. As a result of the investigation, over \$86,000,000 in bank accounts were voluntarily surrendered to the U.S. Secret Service. Of that amount, \$20,429,148.73 was returned to over 5,000 victims.

On April 22, 2014, an order of forfeiture for \$45,816,817.89 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 was deposited in the Treasury Forfeiture Fund on May 12, 2014. Remaining balances were either forfeited in earlier fiscal years, or are still in adjudication.

Denarius Financial Group forfeits over \$4M in Criminal Proceeds Derived from Money Laundering and Bank Fraud (seizure 147-2012-006)

Information included in the following forfeiture article was provided by the USSS Liaison to TEOAF.



Figure 1: Denarius Financial Group processed payments for illegal gambling sites.

This investigation began in late 2011, when the U.S. Secret Service, Greenville, S.C. Resident Office, initiated an investigation into Denarius Financial Group, a money service business located in Canada. Investigation discovered that Denarius was a major source of illegal funding to other money service businesses located in the United States for the purpose of processing payments for online gambling websites. Further investigation revealed that Denarius facilitated the laundering of money for various nefarious organizations throughout Canada and concealed the true nature of their business, bank fraud, to banks in the United States.

On February 2, 2012, a bank account totaling \$5,676,556.88, held in the name of Denarius Financial Group, was seized based on a federal seizure warrant for violations of 18 U.S.C. § 1956, Money Laundering.

The defendants reached a settlement agreement on November 7, 2013, which returned \$1,545,039.09 to Denarius Financial Group and forfeited the remainder. As a result, on November 12, 2013, a Consent Order of Forfeiture for \$4,131,517.79 was issued by U.S. District Judge J. Michelle Childs, District of South Carolina. This civil forfeiture was deposited in the Treasury Forfeiture Fund on December 9, 2013.

*Customs and Border Protection (CBP)
Department of Homeland Security*

Border Patrol Seizes \$373,986 from Deported Aliens Attempting Re-Entry

Information included in the following forfeiture article is attributed to: Information provided by the CBP liaison to TEOAF.

On December 23, 2013, Border Patrol agents observed two subjects making an illegal entry into the United States east of the Oroville, Washington Port of Entry. Through the use of remote video surveillance systems, Border Patrol agents successfully tracked and encountered the two individuals carrying large backpacks along a trail approximately two miles south of the international boundary.

Border Patrol agents arrested the two individuals for their illegal entry into the United States. A search incident to arrest yielded varying denominations of U.S. currency totaling \$373,986. Both subjects were presented for prosecution under 8 U.S.C. § 1326 (Re-Entry after Deportation). The currency was administratively forfeited in March 2014.



Figure 2: Currency concealed in a backpack.

*Coast Guard
Department of Homeland Security*

Coast Guard Seizes Cocaine Shipment Valued at \$38 Million

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) news release, dated November 12, 2013, entitled: “*Coast Guard, Caribbean Border Interagency Group authorities seize \$38 million dollar cocaine shipment in the Caribbean Sea*”

On November 8, 2013, the U.S. Coast Guard (USCG), U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement’s (ICE) Homeland Security Investigations (HSI) authorities disrupted a maritime illegal drug shipment, seizing 54 bales of cocaine, weighing 3,306 pounds, in the Caribbean Sea. The seized cocaine had an estimated street value of over \$38 million.

While on a routine patrol, the crew of a CBP maritime patrol aircraft detected three men aboard a suspicious Panga-type vessel operating with no navigational lights and carrying suspected contraband, approximately 73 nautical miles south of Naguabo, Puerto Rico.

Coast Guard Watchstanders were notified of the developing situation by the crew of the CBP aircraft, and diverted the Coast Guard Cutter Cushing and launched an HC-144 Ocean Sentry Maritime Patrol Aircraft to interdict the suspect vessel.

The crew of the CBP maritime patrol aircraft observed the men onboard the suspect vessel jettison their cargo overboard as they fled the area at a high rate of speed following a pursuit by Coast Guard and CBP authorities in the area.

The Cushing and a CBP marine unit arrived on-scene and began to recover the jettisoned cargo from the water. After searching all night and day, the crew of the Cushing recovered 33 bales and the CBP marine unit recovered 21 bales from the water. The custody of the entire shipment, 54 bales, was transferred to awaiting ICE HSI special agents for investigation and final disposition.

Coast Guard Seizes \$34 million worth of Cocaine

Information included in the following forfeiture article is attributed to: USCG United States Southern Command news release, dated October 23, 2013, entitled: “*Coast Guard seizes \$34 million cocaine shipment, detains 3 smugglers in the Caribbean Sea*”

On October 18, 2013, the U.S. Coast Guard seized 2,546 pounds of cocaine, a go-fast vessel and detained three suspected smugglers during an at-sea interdiction in the Caribbean Sea south of St. Croix, U.S. Virgin Islands.

The crew of a patrolling fixed-wing HC-144 Ocean Sentry maritime patrol aircraft from Air Station Miami detected a suspicious 30-foot go-fast vessel. The vessel was spotted carrying three suspected smugglers and what appeared to be multiple bales of suspected contraband.

Coast Guard watchstanders at Sector San Juan diverted a Coast Guard 33-foot Special Purpose Craft Law Enforcement (SPC-LE) pursuit boat from Boat Station San Juan and the Coast Guard Cutter Drummond to interdict the suspect vessel. The suspected smugglers became compliant as the Coast Guard pursuit boat came alongside the suspect vessel.

