



Audit Report



OIG-11-048

Audit of the Department of the Treasury Forfeiture Fund's
Fiscal Years 2010 and 2009 Financial Statements

December 8, 2010

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 8, 2010

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

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Audit of the Department of the Treasury Forfeiture Fund's
Fiscal Years 2010 and 2009 Financial Statements

I am pleased to transmit the attached audited Department of the Treasury Forfeiture Fund (TFF) financial statements for Fiscal Years 2010 and 2009. 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 TFF as of September 30, 2010 and 2009 and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended; and the *GAO/PCIE Financial Audit Manual*.

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 with Laws and Regulations.

In its audit, GKA found:

- the financial statements were fairly presented, in all material respects, in conformity 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.

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In connection with the contract, we reviewed GKA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. GKA is responsible for the attached auditor's reports dated October 29, 2010 and the conclusions expressed in the reports. However, our review disclosed no instances where GKA did not comply, in all material respects, with generally accepted government auditing standards.

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

Attachment



Certified Public Accountants | Management Consultants

**Treasury Forfeiture Fund
ACCOUNTABILITY REPORT
Fiscal Year 2010**

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

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Message from the Director

I am pleased to present the fiscal year (FY) 2010 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 2010 was our most successful revenue year yet for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with earned revenue of over \$1.1 billion from all sources as compared to \$527 million in FY 2009, more than doubling that banner year.

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 enterprise. It is our view that the greatest damage to criminal enterprise can be achieved through large forfeitures, hence we have set a target level of 75 percent of our forfeitures to be high-impact, i.e., cash forfeitures equal to or greater than \$100,000. For FY 2010, our member bureaus exceeded the target with a performance level of 93.11 percent high-impact cash forfeitures. Contributing significantly to this year's outstanding performance by our member bureaus was the large forfeiture from the ABN AMRO major case investigated by IRS-CI that resulted in a forfeiture deposit of \$500 million during FY 2010. The Fund's performance excluding this single large case deposit remains outstanding at 85.36%.

During FY 2010, the Treasury Executive Office for Asset Forfeiture (TEOAF) launched a new seminar series entitled "Investigative and Forfeiture Issues Involving the Southwest Border." The first seminar, held in February 2010, covered a broad range of issues including bulk currency/post interdiction financial investigations, human smuggling/trafficking, task forces operating on the Southwest Border, law enforcement activities in Central and South America, and international coordination, and Black Market Peso Exchange (BMPE) trade based money laundering. There were a number of case studies illustrating law enforcement efforts and best practices.

Additionally, in FY 2010, TEOAF continued offering its training curriculum in Procedural Issues of the Asset Forfeiture Program. This curriculum covers procedures and problem areas related to Remissions and Refunds, Equitable Sharing, the Joint Operations Program, and the National General Property Contract. The importance of these procedural issues is further increasing with the growth of revenue coming to the Treasury Forfeiture Fund and subsequent growth of related programs, such as Equitable Sharing and Joint Operations.

Also, TEOAF partnered with IRS-CI to conduct a "two year reunion" conference for the members of IRS-led Pilot Title 31 Task Forces, launched in the spring 2008 and funded by the Treasury Forfeiture Fund. The purpose of this conference was to facilitate the exchange of experiences and best practices among the Pilot Task Forces, as well as to address broader investigative issues encountered by the Pilot task forces, such as those related to Money Services Businesses.

The Treasury Forfeiture Fund continues in its capacity as a successful multi-Departmental Fund representing the interests of law enforcement components of the Departments of Treasury and Homeland Security. Member bureaus include the Internal Revenue Service's Criminal Investigation (IRS-CI), the U.S. Secret Service, 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. We look forward to another successful year in FY 2011.

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

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Treasury Forfeiture Fund FY 2010 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 24 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 2010 that resulted in the seizure and forfeiture of assets. Such cases as those profiled below are consistent with the Strategic Mission and Vision of the Treasury Forfeiture Program, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

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

MetLife Forfeits \$13.5 Million; Deferred Prosecution Agreement re Improper Payments

Information included in the following forfeiture article is attributed to:

Department of Justice Press Release: "MetLife Enters Agreement to Resolve Investigation and Pay \$13,500,000 in Connection with Improper Payments Made to San Diego Insurance Broker," dated April 15, 2010.

In April 2010, the Metropolitan Life Insurance Company ("MetLife") agreed to pay \$13.5 million to the Federal Government based upon its role in making improper payments to a San Diego-based insurance broker. These payments were not disclosed to MetLife's customers or reported by MetLife as required by the Employee Retirement Income Security Act of 1974 (ERISA). According to the Non-Prosecution Agreement entered into by the company, MetLife knowingly implemented a program of undisclosed and unreported payments designed to induce the San Diego-based insurance brokerage firm and its Chief Executive Officer (CEO) to recommend MetLife to the brokerage firm's clients. MetLife's sales force was also instructed to leverage the improper payments to promote MetLife products.

ERISA requires the administrators of qualified insurance plans to provide certain specified information, including all commissions and fees paid to insurance brokers in connection with the purchase of group insurance, to the U.S. Department of Labor, Employee Benefits Security Administration and the Internal Revenue Service. MetLife made these payments without disclosing them to the insurance plan administrator. These improper payments were typically denoted by MetLife as communications fees, request for proposal fees or enrollment fees. These hidden fees were, in turn, generally included in the rates charged by MetLife to their insured.

*"Insurance commission and fee disclosures are designed to promote and ensure transparency.
Any effort by an insurance company to conceal the payment of improper fees
or commissions will not be tolerated."*

*Karen P. Hewitt, U.S. Attorney
Southern District of California*

The U.S. Attorney's Office in the Southern District of California agreed to a negotiated settlement of this matter based, in part, on MetLife's disclosure, cooperation and remedial actions. The Agreement calls for MetLife's continuing cooperation on any investigations arising out of the conduct described in the Agreement.

BetOnSports Officials Forfeit \$50 Million re Felony Racketeering Conspiracy

Information included in the following forfeiture article is attributed to:

United States District Court, Eastern District of Missouri, Eastern Division, Final Order of Forfeiture, Case No. S5-4:06CR00337 CEJ (MLM), November 2, 2009; Article by Matt Richtel, “BetOnSports, After Indictment, Folds Its Hand and Decides to Move to Asia,” published in *SBRForum*, August 11, 2006; the Article, “BetonSports Founder Nabbed in Dominican Republic,” published by www.winneronline.com, identifying source as the St. Louis Business Journal, March 30, 2007; an Article by Melissa McNamara, “11 Charged in Web Gambling Crackdown,” published in www.cbsnews.com, July 18, 2006; an Article by Robert Patrick, “Three BetOnSports workers plead guilty,” published in the *St. Louis Post-Dispatch*, June 23, 2009; and the Gambling911.com, article, “The Rise and Fall of BetOnSports,” dated August 13, 2007 (picture embedded in the article.)

In July 2006, the United States Attorney for the Eastern District of Missouri unsealed a 22-count indictment against BetOnSports and several executives, accusing them of running an illegal Internet gambling operation. The indicted BetOnSports officials were charged with a variety of violations including charges of racketeering, conspiracy and fraud. According to the indictment, BetOnSports.com, incorporated in the United Kingdom, listed on the London Stock Exchange, and based in Costa Rica, misleadingly advertised itself as the “World’s Largest Legal and Licensed Sportsbook.”



Figure 1 BetonSports offices at San Pedro Mall

Gary Kaplan (“Kaplan”), founder of BetOnSports, was charged with 20 felony violations of federal laws including: the Wire Act, Racketeer Influenced and Corrupt Organizations (RICO) Conspiracy, interstate transportation of gambling paraphernalia, interference with the administration of Internal Revenue laws and tax evasion. Kaplan was arrested in the Dominican Republic in March 2007. Kaplan was a former New York area bookie, arrested on gambling charges in New York in 1993.

In June 2009, two siblings and a former personal assistant of Gary Kaplan’s pleaded guilty to federal charges and agreed to forfeit millions in illicit profits stemming from charges of helping to run an illegal gambling operation once considered among the world’s largest, handling more than \$1 billion

in bets a year. Final Orders of Forfeiture were entered against the two siblings in June 2009, resulting in the forfeiture of nearly \$6.8 million to the U.S. Government.

In December 2009, a Final Order of Forfeiture against Gary Stephen Kaplan was signed in the Eastern District of Missouri, Eastern Division, which ordered the forfeiture of approximately \$43.6 million in U.S. currency.

The U.S. Government had cooperation from Switzerland and others in the repatriation of forfeited monies related to this case to the United States. Once equitable sharing payments are made to those entitled to a share of the forfeited proceeds, the Treasury Forfeiture Fund will net about \$13 million from this matter.

Joint Investigative Case with the FBI

ABN AMRO Bank N.V. Agrees to Forfeit \$500 Million Pursuant to a Deferred Prosecution Agreement

Information included in the following forfeiture article is attributed to:

Department of Justice Press Release: "Former ABN AMRO Bank N.V. Agrees to Forfeit \$500 Million in Connection with Conspiracy to Defraud the United States and with Violation of the Bank Secrecy Act."

In May 2010, the former ABN AMRO Bank N.V., now named the Royal Bank of Scotland N.V., agreed to forfeit \$500 million to the United States in connection with a conspiracy to defraud the United States, to violate the International Emergency Economic Powers Act (IEEPA) and to violate the Trading with the Enemy Act (TWEA), as well as a violation of the Bank Secrecy Act (BSA). Fifty percent of the revenue will be shared with the Department of Justice Assets Forfeiture Fund representing the joint investigative efforts of the Federal Bureau of Investigation (FBI) that lead to forfeiture in this case.

A criminal information was filed in the District of Columbia charging the former ABN AMRO, a Dutch corporation that was headquartered in Amsterdam, with one count of violating the BSA and one count of conspiracy to defraud the United States and violate the IEEPA and TWEA. The bank waived indictment, agreed to the filing of the information, and has accepted and acknowledged responsibility for its conduct. ABN AMRO agreed to forfeit \$500 million as part of a deferred prosecution agreement.

Under IEEPA, it is a crime to willfully violate, or attempt to violate sanctions administered by the Department of the Treasury's Office of Foreign Assets Control (OFAC). TWEA makes it a crime to willfully engage in financial transactions by, at the direction of, or for the benefit of Cuba or Cuban nationals. Under the BSA, it is a crime to willfully fail to establish an adequate anti-money laundering program. The IEEPA and TWEA violations relate to ABN AMRO conspiring to facilitate illegal U.S. dollar transactions on behalf of financial institutions and customers from Iran, Libya, the Sudan, Cuba and other countries sanctioned by OFAC.

According to court documents, from approximately 1995 and continuing through December 2005, certain offices, branches, affiliates and subsidiaries of ABN AMRO removed or altered names and references to sanctioned countries from payment messages. ABN AMRO implemented procedures and a special manual queue to flag payments involving sanctioned countries so that ABN AMRO

could amend any problematic text and it added instructions to payment manuals on how to process transactions with these countries in order to circumvent the laws of the United States.

