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**Treasury Forfeiture Fund  
ACCOUNTABILITY REPORT  
Fiscal Year 2017**

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

*Member of the American Institute of Certified Public Accountants*

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## Message from the Director

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I am pleased to present the fiscal year (FY) 2017 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 2017 was another challenging year with a rescission of \$1.3 billion as part of the Consolidated Appropriations Act of 2017 (P.L. 115-31), with \$314 million of that amount permanently rescinded. Additionally, \$96 million was sequestered as part of the government-wide sequestration order. In terms of overall revenue, FY 2017 was another highly successful year for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with earned revenue of \$508 million deposited to the Fund.

The continued high-impact performance of the Fund reflects the ongoing hard work of our law enforcement bureaus as well as Fund management's emphasis on major case initiatives, asset forfeiture program training and a focused approach regarding our performance measure, which gauges revenue from high-impact cases. The mission of the Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by our law enforcement bureaus to disrupt and dismantle criminal enterprises. It is our view that the greatest damage to criminal enterprises can be achieved through large forfeitures; hence we have set a target level of 80 percent of our forfeitures to be high-impact, i.e., cash forfeitures equal to or greater than \$100,000. This target level is up from 75 percent set for FY 2010 and prior years. For FY 2017, our member bureaus exceeded the target with a performance level of 82 percent.

In FY 2017, the Fund continued prioritizing the support of law enforcement efforts targeting Third Party Money Laundering Networks (3PML). This is a critically important investigative area aimed at dismantling the financial infrastructure of major criminal enterprises. The Fund continues to provide resources to enhance the analytical and operational capabilities of 3PML cases, as well as to their supporting infrastructure. In union with this initiative, the Fund conducted a seminar on 3PML issues in Tampa, FL, specifically for Department of Homeland Security employees consisting of mid-level and front line managers and agents involved in HSI's extensive and continuously growing 3PML initiative. The topics included 3PML typologies involving non-compliant banks and financial institutions, prosecutorial best practices in these types of 3PML cases, and educating the audience on the resources available to member agencies involved in 3PML efforts.

This fiscal year, the Fund was able to provide \$41 million in Strategic Support (SS) funding to its member agencies for their priority initiatives, after two consecutive years without SS due to large rescissions. This funding enabled Treasury Forfeiture Fund agencies to advance their operations and infrastructure by obtaining cutting edge technology, IT systems, and analytical capabilities, especially in such critical and fast-developing areas as computer and mobile forensics, big data analytics, and cyber investigations.

The Treasury Forfeiture Fund continues in its capacity as a successful multi-Departmental Fund representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. Member bureaus include the Internal Revenue Service's Criminal Investigation (IRS-CI), the U.S. Secret Service (USSS), Immigration and Customs Enforcement (ICE), and Customs and Border Protection (CBP). The U.S. Coast Guard (USCG) continues its close working relationship with the legacy Customs bureaus. We look forward to another successful year in FY 2018.

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

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# Treasury Forfeiture Fund

## FY 2017 Management Overview

### Profile of the Treasury Forfeiture Fund

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The Treasury Forfeiture Fund (the Fund) is the receipt account for the deposit of non-tax forfeitures made pursuant to laws enforced or administered by law enforcement bureaus that participate in the Treasury Forfeiture Fund. The Fund was established in October of 1992 as the successor to the Forfeiture Fund of the United States Customs Service. The Fund is a “special receipt account.” This means the Fund can provide money to other federal entities toward the accomplishment of a specific objective for which the recipient bureaus are authorized to spend money and toward other authorized expenses. The use of Fund resources is governed by law, policy and precedent as interpreted and implemented by the Department of the Treasury, which manages the Fund. A key objective for management is the long-term viability of the Fund to ensure that there are ongoing resources to support member-bureau seizure and forfeiture activities well into the future. The emphasis of Fund management is on high impact cases that can do the most damage to criminal infrastructure.

The Treasury Forfeiture Fund continues in its capacity as a multi-Departmental Fund, representing the interests of law enforcement components of the Departments of Treasury and Homeland Security. Our member bureaus include the Internal Revenue Service’s Criminal Investigation (IRS- CI), the U.S. Secret Service, Immigration and Customs Enforcement (ICE), and Customs and Border Protection (CBP). The U.S. Coast Guard continues its close working relationship with the legacy Customs bureaus and functions in a member-bureau capacity.

The Treasury Executive Office for Asset Forfeiture (TEOAF), which provides management oversight of the Fund, falls under the auspices of the Under Secretary for Terrorism and Financial Intelligence. TEOAF’s organizational structure includes the Fund Director, Legal Counsel, and three Assistant Directors for; Financial Management, Policy & Administration, and Strategic Planning. Functional responsibilities are delegated to various team leaders. TEOAF is located in Washington, D.C., and currently has 27 authorized full time equivalent positions.

### Strategic Mission

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

### Strategic Vision

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

## Case Highlights

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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 2017 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*

#### **Guam Construction Company Forfeits \$1,875,407 in Visa Fraud Case**

Information included in the following article is attributed to US Attorney's March 21, 2017 press release titled, *Guam Construction Company Byong Kang Sentenced for Conspiracy to Commit Visa Fraud and Choon Kang Sentenced for Conspiracy to Commit Money Launder*; TEOAF records; and information from the IRS-CI liaison to TEOAF.

On December 29th, 2016, Guam Construction Company ("GCC") criminally forfeited \$1,875,407.12, as a result of a guilty conviction for Conspiracy to Commit Visa Fraud. The investigation was led by the Internal Revenue Service, Criminal Investigations (IRS-CI), but was a joint effort involving local and federal law enforcement, including the Department of Homeland Security - Homeland Security Investigations, the U.S. Department of Labor - Wage & Hour Division, the Guam Department of Labor, and Guam Customs & Quarantine Agency.

The investigation revealed that GCC and its president (Byong Hee Kang) and vice president (Choon Hee Kang) were intentionally misrepresenting the occupations of H-2B visa workers in an effort to fraudulently obtain H-2B visas. After the workers arrived in Guam, Byong Hee Kang caused GCC to employ them in skilled occupations not authorized on their H-2B visas. Additionally, Choon Hee Kang was charged with Conspiracy to Launder Money, which involved financial transactions with visa fraud proceeds.

Shawn N. Anderson, Acting U.S. Attorney for the Districts of Guam and the Northern Mariana Islands, stated, "Maintaining the integrity of the H-2B visa program is vital to our business community. The Department of Justice will continue to prosecute those who seek personal enrichment through dishonest business practices. The forfeiture of nearly \$2 million in visa fraud proceeds is a significant step toward accountability for corporate wrongdoers such as GCC, its President Byong Kang and former Vice President Choon Kang."

In addition to the criminal forfeiture and fines against GCC and the individual defendants, Byong Hee Kang was sentenced to 3 years of probation with 14 months of home detention. Additionally, Choon Hee Kang was sentenced to 3 years of supervised release.

As a result of their instrumental support, twenty percent of the forfeited funds were shared with the Guam Customs and Quarantine Agency.

The case was prosecuted by Stephen F. Leon Guerrero and Belinda Alcantara, Assistant United States Attorneys for the District of Guam.

### ***Customs and Border Protection (CBP)***

#### **Customs and Border Protection Seizes \$289,930 From Bulk Cash Smuggler**

Information included in the following forfeiture article is attributed to: Information provided by the CBP Liaison to TEOAF; TEOAF internal records.

On the morning of December 16, 2016, a Border Patrol Agent assigned to anti-smuggling duties became suspicious of the driver of a vehicle as it traveled down the interstate. The agent observed the driver of the vehicle exhibit behavior consistent with criminal activity. Having probable cause, the agent conducted a stop and the vehicle yielded without incident.

The driver provided the agent with inconsistent statements about his journey and was shaking uncontrollably. Upon gaining consent to search the vehicle from its driver, the agent's canine partner alerted to a plastic paint bucket contained within the trunk. It was discovered that the bucket contained \$290,030. The driver of the vehicle was taken into custody and charged with bulk cash smuggling. After removing a counterfeit \$100 bill, the remaining \$289,930 was forfeited on May 11, 2017.



**Figure 1: Top Left: the plastic bucket used to hide the cash; Top Right: \$290,030 in bulk cash; Lower Left: the trunk encountered by CBP officers; Lower Right: the vehicle used to smuggle the cash.**

#### **Customs and Border Protection Seizes \$618,975 From Bulk Cash Smuggler**

Information included in the following forfeiture article is attributed to: Information provided by the CBP Liaison to TEOAF; TEOAF internal records.

On February 27, 2017, members of the Miami Seaport Anti-Terrorism and Contraband Enforcement Team (A-TCET) and a Hallandale Beach Police Department Currency/Patrol Dog Unit were conducting an outbound vessel search on a ship allegedly heading to Port de Paix, Haiti. Prior to the commencement of the vessel search, each crew member aboard the vessel was asked if he was transporting in excess of \$10,000 USD or foreign equivalent for himself or for someone else.

During the course of the vessel search, a CBP Officer utilized his canine to search the vessel cabin. The CBP Officer received a positive alert at the bunk and drawer area of the cabin from his canine partner. A detailed search of the cabin was conducted and a burlap sack, wrapped in clear tape was found under the bunk. In order to get to the burlap sack, the mattress, plywood support and several drawers needed to be removed. Inside the burlap sack was a carry-on type of luggage and handbag. The luggage and handbag contained \$618,975, which was seized pursuant to Title 31 USC for bulk cash smuggling and evasion of the reporting requirements. The currency was administratively forfeited by CBP on July 6th, 2017.

### **Radiation Scanner Helps Locate Over Two Million in Hidden Cash**

Information included in the following forfeiture article is attributed to: Information provided by the CBP Liaison to TEOAF; TEOAF internal records.