The interdiction was a result of a multi-agency law enforcement effort in support of the Coast Guard's Operation Unified Resolve, the Caribbean Border Interagency Group's (CBIG) Operation Caribbean Guard, and the U.S. Department of Justice Caribbean Corridor Strike Force (CCSF).

CCSF is an initiative created to disrupt and dismantle major drug trafficking organizations operating in the Caribbean. CCSF is part of the High Intensity Drug Trafficking Area (HIDTA) and Organized Crime Drug Enforcement Task Force (OCDETF) that investigates South American-based drug trafficking organizations responsible for the movement of multi-kilogram quantities of narcotics using the Caribbean as a transshipment point for further distribution to the United States. The initiative is composed of HSI, the U.S. Attorney for the District of Puerto Rico, Drug Enforcement Administration, FBI, the Coast Guard, CBP and Puerto Rico Police Department's Joint Forces for Rapid Action.

The drug shipment is estimated to have a wholesale value of more than \$34 million dollars.



Figure 3: Twenty-five bales of cocaine weighing 2,546 pounds and with an estimated wholesale value of \$34 million.

Program and Fund Highlights

The Treasury Forfeiture Fund is a “special receipt account.” Such accounts represent federal fund collections earmarked by law for a specific purpose. The enabling legislation for the Treasury Forfeiture Fund (31 U.S.C. § 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 2014, the Fund expensed just over \$16.2 million in SEF authority as compared to \$12.1 million in FY 2013, an increase of about \$4.1 million. The allocation of SEF resources to bureaus was restricted in FY 2013 and FY 2014 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 2014, the Fund expensed \$155.0 million in Super Surplus authority as compared to \$82.3 million in FY 2013, an increase of approximately 88 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 2014 was an above average 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 received totaled \$47.7 million in FY 2014 as compared to \$76.7 million in FY 2013. In addition, the Fund continues to support record levels of sharing of federal forfeitures with the state and local and foreign governments that contributed to the successful seizure and forfeiture activity of the Fund. The Fund expensed \$67.9 million for state and local equitable sharing expenses in FY 2014 as compared to \$300.5 million in FY 2013. In FY 2014 the Fund expensed \$921 thousand for equitable sharing expenses with foreign countries that assisted our bureaus with their cases; in FY 2013, the Fund did not share with foreign countries. 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 2014, representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. FY 2014 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 2014 had an above average year, with regular revenue of \$807 million from all sources, as compared with FY 2013 revenue of \$1.7 billion. As we enter fiscal year 2015, 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 2014, 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 2014 is as follows:

Performance Measure	FY 2013 Actual	FY 2014 Target	FY 2014 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	95%	80%	87%

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 2014 was 87 percent, exceeding the new target set in 2011. This compares with our FY 2012 and FY 2013 performance of 76.38 percent and 95 percent, respectively.

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

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

Financial Statement Highlights

The following provides a brief explanation for each major section of the audited financial statements accompanying this report for the fiscal year ended September 30, 2014.

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 2014 and 2013.

Net Position – End of Year. For FY 2014, the Net Position for the Fund at the end of the year, an indicator of the future capability to support ongoing operations of the Fund, totaled \$1.9 billion versus \$2.5 billion at the end of FY 2013. 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 2014, the Fund closed with \$806.6 million in Gross Non-Exchange Revenues and a total of \$1.7 billion for FY 2013, reflecting two, highly successful revenue years for the Treasury Forfeiture Fund. FY 2013 was an unusually high revenue year due to one forfeiture of more than \$881.0 million.

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

As of the close of FY 2014, Treasury Forfeiture Fund bureaus earned a total of \$47.7 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 \$76.7 million during FY 2013. 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 2013 and FY 2014 was restricted by the need to meet enacted budget rescissions.

Net Cost of Operations. For FY 2014, the Net Cost of Operations totaled \$188.0 million, down from \$203.1 million in FY 2013.

Investment Interest Income. The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2014, investments totaled \$7.0 billion, up from \$4.1 billion invested as of September 30, 2013. Given the increased investment balance, and with continued negligible interest rates on Treasury securities during FY 2014, investment income totaled \$806 thousand in FY 2014, as compared to just under \$1.8 million in FY 2013. Interest rates decreased in FY 2014, and of the \$7.0 billion invested in FY 2014, \$4.0 billion was invested in the last few months of the FY.

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 2014, the Fund shared a total of \$68.5 million with other federal, state and local law enforcement agencies, and another \$921 thousand with foreign countries. This compares with \$408.2 million shared with other federal, state and local law enforcement agencies during FY 2013; the Fund did not have an opportunity to share with foreign countries in FY 2013. In FY 2013, the Fund had an unusually high significant equitable sharing on one case, which is why there is significant difference in equitable sharing from FY 2014 to FY 2013.

Victim Restitution. During FY 2014, the Fund paid \$93.9 million in restitution to victims as compared to \$74.6 million in FY 2013.

Summary of Statements of Changes in Net Position. The Fund closed with a strong net position in FY 2014. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2014 performance with forfeiture revenue earnings of \$806.6 million from all sources, while exceeding the new higher performance measure target rate of high-impact cases, is truly a credit to the dedicated law enforcement personnel of our participating law enforcement bureaus.

Statements: Net Cost

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

On the Statements of Net Cost, the Net Cost of Operations totaled \$188.0 million in FY 2014, down from \$203.1 million in FY 2013.

