



# Audit Report



OIG-10-012

Audit of the Department of the Treasury Forfeiture Fund's  
Fiscal Years 2009 and 2008 Financial Statements

November 24, 2009

Office of  
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

November 24, 2009

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

**FROM:** Michael Fitzgerald  
Director, Financial Audits

**SUBJECT:** Audit of the Department of the Treasury Forfeiture Fund's  
Fiscal Years 2009 and 2008 Financial Statements

I am pleased to transmit the attached audited Department of the Treasury Forfeiture Fund (TFF) financial statements for Fiscal Years 2009 and 2008. Under a contract monitored by the Office of Inspector General, GKA, P.C. (GKA), an independent certified public accounting firm, performed an audit of the financial statements of TFF as of September 30, 2009 and 2008 and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended; and the *GAO/PCIE Financial Audit Manual*.

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

- Independent Auditor's Report on Financial Statements;
- Independent Auditor's Report on Internal Control over Financial Reporting; and
- Independent Auditor's Report on Compliance with Laws and Regulations.

In its audit, GKA found:

- the financial statements were fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws and regulations tested.

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In connection with the contract, we reviewed GKA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. GKA is responsible for the attached auditor's reports dated October 30, 2009 and the conclusions expressed in the reports. However, our review disclosed no instances where GKA did not comply, in all material respects, with generally accepted government auditing standards.

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

Attachment



Certified Public Accountants | Management Consultants

**Treasury Forfeiture Fund  
ACCOUNTABILITY REPORT  
Fiscal Year 2009**

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

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## Message from the Director

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I am pleased to present the fiscal year (FY) 2009 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. Our FY 2009 was another successful revenue year for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with earned revenue of over \$527 million from all sources as compared to \$386 million in FY 2008.

The continued high-impact performance of the Fund reflects the ongoing hard work of our law enforcement bureaus as well as Fund management's emphasis on major case initiatives, asset forfeiture program training and a focused approach regarding our performance measure which gauges revenue from high-impact cases. The mission of the Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by our law enforcement bureaus to disrupt and dismantle criminal enterprise. It is our view that the greatest damage to criminal enterprise can be achieved through large forfeitures, hence we have set a target level of 75 percent of our forfeitures to be high-impact, i.e., cash forfeitures equal to or greater than \$100,000. For FY 2009, our member bureaus exceeded the target with a performance level of 87.65 percent high-impact cash forfeitures.

During FY 2009, the Treasury Executive Office for Asset Forfeiture (TEOAF) training program featured a curriculum in Procedural Issues of the Asset Forfeiture Program. This curriculum addressed procedures and problem areas related to Remissions and Refunds, Equitable Sharing, the Joint Operations Program, and the National General Property Contract. It is critical to Fund management that the member bureaus' field and Headquarters personnel involved in the national forfeiture program thoroughly understand and follow correct procedures and that they can correctly resolve issues and problems when necessary. The importance of these procedural issues is further increasing with the growth of revenue to the Treasury Forfeiture Fund and the tandem growth of related programs such as Equitable Sharing and Joint Operations. As part of these seminars, we presented a new Guidebook on Refunds and Petitions for Remissions and Restoration Requests for member agencies. Additionally, we partnered with IRS-CI to conduct a "one year reunion" conference for the members of the IRS-led Pilot Title 31 Task Forces, launched in the spring of 2008 and funded by TEOAF. The purpose of this conference was to provide a forum for the Pilot Task Forces to exchange their experiences over the past year, as well as provide them with information and insights into various investigative and operational subjects.

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

We look forward to another successful year in FY 2010.

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

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## Treasury Forfeiture Fund FY 2009 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 Executive Office for Asset Forfeiture (EOAF), which provides management oversight of the Fund, falls under the auspices of the Under Secretary for Terrorism and Financial Intelligence. EOAF’s organizational structure includes the Fund Director, Legal Counsel, Assistant Director for Financial Management and Assistant Director for Policy. Functional responsibilities are delegated to various team leaders. EOAF is located in Washington, D.C., and currently has 22 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 2009 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*

#### **Lloyds TSB Bank agrees to forfeit \$175 Million to the U.S. Government Pursuant to a Deferred Prosecution Agreement**

Information included in the following forfeiture article is attributed to:

Joseph A. Mann Jr. "Laundering costs British bank \$350M," published in *The Michigan Daily*, on May 12, 2009.