On September 29, 2014, a CBP Officer selected a 2007 Isuzu commercial truck for secondary inspection due to some anomalies on the chassis. The officer had detected the anomalies through the use of a mobile radiation scanner. The driver declared that he was carrying about \$2,800. The currency reporting requirement was explained in his native language, Spanish, and signed by his passenger. After a physical count of the money, a total of \$2,465 was declared as the funds on his possession. CBP officers proceeded to physically inspect the truck in the area with anomalies by off-loading all of the truck's cargo and exposing the selected area. The officers then dismantled the cargo area floor, and discovered 22 bundles containing \$2,041,910 of U.S. currency concealed on the chassis area of the cargo compartment in the truck. A total of \$2,044,375 and was seized for violations of Title 31 USC, bulk cash smuggling, and Title 18 USC, for laundering of monetary instruments.

On October 26, 2016, the United States District Court for the District of Puerto Rico issued a final judicial forfeiture for the forfeiture of the seized currency in the amount of \$2,044,375.

### ***Immigration and Customs Enforcement (ICE) Department of Homeland Security***

#### **Homeland Security Investigations Forfeits \$1,780,801 from Drug Trafficking Organization**

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

In March of 2014, the HSI Philadelphia HIDTA Financial Investigations Group received information about a money laundering and drug trafficking organization (MLO/DTO) run by a U.S. citizen operating in the Philadelphia area. The MLO/DTO was distributing large quantities of marijuana out of Philadelphia

to several large cities on the east coast. The organization used various methods to launder the proceeds of the marijuana sales along the east coast.

During the course of the investigation, agents were able to identify several individuals involved in the transportation of narcotics and U.S. currency, as well as the location of several stash houses in the Philadelphia area. As a result, in November 2014, agents seized \$1,780,801 in bulk cash packed in luggage from two couriers. Search warrants of the stash houses resulted in the seizure of over 900 pounds of marijuana.

The currency was forfeited on October 26, 2016. The leaders of the MLO/DTO have been indicted, and are currently fugitives from justice.



**Figure 2: \$1,780,801 in bulk cash packed in three pieces of luggage, which was seized from two couriers.**

## **Homeland Security Investigations Seizes \$1Million and Airplane From Bulk Cash Smugglers**

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

In March of 2016, Homeland Security Investigations' (HSI) Baltimore office was requested to assist with the investigation of an international narcotics smuggling and money laundering organization (MLO). The MLO was using small aircraft to transport bulk currency and narcotics throughout the United States.

The Baltimore Port Investigations Group received information that a Beech Jet 400 was scheduled to arrive at Martin State Airport, in Middle River, Maryland, and that the plane would be used by couriers to smuggle the cash proceeds of narcotics sales from the Eastern United States. HSI Baltimore established surveillance at the airport and identified the plane when it arrived. Search warrants were obtained from Maryland District Court for the plane and luggage. HSI Baltimore Special Agents and Task Officers subsequently searched the plane, and found \$1,039,205 in bulk currency.

Both the currency and the airplane were seized. The currency was forfeited on November 30th, 2016. A civil lawsuit, motioning for the return of property, has been filed for the Beech Jet 400. Forfeiture of the aircraft depends on the outcome of the lawsuit.



**Figure 3: Bulk currency amounting to \$1,039,205, which was secreted in luggage aboard the aircraft.**



**Figure 4: The Beech Jet 400 utilized by the MLO.**

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

**Secret Service Works with EPA and IRS to Bring Down Biodiesel Fraud Scheme**

Information included in the following forfeiture article is attributed to: June 24th, 2016 DOJ press release entitled, “*Two Florida Men Plead Guilty to Multi-State Biodiesel Fraud Scheme*”; information provided by the USSS Liaison to TEOAF; TEOAF internal records.

On November 7th, 2016, Thomas Davanzo and Robert Fedyna were sentenced in the Middle District of Florida to 121 months and 135 months, respectively, in prison for their involvement in a biodiesel fraud scheme. In addition to Davanzo and Fedyna, four other defendants have been arrested and subsequently entered guilty pleas for their involvement in this scheme. Davanzo and Fedyna defrauded biodiesel buyers and U.S. taxpayers by fraudulently selling biodiesel credits and fraudulently claiming tax credits.

As part of the scheme, Davanzo and Fedyna operated entities that purported to purchase renewable fuel, on which credits had been claimed and which was ineligible for additional credits, produced by their co-conspirators at Gen-X Energy Group (Gen-X), headquartered in Pasco, Washington, and its subsidiary, Southern Resources and Commodities (SRC), located in Dublin, Georgia. They then used a series of false transactions to transform the fuel back into feedstock needed for the production of renewable fuel, and sold it back to Gen-X or SRC, allowing credits to be claimed again. This cycle was repeated multiple times.

In addition, both Davanzo and Fedyna laundered the proceeds of the scheme through various shell entities, for which Davanzo and Fedyna had established bank accounts. Funds were cycled through these shell companies’ bank accounts to perpetuate the fraud scheme and conceal its proceeds.

Davanzo and Fedyna also directed and participated in the generation of false paperwork designed to create the façade that the renewable identification number (or RIN, a serial number used to track biodiesel credits) created and claimed by co-conspirators were legitimate. From March 2013 to March 2014, the

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

On April 14th, 2015, multiple simultaneous search and seizure warrants were conducted at facilities and residences located in Florida, Washington, and Georgia. USSS seized monetary instruments totaling \$1,955,392.53, as well as a number of luxury items, including: two real properties located in Florida valued at \$2,505,500; four horses, four personal vehicles, 264 gold coins, and a 43-foot water vessel.



Figure 5: Defendant's property, including a '43 yacht, F-450 truck, race horse, Range Rover, and a luxury villa.

***Coast Guard  
Department of Homeland Security***

**Coast Guard Cutter Offloads Over 18 Tons of Cocaine**

Information included in the following forfeiture article is attributed to: United States Coast Guard (USCG) news release, dated May 18, 2017, entitled: “*Coast Guard Cutter Hamilton offloads more than 18 tons of cocaine in Port Everglades.*”

On May 18th, 2017, the crew of the Coast Guard Cutter Hamilton offloaded approximately 18.5 tons (16,856 kilograms) of cocaine seized in international waters off the Eastern Pacific Ocean. Based on an estimate of \$29,000 per kilo for wholesale cocaine, the total sum of seized narcotics was worth approximately \$500 million.

The drugs were interdicted along Central and South America by six U.S. Coast Guard cutters and a Royal Canadian Navy ship sailing with an embarked Coast Guard Law Enforcement Detachment (LEDET) team aboard.

The offload represented 20 separate, suspected drug smuggling vessel interdictions by the Coast Guard, Royal Canadian Naval crews and its interagency partners.

“The 18.5 tons of seized cocaine coming off our decks today is the product of partnerships and the collaboration of U.S. Southern Command, Joint Interagency Task Force-South, the Departments of Homeland Security, Defense, State and Justice, the Canadian Navy and many of our international maritime service partners,” said Capt. Scott Clendenin, commanding officer of Coast Guard Cutter Hamilton. “Our efforts to interdict modern maritime smugglers involves intricately choreographed actions of joint, interagency and international operations centers, aircraft and vessels operating in concert against stealthy and well-funded international criminal smuggling organizations.”



**Figure 6: Pallets containing approximately 18.5 tons of seized cocaine.**

The Coast Guard increased U.S. and allied presence in the Eastern Pacific Ocean and Caribbean Basin, which are known drug transit zones off the coasts of Central and South America, as part of its Western Hemisphere interdiction strategy. During at-sea interdictions in international waters, a suspect vessel is initially located and tracked by allied military or law enforcement personnel. The interdictions, including the actual boarding, are led and conducted by U.S. Coast Guardsmen.

The cutter Hamilton is a 418-foot National Security cutter homeported in Charleston, South Carolina.

## **Program and Fund Highlights**

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The Treasury Forfeiture Fund is a “special receipt account.” Such accounts represent federal fund collections earmarked by law for a specific purpose. The enabling legislation for the Treasury Forfeiture Fund (31 U.S.C. § 9705, Public Law 114-22) defines those purposes for which Treasury forfeiture revenue may be used. Once property or cash is seized, there is a forfeiture process. Upon forfeiture, seized currency, initially deposited into a suspense account, or holding account, is transferred to the Fund as forfeited revenue. Once forfeited, physical properties are sold and the proceeds are deposited into the Fund as forfeited revenue. It is this forfeiture revenue that comprises the budget authority for meeting expenses of running Treasury’s forfeiture program.

Expenses of the Fund are set in a relative priority so that unavoidable or “mandatory” costs are met first as a matter of policy. Expenses may not exceed revenue in the Fund. The Fund has several different spending authorities. Each of them is described below.

### *Mandatory Authority*

The mandatory authority items are generally used to meet “business expenses” of the Fund, including expenses of storing and maintaining seized and forfeited assets, valid liens and mortgages, investigative expenses incurred in pursuing a seizure, information and inventory systems, and certain costs of local police agencies incurred in joint law enforcement operations. Following forfeiture, equitable shares are paid to state and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement.

It is a strategic goal of the Fund to emphasize and monitor high impact forfeitures. To make significant forfeitures requires longer, more in-depth investigations. To this end, Fund management emphasizes the use of mandatory funding authorities that fuel large case initiatives. These authorities include the Purchase of Evidence and Information, expenses associated with Joint Operations, Investigative Expenses Leading to Seizure, and Asset Identification and Removal Groups. In recent years, funding provided to computer forensic investigative tools has yielded high impact results.