According to court documents, ABN AMRO used similar stripping procedures when processing U.S. dollar checks, traveler's checks, letters of credit and foreign exchange transactions related to sanctioned countries. ABN AMRO and the sanctioned entities knew and discussed the fact that, without such alterations, amendments and code words, the automated OFAC filters at banks in the United States would likely halt the payment messages and other transactions, and, in many cases, the banks would reject or block the sanctions-related transactions and report the activity to OFAC. By removing or altering material information, these payments and other transactions would pass undetected through filters at U.S. financial institutions. This scheme allowed U.S. sanctioned countries and entities to move hundreds of millions of dollars through the U.S. financial system.

The BSA violations involved the failure of the New York branch of ABN AMRO to maintain adequate anti-money laundering procedures and processes, and did not have adequate staffing, training and oversight, which permitted multiple high-risk shell companies and foreign financial institutions to use the bank to launder money through the United States. According to court documents, \$3.2 billion involving shell companies and high risk transactions with foreign financial institutions flowed through ABN AMRO's New York branch.

Throughout the investigation, ABN AMRO provided prompt and substantial cooperation, including working with U.S. and foreign regulators. ABN AMRO also committed substantial resources to conducting an extensive internal investigation into their misconduct and agreed to enhance its sanctions compliance programs to be fully transparent in its international payment operations. In light of the bank's remedial actions, previous penalty payments and consent agreements, and its willingness to acknowledge and accept responsibility for its actions, the Department of Justice has agreed to recommend the dismissal of the information in one year, provided ABN AMRO fully cooperates with, and abides by, the terms of the deferred prosecution agreement.

**Multi-Departmental, Multi-Fund Case
Treasury and Justice Forfeiture Fund Assets
Forfeited Cash and Sales Proceeds will be Returned to Victims**

Scott W. Rothstein, Fort Lauderdale Attorney, Forfeits Approximately \$60 Million in Assets re Billion Dollar Ponzi Scheme

Information included in the following forfeiture article is attributed to:

United States District Court, Southern District of Florida, United States v. Scott W. Rothstein, Information, Case No. 09-60331; United States District Court, Southern District of Florida, Plea Agreement, Case No. 09-60331-CR-COHN, signed January 25, 2010; Department of Justice Press Release, "Fort Lauderdale Attorney Charged in Billion-Dollar Ponzi Scheme," dated December 1, 2009; Article in Business and Financial News.Reuters.com, "Florida lawyer pleads guilty to huge Ponzi scheme," dated January 27, 2010; and Article by Paul Brinkmann, "Next Rothstein Sale Includes Bugatti," published in *The South Florida Business Journal*, on May 10, 2010 (pictures embedded in the article of the Bugatti and Rolls Royce.)

On December 1, 2009, the U.S. Attorney for the Southern District of Florida, and others, announced a five-count criminal information charging attorney Scott Rothstein ("Rothstein"), 47, of Fort Lauderdale, with one count of conspiracy to violate the Racketeering Influenced Corrupt Organization (RICO) statute; one count of conspiracy to commit money laundering; one count of conspiracy to commit mail fraud and wire fraud; and two counts of wire fraud. In addition, the

information sought to forfeit \$1.2 billion, including 24 pieces of real property, numerous luxury cars, boats, and other vessels, jewelry, sports memorabilia, business interests, bank accounts and more.

According to the information, from around 2005 through November 2009, Rothstein engaged in a pattern of racketeering activity through his law firm, Rothstein, Rosenfeldt, and Adler, P.A. (“RRA”), located in Fort Lauderdale, Florida. Specifically, the information alleged that RRA was the criminal enterprise through which defendant Rothstein and others fraudulently obtained approximately \$1.2 billion from investors through bogus investment and other schemes. The information alleged that defendant Rothstein and co-conspirators used RRA to fraudulently induce investors to: (1) loan money to non-existent borrowers based upon promissory notes and requests for short-term bridge loans for business financing; and (2) invest funds based upon anticipated pay-outs from purported confidential civil settlement agreements.



Figure 2 **2009 White Bentley Convertible – Forfeited by Rothstein**

Rothstein and other co-conspirators participated in an investment scheme commonly known as a “Ponzi” scheme. Specifically, the Ponzi scheme involved the sale of purported confidential settlement agreements in sexual harassment and/or whistle-blower cases. The potential investors were told by Rothstein and other co-conspirators that confidential settlement agreements were available for purchase in amounts ranging from hundreds of thousands of dollars to millions of dollars, and could be purchased at a discount and repaid to the investors at face value over time. To further the Ponzi scheme, Rothstein used the offices of RRA and the offices of other co-conspirators to convince potential investors of the legitimacy and success of the law firm, which enhanced the credibility of the purported investment opportunity.

Among the allegations in the information, Rothstein and others established numerous trust accounts in the name of RRA in order to convince potential and current investors of the legitimacy of the confidential settlement agreements and the security of such investments; prepared and used altered bank statements, purportedly issued from a well-established international financial institution, to fraudulently convince potential and current investors that funds had been received from the purported defendant companies and were maintained in trust accounts; and created false and fictitious

documents, including confidential settlement agreements, assignment of settlement agreements and proceeds, sale and transfer agreements, and personal guaranties by Rothstein among other documents.



Figure 3 2007 87' Warren Yacht – Forfeited by Rothstein

The investigation disclosed that the investments purportedly underlying the investment scheme never existed and that the entire investment scheme was a fraud. The investigation further established that portions of criminally derived proceeds were used to pay past investors and were used to acquire millions of dollars worth of assets also to promote the carrying on of the Ponzi scheme and enable Rothstein to live a lavish lifestyle, which provided the appearance of success and, again, further promote the scheme.



Figure 4 2008 Bugatti Veyron - Likeness of the Vehicle Forfeited by Rothstein
The Rothstein Vehicle Sold at Auction in June 2010 for \$858,000.

Rothstein faced a total maximum statutory term of imprisonment of 100 years (20 years on each count) if convicted. On January 25, 2010, Rothstein signed a Plea Agreement in which he pled guilty to the five-count information, agreed to pay restitution and agreed to the forfeiture of the assets identified in the information. On June 9, 2010 Scott Rothstein was sentenced to 50 years in federal prison.



**Figure 5 2007 Rolls Royce Phantom – Likeness of the Vehicle Forfeited by Rothstein
The Rothstein Vehicle Sold at Auction in June 2010 for \$240,000.**

Significant Reverse Asset Sharing Revenue¹

Credit Suisse Forfeits \$268 Million, of which \$130 Million is Equitably Shared with the Treasury Forfeiture Fund; Deferred Prosecution Agreement re Unlawful Transactions

Information included in the following forfeiture article is attributed to:

United States District Court for the District of Columbia, Joint Motion for Approval of Deferred Prosecution Agreement and Exclusion of Time Under the Speedy Trial Act, Criminal No. 09-352, dated December 16, 2009; and

Article by Joanna Chung, “Credit Suisse steered \$2bn through US,” published in the *Financial Times*, on December 17, 2009.

In a Deferred Prosecution Agreement, filed on December 16, 2009, Credit Suisse AG (“Credit Suisse”), entered into a Deferred Prosecution Agreement (DPA) in which it waived indictment and agreed to the filing of a one count criminal information charging that Credit Suisse knowingly and willfully violated and attempted to violate regulations issued under the International Emergency Economic Power Act (IEEPA) in violation of Title 50 U.S.C. §1705. Pursuant to the signed DPA, Credit Suisse agreed to forfeit \$268 million to the U.S. Government and pursuant to a separate DPA, forfeited another \$268 million to the District Attorney of the County of New York, for total

¹ Pursuant to 31 U.S.C. 9703(d)(2)(C), the Treasury Forfeiture Fund is authorized to deposit into the Fund all amounts representing the equitable share of a Department of the Treasury law enforcement organization or the United States Coast Guard from the forfeiture of property under any Federal, State, local or foreign law.

forfeitures for the violation of \$536 million. The Treasury Forfeiture Fund's equitable share from the Department of Justice, the lead agency in this case, was \$134 million.

Credit Suisse moved almost \$2 billion through the U.S. financial system for up to 20 years on behalf of customers from Iran, Sudan and Libya, violating U.S. sanctions. The bank used elaborate procedures to hide the origins of the money including stripping out the names of sanctioned parties from payment instructions so that wire transfers would pass undetected through filters at U.S. financial institutions. Also during this time, Credit Suisse provided its Iranian clients with a pamphlet entitled "how to transfer USD payments," which detailed payment instructions on how to get around filters.

Credit Suisse said in a statement that it was committed to the highest standards of integrity and took "this matter extremely seriously." It said it had carried out an investigation and ended business with the sanctioned countries by 2007. The Office of Foreign Assets Control (OFAC), of the Department of the Treasury, was also involved in the investigation.

Immigration and Customs Enforcement (ICE) Department of Homeland Security

Pilgrim's Pride Forfeits \$4.5 Million, Non-Prosecution Agreement re Hiring and Employment of Unauthorized Workers

Information included in the following forfeiture article is attributed to:

Newsletter update by McGuireWoods.com dated January 6, 2010, "Pilgrim's Pride to Pay \$4.5 Million as Result of Immigration Investigation."

In December 2009, the Federal Government reached a Non Prosecution Agreement with Pilgrim's Pride Corporation, one of the country's largest chicken producers, to resolve an investigation involving the hiring and employment of unauthorized workers. Under the terms of the agreement, Pilgrim's Pride agreed to pay \$4.5 million and to adopt more stringent immigration compliance practices. As part of the government's investigation, 25 unauthorized workers were arrested in December 2007 at plants in Texas, and approximately 338 more were arrested in plants in Texas, Florida, West Virginia, Arkansas and Tennessee in early 2008.

The Pilgrim's Pride investigation is not unique. Over the last few years, a number of companies throughout the country have felt the impact of worksite enforcement actions and government investigations related to their compliance with immigration laws. In addition to the possible criminal penalties including jail time, forfeiture, and debarment, there are the possible fines: companies penalized as a result of an I-9 inspection can pay \$375 to \$16,000 for each unauthorized worker.

Two New York Importers Convicted in One of the Largest Counterfeit Goods Prosecutions in U.S. History, Infringement Value if Released to Commercial Markets More than \$100 Million

Information included in the following forfeiture article is attributed to:

Immigration and Customs Enforcement Press Release, "2 New York importers convicted in one of the largest counterfeit goods prosecutions in U.S. history *Infringed Goods Valued at More than \$100 Million*"

In June 2010, Chong Lam ("Lam"), 52, and Siu Yung Chan ("Chan"), also known as Joyce Chan, 42, both of New York, were convicted for their participation in one of the largest counterfeit luxury goods operations in the United States, following an investigation by ICE. A federal jury in

Richmond, Virginia, found Lam and Chan each guilty on one count of conspiracy to traffic in counterfeit goods imported from the People's Republic of China (PRC); two counts of trafficking in counterfeit handbags, wallets, purses and carry-on bags, and two counts of illegally smuggling counterfeit goods into the United States.