Intra-governmental. This cost category totaled \$128.2 million in FY 2014, down from \$133.6 million in FY 2013. 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 2014, general property was initially maintained by VSE Corporation, which transitioned to URS. Real property was maintained by the CWS Asset Management & Sales Group, all contracts of the Department of the Treasury. In FY 2014, expenses of these contracts, which comprised over 99% of the total expenses for this line, including other contracts and depreciation, totaled \$45.7 million, down from \$54.8 million expensed in FY 2013.

Balance Sheet

Assets, Liabilities and Net Position

Total assets of the Fund increased in FY 2014 to \$7.5 billion, up from \$4.4 billion in FY 2013, an increase in asset value of slightly over 70 percent. If seized currency and other monetary assets, which are assets in the custody of the government but not yet owned by the government, are backed out of both figures, the adjusted total assets of the Fund decreased to \$2.2 billion in FY 2014, down from \$2.9 billion in FY 2013. During FY 2014, total liabilities of the Fund increased to \$5.6 billion, up from \$1.9 billion in FY 2013. 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 \$295.5 million in FY 2014, down from \$443.3 million in FY 2013.

With decreasing asset amounts and higher increasing costs, the Cumulative Results of Operations, i.e., retained earnings, decreased at the end of FY 2014 to a total of \$1.9 billion, down from \$2.5 billion at the end of FY 2013.

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 2014 Audit. The Fund's independent auditors have given the FY 2014 financial statements an Unmodified Opinion with no material weaknesses or significant deficiencies in internal control over financial reporting identified. The auditor's report on compliance and other matters disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. There are no management letter findings for FY 2014.

Summary of Financial Statement Highlights

Net Position. To summarize, Fund management concluded a highly productive FY 2014 "in the black," with the necessary resources to commence the business of the asset forfeiture program for FY 2015. Fund management declared a Super Surplus from FY 2014 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.

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

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

Currently the Fund conducts an internal review and analysis for its major contracts. The contract activity is high dollar value for each payment with limited volume. This activity has low risk, but based on the high dollar value requiring minimal resources, the Fund will continue to conduct these internal contract audits. Based on this analysis, the Fund has determined that recapture audits are not necessary and will not be implementing them at this time.

The Improper Payments Elimination and Recovery Improvement Act of 2012 requires agencies to incorporate the Do Not Pay Initiative (DNP) to further reduce improper payments. The Fund uses the Death Master File and the System of Award Management as part of a continuous monitoring process and post payment review. During FY 2014, the Fund reviewed 19,622 payments totaling \$886.2 million and reports no IPERA or DNP reportable improper payments.

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

- The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC § 3515(b).
- While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

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SECTION II
INDEPENDENT AUDITOR'S REPORTS

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Independent Auditor's Report on Financial Statements

www.gkacpa.com

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, 2014 and 2013, 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, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

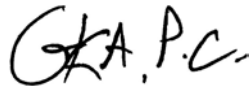
Accounting principles generally accepted in the United States of America require that the information in Section I: Overview, and Section IV: Required Supplemental Information be presented to supplement the basic financial statements referred to in the first paragraph of this report. Such information,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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2014, 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.

Handwritten signature in black ink that reads "G.A.P.C." with a stylized flourish.

Washington, DC
October 31, 2014

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 sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2014.

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2014, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

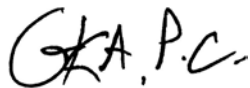
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination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

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

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

Purpose of this Report

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



Washington, DC
October 31, 2014

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 sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2014.

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.

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.

G/A, P.C.

Washington, DC
October 31, 2014

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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, 2014 and 2013
(Dollars in thousands)

	2014	2013
Assets:		
Intragovernmental:		
Fund balance with Treasury	\$ 28,721	\$ 26,091
Investments and related interest receivable (Note 3)	7,021,883	4,062,862
Advances	<u>1</u>	<u>75</u>
Total Intragovernmental	<u>7,050,605</u>	<u>4,089,028</u>
Cash and other monetary assets (Note 5)	426,746	229,086
Accounts Receivable	<u>1,926</u>	<u>1,554</u>
	<u>428,672</u>	<u>230,640</u>
Forfeited property (Note 6)		
Held for sale, net of mortgages, liens and claims	67,687	59,670
To be shared with federal, state or local, or foreign governments	<u>1,423</u>	<u>532</u>
Total forfeited property, net of mortgages, liens and claims	<u>69,110</u>	<u>60,202</u>
Capitalized software, net of accumulated depreciation (Note 9)	<u>-</u>	<u>873</u>
Total Assets	<u>\$7,548,387</u>	<u>\$4,380,743</u>
Liabilities:		
Intragovernmental:		
Accounts payable	\$ 155,536	\$ 67,421
Total Intragovernmental	<u>155,536</u>	<u>67,421</u>
Seized currency and other monetary instruments (Note 8)	5,349,315	1,450,864
Distributions payable (Note 11)		
State and local agencies and foreign governments	65,477	308,565
Accounts payable	5,327	7,063
Deferred revenue from forfeited assets	<u>69,110</u>	<u>60,202</u>
Total Liabilities	<u>5,644,765</u>	<u>1,894,115</u>
Commitments and contingencies (Note 16)		
Net Position:		
Cumulative results of operations (Note 12)	<u>1,903,622</u>	<u>2,486,628</u>
Total Liabilities and Net Position	<u>\$7,548,387</u>	<u>\$4,380,743</u>