### *Secretary’s Enforcement Fund*

The Secretary’s Enforcement Fund (SEF) is derived from equitable shares received from the Justice Department’s Forfeiture Fund for work done by law enforcement bureaus participating in the Treasury Forfeiture Fund leading to Justice forfeitures. SEF revenue is available for federal law enforcement purposes of any Treasury law enforcement organization or law enforcement bureau that participates in the Treasury Forfeiture Fund. In FY 2017, the Fund expensed just over \$5.9 million in SEF authority as compared to \$57.4 million in FY 2016, a decrease of \$51.5 million.

### *Strategic Support*

Strategic Support (formerly Super Surplus) represents the remaining unobligated balance after an amount is reserved for Fund operations in the next fiscal year. Strategic Support can be used for any federal law enforcement purpose. In FY 2017, the fund expensed \$39.5 million in Strategic Support authority as compared to transferring in (after returns from prior years) \$0.6 million in FY 2016.

### *Strategic View*

Fund management continues to focus on strategic cases and investigations that result in high-impact forfeitures. We believe this approach affects the greatest damage to criminal organizations while accomplishing the ultimate objective – to disrupt and dismantle criminal activity. Generally, significant forfeitures require longer, more in-depth investigations. To this end, Fund management emphasizes the use of mandatory funding authorities that fuel large case initiatives including Purchase of Evidence and Information, expenses associated with Joint Operations, Investigative Expenses Leading to Seizure, Asset Identification and Removal teams and state-of-the-art Computer Forensics capability.

FY 2017 was a successful revenue year by our member bureaus and was another successful year in equitable share deposits received from the Department of Justice (DOJ) forfeiture fund for forfeitures in which one or more of our member bureaus played a role. Equitable shares received totaled \$14.2 million in FY 2017 as compared to \$60.9 million in FY 2016. In addition, the Fund continues to support record levels of sharing of federal forfeitures with the state and local and foreign governments that contributed to the successful seizure and forfeiture activity of the Fund. The Fund expensed \$67.3 million for state and local and foreign equitable sharing expenses in FY 2017 as compared to \$182.7 million in FY 2016. These are important resources afforded by policy of the Treasury Forfeiture Fund to protect and preserve the valuable working relationships between our federal law enforcement bureaus and the critically important state, local and foreign law enforcement agencies that work with them in an investigative capacity day-in and day-out.

### *Strategic Mission and Goal*

The mission of the Treasury Forfeiture Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus to disrupt and dismantle criminal enterprises. The goal of the Treasury Forfeiture Fund is to support the Department of the Treasury's national asset forfeiture program in a manner that results in federal law enforcement's continued and effective use of asset forfeiture as a high-impact law enforcement sanction to disrupt and dismantle criminal activity. To achieve our mission and goal, the program must be administered in a fiscally responsible manner that seeks to minimize the administrative costs incurred, thereby maximizing the benefits for law enforcement and the society it protects.

### *Multi-Departmental Fund*

The Treasury Forfeiture Fund continued in its capacity as a multi-Departmental Fund in FY 2017, representing the interests of law enforcement components of the Departments of the Treasury and Homeland Security. FY 2017 posed continued management challenges including oversight of significant general property contract expenses associated with an increasingly complex forfeiture program. In addition, commensurate with the successful revenue year, there were significant expenses incurred by the bureaus to run their programs. In the midst of this period of growth and change, the Fund's family of law enforcement bureaus continued their hard work of federal law enforcement and the application of asset forfeiture as a sanction to bring criminals to justice.

FY 2017 was another robust year with regular revenue of \$507.7 million from all sources, as compared with FY 2016 revenue of \$870.0 million. As we enter fiscal year 2018, 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 2017, 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 2017 is as follows:

Performance Measure	FY 2016 Actual	FY 2017 Target	FY 2017 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	89%	80%	82%

A target of 75 percent high-impact cases was set for FY 2010 and prior years since inception of the performance measure in FY 2002. However, for FY 2011, the target was increased to 80 percent, reflecting member bureaus’ prior success in meeting the previous target. This is a fixed target for the Fund designed to afford our law enforcement bureaus the opportunity to undertake smaller seizure activity that is important to the overall federal law enforcement mission. The final percentage for FY 2017 was 82 percent, exceeding the new target set in 2011. This compares with our FY 2015 and FY 2016 performance of 98 percent and 89 percent, respectively.

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

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

## Financial Statement Highlights

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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, 2017.

These statements have been prepared to disclose the financial position of the Fund, its net costs, changes in net position, and budgetary resources, pursuant to the requirements of the *Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 (GMRA)*. While the financial statements have been prepared from the books and records of the Fund in accordance with the formats prescribed by the Office of Management and Budget, the statements are different from the financial reports used to monitor and control budgetary resources that are prepared from the same books and records and are subsequently presented in federal budget documents. Further, the notes to the financial statements and the independent auditor's opinion and reports on internal control over financial reporting, and compliance and other matters are also integral components to understanding fully the financial highlights of Fund operations described in this chapter.

### **Statements: Changes in Net Position**

Follows are brief highlights from the Statements of Changes in Net Position for FY 2017 and 2016.

**Net Position – End of Year.** For FY 2017, the Net Position for the Fund at the end of the year, an indicator of the future capability to support ongoing operations of the Fund, totaled \$2.2 billion versus \$2.6 billion at the end of FY 2016. Both years closed with a strong and viable net position with which to commence the next fiscal year's operations.

**Total Gross Non-Exchange Revenues.** This line item on the *Statements of Changes in Net Position* is the best indicator of regular "business-type" income of the account on an annual basis. For FY 2017, the Fund closed with \$507.7 million in Gross Non-Exchange Revenues and a total of \$870.0 million for FY 2016, reflecting two, highly successful revenue years for the Treasury Forfeiture Fund.

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

As of the close of FY 2017, Treasury Forfeiture Fund bureaus earned a total of \$14.2 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 \$60.9 million during FY 2016. Fund management continues to work with the Department of Justice to identify delays and/or explain downward adjustments to percentages associated with equitable sharing payments owed to the Treasury Forfeiture Fund. This revenue affords Treasury management significant funding flexibilities for our participating agencies as the authority is broad and not confined to funding program costs; it can be used for any law enforcement purpose of our participating bureaus. The allocation of this type of revenue for FY 2016 and FY 2017 was restricted by the need to meet enacted budget rescissions, sequestrations, and permanent reductions.

**Net Cost of Operations.** For FY 2017, the Net Cost of Operations totaled \$221.5 million, up from \$199.5 million in FY 2016.

**Investment Interest Income.** The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2017, investments totaled \$3.1 billion as compared with \$3.5 billion invested as of September 30, 2016. During FY 2017 investment income totaled \$19.1 million, as compared to \$7.6 million in FY 2016.

**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 2017, the Fund shared a total of \$188.9 million with other federal, state and local law enforcement agencies, and another \$2.9 million with foreign countries. This compares with \$210.1 million shared with other federal, state and local law enforcement agencies during FY 2016 and \$33.3 million and with foreign countries.

**Victim Restitution.** During FY 2017, the Fund paid \$77.2 million in restitution to victims as compared to \$47.2 million in FY 2016.

**Summary of Statements of Changes in Net Position.** The Fund closed with a strong net position in FY 2017. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2017 performance with forfeiture revenue earnings of \$507.7 million from all sources, while exceeding the new higher performance measure target rate of high-impact cases, is truly a credit to the dedicated law enforcement personnel of our participating law enforcement bureaus.

### **Statements: Net Cost**

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

On the Statements of Net Cost, the Net Cost of Operations totaled \$221.5 million in FY 2017, up from \$199.5 million in FY 2016.

**Intra-governmental.** This cost category totaled \$154.8 million in FY 2017, up from \$138.2 million in FY 2016. The amounts represent costs incurred by participating bureaus in running their respective forfeiture programs.

**National Seized Property Contracts and Other.** One of the largest program costs of the Fund is the storage, maintenance and disposal of real and personal property. During FY 2017, general property was maintained by AECOM/URS. Real property was maintained by the CWS Asset Management & Sales Group, both contracts of the Department of the Treasury. In FY 2017, expenses of these contracts, which comprised over 99% of the total expenses for this line, including other contracts, totaled \$51.0 million, up from \$47.1 million expensed in FY 2016.

## **Statements: Budgetary Resources**

As of the end of FY 2017, the Fund has estimated future expenditures and commitments of \$418.4 million (reductions) which may need to be paid in future years. These reductions relate to remissions, victim restitution and equitable sharing. These future obligations will be funded from the unobligated balance of \$668.5 million as reported on the SF-133” Report on Budget Execution” for FY 2017. The unobligated balance less reductions would result in \$250.1 million remaining at the end of FY 2017.

## **Balance Sheet**

### **Assets, Liabilities and Net Position**

Total assets of the Fund decreased in FY 2017 to \$4.0 billion, down from \$4.4 billion in FY 2016, a decrease in asset value of 9 percent. If seized currency and other monetary assets, which are assets in the custody of the government but not yet owned by the government, are backed out of both figures, the adjusted total assets of the Fund decreased to \$2.4 billion in FY 2017, down from \$2.8 billion in FY 2016. During FY 2017, total liabilities of the Fund were \$1.7 billion, comparable to the \$1.8 billion in FY 2016. If seized currency and other monetary assets, which are also shown as a liability because they are not yet owned by the government, are backed out of both figures, the adjusted total liabilities of the Fund decreases to \$190.8 million in FY 2017, down from \$254.1 million in FY 2016.

With decreasing asset amounts and decreasing revenue relative to costs, the Cumulative Results of Operations, i.e., retained earnings, decreased at the end of FY 2017 to a total of \$2.2 billion, down from \$2.6 billion at the end of FY 2016.

