

Department of the Treasury  
Treasury Executive Office of  
Asset Forfeiture

Congressional Budget  
Justification and Annual  
Performance Report and Plan

FY 2020

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## **Section I – Purpose**

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### **A – Mission Statement**

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

### **B – Summary of the Request**

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Fund, which is the receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security (DHS) bureaus. Principal revenue-producing bureaus include U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement (ICE), the Internal Revenue Service (IRS), the U.S. Secret Service (USSS), the U.S. Coast Guards (USCG), and Alcohol and Tobacco Tax and Trade Bureau (TTB), among others. The Fund is a special fund, defined as a Federal fund account for receipts earmarked for specific purposes and the expenditure of those receipts. The law (31 U.S.C. 9705) allows TEOAF to use the funds for payment of all proper expenses of seizure or the proceedings of forfeiture and sale.

**Revenues** deposited in the Fund can be allocated and used as the result of a permanent indefinite appropriation provided by Congress. A forfeiture process begins once currency or property is seized. Seized currency is deposited into a suspense account (holding account) until forfeited. At that time, the forfeited amount is transferred (deposited) to the Fund as revenue. Forfeited properties are usually sold, and the proceeds are also deposited into the Fund as revenue. This revenue represents budget authority for meeting obligations and expenses of the program.

**Expenses** of the Fund are set in a relative priority so that operating costs are met first and may not exceed revenues.

- **Mandatory** expenses represent operating costs of the Fund, including storing and maintaining seized and forfeited assets, valid liens and mortgages, investigative expenses incurred in pursuing a seizure, information and inventory systems, remissions, victim restoration, and certain costs of local police agencies incurred in joint law enforcement operations. Following seizure, equitable shares may be paid to state and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement.
- **Secretary’s Enforcement Fund (SEF)** expenses are funded from revenue from equitable shares received from Department of Justice (DOJ) or U.S. Postal Service (USPS) forfeitures. These shares are proportionate to Treasury’s participation in the overall investigative effort that led to a DOJ or USPS forfeiture. SEF revenue is available for federal law enforcement-related purposes of any bureau participating in the Fund.
- **Strategic Support** authority, established by Congress in 31 U.S.C. 9705(g)(4)(B), allows TEOAF to fund priority federal law enforcement initiatives with remaining unobligated balances at the close of the fiscal year, after an amount is reserved for the next fiscal year’s operations.

**FY 2018 Case Highlights:** The following case highlights are intended to provide examples of the types of investigative cases worked by the Fund's law enforcement bureaus during FY 2018 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 Fund, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

- **Rabobank Forfeits \$318,701,259 as Part of Guilty Plea**

Rabobank National Association (Rabobank) pleaded guilty to a felony conspiracy charge for impairing, impeding and obstructing its primary regulator, the Department of the Treasury's Office of the Comptroller of the Currency (the OCC) by concealing deficiencies in its anti-money laundering (AML) program and for obstructing the OCC's examination of Rabobank. The investigation was conducted by ICE Homeland Security Initiative (HSI), IRS Criminal Investigation (CI), and the Financial Investigations and Border Crimes Task Force, a multiagency Task Force based in San Diego and Imperial County. The investigation was funded by the TEOAF and occurred parallel to regulatory investigations by the OCC, IRS' Office of General Counsel, and FinCEN's Enforcement Division.

- **New York Man Sentenced to 87 Months and Forfeits \$1,624,172 for Multi-State Biodiesel Fraud Scheme**

Andre Bernard, of Mount Kisco, New York, pleaded guilty for his participation in a multi-state scheme to defraud biodiesel buyers and U.S. taxpayers by fraudulently selling biodiesel credits and fraudulently claiming tax credits. The IRS-CI was joined in this case by the USSS and the Environmental Protection Agency's Criminal Investigation Division.

- **Minnesota Man who defrauded Hmong Community is Sentenced to 87 Months in Prison, Forfeits \$1,612,451**

The St. Paul Police Department contacted the USSS Minneapolis Field Office requesting assistance regarding the investigation of a large scale nationwide wire fraud scheme targeting a Southeast Asian ethnic group known as the Hmong people living in approximately 18 known states in the U.S. Seng Xiong promoted his scheme in the Hmong language to solicit elderly members of the Hmong community to invest money in monthly payments to bank accounts in the name of Seng Xiong. Seng Xiong was convicted of wire fraud and mail fraud. The final order of forfeiture for \$1,612,451 will be used for victim restitution.