According to evidence presented at trial, Lam and Chan and their co-conspirators operated a massive international manufacturing, import and wholesale counterfeit goods business. Evidence introduced at trial proved that Lam and Chan were controlling officers of at least 13 different companies in the United States and overseas, and operated at least eight separate factories dedicated to producing handbags, including enormous quantities of counterfeit bags.

According to evidence presented at trial, from 2002 until late 2005, U.S. Customs and Border Protection (CBP) seized numerous containers of counterfeit luxury handbags and wallets imported from China. A subsequent ICE investigation, including a review of documents filed with DBP, disclosed that Lam and Chan imported over 300,000 counterfeit luxury handbags and wallets into the United States from the PRC in the names of different companies, all under their control. During the execution of a related search warrant on the defendants' business address, Coco USA, located in Manhattan, investigators seized approximately 1,500 cartons of alleged infringing items. The total value of the corresponding authentic luxury goods manufactured by Burberry, Louis Vuitton, Gucci, Coach, Fendi, Chanel and others is estimated to be over \$100 million. This is the estimated commercial value denied to these legitimate manufacturers if this counterfeit merchandise had gone undetected and reached the commercial districts for sale.

The government is seeking forfeiture of the illicit proceeds of the enterprise including funds that the defendants had transferred to bank accounts in the United States and overseas in the names of companies under their control, as well as three properties in New York. At sentencing, Lam and Chan each face a maximum of five years in prison and \$250,000 fine for the conspiracy count, 10 years in prison and a \$2 million fine for each trafficking count, and 5 years in prison and a \$250,000 fine for each smuggling count.

ICE Returns \$16,800 to Victim of Telemarketing Fraud via Project COLT

ICE Agents Return \$16,800 to Victim of Telemarketing Fraud

Information included in the following forfeiture article is attributed to:

ICE News Release dated May 20, 2010, "ICE agents return \$16,800 to victim of telemarketing fraud."

In May 2010, an Alabama resident received \$16,800 from ICE agents following a successful joint investigation against fraudulent telemarketers. The investigation was part of a multi-agency, U.S.-Canada initiative called "Project COLT." Although there are many scam variations, in this case, the callers fraudulently represent themselves as lottery officials. The scammers tell unknowing or elderly victims that they have won the lottery and must pay fees and service charges to be able to collect their fictitious winnings. ICE agents warn that con artists often pose as lawyers, customs officials, police officers or lottery company officials to bilk their victims out of millions of dollars.

The Alabama telemarketing scheme victim, who requested to remain anonymous, submitted a statement to help inform others about how to protect themselves from fraudulent telemarketing offers.

“...The letters and phone calls appeared legitimate as the telemarketers appeared to know a lot of information about me and my family. I never knew how this scheme worked until ICE agents returned a portion of my funds that were seized in the fraudulent telemarketing scheme and educated me on the illegal practices of these telemarketers....”

Alabama Telemarketing Scheme Victim (Anonymous)

Since its inception in 1988, Project COLT has seized and returned more than \$25 million to U.S. and Canadian victims of telemarketing fraud. Telemarketing fraud has become one of the most pervasive forms of white-collar crime in Canada and the United States, with annual losses in both countries in the billions of dollars.

ICE Returns pre-Columbian and Mayan Artifacts to El Salvador

ICE and CBP Recover pre-Columbian Artifacts in Joint Investigation into Smuggling Ring Selling on E-Bay

Information included in the following forfeiture article is attributed to:

News Release dated May 12, 2010, “ICE, CBP and El Salvador celebrate recovery of pre-Columbian artifacts in joint investigation into smuggling ring selling on E-Bay.”

On May 12, 2010, the Embassy of El Salvador, Washington, D.C., was the scene of the return of dozens of pre-Columbian and Mayan artifacts that were seized in the first joint concurrent investigation by U.S. Immigration and Customs Enforcement (ICE) and the National Civilian Police of El Salvador into an international smuggling ring that was selling these antiquities on the Internet.



Figure 6 Among the Antiquities Returned to El Salvador

ICE officials presented dozens of cultural items to Ambassador Francisco Alschul in a ceremony that was streamed live in video to the Salvadoran Foreign Ministry in San Salvador where other pieces seized in the Salvadoran investigation were on display. The items were all pre-Columbian, many of them Mayan, and are forbidden for export except with the express permission of the Secretariat of Culture.

This joint investigation began three years ago when a Customs and Border Protection (CBP) agent at a Miami mail facility noticed what appeared to be pre-Columbian artifacts coming into the United States through the mail and destined for Alabama. ICE began an investigation that would involve the ICE attaché in El Salvador, the Salvadoran national Civilian Police and the ICE Cyber Crimes Center as well as ICE agents in Miami, Atlanta, Tampa and St. Paul, and CBP officers in Miami.

Also returned at the ceremony were pre-Columbian items recovered in a separate ICE investigation in Denver involving a consignment store and online sales. El Salvador arrested and prosecuted a man and wife who were advertising Mayan and pre-Columbian artifacts on electronic sales sites and selling to customers around the world. There were no Mayan antiquities registered to their names, as required by Salvadoran law. All of the items seized in this investigation are covered by the export restrictions put in place in 1995 by El Salvador under a Memorandum of Agreement with the U.S. Department of State that is designed to curb the pillage of the El Salvador's heritage.

"This morning the governments of El Salvador and the United States have sent a strong message to the international traffickers of archaeological artifacts looted from El Salvador; we are determined to fight this illegal practice which undermines the culture of our countries...These archaeological pieces will return to our country and will remain in custody of the Salvadoran people for the benefit and enjoyment of the world."

Ambassador Alschul, El Salvador

ICE uses investigative authority to seize cultural property, art and antiquities if they are illegally imported into the United States. It also investigates the illegal trafficking of artwork, especially works that have been reported lost or stolen. ICE's Office of International Affairs, through its 63 attaché offices worldwide, works closely with foreign governments to conduct joint investigations.

Joint ICE/CBP Investigation Results in \$19 Million Settlement in Case of Stolen Painting *The Portrait of Wally*

Joint ICE/CBP Investigation (Legacy Customs) Results in \$19 Million Settlement in the Case of the Stolen Portrait of Wally

Information included in the following forfeiture article is attributed to:

Department of Justice News Release, Southern District of New York, dated July 20, 2010, "United States Announces \$19 Million Settlement in Case of Painting Stolen by Nazi"

In July 2010, ICE announced a settlement agreement with the Leopold Museum Privat-Stiftung (the "Foundation") and Lea Bondi Jaray's estate (the "Estate") to resolve the civil forfeiture action against *Portrait of Wally* ("Wally"), an oil painting by Egon Schiele that a Nazi stole from a Jewish woman

in 1939. According to the terms of the settlement agreement, the Leopold Museum will pay the Estate \$19 million in exchange for the painting.

Egon Schiele painted *Wally* in 1912. The painting depicts Valerie Neuzil, Schiele's primary model and his lover from about 1911 until he married Edith Anna Harms in 1915. In the decades following World War II, Schiele became one of the most prominent Austrian artists of the twentieth century. Bondi, an Austrian Jew and owner of an art gallery, the Würthle Gallery, in Vienna, acquired *Wally* some time before 1925.



Figure 7 Portrait of *Wally*, painted by Egon Schiele in 1912

In March of 1938, in what is known as the Anschluss, German troops occupied Austria and annexed it to Germany. Pursuant to German Aryanization laws prohibiting Jews from owning businesses, the Würthle Gallery was designated “non-Aryan” and subject to confiscation. Bondi thereafter sold the Würthle Gallery to a Nazi art collector named Friedrich Welz. In 1939, on the eve of Bondi’s escape to England, Welz went to Bondi’s apartment to discuss the gallery. He saw *Wally* hanging on the wall and demanded that Bondi give it to him. She resisted, as *Wally* was part of her private collection and had never been part of the Würthle Gallery. Bondi ultimately relented at the behest of her husband who reminded her that they intended to flee Austria and that Welz could prevent their escape.

After the war, United States military forces in Austria arrested Welz and seized *Wally* and other artworks. These artworks were transferred to the Austrian Government, in accordance with the policy and practice of the United States military to return property seized from Nazis to the

governments of the countries of origin. *Wally* was ultimately delivered to the government-owned Austrian National Gallery in the Belvedere Palace.

In 1953, Dr. Rudolph Leopold, An Austrian collector of artwork by Schiele, visited Bondi during a trip to London. During this visit, Bondi told Leopold that the painting belonged to her and asked him to go to the Belvedere and recover it on her behalf. Leopold agreed to help her. Instead of helping Bondi recover her painting, however, Leopold entered into an agreement with the Belvedere whereby he exchanged a Schiele painting from his own collection for *Wally*. When Bondi later discovered that Leopold had acquired *Wally* for himself, she retained lawyers to attempt to convince Leopold to return the painting to her, to no avail. Bondi continued to fight to recover her beloved painting until her death in 1969.

In 1994, Leopold's art collection, including *Wally*, became part of the newly-formed Leopold Museum. In 1997, the Leopold Museum loaned part of its Schiele collection, including *Wally*, to New York's Museum of Modern Art. *Wally* was shipped to New York in September 1997.

On September 21, 1999, United States Magistrate Judge James C. Francis IV issued a federal seizure warrant for *Wally* based upon a finding of probable cause that the painting was stolen property imported into the United States in violation of federal law. Pursuant to the warrant, the United States Customs Service ("legacy Customs," now ICE and CBP) seized the painting. The next day, the United States commenced a civil action in order to forfeit *Wally* and return it to its rightful owner, Bondi's estate. The United States Attorney's Office for the Southern District of New York filed a civil Complaint in Manhattan federal court and alleged that *Wally* was forfeitable as stolen property knowingly imported into, and about to be exported from, the United States in violation of the National Stolen Property Act, 18 U.S.C. § 2314. The Estate, the Leopold Museum, and New York's Museum of Modern Art filed claims to the painting in the forfeiture proceeding. During the litigation, the Leopold Museum maintained that Welz did not steal the painting and that Leopold did not know it was stolen property when it was imported into the United States.

"More than 70 years after *Portrait of Wally* was stolen, today's settlement marks another small step towards justice for victims of property crimes during WWII. Lea Bondi Jaray and her family were steadfast in their long battle to restore their rightful ownership of *Portrait of Wally*. Their determination provides hope for others who lost precious property and art to Nazi theft..."

Preet Bharara, United States Attorney
Southern District of New York

On September 30, 2009, United States District Judge Loretta A. Preska issued a 109-page decision on the parties' summary judgment motions. The Court rejected the Leopold Museum's position that *Wally* was not stolen property, and concluded that the painting was Bondi's personal property, that Welz had stolen it, and that the property remained stolen when it was imported into the United States. The Court further ruled that the government had made a probable cause showing that Leopold knew *Wally* was stolen property when it was imported into the United States. Thus, the only issue to be resolved at trial was whether the Leopold Museum could overcome the government's evidence and provide that Leopold did not know that *Wally* was stolen property when it was imported into the United States. The Court scheduled a trial for July 26, 2010, to decide this single issue.