**Financial and Program Performance - What is needed and planned.** OMB Circular A-136, *Financial Reporting Requirements*, requires that agencies include an explanation of what needs to be done and what is being planned to improve financial or program performance. In this regard, Fund management continues to work closely with member bureaus, through the financial planning process, to review revenue and expense projections during the operating year.

### **Auditor’s Findings**

**FY 2017 Audit.** The Fund’s independent auditors have given the FY 2017 financial statements an Unmodified Opinion with no material weaknesses or significant deficiencies in internal control over financial reporting identified. The auditor’s report on compliance and other matters disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

### **Summary of Financial Statement Highlights**

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**Net Position.** To summarize, Fund management concluded a highly productive FY 2017 “in the black,” with the necessary resources to commence the business of the asset forfeiture program for FY 2018. Even though there was a rescission of \$1.3 billion and a sequestration of \$96.0 million, Fund management was able to declare Strategic Support funding from FY 2017 operations, and will work to recognize the hard work of our participating agencies in the allocation of these resources.

Fund management will continue to work with our large and diverse array of federal law enforcement bureaus as they undertake increasingly sophisticated methods and global efforts to secure the financial and commercial markets of the nation and the world given the interdependence of financial systems. Our bureaus support immigration enforcement that is designed to identify illegal smuggling to deter its impact on the nation's financial infrastructure and to ensure that human smugglers do not harm unsuspecting victims keen on seeking a new if illegal start in the United States. Investigative initiatives intended to interrupt the financial support for terrorism remains a critical part of the work of federal law enforcement. Emphasis will continue to be placed on ever-evolving state-of-the-art investigative techniques, high-impact major case initiatives, and training to support these areas of emphasis. This has and will continue to be the key to the growing success and law enforcement reach of the Treasury Forfeiture Fund.

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

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires agencies to review their programs and activities increasing efforts to recapture improper payments by intensifying and expanding payment recapture audits. All agencies are required to develop a method of reviewing all programs to identify those that are susceptible to significant erroneous payments. "Significant" means that an estimated error rate and a dollar amount exceed the threshold of 1.5 percent of program outlays and \$10 million of total program or activity payments made during the fiscal year reported or \$100 million regardless of the improper payment percentage of total program outlays.

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

The Improper Payments Elimination and Recovery Improvement Act of 2012 requires agencies to incorporate the Do Not Pay Initiative (DNP) to further reduce improper payments. The Fund uses the Death Master File and the System of Award Management as part of a continuous monitoring process and post payment review. During FY 2017 and 2016, the Fund reviewed 15,038 and 15,624 payments totaling \$649.5 million and \$702.2 million respectively, and reports less than .01% of IPERA or DNP reportable improper payments.

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

- The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC § 3515(b).
- While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the U.S.

government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

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**SECTION II**  
**INDEPENDENT AUDITOR'S REPORTS**

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## Independent Auditor's Report on Financial Statements

[www.gkacpa.com](http://www.gkacpa.com)

Inspector General  
U.S. Department of the Treasury  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of the Treasury Forfeiture Fund as of September 30, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2017, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



Washington, DC  
October 31, 2017

## Independent Auditor's Report on Internal Control over Financial Reporting

Inspector General  
U.S. Department of the Treasury  
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, the financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2017.

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

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

### **Purpose of this Report**

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



Washington, DC  
October 31, 2017

## Independent Auditor's Report on Compliance and Other Matters

Inspector General  
U.S. Department of the Treasury  
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, the financial statements of the Department of the Treasury Forfeiture Fund (the Fund), which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2017.

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of the Fund's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 17-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

### Purpose of this Report

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

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

G/A, P.C.

Washington, DC  
October 31, 2017

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**SECTION III**  
**FINANCIAL STATEMENTS AND NOTES**

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**Department of the Treasury Forfeiture Fund**  
**BALANCE SHEETS**  
**As of September 30, 2017 and 2016**  
(Dollars in thousands)

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
<b>Intragovernmental:</b>		
Fund balance with Treasury	\$ 35,607	\$ 36,902
Investments and related interest receivable (Note 3)	<u>3,124,344</u>	<u>3,481,996</u>
<b>Total Intragovernmental</b>	<u>3,159,951</u>	<u>3,518,898</u>
Cash and other monetary assets (Note 5)	743,749	769,268
Accounts Receivable	<u>1,478</u>	<u>891</u>
	<u>745,227</u>	<u>770,159</u>
Forfeited property (Note 6)		
Held for sale, net of mortgages, liens and claims	62,678	88,044
To be shared with federal, state or local, or foreign governments	<u>153</u>	<u>267</u>
<b>Total forfeited property, net of mortgages, liens and claims</b>	<u>62,831</u>	<u>88,311</u>
<b>Total Assets</b>	<u>\$ 3,968,009</u>	<u>\$4,377,368</u>
<b>Liabilities:</b>		
<b>Intragovernmental:</b>		
Accounts payable	<u>\$ 87,782</u>	<u>\$ 81,133</u>
<b>Total Intragovernmental</b>	<u>87,782</u>	<u>81,133</u>
Seized currency and other monetary instruments (Note 8)	1,529,034	1,532,790
Distributions payable (Note 10)		
State and local agencies and foreign governments	32,755	76,321
Accounts payable	7,409	8,369
Deferred revenue from forfeited assets	<u>62,831</u>	<u>88,311</u>
<b>Total Liabilities</b>	<u>1,719,811</u>	<u>1,786,924</u>
Commitments and contingencies (Note 15)	-	-
<b>Net Position:</b>		
Cumulative results of operations (Note 11)	<u>2,248,198</u>	<u>2,590,444</u>
<b>Total Liabilities and Net Position</b>	<u>\$3,968,009</u>	<u>\$4,377,368</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, 2017 and 2016**  
(Dollars in thousands)

	<b>2017</b>	<b>2016</b>
<b>Program:</b>		
<b>ENFORCEMENT</b>		
<b>Intragovernmental:</b>		
Seizure investigative costs and asset management	\$ 99,068	\$ 96,117
Other asset related contract services	8,581	10,239
Data systems, training and others	<u>47,175</u>	<u>31,878</u>
<b>Total Intragovernmental</b>	<u>154,824</u>	<u>138,234</u>
<b>With the Public:</b>		
National contract services seized property and other	51,048	47,147
Joint operations	<u>15,660</u>	<u>14,133</u>
<b>Total with the Public</b>	<u>66,708</u>	<u>61,280</u>
<b>Net Cost of Operations</b>	<u>\$ 221,532</u>	<u>\$ 199,514</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, 2017 and 2016**  
(Dollars in thousands)

	<b>2017</b>	<b>2016</b>
<b>Net Position – Beginning of Year</b>	<u>\$ 2,590,444</u>	<u>\$ 6,067,853</u>
<b>Financing Sources (Non-Exchange Revenues):</b>		
<b>Intragovernmental</b>		
Investment interest income	19,085	7,640
<b>Public</b>		
Forfeited currency and monetary instruments	374,895	697,039
Sales of forfeited property net of mortgages and claims	83,711	76,275
Proceeds from participating with other federal agencies	14,175	60,941
Value of property transferred in equitable sharing	240	2,110
Payments in lieu of forfeiture, net of refunds (Note 19)	8,840	16,922
Reimbursed costs	3,330	5,187
Other	<u>3,466</u>	<u>3,412</u>
<b>Total Gross Non-Exchange Revenues</b>	<u>507,742</u>	<u>869,526</u>
<b>Less: Equitable Sharing</b>		
<b>Intragovernmental</b>		
Federal	<u>(124,595)</u>	<u>(60,772)</u>
<b>Public</b>		
State and local agencies	(64,306)	(149,367)
Foreign countries	(2,953)	(33,298)
Victim restitution	<u>(77,195)</u>	<u>(47,208)</u>
<b>Total Equitable Sharing</b>	<u>(144,454)</u>	<u>(229,873)</u>
<b>Total Equitable Sharing</b>	<u>(269,049)</u>	<u>(290,645)</u>
<b>Total Non-Exchange Revenues, Net</b>	<u>238,693</u>	<u>578,881</u>
<b>Transfers –In (Out)</b>		
<b>Intragovernmental</b>		
Strategic support (Note 13)	(39,497)	640
Secretary’s enforcement fund (Note 14)	(5,910)	(57,416)
Transfer to the general fund (Note 9)	<u>(314,000)</u>	<u>(3,800,000)</u>
<b>Total Transfers Out</b>	<u>(359,407)</u>	<u>(3,856,776)</u>
<b>Total Financing Sources - Net</b>	(120,714)	(3,277,895)
<b>Net Cost of Operations</b>	<u>(221,532)</u>	<u>(199,514)</u>
<b>Net Results of Operations</b>	<u>(342,246)</u>	<u>(3,477,409)</u>
<b>Net Position – End of Year</b>	<u>\$ 2,248,198</u>	<u>\$ 2,590,444</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, 2017 and 2016**  
(Dollars in thousands)