- **Coast Guard Cutter Offloads Over 41.5 Tons of Cocaine**

In San Diego on January 25, 2018, the USGC Cutter Stratton offloaded more than 47,000 pounds of cocaine worth over \$721 million. U.S. and Canadian forces operating in international waters off the coast of Central and South America seized the cocaine in 23 separate interdictions in the eastern Pacific Ocean. On March 20, 2018, the USCG offloaded approximately 36,000 pounds of cocaine, with an estimated value of \$500 million. The seized narcotics were the result of 17 interdictions of suspected smuggling vessels off the coasts of Central and South America between early February and early March of 2018.

**Priorities:** In FY 2020, TEOAF will continue to support the investigations and activities of the participating law enforcement bureaus. The bulk of TEOAF expenses include supporting seizures and forfeitures to protect the health and safety of U.S. citizens and the commercial interests of U.S. businesses from pernicious criminal activity. Funds are expended for seizure, storage, maintenance, disposition, and destruction and all costs associated with those activities.

TEOAF focuses on supporting cases and investigations that meet the mission of disrupting and dismantling criminal enterprises. To this end, TEOAF prioritizes major case<sup>1</sup> initiatives when allocating funding to member agencies, including the purchase of evidence and information, joint operations expenses, investigative expenses leading to seizure, and asset identification and removal teams. Major case initiatives are aligned directly to the National Money Laundering and Southwest Border strategies.

TEOAF support for complex financial investigations initiated by the participating agencies reveals assets available for forfeiture. Many of these assets are the proceeds and result of fraudulent criminal enterprises that have victims. Significant resources are required to obtain a successful prosecution and forfeiture with the resulting revenue used to compensate the victims of the criminal activity.

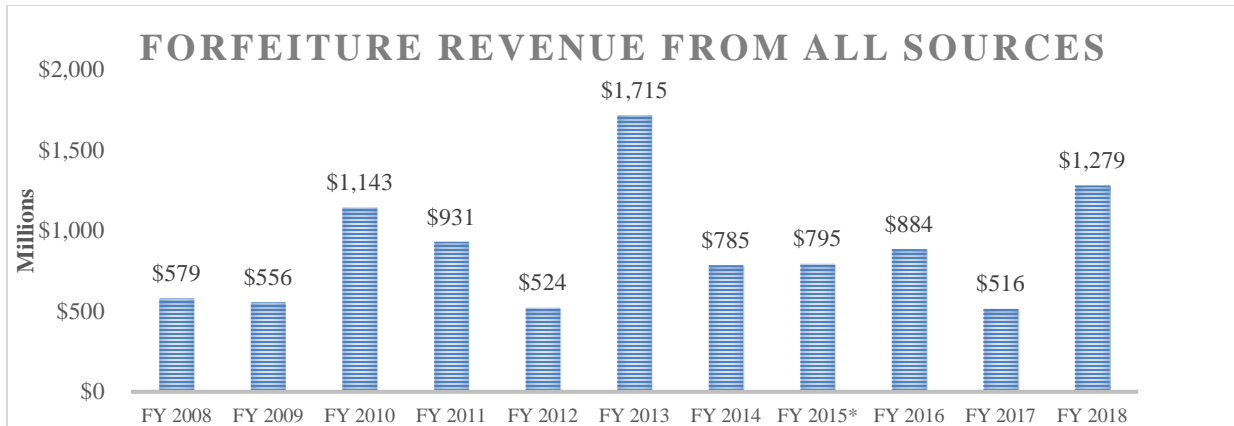
Participating agencies also combat emerging patterns and practices that threaten our Nation's financial stability. Funds are used to support anti-money laundering/combating financing of terrorism (AML/CFT) investigations and activities. To be effective, analysis of large data caches and cryptocurrency-related crime requires large investments in advanced information technology hardware, software, training, and other capabilities. These investments buttress the AML/CFT strategy of the Departments of Homeland Security and the Treasury.