On July 20, 2010, the U.S. Government, the Estate and the Leopold Museum reached a settlement agreement that resolves the litigation. Under the terms of the agreement, the Leopold Museum will pay the Estate \$19 million in exchange for *Wally*. The civil forfeiture action brought public attention to the struggle of victims of Nazi crimes to recover art and other property stolen by the Nazis.

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

CBP has had a productive year for seizures of cash and drugs at the border and border regions; the following represents a sample of their law enforcement seizures.

CBP Officers Seize \$1.6 Million in Cash

Information included in the following forfeiture article is attributed to:

News Release dated October 14, 2009, “Border Patrol Agents Seize \$1.6 Million in Cash”

On October 9, 2009, Border Patrol Agents responded to reports of suspicious activity. During their investigation, the agents observed several subjects unloading black luggage bags from the trunk of a small sedan. When the subjects saw the Border Patrol vehicle approaching, they dropped the bags back into the trunk and fled. Agents searched the car and found several cellophane-wrapped bundles of cash in the black bags in the trunk. The bundles contained a total of \$1,599,001. The cash was seized by the U.S. Border Patrol.

CBP Officers in Nogales Seize \$204,000 Found in Vehicle

Information included in the following forfeiture article is attributed to:

News Release dated October 27, 2009, “CBP Officers in Nogales Seize \$204,000 Found in Vehicle”

In late October 2009, CBP Officers and Nogales Police Officers conducting routine inspections of vehicles leaving the United States selected a 2005 Volkswagen Jetta for examination. The vehicle was occupied by two men from Sonora, Mexico. While conducting the inspection, CBP Officers discovered several packages of U.S. currency hidden in a compartment in the dash of the vehicle. Officers removed a total of 17 packages that contained just over \$204,000. The money was seized and both subjects were arrested and turned over to ICE for further investigation.

CBP Officers Seize \$300,000 in Undeclared Currency at Arizona Border

Information included in the following forfeiture article is attributed to:

News Release dated December 15, 2009, “CBP Officers Seize \$300,000 in Undeclared Currency at Arizona Border”

In mid December 2009, U.S. Customs and Border Protection Officers working at the Mariposa, Arizona port of entry discovered \$300,032 in undeclared currency hidden inside a suitcase. CBP Officers conducting routine inspections of vehicles leaving the United States, selected a 1994 Chevy pickup truck. The truck was occupied by two Mexican men, ages 19 and 46. While conducting their inspection, CBP officers opened a suitcase that was inside the truck and discovered 30 packages wrapped in black electrical tape. After a CBP Currency/Weapons Detector Dog alerted to the suitcase, officers removed the packages and seized \$300,032 as undeclared currency.

CBP Officers Seize \$133,412 in Undeclared Currency at Arizona Port of Entry

Information included in the following forfeiture article is attributed to:

News Release dated December 4, 2009, “CBP Officers in Arizona Seize \$133,412 in Undeclared Currency”

In early December 2009, CBP Officers conducting routine inspections of vehicles leaving the United States selected a 2001 Volkswagen Beetle for examination. The vehicle was occupied by a 22-year-old man from Sonora, Mexico. While conducting their inspection, CBP Officers discovered several packages of U.S. currency hidden in the rear quarter panel of the vehicle. Officers removed numerous packages of cash totaling \$133,412. The cash was seized.



Figure 8 \$133,412 Undeclared Currency Found in Rear Quarter Panel of Vehicle

CBP Officers Seize \$305,995 at the Brownsville Port of Entry

Information included in the following forfeiture article is attributed to:

News Release dated June 26, 2010, “CBP Officers, Border Patrol Agents Seize \$300k in Outbound Enforcement Operation”

In late June 2010, CBP and Border Patrol Officers, conducting outbound enforcement operations at the Brownsville port of entry, seized \$305,995 in U.S. currency. Working outbound enforcement operations at the Gateway International Bridge, these officers came into contact with a 2000 Oldsmobile Alero, with a 21-year old Mexican national driver, as it attempted to exit the United States and enter Mexico. The vehicle was selected for further inspection. A search of the Oldsmobile resulted in the discovery of 12 packages of U.S. currency hidden within the vehicle. CBP Officers seized the currency and the vehicle.

CBP Officers Seize \$70,000 Found in Spare Tire

Information included in the following forfeiture article is attributed to:

News Release dated December 15, 2009, “CBP Southbound Operations in Douglas Recovers \$70,000 Found in Tires”

In mid December 2009, CBP Officers screening traffic going into Mexico as part of a Southbound Operation selected a 2008 Chevrolet Cheyenne being driven by a 28-year-old man from Magdalena,

Sonora, Mexico. Utilizing high-tech equipment, CBP officers discovered that the man was attempting to smuggle \$70,000 out of the United States by concealing the money in the spare tire of the vehicle. The officers seized the currency.



Figure 9 **\$70,000 in Currency Concealed in Spare Tire of Vehicle**

*U. S. Secret Service
Department of Homeland Security*

In Rem Forfeiture of \$65 Million in Funds Seized from Bank Accounts Associated with the “Ad Surf Daily (ASD)” Ponzi Scheme

Information included in the following forfeiture article is attributed to:

United States Attorney’s Office, District of Columbia, Press Release: undated, “Final Order of Forfeiture Issued in ASD Civil Forfeiture Action;” and

United States District Court for the District of Columbia, Complaint for Forfeiture *In Rem*, Case No. 1:08-cv-01345, dated August 5, 2008.

In January 2010, approximately \$65 million in funds seized from bank accounts associated with the “Ad Surf Daily (ASD)” Ponzi-style fraud case were forfeited to the U.S. Government. The government anticipates a number of victims’ claims against these forfeitures.

In July 2008, agents working as part of a Secret Service task force received information from a reliable source that ASD was a pyramid or Ponzi scheme operating via the Internet. The ensuing investigation confirmed that ASD was operating over the Internet and that the pertinent site claimed that members could earn large profits simply by paying fees to advertise web pages, surf other members’ web pages, and recruit more members to do the same.

The *In Rem* Civil Complaint asserted that ASD was operating a paid auto-surfing program and that program was merely a Ponzi scheme. Although ASD was careful to avoid calling its members “investors,” in an apparent effort to avoid regulatory scrutiny, ASD promoted paid membership by offering its members a 125% return on their membership fees. In addition, ASD encouraged members to recruit new members by paying commissions for referrals. ASD paid the source of a referral a percentage of each newly referred member’s fees.

According to the *In Rem* Civil Complaint, the investigation revealed that ASD did not appear to sell any independent products or services sufficient to generate an income stream needed to support the rebates and commissions that it promised its members. Further, the “advertisers” were not paying ASD for advertising services at all; instead, they were paying ASD with the expectation that ASD would provide a full rebate and additional revenue. Thus, absent continuous membership growth (an impossibility) ASD had no means to generate the returns it represented.

Public documents assert that ASD and others devised a scheme to create an Internet-based Ponzi scheme in violation of Title 18 U.S.C. §371 (conspiracy to commit wire fraud), and that the forfeited properties constitute proceeds of the offenses or property involved in financial transactions with wire fraud proceeds that are prohibited by federal anti—money laundering statutes.

In Rem Forfeiture of \$14 Million in Funds Seized from Bank Accounts Associated with the “Golden Panda” Ponzi Scheme

Information included in the following forfeiture article is attributed to:

United States District Court for the District of Columbia, Motion for Entry of Default Judgment and Order of Forfeiture, Civil Action No.: 08-cv-01345 (RMC), filed June 1, 2009; and

U.S. Department of Justice Jeffrey A. Taylor, United States Attorney, District of Columbia, undated re: September 22, 2008 et al.

In a matter related to the Ad Surf Daily (ASD) matter, just above, in June 2009, a Motion for Entry of Default Judgment and Order of Forfeiture was entered against five (5) defendant bank accounts that were seized from Bank of America, which had been controlled by operators of the Golden Panda Ad Builder operation. Golden Panda was a spinoff Ponzi scheme of the ASD Ponzi scheme described above, targeting primarily Chinese clients. The government had alleged that the Golden Panda funds it seized and sued for *In Rem* forfeiture constituted proceeds of several criminal offenses, including a wire fraud scheme involving unregistered securities.

U. S. Coast Guard Department of Homeland Security

The U.S. Coast Guard continues its close working relationship with the legacy Customs bureaus and functions in a member-bureau capacity. The Coast Guard also maintains a close working relationship with the Drug Enforcement Administration (DEA) of the Department of Justice, assisting with drug boat interceptions on the high seas which are then turned over to the Department of Justice for prosecution.

Coast Guard Inspects Boat for Safety, Seizes 17 Bricks of Marijuana

Information included in the following forfeiture article is attributed to:

United States Coast Guard Press Release: June 14, 2010, “Coast Guard crew intercepts boat with 17 bricks of marijuana” Website: <http://www.piersystem.com/go/doc/586/656679/>

In June 2010, crewmembers from the U.S. Coast Guard Cutter Dolphin intercepted nearly 300 pounds of marijuana from a vessel west of Bimini, Bahamas. While conducting a routine patrol, the crew of the Dolphin conducted a boarding of a 25-foot cuddy cabin vessels west of Bimini. During an initial safety inspection, members of the boarding team located about 300 pounds of marijuana in

the vessel's forward compartment. The U.S. Coast Guard Cutter Dolphin is an 87-foot patrol boat home ported in Miami.



Figure 10 17 Bricks of Marijuana Seized by the U.S. Coast Guard Cutter, Dolphin

Coast Guard Intercepts Vessel, Seizes 800 Pounds of Marijuana

Information included in the following forfeiture article is attributed to:

United States Coast Guard Press Release: May 30, 2010, "Coast Guard seizes 800 pounds of marijuana" Website: <http://www.piersystem.com/go/doc/586/573703/>

In May 2010, crewmembers from the Coast Guard Cutter Diamondback offloaded 47 bricks of marijuana, nearly 800 pounds, at Coast Guard Station Fort Lauderdale, Florida. Following reports of a suspicious vessel traveling west from Bimini, Bahamas, a 33-foot Special Purpose Law Enforcement Craft from Station Fort Lauderdale and Diamondback crews located a 20-foot, white-hulled, U.S. flagged vessel. The U.S. Coast Guard crews boarded the vessel to conduct an initial safety inspection and made a plain view discovery of nearly 800 pounds of marijuana worth an estimated street value of over \$700,000. The two suspected smugglers aboard the vessel were detained and taken aboard the Diamondback and later transferred to U.S. Customs and Border Patrol (CBP). The U.S. Coast Guard Cutter Diamondback is an 87-foot coastal patrol boat home ported in Miami.