	<b>2017</b>	<b>2016</b>
<b>Budgetary Resources:</b>		
Unobligated balances- beginning of year	\$ 1,034,832	\$ 3,655,752
Recoveries of prior year unpaid obligations	41,094	499,317
Other changes in unobligated balance	<u>528</u>	<u>-</u>
Unobligated balance from prior year budget authority, net	1,076,454	4,155,069
Budget authority	<u>118,303</u>	<u>(2,611,491)</u>
<b>Total Budgetary Resources</b>	<u>\$ 1,194,757</u>	<u>\$ 1,543,578</u>
<b>Status of Budgetary Resources:</b>		
Obligations incurred	<u>\$ 526,228</u>	<u>\$ 508,746</u>
Unobligated balances – apportioned	\$ 557,363	\$ 527,534
Unobligated balances – unapportioned	<u>111,166</u>	<u>507,298</u>
Unobligated balances – end of year (Note 17)	<u>\$ 668,529</u>	<u>\$ 1,034,832</u>
<b>Total Status of Budgetary Resources</b>	<u>\$ 1,194,757</u>	<u>\$ 1,543,578</u>
<b>Change in Obligated Balance:</b>		
Obligated balance, net-beginning of year	\$ 653,177	\$ 1,220,031
Obligations incurred	526,228	508,746
Less: Gross outlays	(578,595)	(576,283)
Less: Recoveries of prior year unpaid obligations, actual	<u>(41,094)</u>	<u>(499,317)</u>
<b>Obligated balance, net – end of year</b>	<u>\$ 559,716</u>	<u>\$ 653,177</u>
<b>Budget Authority and Outlays</b>		
Budget authority, net	<u>\$ 118,303</u>	<u>\$ (2,611,491)</u>
Net outlays	<u>\$ 578,595</u>	<u>\$ 576,283</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 9705. The Fund was created to consolidate all Treasury law enforcement bureaus under a single forfeiture fund program administered by the Department of the Treasury (Treasury). Treasury law enforcement bureaus fully participating in the Fund upon enactment of this legislation were the U.S. Customs Service (Customs); the Internal Revenue Service – Criminal Investigation (IRS-CI); the United States Secret Service (Secret Service); the Bureau of Alcohol, Tobacco and Firearms (ATF); the Financial Crimes Enforcement Network (FinCEN); and the Federal Law Enforcement Training Center (FLETC). FinCEN and FLETC contribute no revenue to the Fund, however in recent years, significant amounts of Strategic Support funds have been allocated to FinCEN towards Bank Secrecy Act (BSA) Information Technology (IT) modernization, a tool used in the fight against money laundering and other criminal activity. The U.S. Coast Guard, formerly part of the Department of Transportation, now part of the Department of Homeland Security (DHS), also participates in the Fund. However, all Coast Guard seizures are treated as Customs seizures because the Coast Guard lacks forfeiture authority.

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

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

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

## **Note 2: Summary of Significant Accounting Policies**

### ***Basis of Accounting and Presentation***

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

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

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

Certain fiscal year 2016 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

### ***Allowable Fund Expenses***

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

Discretionary authorities include but may not be limited to: the payment of expenses for the purchase of awards for information or assistance leading to a civil or criminal forfeiture involving any law enforcement bureau participating in the Fund; purchase of evidence or information that meet the criteria set out in 31 USC 9705(a)(2)(B); payment for equipment for vessels, vehicles, or aircraft available for official use as described by 31 USC 9705(a)(2)(D) and (F); reimbursement of private persons for expenses incurred while cooperating with a Treasury law enforcement organization in investigations; publication of the availability of certain awards; and payment for training foreign law enforcement personnel with respect to seizure or forfeiture activities of the Fund. Discretionary expenses are subject to an annual, definite Congressional appropriation from revenue in the Fund.

Expenses from the mandatory authorities of the Fund include but are not limited to: all proper expenses of the seizure, including investigative costs and purchases of evidence and information leading to seizure, holding costs, security costs, etc., awards of compensation to informers under section 619 of the Tariff Act (19 USC 1619); satisfaction of liens against the forfeited property, and

claims of parties with interest in forfeited property; expenses incurred by state and local law enforcement agencies in joint law enforcement operations with law enforcement agencies participating in the Fund; and equitable sharing payments made to state and local law enforcement agencies in recognition of their efforts in a Fund seizure leading to forfeiture. These mandatory expenses are paid pursuant to the permanent indefinite authorities of the Fund; are only limited by revenue in the Fund each year and do not require additional Congressional action for expenditure.

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

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

### ***Revenue and Expense Recognition***

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

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

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

### ***Funds from Dedicated Collections***

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

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash collected from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes.

Treasury securities are issued to the TFF as evidence of its receipts. Treasury securities are an asset to the TFF and a liability to the U.S. Treasury. Because the TFF and U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

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

### ***Equitable Sharing (Assets Distributed)***

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

### ***Entity Assets***

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

- **Fund Balance with Treasury** – This represents amounts on deposit with Treasury.
- **Investments and Related Interest Receivable** – This includes forfeited cash held by the Fund and seized currency held in the Customs Suspense Account that had been invested in short term U.S. Government Securities.
- **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, 2017 and 2016.

- **Advances** – This primarily represents cash transfers to Treasury or law enforcement bureaus participating in the Fund for orders to be delivered.
- **Cash and Other Monetary Assets** – This includes forfeited currency on hand not yet deposited and forfeited currency held as evidence.
- **Forfeited Property and Currency** – Forfeited property and currency is recorded in the respective seized property and forfeited asset tracking systems at the estimated fair value at the time of seizure. However, based on historical sales experiences for the year, properties are adjusted to reflect the market value at the end of the fiscal year for financial statement reporting purposes. Direct and indirect holding costs are not capitalized for individual forfeited assets. Forfeited currency not deposited into the Fund is included as part of Entity Assets - Cash and Other Monetary Assets.

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

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

#### ***Non-entity Assets***

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

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

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

- **Investments and Related Interest Receivable** – This balance includes seized cash on deposit in the Fund’s suspense account held by Treasury, which has been invested in short term U.S. Government Securities.
- **Cash and Other Monetary Assets** – This balance represents the aggregate amount of the Fund’s seized currency on deposit in the Fund’s suspense account held by Treasury, seized cash on deposit held with other financial institutions and, cash on hand in vaults held at field office locations.

#### *Liabilities Covered by Budgetary Resources*

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

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

#### *Liabilities Not Covered by Budgetary Resources*

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

#### *Net Position*

The components of net position are classified as follows:

- **Retained Capital** – There is no cap on amounts that the Fund can carry forward into Fiscal Year 2018. The cap was removed by the Fiscal Year 1997 Omnibus Appropriations Act (PL 104-208).
- **Unliquidated Obligations** – This category represents the amount of undelivered purchase orders, contracts and equitable sharing requests which have been obligated with current budget resources or delivered purchase orders and contracts that have not been invoiced. An expense and liability are recognized and the corresponding obligations are reduced as goods are received or services are performed. A portion of the equitable sharing requests that were in final stages of approval are recognized as liabilities at year end. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain liabilities at year end. (See also Distributions Payable at Note 10).

- **Net Results of Operations** – This category represents the net difference, for the activity during the year, between: (i) financing sources including transfers, and revenues; and (ii) expenses.

**Note 3: Investments and Related Interest Receivable**

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

The following schedule presents the investments on hand as of September 30, 2017 and 2016, respectively (dollars in thousands):

**Entity Assets**

Description	Cost	Unamortized Discount	Investment, Net
<b><u>September 30, 2017</u></b>			
Treasury Forfeiture Fund -			
28 days 0.9550% U.S. Treasury Bills	\$2,237,149	(\$1,662)	\$2,235,487
Interest Receivable			<u>162</u>
Total Investment, Net, and Interest Receivable			<u>\$2,235,649</u>
Fair Market Value			<u>\$2,235,747</u>
<b><u>September 30, 2016</u></b>			
Treasury Forfeiture Fund -			
28 days 0.0950% U.S. Treasury Bills	\$2,690,433	(\$199)	\$2,690,234
Interest Receivable			<u>9</u>
Total Investment, Net, and Interest Receivable			<u>\$2,690,243</u>
Fair Market Value			<u>\$2,690,092</u>

<b>Description</b>	<b>Cost</b>	<b>Unamortized Discount</b>	<b>Investment, Net</b>
<b><u>September 30, 2017</u></b>			
Treasury Forfeiture Fund -			
27 days 0.9450% U.S. Treasury Bills	\$80,057	(\$57)	\$80,000
Interest Receivable			<u>2</u>
Total Investment, Net, and Interest Receivable			<u>\$80,002</u>
Fair Market Value			<u>\$80,007</u>

**September 30, 2016**

Not Applicable. This account did not exist.

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**Non-entity Assets**

<b>Description</b>	<b>Cost</b>	<b>Unamortized Discount</b>	<b>Investment, Net</b>
<b><u>September 30, 2017</u></b>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
28 days 0.9550% U.S. Treasury Bills	\$809,294	(\$601)	<u>\$808,693</u>
Fair Market Value			<u>\$808,787</u>
<b><u>September 30, 2016</u></b>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
28 days 0.0950% U.S. Treasury Bills	\$791,812	(\$59)	<u>\$ 791,753</u>
Fair Market Value			<u>\$ 791,711</u>

#### **Note 4: Analysis of Non-Entity Assets**

The following schedule presents the non-entity assets as of September 30, 2017 and 2016, respectively (dollars in thousands):

	<u>2017</u>	<u>2016</u>
<b>Seized currency:</b>		
Intragovernmental Investments (Note 3)	\$ 808,693	\$ 791,753
Cash and other monetary assets (Note 5)	720,341	741,037
<b>Total Non-Entity Assets</b>	1,529,034	1,532,790
<b>Total Entity Assets</b>	2,438,975	2,844,578
<b>Total Assets</b>	<u>\$ 3,968,009</u>	<u>\$ 4,377,368</u>

#### **Note 5: Cash and Other Monetary Assets**

##### **Entity Assets**

Cash and Other Monetary Assets held on hand included forfeited currency not yet deposited, as well as forfeited currency held as evidence, amounting to \$23.4 million and \$28.2 million as of September 30, 2017 and 2016, 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 \$720.3 million and \$741.0 million as of September 30, 2017 and 2016, respectively.