**Challenges:** Recently-enacted large rescissions have had a severe negative impact on the participating member agencies' investigations. Insufficient and inconsistent funding support, uncertainty about future funding, investigations disrupted by cash flow problems, and inability to obtain necessary technology/infrastructure all undermine both current and future financial investigations and forfeitures. The Fund relies on base revenue (revenue from non-major forfeitures) to cover basic mandatory costs of the forfeiture program. Total FY 2018 base revenue was \$364 million, as compared to \$349 million in FY 2017, \$419 million in FY 2016, \$387 million in FY 2015, and \$410 million in FY 2014.

The table below reflects forfeiture revenue from all sources including revenue, reverse asset sharing, and interest earned.

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<sup>1</sup> A major case refers to a case where the forfeiture results in a deposit greater than \$5 million, or a case that disrupts, dismantles, or interrupts money laundering networks or other financial activities that threaten the financial stability, financial system, or financial interests of the United States.



\*FY 2015 data does not include the BNP Paribas S.A. forfeiture in the amount of \$3,839 million. Of that amount, \$3,800 million was permanently rescinded and transferred to the newly-created U.S. Victims of State Sponsored Terrorism Fund (USVSST) as directed by Congress under the Consolidated Appropriations Act of 2016, Pub. L. 114-113, Div. O, Tit. IV, §404(e) and §405(b). The remainder has been returned to the General Fund in FY 2018.

Participating agencies are seeing reluctance in the field to undertake complex major investigations due to the lack of assurance that their efforts would receive continuous support. Strategic Support funding is especially critical as a strategic investment in the agencies’ operational capabilities and infrastructure supporting major cases. It provides law enforcement much-needed flexibility to respond in real time to unanticipated critical needs, such as those driven by technology advancements or emerging criminal threats. It often serves as seed funding for innovations that need to be tested and refined prior to full-scale implementation.

It is precisely the most important, high-impact<sup>2</sup> financial investigations that TEOAF must continue to support due to resource needs and ultimate disposition of the forfeited assets. Undermining these major financial investigations will directly impact the ability of Treasury and DHS to respond to priority threats and to protect the integrity of the U.S. financial system.

In addition, TEOAF tracks future remission payments to third parties as contingent liabilities. However, these amounts are not recorded as obligations from the Fund until the Department of Justice grants the petition for remission. The third parties are predominantly victims of crimes that triggered the forfeiture (e.g., Ponzi scheme or kleptocracy victims). Amounts recorded are significant because remission payments from multiple years are recorded and carried forward. The amounts change constantly as payments are made and amounts for new remission cases are added. TEOAF considers the amounts recorded as contingent liabilities as unavailable and believes that consideration of contingent liabilities provides a more accurate representation of the financial position of the Fund.

<sup>2</sup> A high-impact case refers to a case resulting in a cash forfeiture deposit equal to or greater than \$100,000.