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

Department of the Treasury Forfeiture Fund
STATEMENTS OF NET COST
For the years ended September 30, 2014 and 2013
(Dollars in thousands)

	2014	2013
Program:		
ENFORCEMENT		
Intragovernmental:		
Seizure investigative costs and asset management	\$ 89,378	\$ 99,030
Other asset related contract services	10,037	7,151
Data systems, training and others	<u>28,749</u>	<u>27,457</u>
Total Intragovernmental	<u>128,164</u>	<u>133,638</u>
With the Public:		
National contract services seized property and other	45,688	54,818
Joint operations	<u>14,154</u>	<u>14,627</u>
Total with the Public	<u>59,842</u>	<u>69,445</u>
Net Cost of Operations	<u>\$ 188,006</u>	<u>\$ 203,083</u>

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

Department of the Treasury Forfeiture Fund
STATEMENTS OF CHANGES IN NET POSITION
For the years ended September 30, 2014 and 2013
(Dollars in thousands)

	2014	2013
Net Position – Beginning of year	<u>\$ 2,486,628</u>	<u>\$ 1,555,895</u>
Financing Sources (Non-Exchange Revenues):		
Intragovernmental		
Investment interest income	806	1,768
Public		
Forfeited currency and monetary instruments	664,625	1,560,460
Sales of forfeited property net of mortgages and claims	71,906	51,901
Proceeds from participating with other federal agencies	47,722	76,747
Value of property transferred in equitable sharing	1,375	2,490
Payments in lieu of forfeiture, net of refunds (Note 20)	7,208	6,957
Reimbursed costs	3,453	3,029
Other	<u>9,463</u>	<u>7,625</u>
Total Gross Non-Exchange Revenues	<u>806,558</u>	<u>1,710,977</u>
Less: Equitable Sharing		
Intragovernmental		
Federal	<u>(609)</u>	<u>(107,668)</u>
Public		
State and local agencies	(67,859)	(300,537)
Foreign countries	(921)	0
Victim restitution	<u>(93,867)</u>	<u>(74,583)</u>
	<u>(162,647)</u>	<u>(375,120)</u>
Total Equitable Sharing	<u>(163,256)</u>	<u>(482,788)</u>
Total Non-Exchange Revenues, Net	<u>643,302</u>	<u>1,228,189</u>
Transfers –Out		
Intragovernmental		
Super surplus (Note 14)	(155,041)	(82,267)
Secretary’s enforcement fund (Note 15)	(16,261)	(12,106)
Transfer to the general fund (Note 10)	<u>(867,000)</u>	<u>0</u>
Total Transfers Out	<u>(1,038,302)</u>	<u>(94,373)</u>
Total Financing Sources - Net	(395,000)	1,133,816
Net Cost of Operations	<u>(188,006)</u>	<u>(203,083)</u>
Net Results of Operations	<u>(583,006)</u>	<u>930,733</u>
Net Position – End of Year	<u>\$ 1,903,622</u>	<u>\$ 2,486,628</u>

Department of the Treasury Forfeiture Fund
STATEMENTS OF BUDGETARY RESOURCES
For the years ended September 30, 2014 and 2013
(Dollars in thousands)

	2014	2013
Budgetary Resources:		
Unobligated balances- beginning of year	\$ 888,109	\$ 144,913
Recoveries of prior year unpaid obligations	<u>49,309</u>	<u>23,887</u>
Unobligated balance from prior year budget authority, net	937,418	168,800
Budget authority	<u>(5,422)</u>	<u>1,627,422</u>
Total Budgetary Resources	<u>\$ 931,996</u>	<u>\$ 1,796,222</u>
Status of Budgetary Resources:		
Obligations incurred	<u>\$ 787,849</u>	<u>\$ 908,113</u>
Unobligated balances – apportioned	\$ 69,874	\$ 888,109
Unobligated balances – unapportioned	<u>74,273</u>	<u>0</u>
Unobligated balances – end of year	<u>\$ 144,147</u>	<u>\$ 888,109</u>
Total Status of Budgetary Resources	<u>\$ 931,996</u>	<u>\$ 1,796,222</u>
Change in Obligated Balance:		
Obligated balance, net-beginning of year	\$ 924,445	\$ 550,841
Obligations incurred	787,849	908,113
Less: Gross outlays	(680,299)	(510,622)
Less: Recoveries of prior year unpaid obligations, actual	<u>(49,309)</u>	<u>(23,887)</u>
Obligated balance, net – end of year	<u>\$ 982,686</u>	<u>\$ 924,445</u>
Budget Authority and Outlays		
Budget authority, net	<u>\$ (5,422)</u>	<u>\$ 1,627,422</u>
Net outlays	<u>\$ 680,299</u>	<u>\$ 510,622</u>

The accompanying notes are an integral part of these financial statements

Note 1: Reporting Entity

The Department of the Treasury Forfeiture Fund (Treasury Forfeiture Fund or the Fund) was established by the Treasury Forfeiture Fund Act of 1992, Public Law 102-393 (the TFF Act), and is codified at 31 USC 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.

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

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, 2014 and 2013.
- **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. Mortgage and claims expenses are recognized when the related asset is sold and is reflected as a reduction of sales of forfeited property.

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

Non-entity Assets

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

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

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

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

Government Securities.