#### **Note 6: Forfeited Property/Deferred Revenue**

The following summarizes the components of forfeited property (net), as of September 30, 2017 and 2016, respectively (dollars in thousands):

	<u>2017</u>	<u>2016</u>
Held for sale	\$ 67,670	\$ 93,771
To be shared with federal, State or local, or foreign government	153	267
Total forfeited property (Note 7)	67,823	94,038
Less: Allowance for liens and claims	(4,992)	(5,727)
<b>Total forfeited property, net</b>	<u>\$ 62,831</u>	<u>\$ 88,311</u>

**Note 7: Analysis of Changes in Forfeited Property and Currency**

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

	10/1/16 Financial Statement Balance		Adjustments		10/1/16 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$17,152	-	\$-	-	\$17,152	-	\$353,185	-	\$(381,016)	-	\$-	-		
Other Monetary Instruments	11,079	-	-	-	11,079	-	1,836	-	(1,811)	-	(25)	-		
<b>Subtotal</b>	<b>28,231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,231</b>	<b>-</b>	<b>355,021</b>	<b>-</b>	<b>(382,827)</b>	<b>-</b>	<b>(25)</b>	<b>-</b>		
Real Property	36,698	255	17,679	-	54,377	255	34,376	132	(44,453)	(194)	-	-		
General Property	46,946	20,636	51,400	-	98,346	20,636	14,352	21,574	(44,341)	(3,467)	(1,354)	(1,308)		
Vessels	1,043	95	859	-	1,902	95	896	114	(452)	(32)	(73)	(2)		
Aircraft	454	8	1,479	-	1,933	8	1,133	11	(3,215)	(8)	-	-		
Vehicles	8,897	2,159	7,654	-	16,551	2,159	29,565	7,811	(20,880)	(5,983)	(6,079)	(942)		
<b>Subtotal</b>	<b>94,038</b>	<b>23,153</b>	<b>79,071</b>	<b>-</b>	<b>173,109</b>	<b>23,153</b>	<b>80,322</b>	<b>29,642</b>	<b>(113,341)</b>	<b>(9,684)</b>	<b>(7,506)</b>	<b>(2,252)</b>		
<b>Grand Total</b>	<b>\$122,269</b>	<b>23,153</b>	<b>\$79,071</b>	<b>-</b>	<b>\$201,340</b>	<b>23,153</b>	<b>\$435,343</b>	<b>29,642</b>	<b>\$(496,168)</b>	<b>(9,684)</b>	<b>\$(7,531)</b>	<b>(2,252)</b>		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2017 Carrying Value		Fair Market Value Adjustment		9/30/17 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	-	\$24,995	-	\$(1,987)	-	\$12,329	-	\$-	-	\$12,329	-
Other Monetary Instruments	-	-	-	-	-	-	-	-	11,079	-	-	-	11,079	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,995</b>	<b>-</b>	<b>(1,987)</b>	<b>-</b>	<b>23,408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,408</b>	<b>-</b>
Real Property	-	-	-	(1)	6,803	25	515	-	51,618	217	(6,790)	-	44,828	217
General Property	-	-	(378)	(20,628)	(6,274)	(27)	(9,450)	-	50,901	16,780	(38,582)	-	12,319	16,780
Vessels	-	-	-	(53)	(617)	(3)	(179)	-	1,477	119	(171)	-	1,306	119
Aircraft	-	-	-	(1)	1,292	(2)	(51)	-	1,092	8	(279)	-	813	8
Vehicles	-	-	(35)	(612)	(681)	177	(321)	-	18,120	2,610	(9,563)	-	8,557	2,610
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>(413)</b>	<b>(21,295)</b>	<b>523</b>	<b>170</b>	<b>(9,486)</b>	<b>-</b>	<b>123,208</b>	<b>19,734</b>	<b>(55,385)</b>	<b>-</b>	<b>67,823</b>	<b>19,734</b>
<b>Grand Total</b>	<b>\$-</b>	<b>-</b>	<b>\$(413)</b>	<b>(21,295)</b>	<b>\$25,518</b>	<b>170</b>	<b>\$(11,473)</b>	<b>-</b>	<b>\$146,616</b>	<b>19,734</b>	<b>\$(55,385)</b>	<b>-</b>	<b>\$91,231</b>	<b>19,734</b>

**Note 7: Analysis of Changes in Forfeited Property and Currency (Continued)**

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2015 to September 30, 2016. (Dollar value is in thousands)

	10/1/15 Financial Statement Balance		Adjustments		10/1/15 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$24,993	-	\$-	-	\$24,993	-	\$678,689	-	\$(719,087)	-	\$-	-		
Other Monetary Instruments	11,090	-	-	-	11,090	-	12	-	(430)	-	-	-		
<b>Subtotal</b>	<b>36,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,083</b>	<b>-</b>	<b>678,701</b>	<b>-</b>	<b>(719,517)</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Real Property	55,374	299	10,391	-	65,765	299	34,557	166	(54,274)	(227)	(2,419)	(7)		
General Property	23,748	21,037	47,371	-	71,119	21,037	64,976	23,361	(22,168)	(2,757)	(2,764)	(1,107)		
Vessels	969	101	971	-	1,940	101	1,860	132	(1,526)	(80)	(149)	(4)		
Aircraft	215	3	102	-	317	3	2,308	11	(802)	(6)	(1)	(2)		
Vehicles	8,613	2,020	6,751	-	15,364	2,020	33,973	8,216	(25,674)	(6,870)	(6,127)	(1,267)		
<b>Subtotal</b>	<b>88,919</b>	<b>23,460</b>	<b>65,586</b>	<b>-</b>	<b>154,505</b>	<b>23,460</b>	<b>137,674</b>	<b>31,886</b>	<b>(104,444)</b>	<b>(9,940)</b>	<b>(11,460)</b>	<b>(2,387)</b>		
<b>Grand Total</b>	<b>\$125,002</b>	<b>23,460</b>	<b>\$65,586</b>	<b>-</b>	<b>\$190,588</b>	<b>23,460</b>	<b>\$816,375</b>	<b>31,886</b>	<b>\$(823,961)</b>	<b>(9,940)</b>	<b>\$(11,460)</b>	<b>(2,387)</b>		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2016 Carrying Value		Fair Market Value Adjustment		9/30/16 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	-	\$34,713	-	\$(2,156)	-	\$17,152	-	\$-	-	\$17,152	-
Other Monetary Instruments	-	-	-	-	408	-	(1)	-	11,079	-	-	-	11,079	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,121</b>	<b>-</b>	<b>(2,157)</b>	<b>-</b>	<b>28,231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,231</b>	<b>-</b>
Real Property	-	-	-	-	10,738	24	10	-	54,377	255	(17,679)	-	36,698	255
General Property	-	-	(342)	(19,569)	169	(329)	(12,644)	-	98,346	20,636	(51,400)	-	46,946	20,636
Vessels	-	-	-	(49)	(107)	(5)	(116)	-	1,902	95	(859)	-	1,043	95
Aircraft	-	-	-	-	218	2	(107)	-	1,933	8	(1,479)	-	454	8
Vehicles	-	-	(2)	(239)	(291)	299	(692)	-	16,551	2,159	(7,654)	-	8,897	2,159
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>(344)</b>	<b>(19,857)</b>	<b>10,727</b>	<b>(9)</b>	<b>(13,549)</b>	<b>-</b>	<b>173,109</b>	<b>23,153</b>	<b>(79,071)</b>	<b>-</b>	<b>94,038</b>	<b>23,153</b>
<b>Grand Total</b>	<b>\$-</b>	<b>-</b>	<b>\$(344)</b>	<b>(19,857)</b>	<b>\$45,848</b>	<b>(9)</b>	<b>\$(15,706)</b>	<b>-</b>	<b>\$201,340</b>	<b>23,153</b>	<b>\$(79,071)</b>	<b>-</b>	<b>\$122,269</b>	<b>23,153</b>

**Note 8: Analysis of Changes in Seized Property and Currency**

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

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

**Note 8: Analysis of Changes in Seized Property and Currency (Continued)**

Seized property and currency result primarily from enforcement activities. Seized property is not legally owned by the Fund until judicially or administratively forfeited. Because of the fungible nature of currency and the high level of control necessary over these assets and the possibility that these monies may be returned to their owners in lieu of forfeiture, seized currency is reported as a custodial asset upon seizure. Seized property other than currency is reported as a custodial asset upon forfeiture. The following schedule presents the changes in the seized property and currency balances from October 1, 2015 to September 30, 2016. (Dollar value is in thousands)

	9/30/15 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/16 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$1,558,930	-	\$811,594	-	\$(144,702)	-	\$(678,689)	-	\$(25,795)	-	\$(2,751)	-	\$1,518,587	-
Other Monetary Instruments	4,576	-	10,535	-	-	-	(12)	-	(896)	-	-	-	14,203	-
<b>Subtotal</b>	<b>1,563,506</b>	<b>-</b>	<b>822,129</b>	<b>-</b>	<b>(144,702)</b>	<b>-</b>	<b>(678,701)</b>	<b>-</b>	<b>(26,691)</b>	<b>-</b>	<b>(2,751)</b>	<b>-</b>	<b>1,532,790</b>	<b>-</b>
Real Property	205,751	641	98,860	187	(46,536)	(78)	(34,557)	(166)	10,949	(12)	(11,880)	-	222,587	572
General Property	308,430	28,269	62,237	34,094	(21,342)	(5,921)	(64,976)	(23,361)	(5,358)	(3,626)	(6,158)	-	272,833	29,455
Vessels	5,247	128	3,885	143	(767)	(19)	(1,860)	(132)	(72)	(8)	(1,083)	-	5,350	112
Aircraft	13,610	39	12,221	15	(4,106)	(10)	(2,308)	(11)	(520)	(3)	12	-	18,909	30
Vehicles	54,185	4,683	85,713	12,663	(56,005)	(3,946)	(33,973)	(8,216)	(2,128)	(474)	(739)	-	47,053	4,710
<b>Subtotal</b>	<b>587,223</b>	<b>33,760</b>	<b>262,916</b>	<b>47,102</b>	<b>(128,756)</b>	<b>(9,974)</b>	<b>(137,674)</b>	<b>(31,886)</b>	<b>2,871</b>	<b>(4,123)</b>	<b>(19,848)</b>	<b>-</b>	<b>566,732</b>	<b>34,879</b>
<b>Grand Total</b>	<b>\$2,150,729</b>	<b>33,760</b>	<b>\$1,085,045</b>	<b>47,102</b>	<b>\$(273,458)</b>	<b>(9,974)</b>	<b>\$(816,375)</b>	<b>(31,886)</b>	<b>\$(23,820)</b>	<b>(4,123)</b>	<b>(22,599)</b>	<b>-</b>	<b>\$2,099,522</b>	<b>34,879</b>

## **Note 9: Permanent Reduction/Transfer to the General Fund**

The unobligated balance is usually available to cover costs related to seizures and forfeitures and certain other law enforcement activities. The Consolidated Appropriations Act of 2017 permanently cancelled \$314 million. This permanent reduction or cancellation means that the amount will never be used for its intended purposes. The cancelled funds were transferred to the General Fund on May 25, 2017. In fiscal year 2016, the Consolidated Appropriations Act of 2016 permanently cancelled \$3.8 billion. The cancelled funds were transferred to the General Fund on March 30, 2016.