Coast Guard Boards Vessel, Seizes 5,250 Pounds of Cocaine

Information included in the following forfeiture article is attributed to:

United States Coast Guard Press Release: May 07, 2010, "Coast Guard Cutter Dallas seizes shipment of cocaine in Eastern Pacific Ocean" Website: <http://www.piersystem.com/go/doc/586/541683/>

In May 2010, the U.S. Coast Guard Cutter (USCGC) Dallas seized a shipment of cocaine hidden aboard an 82-foot Mexican-flagged fishing vessel while on patrol in the Eastern Pacific. The cocaine, weighing an estimated 5,250 pounds, was concealed in a hidden compartment that was built into the fishing vessel's fuel tanks. The advanced method of concealment required a detailed search of the vessel that included shifting the vessel's fuel load to identify the hidden compartment.

The boarding of the Mexican-flagged fishing vessel was conducted under the authority and jurisdiction of Mexico. The Mexican Navy subsequently took custody of the vessel, contraband and crew, all of whom were Mexican nationals.

The U.S. Coast Guard Cutter Dallas is a 378-foot Hamilton Class Cutter, one of 12 high-endurance Hamilton Class Cutters in the Coast Guard fleet. The USCGC Dallas is home ported in Charleston, South Carolina.

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 Treasury law enforcement bureaus 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 2010, the Fund expensed \$2.9 million in SEF authority as compared to \$20.8 million in FY 2009, a decrease of \$17.9 million or 86 percent. These resources were used to meet a variety of law enforcement needs of member bureaus.

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 2010, the Fund expensed \$78.9 million in Super Surplus authority as compared to \$42.8 million in FY 2009, an increase of over 84 percent.

Program Performance

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. 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 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 2010 was a banner year for major case forfeiture deposits.

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. Reflecting the higher revenue level for FY 2010, the Fund expensed \$454.6 million for equitable sharing expenses in FY 2010 as compared to the \$129.1 million expensed in FY 2009. Included in these sums are \$131.7 million and \$4.1 million for equitable sharing expenses with foreign countries that assisted in cases during FY 2010 and FY 2009, respectively. These are critical 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 2010, representing the interests of law enforcement components of the Departments of Treasury and Homeland Security. FY 2010 posed some continued management challenges including continued oversight of increasing general property contract expenses associated with higher revenue levels. In addition, commensurate with the high revenue year, there were additional expenses incurred by the bureaus. 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 2010 continued a pattern of robust revenue years with regular revenue of \$1.1 billion from all sources, more than doubling the FY 2009 banner year of \$527.2 million. As we enter fiscal year

2010, 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 2010, 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 2010 is as follows:

Performance Measure	FY 2009 Actual	FY 2010 Target	FY 2010 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	87.65%	75%	93.11%

A target of 75 percent high-impact cases was set for FY 2010. 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 2010 was 93.11 percent, well above target. This compares with our FY 2008 and FY 2009 performance of 86.91 percent and 87.65 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 in FY 2001.

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, 2010.

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 with laws and regulations 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 2010 and 2009.

Net Position – End of Year. For FY 2010, 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 \$986.1 million versus \$594.5 million at the end of FY 2009. 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 a number of years, Fund management forecast \$250.0 million for the Fund from regular seizure and forfeiture activities of our participating bureaus. For FY 2010, the Fund closed with \$1.1 billion in Gross Non-Exchange Revenues versus a total for FY 2009 of \$527.2 million, more than doubling the prior year revenue level.

Proceeds from Participating with other Federal Agencies. This line item on the *Statements of Changes in Net Position* indicates revenue earned from the participation of Treasury Forfeiture Fund law enforcement bureaus in the seizures leading to forfeiture of bureaus that participate in the Department of Justice Assets Forfeiture Fund or with the forfeiture fund of the U.S. Postal Service (Postal Service). It is noted that this category of revenue is recognized when received on deposit by the Treasury Forfeiture Fund. Therefore, there is no accrual recorded on the Fund's financial statements for this category of revenue.

As of the close of FY 2010, Treasury Forfeiture Fund bureaus earned a total of \$160.7 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 \$20.5 million during FY 2009. Fund management continues to work with the Department of Justice to identify delays and/or explain downward adjustments to percentages associated with Reverse Asset 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.

Cost of Operations. For FY 2010, the Cost of Operations totaled \$168 million, up from \$150 million in FY 2009.

Investment Interest Income. The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2010, investments totaled \$2.1 billion, up from \$1.2 billion invested as of September 30, 2009. Given the higher investment balance but continuing negligible interest rates on Treasury securities during FY 2010, investment income totaled only \$1.4 million in FY 2010 as compared to \$1.3 million in FY 2009.

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 2010, the Fund shared a total of \$325.2 million with other federal, state and local law enforcement agencies, and another \$131.7 million with foreign countries. This compares with \$134.6 million shared with other federal, state and local law enforcement agencies during FY 2009, and another \$4.1 million with foreign countries in FY 2009.

Victim Restitution. During FY 2010, the Fund paid \$4.0 million in restitution to victims as compared to \$7.1 million in FY 2009.

Summary of Statements of Changes in Net Position. The Fund closed with a strong net position in FY 2010. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2010 performance with forfeiture revenue earnings of over \$1.1 billion from all sources and a high 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 \$168.0 million in FY 2010, up from \$150.0 million in FY 2009.

Intra-governmental. This cost category totaled \$105.3 million in FY 2010, up from \$90.2 million in FY 2009. The amounts represent costs incurred by participating bureaus in running their respective forfeiture programs.

National Seized Property Contracts. One of the largest program costs of the Fund is the storage, maintenance and disposal of real and personal property. During FY 2010, general property was maintained by VSE Corporation and real property was maintained by EG&G Technical Services, both contracts of the Department of the Treasury. In FY 2010, expenses of these two contracts

totaled \$51.2 million, up from expenses of the two contracts in FY 2009 of \$49.1 million.

Balance Sheet

Assets, Liabilities and Net Position

Total assets of the Fund increased in FY 2010 to \$2.3 billion, up from \$1.4 billion in FY 2009, an increase in asset value of over 62 percent. If seized currency, which is an asset in the custody of the government but not yet owned by the government, is backed out of both figures, the adjusted total assets of the Fund increased to \$1.5 billion in FY 2010, up from \$808.0 million in FY 2009. During FY 2010, total liabilities of the Fund increased to \$1.3 billion, up from \$812.5 million in FY 2009. If seized currency, which is also shown as a liability because it is not yet owned by the government, is backed out of both figures, the adjusted total liabilities of the Fund increased to \$508.0 million in FY 2010, up from \$213.5 million in FY 2009.

With dramatically increasing assets and more moderately increasing costs, the Cumulative Results of Operations, i.e., retained earnings, increased at the end of FY 2010 to a total of \$986.1 million, up from \$594.5 million at the end of FY 2009.

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.

Auditor's Findings

FY 2010 Audit. The Fund's independent auditors have given the FY 2010 financial statements an Unqualified Opinion with no material weaknesses or other significant deficiencies in internal control over financial reporting identified. There are no management letter findings for FY 2010.

Summary of Financial Statement Highlights

Net Position. To summarize, Fund management concluded a highly productive FY 2010 "in the black," with the necessary resources to commence the business of the asset forfeiture program for FY 2011. Fund management declared a Super Surplus from FY 2010 operations and will work to recognize the hard work of our participating bureaus in the allocation of these resources.

A Look Forward

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 effort to secure the financial and commercial markets of the nation and the world given the interdependence of financial systems. In addition, our bureaus support immigration enforcement that is designed to identify illegal smuggling to deter its impact on the nation's financial infrastructure and terrorism initiatives and to ensure that human smugglers do not harm unsuspecting victims keen on seeking a new if illegal start in the United States. Emphasis will continue to be placed on ever-evolving state-of-the-art investigative techniques, high-impact major case initiatives and training to support these areas of emphasis. This has and will continue to be the key to the growing success and law enforcement reach of the Treasury Forfeiture Fund.

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

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

SECTION II
INDEPENDENT AUDITOR'S REPORTS

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Independent Auditor's Report on Financial Statements

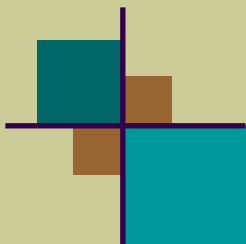
Inspector General
United States Department of the Treasury
Washington, D.C.

We have audited the Principal Statements (balance sheets and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as "financial statements") of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the years ended September 30, 2010 and 2009. These financial statements are the responsibility of Fund Management. Our responsibility is to express an opinion on these financial statements based on our audits.

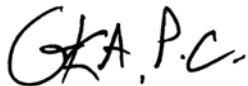
We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Fund Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2010, on our consideration of the Fund's internal control over financial reporting and a report dated October 29, 2010, on our tests of its compliance with laws, regulations, and contracts. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and these reports should be read in conjunction with this report in considering the results of our audits.



Our audits were conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph of this report as a whole. The information presented in Section I: Overview, Section IV: Required Supplemental Information and Section V: Other Accompanying Information is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America, OMB Circular A-136, *Financial Reporting Requirements*, or the Treasury Forfeiture Fund Act of 1992. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.



October 29, 2010

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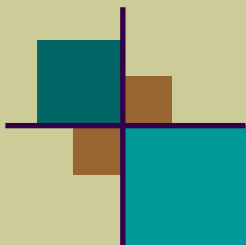
Independent Auditor's Report on Internal Control over Financial Reporting

Inspector General
United States Department of the Treasury
Washington, D.C.

We have audited the Principal Statements (balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as "financial statements") of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the year ended September 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

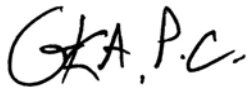
In planning and performing our audit, we considered the Fund's internal control over financial reporting by obtaining an understanding of the design effectiveness of the Fund's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to express an opinion on the effectiveness of the Fund's internal control over financial reporting. Consequently, we do not express an opinion on internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Under standards issued by the American Institute of Certified Public Accountants, 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 significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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.



We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Management of the Fund, the U.S. Department of the Treasury, OMB, the U.S. Congress, the Department of the Treasury Office of Inspector General and the Government Accountability Office and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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October 29, 2010

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Independent Auditor's Report on Compliance with Laws and Regulations

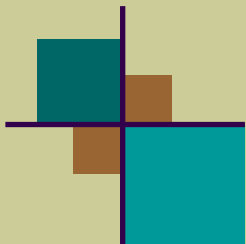
Inspector General
United States Department of the Treasury
Washington, D.C.

We have audited the Principal Statements (balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as "financial statements") of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the year ended September 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the Fund is responsible for complying with laws, regulations, and contracts applicable to the Fund. As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its 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 other laws and regulations specified in OMB Bulletin No. 07-04, including the requirements referred to in Section 803(a) of the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws, regulations, and contracts applicable to the Fund. Providing an opinion on compliance with certain provisions of laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

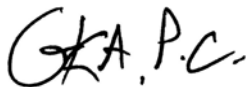
The results of our tests of compliance disclosed no instances of noncompliance with laws, regulations, and contracts discussed in the preceding paragraph, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04.