## 1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
Budgetary Resources	Actual	Estimated <sup>1</sup>	Estimated	Estimated	\$ Change	% Change				
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Revenue/Offsetting Collections</b>										
Interest	0	\$47,560	0	\$31,000	0	\$31,309	0	\$309	NA	1%
Restored Prior Year Rescission	0	\$988,000	0	\$0	0	\$0	0	\$0	NA	NA
Restored Prior Year Sequestration Reduction	0	\$35,606	0	\$84,405	0	\$32,742	0	(\$51,663)	NA	-61%
Restored Prior Year Sequestration of Restored Rescission	0	\$60,444	0	\$65,208	0	\$0	0	(\$65,208)	NA	-100%
Forfeited Revenue	0	\$1,231,301	0	\$497,096	0	\$507,038	0	\$9,942	NA	2%
Recovery from Prior Years	0	\$16,933	0	\$18,000	0	\$18,000	0	\$0	NA	0%
Unobligated Balances from Prior Years	0	\$668,529	0	\$825,172	0	\$134,460	0	(\$690,712)	NA	-84%
<b>Total Revenue/Offsetting Collections</b>		<b>\$3,048,373</b>		<b>\$1,520,881</b>		<b>\$723,549</b>	<b>0</b>	<b>(\$797,331)</b>	<b>NA</b>	<b>-52%</b>
<b>Expenses/Obligations</b>										
Mandatory Obligations <sup>2</sup>	26	\$919,464	27	\$527,772	27	\$538,327	0	\$10,555	0.00%	2%
Secretary's Enforcement	0	\$38,383	0	\$22,316	0	\$22,762	0	\$446	NA	2%
Strategic Support	0	\$49,579	0	\$601,000	0	\$0	0	(\$601,000)	NA	-100%
First Tranche <sup>3</sup>	0	\$0	0	\$242,000	0	\$0	0	\$0	NA	NA
Second Tranche <sup>3</sup>	0	\$0	0	\$359,000	0	\$0	0	\$0	NA	NA
FY 2018 Strategic Support obligated in FY 2019	0	\$0	0	\$2,590	0	\$0	0	(\$2,590)	NA	-100%
<b>Total Expenses/Obligations</b>	<b>26</b>	<b>\$1,007,426</b>	<b>27</b>	<b>\$1,153,678</b>	<b>27</b>	<b>\$561,090</b>	<b>0</b>	<b>(\$592,589)</b>	<b>0.00%</b>	<b>-51%</b>
<b>Rescissions/Cancellations</b>										
Sequestration Reduction <sup>4</sup>	0	(\$149,613)		(\$32,742)		TBD		NA	NA	NA
Permanent Cancellation	0	(\$1,066,162)		(\$200,000)		\$0		\$200,000	NA	-100%
<b>Total Rescission/Cancellations</b>		<b>(\$1,215,775)</b>		<b>(\$232,742)</b>		<b>\$0</b>		<b>\$200,000</b>	<b>NA</b>	<b>-100%</b>
<b>Net Results</b>		<b>\$825,172</b>		<b>\$134,460</b>		<b>\$162,459</b>		<b>(\$204,743)</b>	<b>NA</b>	<b>21%</b>
<b>Contingent Liabilities</b>		<b>\$407,460</b>		<b>\$400,000</b>		<b>\$400,000</b>		<b>\$0</b>	<b>NA</b>	<b>0%</b>

<sup>1</sup> FY 2019 estimates are based on approved financial plan and exclude additional anticipated forfeitures of \$359 million that may come in FY 2019.

<sup>2</sup> The Treasury Forfeiture Fund is staffed by Departmental Offices employees and positions are funded via reimbursable agreement. The FTE are shown here for clarity, but are also reflected in the Departmental Offices chapter in the reimbursable FTE total.

<sup>3</sup> In February 2019, Treasury submitted a strategic support plan to the committees including two tranches. The first tranche of up to \$242 million will be available for obligation 15 days after Treasury's plan was submitted. The second tranche of \$359 million will be available for obligation after that date subject to the receipt of additional anticipated forfeitures.

<sup>4</sup> The FY 2019 sequestration would increase by \$22 million if the additional anticipated forfeitures of \$359 million are finalized in FY 2019. Treasury will compute the FY 2020 sequestration reduction once the OMB Report to Congress on the Joint Committee Sequestration for Fiscal Year 2020 is released.

## 1.2 – Obligations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund Obligations	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated <sup>1</sup>	% Change FY 2019 to FY 2020
<b>Mandatory</b>				
CBP	\$64,161	\$41,622	\$42,454	2%
ICE	\$105,323	\$199,988	\$203,987	2%
IRS <sup>2</sup>	\$620,107	\$150,485	\$153,495	2%
USSS	\$31,796	\$31,893	\$32,531	2%
USCG	\$1,400	\$1,400	\$1,428	2%
TEOAF	\$79,251	\$82,277	\$83,923	2%
TTB	\$588	\$600	\$612	2%
DOJ	\$16,837	\$19,506	\$19,896	2%
<b>Total Mandatory</b>	<b>\$919,464</b>	<b>\$527,771</b>	<b>\$538,327</b>	<b>2%</b>
<b>SEF</b>				
CBP	\$5,422	\$4,000	\$4,080	2%
ICE	\$14,963	\$7,185	\$7,329	2%
IRS	\$12,821	\$7,050	\$7,191	2%
USSS	\$5,177	\$4,081	\$4,163	2%
<b>Total SEF</b>	<b>\$38,383</b>	<b>\$22,316</b>	<b>\$22,762</b>	<b>2%</b>
<b>Strategic Support</b>				
CBP	\$9,925	\$601,000	TBD	NA
ICE	\$16,321	\$0	TBD	NA
IRS <sup>3</sup>	\$13,410	\$2,590	TBD	NA
USSS	\$6,500	\$0	TBD	NA
USCG	\$2,423	\$0	TBD	NA
TTB	\$1,000	\$0	TBD	NA
<b>Total Strategic Support</b>	<b>\$49,579</b>	<b>\$603,590</b>	<b>TBD</b>	<b>NA</b>
<b>Total Expenses/Obligations</b>	<b>\$1,007,426</b>	<b>\$1,153,678</b>	<b>\$ 561,090</b>	<b>-51%</b>

<sup>1</sup> Funding availability is based on actual receipts. TEOAF will reassess the funding availability in late FY 2019.