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

Liabilities Covered by Budgetary Resources

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

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

Liabilities Not Covered by Budgetary Resources

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

Net Position

The components of net position are classified as follows:

- **Retained Capital** – There is no cap on amounts that the Fund can carry forward into Fiscal Year 2015. 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 11).
- **Net Results of Operations** – This category represents the net difference, for the activity during the year, between: (i) financing sources including transfers, and revenues; and (ii) expenses.

Note 3: Investments and Related Interest Receivable

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

The following schedule presents the investments on hand as of September 30, 2014 and 2013, respectively (dollars in thousands):

Entity Assets

Description.	Cost	Unamortized Discount	Investment, Net
<u>September 30, 2014</u>			
Treasury Forfeiture Fund -			
35 days 0.0000% U.S. Treasury Bills	\$2,059,035	(\$0)	\$2,059,035
Interest Receivable			<u>0</u>
Total Investment, Net, and Interest Receivable			<u>\$2,059,035</u>
Fair Market Value			<u>\$2,059,002</u>
<u>September 30, 2013</u>			
Treasury Forfeiture Fund -			
35 days 0.0350% U.S. Treasury Bills	\$2,824,018	(\$96)	\$2,823,922
Interest Receivable			<u>16</u>
Total Investment, Net, and Interest Receivable			<u>\$2,823,938</u>
Fair Market Value			<u>\$2,823,948</u>

Non-entity Assets

Description	Cost	Unamortized Discount	Investment, Net
<u>September 30, 2014</u>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.0000% U.S. Treasury Bills	\$4,962,848	\$0	<u>\$4,962,848</u>
Fair Market Value			<u>\$4,962,776</u>
<u>September 30, 2013</u>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.0350% U.S. Treasury Bills	\$1,238,966	(\$42)	<u>\$ 1,238,924</u>
Fair Market Value			<u>\$ 1,238,935</u>

Note 4: Analysis of Non-Entity Assets

The following schedule presents the non-entity assets as of September 30, 2014 and 2013, respectively, (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Seized currency:		
Intragovernmental Investments (Note 3)	\$ 4,962,848	\$ 1,238,924
Cash and other monetary assets (Note 5)	<u>386,467</u>	<u>211,940</u>
Total Non-Entity Assets	5,349,315	1,450,864
Total Entity Assets	<u>2,199,072</u>	<u>2,929,879</u>
Total Assets	<u>\$ 7,548,387</u>	<u>\$ 4,380,743</u>

Note 5: Cash and Other Monetary Assets

Entity Assets

Cash and Other Monetary Assets held on hand included forfeited currency not yet deposited, as well as forfeited currency held as evidence, amounting to \$40.3 million and \$17.1 million as of September 30, 2014 and 2013, 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 \$386.4 million and \$211.9 million as of September 30, 2014 and 2013, respectively.

Note 6: Forfeited Property/Deferred Revenue

The following summarizes the components of forfeited property (net), as of September 30, 2014 and 2013, respectively, (dollars in thousands):

	2014	2013
Held for sale	\$ 71,621	\$ 67,916
To be shared with federal, State or local, or foreign government	1,423	532
Total forfeited property (Note 7)	73,044	68,448
Less: Allowance for liens and claims	(3,934)	(8,246)
Total forfeited property, net	<u>\$ 69,110</u>	<u>\$ 60,202</u>

Note 7: FY 2014 Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2013 to September 30, 2014. (Dollar value is in thousands.)

	10/1/13 Financial Statement Balance		Adjustments		10/1/13 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$11,536	-	\$-	-	\$11,536	-	\$622,658	-	\$(650,437)	-	\$-	-		
Other Monetary Instruments	5,610	-	-	-	5,610	-	8,570	-	-	-	(5)	-		
Subtotal	17,146	-	-	-	17,146	-	631,228	-	(650,437)	-	(5)	-		
Real Property	44,818	253	18,384	-	63,202	253	22,438	86	(49,807)	(139)	(1,208)	(5)		
General Property	12,571	13,996	31,013	-	43,584	13,996	22,394	26,476	(19,404)	(2,742)	(3,351)	(2,403)		
Vessels	1,245	84	1,052	-	2,297	84	2,021	169	(1,052)	(68)	(1,194)	(9)		
Aircraft	1,324	9	763	-	2,087	9	1,778	6	(3,255)	(7)	-	-		
Vehicles	8,490	1,969	5,617	-	14,107	1,969	36,210	8,704	(28,734)	(7,194)	(6,944)	(1,060)		
Subtotal	68,448	16,311	56,829	-	125,277	16,311	84,841	35,441	(102,252)	(10,150)	(12,697)	(3,477)		
Grand Total	\$85,594	16,311	\$56,829	-	\$142,423	16,311	\$716,069	35,441	\$(752,689)	(10,150)	\$(12,702)	(3,477)		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2014 Carrying Value		Fair Market Value Adjustment		9/30/14 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	-	\$42,522	-	\$(16)	-	\$26,263	-	\$-	-	\$26,263	-
Other Monetary Instruments	-	-	-	-	(159)	-	-	-	14,016	-	-	-	14,016	-
Subtotal	-	-	-	-	42,363	-	(16)	-	40,279	-	-	-	40,279	-
Real Property	-	-	-	-	34,168	51	(317)	-	68,476	246	(21,535)	-	46,941	246
General Property	-	-	(181)	(19,197)	7,338	961	(2,177)	-	48,203	17,091	(34,873)	-	13,330	17,091
Vessels	-	-	-	(47)	(360)	4	(58)	-	1,654	133	(694)	-	960	133
Aircraft	-	-	-	-	1,328	(2)	(24)	-	1,914	6	(711)	-	1,203	6
Vehicles	-	-	(54)	(196)	2,625	228	(112)	-	17,098	2,451	(6,488)	-	10,610	2,451
Subtotal	-	-	(235)	(19,440)	45,099	1,242	(2,688)	-	137,345	19,927	(64,301)	-	73,044	19,927
Grand Total	\$-	-	\$(235)	(19,440)	\$87,462	1,242	\$(2,704)	-	\$177,624	19,927	\$(64,301)	-	\$113,323	19,927

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 8: FY 2014 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.)