Under FFMIA, we are required to report whether the Fund's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.



The results of our tests of FFMIA disclosed no instances in which the Fund's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

This report is intended solely for the information and use of the Management of the Fund, the U.S. Department of the Treasury, OMB, the U.S. Congress, the Department of the Treasury Office of Inspector General, and the Government Accountability Office and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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October 29, 2010

SECTION III
FINANCIAL STATEMENTS AND NOTES

Department of the Treasury Forfeiture Fund
BALANCE SHEETS
As of September 30, 2010 and 2009
(Dollars in thousands)

	2010	2009
Assets:		
Intragovernmental:		
Fund balance with Treasury	\$ 33,490	\$ 30,676
Investments and related interest receivable (Note 3)	2,095,911	1,227,862
Advances (Note 5)	<u>266</u>	<u>218</u>
Total Intragovernmental	<u>2,129,667</u>	<u>1,258,756</u>
Cash and other monetary assets (Note 6)	90,212	95,044
Accounts Receivable	<u>561</u>	<u>1,282</u>
	<u>90,773</u>	<u>96,326</u>
Forfeited property (Note 7)		
Held for sale, net of mortgages, liens and claims	61,449	49,756
To be shared with federal, state or local, or foreign governments	<u>1,585</u>	<u>2,215</u>
Total forfeited property, net of mortgages, liens and claims	<u>63,034</u>	<u>51,971</u>
Total Assets	<u>\$2,283,474</u>	<u>\$1,407,053</u>
Liabilities:		
Intragovernmental:		
Distributions payable		
Other federal agencies	\$ -	\$ 1,949
Accounts payable	<u>58,577</u>	<u>38,882</u>
Total Intragovernmental	<u>58,577</u>	<u>40,831</u>
Seized currency and other monetary instruments (Note 9)	789,437	599,087
Distributions payable (Note 10)		
State and local agencies and foreign governments	375,813	108,372
Accounts payable	10,542	12,279
Deferred revenue from forfeited assets	<u>63,034</u>	<u>51,971</u>
Total Liabilities	<u>1,297,403</u>	<u>812,540</u>
Net Position:		
Cumulative results of operations (Note 11)	<u>986,071</u>	<u>594,513</u>
Total Liabilities and Net Position	<u>\$2,283,474</u>	<u>\$1,407,053</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, 2010 and 2009
(Dollars in thousands)

	2010	2009
Program:		
ENFORCEMENT		
Intragovernmental:		
Seizure investigative costs and asset management	\$ 65,761	\$ 56,051
Other asset related contract services	9,178	9,780
Data systems, training and others	<u>30,334</u>	<u>24,377</u>
Total Intragovernmental	<u>105,273</u>	<u>90,208</u>
With the Public:		
National contract services seized property and other	51,207	49,100
Joint operations	<u>11,549</u>	<u>10,690</u>
Total with the Public	<u>62,756</u>	<u>59,790</u>
Net Cost of Operations	<u>\$ 168,029</u>	<u>\$ 149,998</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, 2010 and 2009
(Dollars in thousands)

	2010	2009
Net Position – Beginning of year	<u>\$ 594,513</u>	<u>\$ 426,779</u>
Financing Sources (Non-Exchange Revenues):		
Intragovernmental		
Investment interest income	1,431	1,345
Public		
Forfeited currency and monetary instruments	914,227	479,494
Sales of forfeited property net of mortgages and claims	45,540	37,242
Proceeds from participating with other federal agencies	160,717	20,485
Value of property transferred in equitable sharing	4,019	8,012
Payments in lieu of forfeiture, net of refund (Note 19)	(29,949)	(27,608)
Reimbursed costs	3,115	4,026
Other	<u>3,245</u>	<u>4,180</u>
Total Gross Non-Exchange Revenues	<u>1,102,345</u>	<u>527,176</u>
Less: Equitable Sharing		
Intragovernmental		
Federal	<u>(2,327)</u>	<u>(9,594)</u>
Public		
State and local agencies	(322,887)	(125,009)
Foreign countries	(131,730)	(4,096)
Victim restitution	<u>(4,019)</u>	<u>(7,143)</u>
	<u>(458,636)</u>	<u>(136,248)</u>
Total Equitable Sharing	<u>(460,963)</u>	<u>(145,842)</u>
Total Non-Exchange Revenues, Net	<u>641,382</u>	<u>381,334</u>
Transfers –Out		
Intragovernmental		
Super surplus (Note 13)	(78,895)	(42,771)
Secretary’s enforcement fund (Note 14)	<u>(2,900)</u>	<u>(20,831)</u>
Total Transfers Out	<u>(81,795)</u>	<u>(63,602)</u>
Total Financing Sources - Net	559,587	317,732
Net Cost of Operations	<u>(168,029)</u>	<u>(149,998)</u>
Net Results of Operations	<u>391,558</u>	<u>167,734</u>
Net Position – End of Year	<u>\$ 986,071</u>	<u>\$ 594,513</u>

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

Department of the Treasury Forfeiture Fund
STATEMENTS OF BUDGETARY RESOURCES
For the years ended September 30, 2010 and 2009
(Dollars in thousands)

	2010	2009
Budgetary Resources:		
Unobligated balances- beginning of year	\$ 299,970	\$ 183,082
Recoveries of prior year unpaid obligations	49,620	74,946
Budget authority	<u>1,083,273</u>	<u>525,527</u>
Total Budgetary Resources	<u>\$ 1,432,863</u>	<u>\$ 783,555</u>
Status of Budgetary Resources:		
Obligations incurred	\$ 852,078	\$ 483,585
Unobligated balances - available	<u>580,785</u>	<u>299,970</u>
Total Status of Budgetary Resources	<u>\$ 1,432,863</u>	<u>\$ 783,555</u>
Change in Obligated Balance:		
Obligated balance, net-beginning of year	\$ 406,020	\$ 358,143
Obligations incurred	852,078	483,585
Less: Gross outlays	(462,763)	(360,762)
Less: Recoveries of prior year unpaid obligations, actual	<u>(49,620)</u>	<u>(74,946)</u>
Obligated balance, net – end of year	<u>\$ 745,715</u>	<u>\$ 406,020</u>
Net Outlays	<u>\$ 462,763</u>	<u>\$ 360,762</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 (IRS); 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 and receive relatively few distributions from the Fund. 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 seizure 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 the Treasury's Executive Office for Asset Forfeiture (EOAF).

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

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Fund began preparing audited financial statements in Fiscal Year 1993 as required by the Fund's enabling legislation 31 USC§9703(f)(2)(H), and the Chief Financial Officers Act of 1990. Beginning with the Fiscal Year 1996 report, the Government Management Reform Act of 1994 (GMRA) requires executive agencies, including the Treasury, to produce audited consolidated accountability reports and related footnotes for all activities and funds.

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

Allowable Fund Expenses

The majority of the revenue recorded by the Fund is utilized for operating expenses or distributed to state and local law enforcement agencies, other federal agencies, and foreign governments, in accordance with the various laws and policies governing the operations and activities of the Fund. Under the TFF Act, the Fund is authorized to pay certain expenses using discretionary or mandatory funding authorities of the Fund.

Discretionary authorities include but may not be limited to: the payment of expenses for the purchase of awards for information or assistance leading to a civil or criminal forfeiture involving any law enforcement bureau participating in the Fund; purchase of evidence or information that meet the criteria set out in 31 USC 9703(a)(2)(B); payment for equipment for vessels, vehicles, or aircraft available for official use as described by 31 USC 9703(a)(2)(D) and (F); reimbursement of private persons for expenses incurred while cooperating with a Treasury law enforcement organization in investigations; publication of the availability of certain awards; and payment for training foreign law enforcement personnel with respect to seizure or forfeiture activities of the Fund. Discretionary expenses are subject to an annual, definite Congressional appropriation from revenue in the Fund.

Expenses from the mandatory authorities of the Fund include but are not limited to: all proper expenses of the seizure, including investigative costs and purchases of evidence and information leading to seizure, holding cost, 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 Public Debt 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.

Earmarked Funds

Earmarked funds 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 27, *Earmarked Funds*, all of the TFF's revenue meets these criteria and constitutes an earmarked fund.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash collected from earmarked funds are 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, 2010 and 2009.
- **Advances** – This primarily represents cash transfers to Treasury or law enforcement bureaus participating in the Fund for orders to be delivered.
- **Cash and Other Monetary Assets** – This includes forfeited currency on hand not yet deposited and forfeited currency held as evidence.

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

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

Additionally, SFFAS No. 3, *Accounting for Inventory and Related Property*, requires certain additional disclosures in the notes to the financial statements, including an analysis of changes in seized and forfeited property and currency, for both carrying value and quantities, from that on hand at the beginning of the year to that on hand at the end of the year. These analyses are disclosed in Notes 8 and 9.

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 2010. The cap was removed by the Fiscal Year 1997 Omnibus Appropriations Act (PL 104-208).
- **Unliquidated Obligations** – This category represents the amount of undelivered purchase orders, contracts and equitable sharing requests which have been obligated with current budget resources or delivered purchase orders and contracts that have not been invoiced. An expense and liability are recognized and the corresponding obligations are reduced as goods are received or services are performed. A portion of the equitable sharing requests that were in final stages of approval are recognized as liabilities at year end. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain liabilities at year end. (See also Distributions Payable at Note 10).
- **Net Results of Operations** – This category represents the net difference, for the activity during the year, between: (i) financing sources including transfers, and revenues; and (ii) expenses.

Note 3: Investments and Related Interest

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

The following schedule presents the investments on hand as of September 30, 2010 and 2009, respectively (dollars in thousands):

Entity Assets

Description.	Cost	Unamortized Discount	Investment, Net
<u>September 30, 2010</u>			
Treasury Forfeiture Fund -			
28 days 0.1150% U.S. Treasury Bills	\$1,383,134	(\$124)	\$1,383,010
Interest Receivable			<u>47</u>
Total Investment, Net, and Interest Receivable			<u>\$1,383,057</u>
Fair Market Value			<u>\$1,383,026</u>
<u>September 30, 2009</u>			
Treasury Forfeiture Fund -			
35 days 0.0350% U.S. Treasury Bills	\$705,338	(\$24)	\$705,314
Interest Receivable			<u>7</u>
Total Investment, Net, and Interest Receivable			<u>\$705,321</u>
Fair Market Value			<u>\$705,305</u>

Non-entity Assets

Description.	Cost	Unamortized Discount	Investment, Net
<u>September 30, 2010</u>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
28 days 0.1150% U.S. Treasury Bills	\$712,918	(\$64)	<u>\$712,854</u>
Fair Market Value			<u>\$712,862</u>
<u>September 30, 2009</u>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.0350% U.S. Treasury Bills	\$522,559	(\$18)	<u>\$522,541</u>
Fair Market Value			<u>\$522,534</u>

Note 4: Analysis of Non-Entity Assets

The following schedule presents the non-entity assets as of September 30, 2010 and 2009, respectively, (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Seized currency:		
Intragovernmental Investments (Note 3)	\$ 712,854	\$ 522,541
Cash and other monetary assets (Note 6)	<u>76,583</u>	<u>76,546</u>
Total Non-Entity Assets	789,437	599,087
Total Entity Assets	<u>1,494,037</u>	<u>807,966</u>
Total Assets	<u>\$ 2,283,474</u>	<u>\$ 1,407,053</u>

Note 5: Advances

Advances amounted to \$266 thousand and \$218 thousand as of September 30, 2010 and 2009, respectively.