## **Note 10: Distributions Payable**

Distributions Payable (state and local agencies and foreign governments) amounted to \$32.8 million and \$76.3 million as of September 30, 2017 and 2016, 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, 2017 and 2016, respectively. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain to be paid out by the Fund during the following fiscal year.

## **Note 11: Net Position**

### *Cumulative Results of Operations*

The following summarizes components of cumulative results of operations as of September 30, 2017 and 2016, respectively (dollars in thousands):

	<b>2017</b>	<b>2016</b>
Retained Capital	\$ 2,158,651	\$ 5,580,205
Unliquidated Obligations	431,793	487,648
Net Results of Operations	(342,246)	(3,477,409)
	<u>\$ 2,248,198</u>	<u>\$ 2,590,444</u>

### *Unliquidated Obligations*

The following summarizes the components of unliquidated obligations as of September 30, 2017 and 2016 respectively (dollars in thousands):

	<b>2017</b>	<b>2016</b>
Equitable Sharing	\$ 210,405	\$ 252,675
Mandatory	221,388	234,973
	<u>\$ 431,793</u>	<u>\$ 487,648</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: Strategic Support**

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

Amounts distributed to other federal agencies for law enforcement activities under “Strategic Support” requirements amounts to \$39.5 million in fiscal year 2017. In fiscal year 2016, the Fund reported a Transfer-In of \$0.6 million from other federal agencies.

The following summarizes Strategic Support payments, net of Transfers-In as of September 30, 2017 and 2016, respectively, (dollars in thousands):

	<u>2017</u>	<u>2016</u>
Transfers - Out	\$ (39,537)	\$ (1,054)
Transfers - In	40	1,694
Total	<u>\$ (39,497)</u>	<u>\$ 640</u>

**Note 14: Secretary’s Enforcement Fund**

31 USC 9705(b)(5) is another category of permanent indefinite authority. These funds are available to the Secretary, without further action by Congress and without fiscal year limitation, for federal law enforcement purposes of Treasury law enforcement organizations. The source of Section 9705(b)(5) funds is equitable sharing payments received from the Department of Justice and the U.S. Postal Service (USPS) representing Treasury's share of forfeiture proceeds from Justice and USPS cases.

Amounts distributed for federal law enforcement purposes of Treasury law enforcement organizations amounted to \$5.9 million and \$57.4 million in fiscal years 2017 and 2016, respectively.

The following summarizes Secretary’s Enforcement Fund payments, net of Transfers-In as of September 30, 2017 and 2016, respectively, (dollars in thousands):

	<u>2017</u>	<u>2016</u>
Transfers - Out	\$ (7,015)	\$ (57,828)
Transfers - In	1,105	412
Total	<u>\$ (5,910)</u>	<u>\$ (57,416)</u>

**Note 15: Commitments and Contingencies**

**COMMITMENTS**

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

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

As a result of an October 2014 policy change and a series of recent Congressional hearings, on June 17, 2016, the Fund mailed several hundred letters to parties who received notice of administrative and judicial forfeitures in certain structuring forfeiture cases that occurred from approximately October 2009 to the time of the policy change when such cases ceased. The letters offer these parties a chance to file petitions for remission or mitigation for the money that was previously forfeited.

The petitions filed to date total approximately \$38.4 million, of which \$10.7 million were granted and paid in FY 2017. During 2017, \$14.1 million of these petitions were denied, closed out, or withdrawn. The remaining \$13.6 million are now being reported as commitments.

The forfeitures were all deposited into the Fund in prior fiscal years and disposed of according to law. The Fund plans to reserve sufficient funding from current or future fiscal years to cover any granted petitions. It is anticipated that the Fund will be asked to pay any granted petitions or mitigations on a rolling basis, i.e., as they are granted.

## CONTINGENCIES

As of September 30, 2017, the Fund had future expenditures of \$404.8 million (see Note 17) for refunds and equitable sharing matters, which are reasonably estimable. The future expenditures are based upon the best estimate of costs to be incurred for refunds in light of the progress made by seizing agencies and the relevant United States Attorney's Offices in achieving a resolution to forfeitures. Additionally, part of the amount will soon be equitably shared with the Department of Justice pursuant to a long-standing memorandum of agreement.

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

### **Note 16: Disclosures Related to the Statements of Net Cost**

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

	<u>2017</u>	<u>2016</u>
Gross Costs	\$ 221,532	\$ 199,514
Earned Revenues	-	-
Net Costs	<u>\$ 221,532</u>	<u>\$ 199,514</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 2017 and 2016 were \$559.7 million and \$653.2 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 2017 and 2016 consist of the following (in thousands):

	<u>2017</u>	<u>2016</u>
Recoveries of Prior Year Unpaid Obligations	\$ 41,094	\$ 499,317
Other Changes in Unobligated Balance	528	-
Total	<u>\$ 41,622</u>	<u>\$ 499,317</u>

The Fund was required to change its methodology for recognizing remissions and equitable sharing obligations beginning in FY 2016. Under the newly adopted method, an obligation for refunds or remissions will be created only upon receipt of a Ruling Letter from the Department of Justice for judicial forfeiture cases or from Fund member agencies for administrative forfeitures. Additionally, obligations related to equitable sharing will be recognized upon TEOAF’s approval of Fund member agencies’ request for transfers and related distribution percentages and amounts on the Decision Form. Consequently, the Fund has future expenditures and commitments from remissions and equitable sharing that will be funded from the September 30, 2017 unobligated balance.

The following shows anticipated reductions to the unobligated balances of budget authority resulting from these future expenditures and commitments for fiscal years 2017 and 2016.

The change in the methodology for recognizing remissions and equitable sharing obligations was accounted for as a change in accounting estimate on a prospective basis effective October 1, 2015 (See Note 15).

	<u>2017</u>	<u>2016</u>
Unobligated balance	\$ 668,529	\$ 1,034,832
Future expenditures (Note 15):		
Refund and remissions	(344,498)	(301,921)
Equitable sharing	(60,283)	(143,500)
Total future expenditures	(404,781)	(445,421)
Commitments (Note 15)	(13,633)	(40,000)
Total reductions to unobligated balance	<u>(418,414)</u>	<u>(485,421)</u>
Unobligated balance net of future expenditures, and commitments	<u>\$ 250,115</u>	<u>\$ 549,411</u>

**Note 18: Dedicated Collections**

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

**Note 19: Payments in Lieu of Forfeiture, Net of Refunds**

The following summarizes Payments in Lieu of Forfeiture, Net of Refunds as of September 30, 2017 and 2016, respectively (dollars in thousands):

	<u>2017</u>	<u>2016</u>
Payments in Lieu of Forfeiture	\$ 11,104	\$ 22,704
Refunds	(2,264)	(5,782)
Total	<u>\$ 8,840</u>	<u>\$ 16,922</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 (in thousands).

	<u>2017</u>	<u>2016</u>
<b>Resources Used to Finance Activities:</b>		
Budgetary resources obligated		
Obligations incurred	\$ 526,228	\$ 508,746
Less: Spending authority from offsetting		
Collections and recoveries	(41,622)	(499,317)
Net Obligations	484,606	9,429
Other resources		
Transfers – out	(359,407)	(3,856,776)
<b>Total Resources Used to Finance Activities</b>	<u>125,199</u>	<u>(3,847,347)</u>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	370,096	4,346,184
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Mortgages and claims	(2,450)	(2,896)
Refunds	(2,264)	(5,782)
Equitable Sharing (federal, state/local and foreign)	(191,854)	(243,437)
Victim restitution	(77,195)	(47,208)
<b>Total Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<u>96,333</u>	<u>4,046,861</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<u>221,532</u>	<u>199,514</u>
<b>Net Cost of Operations</b>	<u>\$ 221,532</u>	<u>\$ 199,514</u>

**SECTION IV**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**(UNAUDITED)**

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Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2017		2016	
	Fund Balance with Treasury	Investments	Fund Balance with Treasury	Investments
Treasury	\$ 35,607	\$ -	\$ 36,902	\$ -
Bureau of the Fiscal Service	-	3,124,344	-	3,481,996
Totals	<u>\$ 35,607</u>	<u>\$ 3,124,344</u>	<u>\$ 36,902</u>	<u>\$ 3,481,996</u>