<sup>2</sup> IRS' FY 2018 Mandatory obligations included a large victim refund of \$453 million.

<sup>3</sup> This represents IRS' FY 2018 Strategic Support funding obligated in FY 2019

## 1.3 – Operating Levels Table

Dollars in Thousands

Treasury Forfeiture Fund Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
25.2 - Other services	58,598	60,496	61,000
25.3 - Other purchases of goods & serv frm Govt accounts	177,215	730,496	132,000
26.0 - Supplies and materials	15	138	25
41.0 - Grants, subsidies, and contributions	161,025	167,492	170,000
43.0 - Interest and dividends	56	59	65
44.0 - Refunds	522,556	103,499	105,000
94.0 - Financial Transfers	87,961	91,498	93,000
<b>Total Non-Personnel</b>	<b>1,007,426</b>	<b>1,153,678</b>	<b>561,090</b>
<b>New Budgetary Resources</b>	<b>\$1,007,426</b>	<b>\$1,153,678</b>	<b>\$561,090</b>
<b>Budget Activities:</b>			
Asset Forfeiture Fund	<b>\$1,007,426</b>	<b>\$1,153,678</b>	<b>\$561,090</b>
<b>FTE</b>	<b>26</b>	<b>27</b>	<b>27</b>

## E – Legislative Proposals

TEOAF has no legislative proposals.



## Section II – Annual Performance Plan and Report

### A – Strategic Alignment

The purpose of the Fund is to ensure resources are managed to cover the costs of an effective asset seizure and forfeiture program, including the costs of seizure or the proceedings of forfeiture and sale, including the expenses of detention, inventory, security, maintenance, advertisement, or disposal of the property. Additionally, the Fund is used to support law enforcement priorities, financial investigative capabilities, and the seizure of physical and financial resources to disrupt and dismantle criminal enterprises. TEOAF supports the following Department of the Treasury strategic goal and associated objectives:

- Goal 3: Enhance National Security:
  - 3.1 Strategic Threat Disruption
  - 3.2 AML/CFT Framework

### B – Budget and Performance by Budget Activity

#### 2.1.1 Treasury Forfeiture Fund Resources and Measures

Dollars in Thousands

Resource Level	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$787,849	\$4,323,908	\$508,746	\$526,228	\$1,007,426	\$1,153,678	\$561,090
<b>Budget Activity Total</b>	<b>\$787,849</b>	<b>\$4,323,908</b>	<b>\$508,746</b>	<b>\$526,228</b>	<b>\$1,007,426</b>	<b>\$1,153,678</b>	<b>\$561,090</b>
<b>FTE</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>27</b>

Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Target	Target
Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases	98.25	89.09	81.79	80.00	94.19	80.00	80.00

#### Treasury Forfeiture Fund Budget and Performance

*(\$561,090,000 in obligations from revenue/offsetting collections):*

The Fund continues to measure the performance of the participating law enforcement bureaus through the “percent of forfeited cash proceeds resulting from high-impact cases,” which are cases that yield a cash forfeiture deposit equal to or greater than \$100,000.

Focusing on strategic cases and investigations that result in high-impact forfeitures will help to impede criminal organizations while accomplishing the ultimate objective, which is to disrupt and dismantle criminal enterprises. Member law enforcement bureaus participating in the Fund have met or exceeded the performance target since FY 2014. However; the performance declined to 81.79 percent in FY 2017 due to the inability of TEOAF to offer support for high-impact cases in prior years. The performance increased to 94.19 percent in FY 2018 because one major case resulted in \$453 million which was used to compensate victims entirely. For FY 2019 and FY 2020, the target will remain at 80 percent. The Fund maintains a target of 80 percent because some cases may be important to pursue, even if they are not high-impact cases and result in deposits of less than \$100,000.