	9/30/13 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/14 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$1,432,731	-	\$4,845,738	-	\$(331,022)	-	\$(622,658)	-	\$13,226	-	\$3,920	-	\$5,341,935	-
Other Monetary Instruments	18,133	-	3,146	-	(45)	-	(8,570)	-	(6,783)	-	1,499	-	7,380	-
Subtotal	1,450,864	-	4,848,884	-	(331,067)	-	(631,228)	-	6,443	-	5,419	-	5,349,315	-
Real Property	219,491	609	74,106	292	(44,398)	(121)	(22,438)	(86)	(37,315)	(19)	(2)	-	189,444	675
General Property	341,854	28,535	80,308	37,841	(46,228)	(4,427)	(22,394)	(26,476)	(16,334)	(3,648)	(3,974)	-	333,232	31,825
Vessels	5,648	162	2,612	172	(194)	(20)	(2,021)	(169)	(725)	(10)	(121)	-	5,199	135
Aircraft	8,160	15	9,614	20	(1,267)	(4)	(1,778)	(6)	(2,500)	(1)	(583)	-	11,646	24
Vehicles	70,681	5,238	96,132	13,246	(56,290)	(4,446)	(36,210)	(8,704)	(5,429)	(393)	(432)	-	68,452	4,941
Subtotal	645,834	34,559	262,772	51,571	(148,377)	(9,018)	(84,841)	(35,441)	(62,303)	(4,071)	(5,112)	-	607,973	37,600
Grand Total	\$2,096,698	34,559	\$5,111,656	51,571	\$(479,444)	(9,018)	\$(716,069)	(35,441)	\$(55,860)	(4,071)	\$307	-	\$5,957,288	37,600

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 9: Capitalized Software

The Automated Obligation & Equitable Sharing Management System (Asset sharing system) is to be used to process TFF agencies' requests to obligate assets for equitable sharing and issue equitable sharing payments.

The Asset sharing system has been in development for several years, but the complex effort had multiple challenges and did not meet the desired goals. In FY 14, a contract was established with the Department's Office of the Chief Information Officer, Enterprise Content Management (ECM), to assess the newly developed system and generate a new plan to develop an operational system. ECM's evaluation of the existing system indicated the majority of the current capitalized costs would not be used in the new deployment of the system. Based on this evaluation and Fund management's assessment of the said evaluation, all of the remaining total net capitalized costs of \$792 thousand was written off from the balances in Software in Development (GL 1832) \$339 thousand, Capitalized Software in Use (GL 1830) \$543 thousand, and Accumulated Depreciation (GL 1839) \$90 thousand, as of June 30, 2014.

Furthermore, the total resources now dedicated to this project are under the \$500 thousand capitalization threshold; thus, the new fiscal year obligated costs will not be capitalized but expensed as incurred. Depreciation was 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, 2014 and 2013, consisting of the following (dollars in thousands):

Categories	2014			
	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	\$0	N/A	\$0
Total		\$0	\$0	\$0

Categories	2013			
	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

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: Permanent Reduction/Transfer to the General Fund

The unobligated balance in the Fund at the end of FY 2013 was approximately \$888.1 million. This balance is usually available to cover costs related to seizures and forfeitures and certain other law enforcement activities. The Bipartisan Budget Act of 2013 permanently cancelled \$867.0 million of this balance. This permanent reduction or cancellation means that the amount will never be used for its intended purposes.

The cancelled funds were transferred to Receipt Account 020 3231 on April 15, 2014, but remained on the TFF's books throughout the remainder of the FY 2014. On September 30, 2014, Treasury 'swept' the cash out of the Receipt Account and into the General Fund, effectively zeroing out the account.

Note 11: Distributions Payable (state and local agencies and foreign governments)

Distributions Payable (state and local agencies and foreign governments) amounted to \$65.5 million and \$308.6 million as of September 30, 2014 and 2013, 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, 2014 and 2013, 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 12: Net Position

Cumulative Results of Operations

The following summarizes components of cumulative results of operations as of and for the years ended September 30, 2014 and 2013, respectively, (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Retained Capital	\$ 1,730,212	\$ 1,014,745
Unliquidated Obligations	756,416	541,150
Net Results of Operations	<u>(583,006)</u>	<u>930,733</u>
	<u>\$ 1,903,622</u>	<u>\$ 2,486,628</u>

Unliquidated Obligations

The following summarizes the components of unliquidated obligations as of September 30, 2014 and 2013 respectively, (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Equitable Sharing	\$ 342,616	\$ 302,688
Mandatory	<u>413,800</u>	<u>238,462</u>
	<u>\$ 756,416</u>	<u>\$ 541,150</u>

Note 13: 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 14: 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 \$155.0 million and \$82.3 million in fiscal years 2014 and 2013, respectively.