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2017 Accounts Payable	2016 Accounts Payable
Department of Justice	\$ 6,309	\$ 3,285
Department of Homeland Security	59,921	57,333
Departmental Offices	2,888	6,185
Treasury Office of the Inspector General	131	127
FinCen	-	90
Tax and Trade	348	110
Treasury Franchise Fund	90	-
Internal Revenue Service	18,095	14,003
Totals	<u>\$ 87,782</u>	<u>\$ 81,133</u>

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2017		2016	
	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	\$ -	\$ 154,824	\$ -	\$ 138,234

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

Partner Agency	2017			2016		
	Transfers In	Transfers Out	Net Transfers In (Out)	Transfers In	Transfers Out	Net Transfers In (Out)
Department of Homeland Security	\$ 23	\$ (29,816)	\$ (29,793)	\$ 1,321	\$ (39,759)	\$ (38,438)
Internal Revenue Service	1,121	(16,513)	(15,392)	785	(19,113)	(18,328)
Financial Crimes Enforcement Network	-	-	-	-	(10)	(10)
Tax and Trade	-	(200)	(200)	-	-	-
Department of Defense	-	(22)	(22)	-	-	-
General Fund	-	(314,000)	(314,000)	-	(3,800,000)	(3,800,000)
	<u>\$ 1,144</u>	<u>(\$360,551)</u>	<u>(\$359,407)</u>	<u>\$ 2,106</u>	<u>(\$ 3,858,882)</u>	<u>(\$3,856,776)</u>

**SECTION V**  
**OTHER ACCOMPANYING INFORMATION**  
**(UNAUDITED)**

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**TREASURY FORFEITURE FUND**  
**Equitable Sharing Summarized by State and U.S. Territories**  
**For the Year Ended September 30, 2017**  
**(Dollars in Thousands)**  
**(Unaudited)**

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
Alabama	\$ 490	\$ -
Alaska	6	-
Arizona	238	2
Arkansas	330	6
California	8,149	146
Colorado	176	140
Connecticut	311	-
D.C. Washington	77	-
Delaware	66	-
Florida	2,579	595
Georgia	4,590	-
Guam	7	-
Hawaii	130	-
Idaho	74	65
Illinois	5,107	161
Indiana	844	3
Iowa	51	-
Kansas	7	-
Kentucky	346	-
Louisiana	34	-
Maine	1,096	3
Maryland	1,317	3
Massachusetts	1,942	81
Michigan	234	99
Minnesota	2,667	6
Mississippi	210	-
Missouri	430	-
Montana	43	-
Nebraska	591	14
Nevada	2,149	14
New Jersey	1,018	1,001
New Hampshire	1	-
New Mexico	-	-
New York	14,030	3,071
North Carolina	1,915	-
North Dakota	-	-
Ohio	806	28
Oklahoma	764	670
Oregon	595	102
Pennsylvania	1,271	100
Puerto Rico	211	-
Rhode Island	43	-
South Carolina	1,317	3
South Dakota	60	-
Tennessee	484	-
Texas	4,223	1,294
Utah	825	276
<i>Subtotal carried forward</i>	<u>\$ 61,854</u>	<u>\$ 7,883</u>

**TREASURY FORFEITURE FUND**  
**Equitable Sharing Summarized by State and U.S. Territories**  
**For the Year Ended September 30, 2017**  
**(Dollars in Thousands)**  
**(Unaudited)**

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
<i>Subtotal brought forward</i>	61,854	7,883
Vermont	7	-
Virgin Islands	-	-
Virginia	7,061	-
Washington	366	-
West Virginia	1,441	-
Wisconsin	70	8
Wyoming	<u>-</u>	<u>-</u>
Totals	<u>\$70,799</u>	<u>\$ 7,891</u>

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

**TREASURY FORFEITURE FUND**  
**Uncontested Seizures of Currency and Monetary Instruments Valued Over**  
**\$100 Thousand Taking More Than 120 Days from Seizure to Deposit in Fund**  
**For the Year Ended September 30, 2017**  
**(Dollars in Thousands)**

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**31 U.S.C. 9705(f)(2)(E) requires the Secretary of the Treasury to report annually to Congress uncontested seizures of currency or proceeds of monetary instruments over \$100 thousand which were not deposited in the Department of the Treasury Forfeiture Fund within 120 days of the seizure date. There were 44 administrative seizures over \$100 thousand over 120 days old totaling \$15,581 that had not been transferred from the Seized Currency Suspense Account to the Treasury Forfeiture Fund as of the end of FY 2017.**

**TREASURY FORFEITURE FUND**  
**Analysis of Revenue and Expenses and Distributions**  
**For the Year Ended September 30, 2017**  
**(Dollars in Thousands)**

Revenue, Expenses and Distributions by Asset Category:

	<u>Revenue</u>	<u>Expenses and Distributions</u>
Vehicles	\$ 18,731	\$ 48,039
Vessels	5,203	61,206
Aircraft	5,203	19,718
General Property	16,650	194,272
Real Property	58,274	7,609
Currency and monetary instruments	<u>408,395</u>	<u>181,612</u>
	512,456	512,456
Less:		
Mortgages and claims	(2,450)	(2,450)
Refunds	(2,264)	(2,264)
Add:		
Excess of net revenues and financing sources over total program expenses	<u>-</u>	<u>-</u>
Total	<u>\$ 507,742</u>	<u>\$ 507,742</u>

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

Sales of property and forfeited currency and monetary instruments	\$ 240,077	\$ 97,365
Reimbursed storage costs	3,330	51,246
Assets shared with state and local agencies	64,306	64,306
Assets shared with other federal agencies	124,595	124,595
Assets shared with foreign countries	2,953	2,953
Victim Restitution	77,195	77,195
Destructions	-	61,495
Pending disposition	<u>-</u>	<u>33,301</u>
	512,456	512,456
Less:		
Mortgages and claims	(2,450)	(2,450)
Refunds	(2,264)	(2,264)
Add:		
Excess of net revenues and financing sources over total program expenses	<u>-</u>	<u>-</u>
Total	<u>\$ 507,742</u>	<u>\$ 507,742</u>

The revenue amount of \$507,742 is from the Statement of Changes in Net Position. This supplemental schedule "Analysis of Revenues, Expenses and Distributions" is required under the Treasury Forfeiture Fund Act of 1992.

**TREASURY FORFEITURE FUND**  
**Schedule of Spending**  
**For the Years Ended September 30, 2017 and 2016**  
**(Dollars in Thousands)**

	<u>2017</u>	<u>2016</u>
<b>What Money is Available to Spend?</b>		
Total resources	\$1,194,757	\$1,543,578
Less amount not agreed to be spent	(557,363)	(527,534)
Less amount not available to be spent	(111,166)	(507,298)
<b>Total Amounts Agreed to be Spent</b>	<u>\$ 526,228</u>	<u>\$ 508,746</u>
 <b>How was the Money Spent?</b>		
Other contractual services	\$ 214,750	\$ 228,544
Supplies and materials	19	14
Grants, subsidies and contributions	220,889	188,678
Interest and dividends	32	5
Refunds	43,757	34,348
Others (i.e. unvouchered, undistributed)	46,781	57,157
<b>Total Amounts Agreed to be Spent</b>	<u>\$ 526,228</u>	<u>\$ 508,746</u>
 <b>Who did the Money go to?</b>		
Federal	\$ 200,957	\$ 231,916
Non-Federal :		
State/Local/Tribal/Foreign Governments	220,889	188,678
Business and Organizations	63,109	56,820
Individuals	41,273	31,332
<b>Total Amounts Agreed to be Spent</b>	<u>\$ 526,228</u>	<u>\$ 508,746</u>

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9705(f)**  
**For the Year Ended September 30, 2017**  
**(Dollars in Thousands)**

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The Treasury Forfeiture Fund Act of 1992, 31 U.S.C. 9705(f), requires the Secretary of the Treasury to transmit to Congress, no later than February 1, of each year, certain information. The following summarizes the required information.

**(1) A report on:**

- (A) The estimated total value of property forfeited with respect to which funds were not deposited in the Department of the Treasury Forfeiture Fund during the preceding fiscal year under any law enforced or administered by the Department of the Treasury law enforcement organizations or the United States Coast Guard, in the case of fiscal years beginning after 1993.

**As reported in the audited financial statements, at September 30, 2017, the Fund had forfeited property held for sale of \$67,670. 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, 2017, there was \$23,408 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 \$70,799 and total property transferred was \$7,891 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, 2016 which became the beginning balance for the Fund on October 1, 2016, as reported in the audited financial statements is \$2,590,444.**

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9705(f)**  
**For the Year Ended September 30, 2017**  
**(Dollars in Thousands)**

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- (B) Liens and mortgages paid and the amount of money shared with federal, state, local and foreign law enforcement bureaus during the preceding fiscal year.

**Mortgages and claims expense, as reported in the audited financial statements, was \$2,450. 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	\$64,306
Foreign countries	2,953
Other federal agencies	124,595
Victim restitution	77,195

- (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 \$221,532.**

**The amount of seized currency not on deposit in the Fund's suspense account at September 30, 2017, was \$720,341. This amount includes some funds in the process of being deposited at year-end, cash seized in August or September 2017 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 \$668,529 for fiscal year 2017. This excluded \$1,084,050 in FY 2017 rescinded authority that was classified as "temporary" and \$38,800 precluded from obligation. If these figures are added to the unobligated balances at the end of FY 2017, the figure became \$1,791,379.**

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9705(f)**  
**For the Year Ended September 30, 2017**  
**(Dollars in Thousands)**

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(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	\$ 281,441	74 seizures
IRS	883,683	119 seizures
U.S. Secret Service	16,762	10 seizures

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

**The total dollar value of such seizures is \$15,581. This is also documented on page 51.**

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

**The total net position of the Fund at September 30, 2017, as reported in the audited financial statements is \$2,248,198.**

(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 2017 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 52.**