Note 6: 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 \$13.6 million and \$18.5 million as of September 30, 2010 and 2009, 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 \$76.6 million and \$76.5 million as of September 30, 2010 and 2009, respectively.

Note 7: Forfeited Property

The following summarizes the components of forfeited property (net), as of September 30, 2010 and 2009, respectively, (dollars in thousands):

	2010	2009
Held for Sale	\$ 64,951	\$ 57,263
To be shared with federal, state or local, or foreign government	1,585	2,215
Total forfeited property (Note 8)	66,536	59,478
Less: Allowance for mortgages and claims	(3,502)	(7,507)
Total forfeited property, net	<u>\$ 63,034</u>	<u>\$ 51,971</u>

Note 8: FY 2010 Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2009 to September 30, 2010. (Dollar value is in thousands.)

	10/1/09 Financial Statement Balance		Adjustments		10/1/09 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$18,188	-	\$-	-	\$18,188	-	\$899,821	-	\$(919,499)	-	\$-	-		
Other Monetary Instruments	309	-	-	-	309	-	852	-	-	-	(50)	-		
Subtotal	18,497	-	-	-	18,497	-	900,673	-	(919,499)	-	(50)	-		
Real Property	47,534	196	22,016	-	69,550	196	36,686	122	(43,647)	(114)	(7,429)	(24)		
General Property	4,958	9,391	18,100	-	23,058	9,391	15,919	20,193	(7,382)	(2,827)	(1,273)	(1,248)		
Vessels	745	62	505	-	1,250	62	2,416	132	(1,775)	(79)	(715)	(9)		
Aircraft	113	6	389	-	502	6	246	10	(295)	(7)	-	-		
Vehicles	6,128	3,284	9,223	-	15,351	3,284	42,005	12,098	(38,641)	(12,034)	(9,099)	(1,173)		
Subtotal	59,478	12,939	50,233	-	109,711	12,939	97,272	32,555	(91,740)	(15,061)	(18,516)	(2,454)		
Grand Total	\$77,975	12,939	\$50,233	-	\$128,208	12,939	\$997,945	32,555	\$(1,011,239)	(15,061)	\$(18,566)	(2,454)		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2010 Carrying Value		Fair Market Value Adjustment		9/30/10 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	-	\$14,052	-	\$(3)	-	\$12,559	-	\$-	-	\$12,559	-
Other Monetary Instruments	-	-	-	-	(41)	-	-	-	1,070	-	-	-	1,070	-
Subtotal	-	-	-	-	14,011	-	(3)	-	13,629	-	-	-	13,629	-
Real Property	-	-	-	-	17,962	43	(79)	-	73,043	223	(24,090)	-	48,953	223
General Property	-	-	(168)	(16,486)	(2,120)	313	(8,139)	-	19,895	9,336	(9,234)	-	10,661	9,336
Vessels	-	-	-	(55)	77	2	(175)	-	1,078	53	(520)	-	558	53
Aircraft	-	-	-	(3)	(129)	(3)	(11)	-	313	3	(164)	-	149	3
Vehicles	-	-	-	(185)	1,810	209	(206)	-	11,220	2,199	(5,005)	-	6,215	2,199
Subtotal	-	-	(168)	(16,729)	17,600	564	(8,610)	-	105,549	11,814	(39,013)	-	66,536	11,814
Grand Total	\$-	-	\$(168)	(16,729)	\$31,611	564	\$(8,613)	-	\$119,178	11,814	\$(39,013)	-	\$80,165	11,814

Note 8 (Cont'd): FY 2009 Analysis of Changes in Forfeited Property and Currency

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2008 to September 30, 2009. (Dollar value is in thousands.)

	10/1/08 Financial Statement Balance		Adjustments		10/1/08 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$15,313	-	\$-	-	\$15,313	-	\$465,101	-	\$(465,881)	-	\$-	-		
Other Monetary Instruments	311	-	-	-	311	-	9,759	-	(9,752)	-	-	-		
Subtotal	15,624	-	-	-	15,624	-	474,860	-	(475,633)	-	-	-		
Real Property	83,293	211	6,233	-	89,526	211	34,650	109	(35,927)	(112)	(13,682)	(27)		
General Property	6,453	7,797	14,790	-	21,243	7,797	19,949	18,341	(10,639)	(1,549)	(1,388)	(1,139)		
Vessels	226	44	253	-	479	44	2,698	138	(1,731)	(77)	(170)	(13)		
Aircraft	343	5	229	-	572	5	1,598	11	(1,774)	(8)	(1,613)	(3)		
Vehicles	6,800	3,114	9,708	-	16,508	3,114	47,202	14,484	(42,876)	(13,766)	(8,007)	(879)		
Subtotal	97,115	11,171	31,213	-	128,328	11,171	106,097	33,083	(92,947)	(15,512)	(24,860)	(2,061)		
Grand Total	\$112,739	11,171	\$31,213	-	\$143,952	11,171	\$580,957	33,083	\$(568,580)	(15,512)	\$(24,860)	(2,061)		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2009 Carrying Value		Fair Market Value Adjustment		9/30/09 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	-	\$3,655	-	\$-	-	\$18,188	-	\$-	-	\$18,188	-
Other Monetary Instruments	-	-	-	-	(9)	-	-	-	309	-	-	-	309	-
Subtotal	-	-	-	-	3,646	-	-	-	18,497	-	-	-	18,497	-
Real Property	-	-	-	-	(4,596)	15	(421)	-	69,550	196	(22,016)	-	47,534	196
General Property	-	-	(116)	(14,534)	2,419	475	(8,410)	-	23,058	9,391	(18,100)	-	4,958	9,391
Vessels	-	-	-	(32)	(15)	2	(11)	-	1,250	62	(505)	-	745	62
Aircraft	-	-	-	(2)	1,719	3	-	-	502	6	(389)	-	113	6
Vehicles	-	-	(15)	(166)	2,737	497	(198)	-	15,351	3,284	(9,223)	-	6,128	3,284
Subtotal	-	-	(131)	(14,734)	2,264	992	(9,040)	-	109,711	12,939	(50,233)	-	59,478	12,939
Grand Total	\$-	-	\$(131)	(14,734)	\$5,910	992	\$(9,040)	-	\$128,208	12,939	\$(50,233)	-	\$77,975	12,939

Note 9: FY 2010 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.)

	9/30/09 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/10 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$585,258	-	\$935,136	-	\$(61,691)	-	\$(899,821)	-	\$219,892	-	\$ (2,674)	-	\$776,100	-
Other Monetary Instruments	13,829	-	2,829	-	(2,000)	-	(852)	-	751	-	(1,220)	-	13,337	-
Subtotal	599,087	-	937,965	-	(63,691)	-	(900,673)	-	220,643	-	(3,894)	-	789,437	-
Real Property	255,834	580	47,552	151	(11,355)	(70)	(36,686)	(122)	(19,967)	(34)	(24,789)	-	210,589	505
General Property	313,578	20,535	187,360	32,129	(74,515)	(4,649)	(15,919)	(20,193)	(25,270)	(5,445)	(108,351)	-	276,883	22,377
Vessels	5,799	107	7,089	242	(3,003)	(39)	(2,416)	(132)	211	(11)	(908)	-	6,772	167
Aircraft	8,247	23	40,894	30	(31,617)	(12)	(246)	(10)	-	(2)	(524)	-	16,754	29
Vehicles	53,756	7,543	83,876	16,220	(44,309)	(5,221)	(42,005)	(12,098)	(4,372)	(686)	(421)	-	46,525	5,758
Subtotal	637,214	28,788	366,771	48,772	(164,799)	(9,991)	(97,272)	(32,555)	(49,398)	(6,178)	(134,993)	-	557,523	28,836
Grand Total	\$1,236,301	28,788	\$1,304,736	48,772	\$(228,490)	(9,991)	\$(997,945)	(32,555)	\$171,245	(6,178)	\$(138,887)	-	\$1,346,960	28,836

Note 9 (Cont'd): FY 2009 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.)

	9/30/08 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/09 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$608,463	-	\$498,987	-	\$(80,112)	-	\$(465,101)	-	\$23,021	-	\$-	-	\$585,258	-
Other Monetary Instruments	12,078	-	3,799	-	(11)	-	(9,759)	-	7,722	-	-	-	13,829	-
Subtotal	620,541	-	502,786	-	(80,123)	-	(474,860)	-	30,743	-	-	-	599,087	-
Real Property	297,813	590	57,553	207	(48,724)	(90)	(34,650)	(109)	(15,915)	(18)	(243)	-	255,834	580
General Property	297,533	18,743	220,793	28,460	(143,548)	(3,744)	(19,949)	(18,341)	(7,923)	(4,583)	(33,328)	-	313,578	20,535
Vessels	7,035	160	5,183	162	(3,421)	(70)	(2,698)	(138)	(49)	(7)	(251)	-	5,799	107
Aircraft	3,241	17	7,811	25	(982)	(6)	(1,598)	(11)	(220)	(2)	(5)	-	8,247	23
Vehicles	55,021	6,996	101,182	20,448	(49,156)	(4,666)	(47,202)	(14,484)	(5,584)	(751)	(505)	-	53,756	7,543
Subtotal	660,643	26,506	392,522	49,302	(245,831)	(8,576)	(106,097)	(33,083)	(29,691)	(5,361)	(34,332)	-	637,214	28,788
Grand Total	\$1,281,184	26,506	\$895,308	49,302	\$(325,954)	(8,576)	\$(580,957)	(33,083)	\$1,052	(5,361)	\$(34,332)	-	\$1,236,301	28,788

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

Distributions Payable (state and local agencies and foreign governments) amounted to \$375.8 million and \$108.4 million as of September 30, 2010 and 2009, 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, 2010 and 2009, respectively. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain to be paid out by the Fund during the following fiscal year.

Note 11: Net Position

Cumulative Results

The following summarizes components of cumulative results as of and for the years ended September 30, 2010 and 2009, respectively, (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Retained Capital	\$ 293,273	\$ 180,326
Unliquidated Obligations	301,240	246,453
Net Results of Operations	<u>391,558</u>	<u>167,734</u>
	<u>\$ 986,071</u>	<u>\$ 594,513</u>

Unliquidated Obligations

The following summarizes the components of unliquidated obligations as of September 30, 2010 and 2009 respectively, (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Equitable Sharing	\$ 52,606	\$ 113,060
Mandatory	<u>248,634</u>	<u>133,393</u>
	<u>\$ 301,240</u>	<u>\$ 246,453</u>

Note 12: Related Party Transactions

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

Note 13: Super Surplus

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

Amounts distributed to other federal agencies for law enforcement activities under “Super Surplus” requirements amounts to \$78.9 million and \$42.8 million in fiscal years 2010 and 2009, respectively.