Note 15: 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 \$16.3 million and \$12.1 million in fiscal years 2014 and 2013, respectively.

Note 16: 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 11, 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 17: 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:

	<u>2014</u>	<u>2013</u>
Gross Costs	\$ 188,006	\$ 203,083
Earned Revenues	-	-
Net Costs	<u>\$ 188,006</u>	<u>\$ 203,083</u>

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

Note 18: Disclosures Related to the Statements of Budgetary Resources

The Fund’s net amount of budgetary resources obligated at the end of fiscal years 2014 and 2013 were \$982.7 million and \$924.4 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 2014 and 2013 consist of the following (in thousands):

	<u>2014</u>	<u>2013</u>
Recoveries of Prior Year Unpaid Obligations	<u>\$ 49,309</u>	<u>\$ 23,887</u>

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 19: Dedicated Collections

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

Note 20: Payments in Lieu of Forfeiture, Net of Refunds

The following summarizes Payments in Lieu of Forfeiture, Net of Refunds as of September 30, 2014 and 2013, respectively, (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Payments in Lieu of Forfeiture	\$ 7,952	\$ 8,673
Refunds	(744)	(1,716)
Total	<u>\$ 7,208</u>	<u>\$ 6,957</u>

Note 21: 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).

	<u>2014</u>	<u>2013</u>
Resources Used to Finance Activities:		
Budgetary resources obligated		
Obligations incurred	\$ 787,849	\$ 908,113
Less: Spending authority from offsetting		
Collections and recoveries	(49,309)	(23,887)
Net Obligations	<u>738,540</u>	<u>884,226</u>
Other resources		
Transfers – out	<u>(1,038,302)</u>	<u>(94,373)</u>
Total Resources Used to Finance Activities	<u>(299,762)</u>	<u>789,853</u>
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	653,902	(99,786)
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Mortgages and claims	(2,215)	(2,489)
Refunds	(744)	(1,716)
Equitable Sharing (federal, state/local and foreign)	(69,389)	(408,205)
Victim restitution	<u>(93,867)</u>	<u>(74,583)</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>487,687</u>	<u>(586,779)</u>
Components not Requiring or Generating Resources- Depreciation	<u>81</u>	<u>9</u>
Total Resources Used to Finance the Net Cost of Operations	<u>188,006</u>	<u>203,083</u>
Net Cost of Operations	<u>\$ 188,006</u>	<u>\$ 203,083</u>

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SECTION IV
REQUIRED SUPPLEMENTAL INFORMATION
(UNAUDITED)

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Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2014			2013		
	Fund Balance with Treasury	Accounts Receivable/Advances	Investments	Fund Balance with Treasury	Accounts Receivable/Advances	Investments
Treasury	\$ 28,721	\$ -	\$ -	\$ 26,091	\$ -	\$ -
Departmental Offices	-	1	-	-	75	-
Bureau of the Fiscal Service	-	-	7,021,883	-	-	4,062,862
Totals	<u>\$ 28,721</u>	<u>\$ 1</u>	<u>\$ 7,021,883</u>	<u>\$ 26,091</u>	<u>\$ 75</u>	<u>\$ 4,062,862</u>

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2014 Accounts Payable	2013 Accounts Payable
Department of Justice	\$ 12,767	\$ 3,960
Department of Homeland Security	109,348	36,406
Central Intelligence Agency	1,250	-
Departmental Offices	2,227	3,380
FinCen	637	2,235
Tax and Trade	983	86
Treasury Office of the Inspector General	-	152
Internal Revenue Service	28,324	21,202
Totals	<u>\$ 155,536</u>	<u>\$ 67,421</u>

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2014		2013	
	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	\$ -	\$ 128,164	\$ -	\$ 133,638

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

Partner Agency	2014		2013	
	In	Out	In	Out
Department of Justice	\$ -	\$ 4,458	\$ -	\$ 3,687
Department of Homeland Security	-	136,131	-	68,062
Central Intelligence Agency	-	1,250	-	-
Department of Treasury	-	4	-	92
Internal Revenue Service	-	28,009	-	15,965
Financial Crimes Enforcement Network	-	-	-	5,443
Tax and Trade	-	950	-	693
General Fund	-	867,000	-	-
Department of Defense	-	-	-	431
Department of Commerce	-	500	-	-
Totals	\$ -	\$ 1,038,302	\$ -	\$ 94,373

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, 2014
(Dollars in Thousands)
(Unaudited)

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
Alabama	\$ 987	\$ 6
Alaska	186	-
Arizona	934	229
Arkansas	333	10
California	12,182	34
Colorado	213	15
Connecticut	440	-
D.C. Washington	21	-
Delaware	12	-
Florida	19,267	561
Georgia	4,135	5
Guam	2,373	-
Hawaii	37	-
Idaho	16	115
Illinois	5,112	16
Indiana	2,536	-
Iowa	771	11
Kansas	238	5
Kentucky	1,728	-
Louisiana	514	8
Maine	35	-
Maryland	3,783	10
Massachusetts	2,721	-
Michigan	2,062	4
Minnesota	474	81
Mississippi	290	7
Missouri	607	2
Montana	8	65
Nebraska	1,861	-
Nevada	4,410	16
New Jersey	5,940	1
New Hampshire	2	9
New Mexico	984	-
New York	139,617	685
North Carolina	5,095	641
North Dakota	-	-
Ohio	487	102
Oklahoma	774	-
Oregon	593	(563)
Pennsylvania	1,461	33
Puerto Rico	1,917	44
Rhode Island	27	-
South Carolina	3,059	263
South Dakota	42	-
Tennessee	528	4
Texas	9,742	457
Utah	214	-
<i>Subtotal carried forward</i>	<u>\$ 238,768</u>	<u>\$2,876</u>

Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2014
(Dollars in Thousands)
(Unaudited)

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
<i>Subtotal brought forward</i>	\$238,768	\$2,876
Vermont	146	2
Virgin Islands	-	-
Virginia	61,417	6
Washington	361	6
West Virginia	673	-
Wisconsin	64	10
Wyoming	<u>-</u>	<u>10</u>
Totals	<u>\$301,429</u>	<u>\$2,910</u>

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

TREASURY FORFEITURE FUND
Uncontested Seizures of Currency and Monetary Instruments Valued Over
\$100 Thousand Taking More Than 120 Days from Seizure to Deposit in Fund
For the Year Ended September 30, 2014
(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 56 administrative seizures over \$100 thousand over 120 days old totaling \$18,540 that had not been transferred from the Seized Currency Suspense Account to the Treasury Forfeiture Fund as of the end of FY 2014.

TREASURY FORFEITURE FUND
Analysis of Revenue and Expenses and Distributions
For the Year Ended September 30, 2014
(Dollars in Thousands)

Revenue, Expenses and Distributions by Asset Category:

	<u>Revenue</u>	<u>Expenses and Distributions</u>
Vehicles	\$ 17,098	\$ 107,762
Vessels	4,749	137,300
Aircraft	4,749	44,233
General Property	15,198	435,796
Real Property	53,194	17,070
Currency and monetary instruments	<u>714,529</u>	<u>67,356</u>
	809,517	809,517
Less:		
Mortgages and claims	(2,215)	(2,215)
Refunds	(744)	(744)
Add:		
Excess of net revenues and financing sources over total program expenses	<u> --</u>	<u> --</u>
Total	<u>\$ 806,558</u>	<u>\$ 806,558</u>

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

Sales of property and forfeited currency and monetary instruments	\$ 642,808	\$ 153,809
Reimbursed storage costs	3,453	80,952
Assets shared with state and local agencies	67,859	67,859
Assets shared with other federal agencies	609	609
Assets shared with foreign countries	921	921
Victim Restitution	93,867	93,867
Destructions	--	97,142
Pending disposition	<u> --</u>	<u>314,358</u>
	809,517	809,517
Less:		
Mortgages and claims	(2,215)	(2,215)
Refunds	(744)	(744)
Add:		
Excess of net revenues and financing sources over total program expenses	<u> --</u>	<u> --</u>
Total	<u>\$ 806,558</u>	<u>\$ 806,558</u>

The revenue amount of \$806,558 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, 2014 and 2013
(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
What Money is Available to Spend?		
Total resources	\$ 931,996	\$ 1,796,222
Less amount not agreed to be spent	(69,874)	0
Less amount not available to be spent	(74,273)	(888,109)
Total Amounts Agreed to be Spent	<u>\$ 787,849</u>	<u>\$ 908,113</u>
 How was the Money Spent?		
Other contractual services	\$ 196,860	\$ 185,688
Supplies and materials	13	18
Grants, subsidies and contributions	151,824	581,555
Interest and dividends	5	26
Refunds	298,062	92,690
Others (i.e. unvouchered, undistributed)	141,085	48,136
Total Amounts Agreed to be Spent	<u>\$ 787,849</u>	<u>\$ 908,113</u>
 Who did the Money go to?		
Federal	\$ 279,922	\$ 182,447
Non-Federal :		
State/Local/Tribal/Foreign Governments	151,824	581,556
Business and Organizations	60,260	53,928
Individuals	295,843	90,182
Total Amounts Agreed to be Spent	<u>\$ 787,849</u>	<u>\$ 908,113</u>

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9703(f)
For the Year Ended September 30, 2014
(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, 2014, the Fund had forfeited property held for sale of \$71,621. 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, 2014, there was \$40,279 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 \$301,429 and total property transferred was \$2,910 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, 2013 which became the beginning balance for the Fund on October 1, 2013, as reported in the audited financial statements is \$2,486,628.

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9703(f)
For the Year Ended September 30, 2014
(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 \$2,215. The amount actually paid on a cash basis was not materially different.

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

	<u>Amount</u>
State and local	\$67,859
Foreign countries	921
Other federal agencies	609
Victim restitution	93,867

- (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 \$188,006.

The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2014, was \$386,467. This amount includes some funds in the process of being deposited at year-end; cash seized in August or September 2014 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 \$144,147 for fiscal year 2014. This excludes \$960,923 and \$867,000 in FY 2014 rescinded authority that is classified as "temporary" and "permanent", respectively. If these figures are added to the unobligated balances at the end of FY 2014, the figure becomes \$1,972,070.

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9703(f)
For the Year Ended September 30, 2014
(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:

<u>Bureau</u>	<u>Amount</u>	<u>Number</u>
CBP	\$ 306,055	61 seizures
IRS	4,732,470	156 seizures
U.S. Secret Service	32,706	15 seizures

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

The total dollar value of such seizures is \$18,540. This is also documented on page 50.

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

The total net position of the Fund at September 30, 2014, as reported in the audited financial statements is \$1,903,622.

- (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 2014 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 51.