Note 14: Secretary’s Enforcement Fund

31 USC 9703 (b)(5) is another category of permanent indefinite authority. These funds are available to the Secretary, without further action by Congress and without fiscal year limitation, for federal law enforcement purposes of Treasury law enforcement organizations. The source of Section 9703(b)(5) funds is equitable sharing payments received from the Department of Justice and the U.S. Postal Service (USPS) representing Treasury's share of forfeiture proceeds from Justice and USPS cases.

Amounts distributed for federal law enforcement purposes of Treasury law enforcement organizations amounted to \$2.9 million and \$20.8 million in fiscal years 2010 and 2009, respectively.

Note 15: Commitments and Contingencies

COMMITMENTS

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

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

CONTINGENCIES

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

Note 16: Disclosures Related to the Statements of Net Cost

Gross costs and earned revenue related to Law Enforcement Programs administered by the Fund are presented in Treasury’s budget functional classification (in thousands) as set out below:

	<u>2010</u>	<u>2009</u>
Gross Costs	\$ 168,029	\$ 149,998
Earned Revenues	-	-
Net Costs	<u>\$ 168,029</u>	<u>\$ 149,998</u>

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

Note 17: Disclosures Related to the Statements of Budgetary Resources

The Fund’s net amount of budgetary resources obligated at the end of fiscal years 2010 and 2009 were \$745.7 million and \$406.0 million, respectively. This amount is fully covered by cash on hand in the Fund and Entity Investments. The Fund does not have borrowing or contract authority and, therefore, has no repayment requirements, financing sources for repayment, or other terms of borrowing authority. There are no legal arrangements, outside of normal government wide restrictions, specifically affecting the Fund’s use of unobligated balances of budget authority.

Adjustments to budgetary resources available at the beginning of fiscal years 2010 and 2009 consist of the following (in thousands):

	<u>2010</u>	<u>2009</u>
Recoveries of Prior Year Unpaid Obligations	\$ 49,620	\$ 74,946

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

Note 18: Dedicated Collections

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

Note 19: Payments in Lieu of Forfeiture, Net of Refund

The following summarizes Payments in Lieu of Forfeiture, Net of Refunds as of September 30, 2010 and 2009, respectively, (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Payments in Lieu of Forfeiture	\$ 6,656	\$ 8,169
Refunds	(36,605)	(35,777)
Total	<u>(\$ 29,949)</u>	<u>(\$ 27,608)</u>

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

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

	<u>2010</u>	<u>2009</u>
Resources Used to Finance Activities:		
Budgetary resources obligated		
Obligations incurred	\$ 852,078	\$ 483,585
Less: Spending authority from offsetting		
Collections and recoveries	(49,620)	(74,946)
Net Obligations	<u>802,458</u>	<u>408,639</u>
Other resources		
Transfers – out	<u>(81,795)</u>	<u>(63,602)</u>
Total Resources Used to Finance Activities	<u>720,663</u>	<u>345,037</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	(50,768)	(10,013)
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Mortgages and claims	(4,298)	(3,407)
Refunds	(36,605)	(35,777)
Equitable Sharing (federal, state/local and foreign)	(456,944)	(138,699)
Victim restitution	<u>(4,019)</u>	<u>(7,143)</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(552,634)</u>	<u>(195,039)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>168,029</u>	<u>149,998</u>
Net Cost of Operations	<u>\$ 168,029</u>	<u>\$ 149,998</u>

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SECTION IV
REQUIRED SUPPLEMENTAL INFORMATION
(UNAUDITED)

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Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2010			2009		
	Fund Balance with Treasury	Accounts Receivable/Advances	Investments	Fund Balance with Treasury	Accounts Receivable/Advances	Investments
Treasury	\$ 33,490	\$ -	\$ -	\$ 30,676	\$ -	\$ -
Departmental Offices	-	266	-	\$ -	\$ 218	\$ -
Bureau of Public Debt	-	-	2,095,911	-	-	1,227,862
Totals	<u>\$ 33,490</u>	<u>\$ 266</u>	<u>\$ 2,095,911</u>	<u>\$ 30,676</u>	<u>\$ 218</u>	<u>\$ 1,227,862</u>

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2010 Accounts Payable	2009 Accounts Payable
Department of Justice	\$ 4,205	\$ 2,280
Departmental Offices	1,171	949
Department of Homeland Security	-	10,752
Department of Defense	-	3
Fincen	4,295	1,243
Tax and Trade	470	285
Internal Revenue Service	48,436	25,319
Totals	<u>\$ 58,577</u>	<u>\$ 40,831</u>

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2010		2009	
	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	\$ -	\$ 105,273	\$ -	\$ 90,208

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

Partner Agency	2010		2009	
	In	Out	In	Out
Department of Justice	\$ -	\$ 3,792	\$ -	3,128
Department of Homeland Security	-	36,599	-	32,300
Department of Treasury	-	141	-	563
Internal Revenue Service	-	35,404	-	21,107
Financial Crimes Enforcement Network	-	3,944	-	5,355
Tax and Trade	-	1,122	-	399
Department of Labor	-	300	-	250
Department of Commerce	-	493	-	500
Totals	\$ -	\$ 81,795	\$ -	63,602

SECTION V
OTHER ACCOMPANYING INFORMATION
(UNAUDITED)

TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2010
(Dollars in Thousands)
(Unaudited)

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
Alabama	\$ 1,794	\$ 22
Alaska	-	-
Arizona	298	-
Arkansas	455	-
California	9,463	197
Colorado	318	12
Connecticut	11	-
D.C. Washington	28	-
Delaware	218	-
Florida	11,610	243
Georgia	17,673	67
Guam	-	-
Hawaii	763	35
Idaho	170	-
Illinois	6,362	887
Indiana	705	-
Iowa	117	1
Kansas	293	-
Kentucky	427	33
Louisiana	543	2
Maine	1,605	-
Maryland	1,828	18
Massachusetts	2,956	103
Michigan	1,451	209
Minnesota	213	22
Mississippi	3	-
Missouri	1,335	124
Montana	53	-
Nebraska	-	-
Nevada	841	18
New Jersey	7,810	83
New Hampshire	436	45
New Mexico	16	4
New York	15,724	874
North Carolina	2,583	693
North Dakota	-	-
Ohio	914	56
Oklahoma	22	92
Oregon	902	72
Pennsylvania	3,772	31
Puerto Rico	2,115	6
Rhode Island	98	-
South Carolina	1,766	248
South Dakota	-	-
Tennessee	345	95
Texas	21,741	1,460
Utah	-	-
<i>Subtotal carried forward</i>	<u>\$119,777</u>	<u>\$5,752</u>

TREASURY FORFEITURE FUND
Equitable Sharing Summarized by State and U.S. Territories
For the Year Ended September 30, 2010
(Dollars in Thousands)
(Unaudited)

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
<i>Subtotal brought forward</i>	\$119,777	\$5,752
Vermont	95	114
Virgin Islands	-	-
Virginia	1,386	-
Washington	1,089	437
West Virginia	-	-
Wisconsin	106	76
Wyoming	<u>265</u>	<u>5</u>
Totals	<u>\$122,718</u>	<u>\$6,384</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
\$100,000, Taking More Than 120 Days from Seizure to Deposit in Fund
For the Year Ended September 30, 2010
(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 \$100,000, which were not deposited in the Department of the Treasury Forfeiture Fund within 120 days of the seizure date. There were no administrative seizures over \$100,000 over 120 days old for all bureaus in FY 2010.

TREASURY FORFEITURE FUND
Analysis of Revenue and Expenses and Distributions
For the Year Ended September 30, 2010
(Dollars in Thousands)

Revenue, Expenses and Distributions by Asset Category:

	<u>Revenue</u>	<u>Expenses and Distributions</u>
Vehicles	\$11,314	\$150,737
Vessels	3,143	192,055
Aircraft	3,143	61,873
General Property	10,057	609,591
Real Property	35,199	23,877
Currency and monetary instruments	<u>1,080,392</u>	<u>105,115</u>
	1,143,248	1,143,248
Less:		
Mortgages and claims	(4,298)	(4,298)
Refunds	(36,605)	(36,605)
Add:		
Excess of net revenues and financing sources over total program expenses	<u> --</u>	<u> --</u>
Total	<u>\$1,102,345</u>	<u>\$1,102,345</u>

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

Sales of property and forfeited currency and monetary instruments	679,170	217,216
Reimbursed storage costs	3,115	114,325
Assets shared with state and local agencies	322,887	322,887
Assets shared with other federal agencies	2,327	2,327
Assets shared with foreign countries	131,730	131,730
Victim Restitution	4,019	4,019
Destructions	--	137,190
Pending disposition	<u> --</u>	<u>213,554</u>
	1,143,248	1,143,248
Less:		
Mortgages and claims	(4,298)	(4,298)
Refunds	(36,605)	(36,605)
Add:		
Excess of net revenues and financing sources over total program expenses	<u> --</u>	<u> --</u>
Total	<u>\$1,102,345</u>	<u>\$1,102,345</u>

The revenue amount of \$1,102,345 is from the Statement of Changes in Net Position. This supplemental schedule "Analysis of Revenues, Expenses and Distributions" is required under the Treasury Forfeiture Fund Act of 1992.

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9703(f)
For the Year Ended September 30, 2010
(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, 2010, the Fund had forfeited property held for sale of \$64,951. 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, 2010, there was \$13,629 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 \$122,718 and total property transferred was \$6,384 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, 2009 which became the beginning balance for the Fund on October 1, 2010, as reported in the audited financial statements is \$594,513.

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9703(f)
For the Year Ended September 30, 2010
(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 \$4,298. 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	\$322,887
Foreign countries	131,730
Other federal agencies	2,327
Victim restitution	4,019

- (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 \$168,029.

The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2010, was \$76,583. This amount includes some funds in the process of being deposited at yearend; cash seized in August or September 2010 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 \$580,785 for fiscal year 2010. This excludes \$90,000 in FY 2010 rescinded authority that is classified as "temporary." If this figure is added to the unobligated balances at the end of FY 2010, the figure becomes \$670,785.

TREASURY FORFEITURE FUND
Information Required by 31 U.S.C. 9703(f)
For the Year Ended September 30, 2009
(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	\$125,652	32 seizures
IRS	382,443	107 seizures
U.S. Secret Service	68,072	29 seizures

- (E) The total dollar value of uncontested seizures of monetary instruments having a value of over \$100,000 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 \$0. This is also documented on page 58.

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

The total net position of the Fund at September 30, 2010, as reported in the audited financial statements is \$986,071.

- (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 2010 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 59.

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