In a Deferred Prosecution Agreement, filed on January 9, 2009, Lloyds TSB Bank ("Lloyds"), a financial institution registered and organized under the laws of England and Wales, agreed to forfeit a total of \$350 million as a settlement with the U.S. Government and the State of New York after U.S. investigators found that it falsified information on electronic fund transfers from Iranian and Sudanese banks to U.S. banks. Of this sum, \$175 million was forfeited to the Treasury Forfeiture Fund to be considered substitute *res* for the purpose of forfeiture to the United States pursuant to Title 18, U.S.C. § 981; and \$175 million was forfeited to the State of New York for violations of New York State Penal Law.

The Lloyds penalty is an expensive reminder of the severe consequences facing violators of U.S. anti-money-laundering laws. As the investigation unfolded, U.S. federal law enforcement officials working with the Manhattan District Attorney's Office found that beginning in the mid-1990s, Lloyds offices, primarily in the U.K., Tokyo and Dubai, altered the text of electronic messages that moved funds from banks in Iran and Sudan to Lloyds and then to correspondent banks in the United States. The alterations, called "stripping," involved removing any references to Iran, Sudan or any other terms that might raise a red flag at U.S. banks that these deposits involved countries, banks, or persons listed as sanctioned parties by the United States Department of the Treasury's Office of Foreign Assets Control (OFAC). These actions by Lloyds bypassed money-laundering filters and violated the International Emergency Economic Powers Act, 50 U.S.C. § 1705, to wit, Title 31, Code of Federal Regulations, Sections 560.203 and 560.204, which prohibit: (a) the exportation from the United States of a service to Iran without authorization, and (b) any transaction within the United States that evaded and avoided, or had the purpose of evading and avoiding such regulations.

Pursuant to the Deferred Prosecution Agreement, Lloyds accepted and acknowledged responsibility for its conduct and that of its employees in these matters. Also, by signing the Deferred Prosecution Agreement, Lloyds acknowledged that approximately \$350 Million was involved in the referenced transactions and that such conduct violated Title 50 U.S.C. 1705. In lieu of a criminal prosecution that would result in a mandatory order of forfeiture, Lloyds agreed to pay the sum of \$175 million in forfeitures to the U.S. Government.

### **\$9.7 Million Forfeiture from ZipPayments for Unlicensed Money Transmitter Business**

Information included in the following forfeiture article is attributed to:

United States District Court, District of Maryland, Application and Affidavit for Seizure Warrant,

Case No. 08-1895 5KG, dated June 25, 2008;

United States District Court for the District of Maryland, Northern Division, Settlement Agreement, Civil No. CCB-08-1954, filed February 2, 2009; and

United States District Court for the District of Maryland, Northern Division, Final Order of Forfeiture, Civil Action No. CCB-08-1954, filed February 5, 2009.

Pursuant to an early-February 2009 Settlement Agreement between the U.S. Government and ZipPayments, a Final Order of Forfeiture was issued, also in early February 2009, forfeiting the sum of \$9,669,283 in U.S. Currency to the government.

### **\$2.9 Million Forfeiture from Abdul Razzaque Ahmed for Obstructing a Federal Health Care Investigation**

Information included in the following forfeiture article is attributed to:

Department of Justice News Release date January 8, 2009, "Brookline Dermatologist Sentenced for Obstructing a Health Care Fraud Investigation;" United States District Court, District of Massachusetts, Final Order of Forfeiture, Criminal Case No. 05-10057-JLT, signed January 8, 2009.

On October 10, 2007, a fifteen-count Superseding Indictment was handed down by a federal grand jury in the District Court of Massachusetts charging Abdul Razzaque Ahmed (Ahmed) with among other things, Obstruction of Justice, in violation of 18 USC 1518. Subsequently, in November 2007, Ahmed pled guilty to the offense pursuant to a plea agreement. In the plea agreement, Ahmed agreed to forfeit any and all assets subject to forfeiture pursuant to 18 USC 982. Ahmed specifically admitted that the \$2.9 million in a specific account constituted or was derived directly or indirectly from gross proceeds traceable to the commission of the offense to which he pled guilty. The \$2.9 million was forfeited to the government on January 8, 2009.

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

### **IFCO Systems North America Agrees to pay \$18.1 Million in Civil Forfeitures for Illegal Immigration and Employment Practices**

Information included in the following forfeiture article is attributed to:

News Release dated January 23, 2009, "Superseding indictments charge 7 IFCO managers with violating federal immigration law....."

U.S. Immigration and Customs Enforcement Website: <http://www.ice.gov/pi/nr/0901/090123albancy.htm>

On April 19, 2006, ICE agents, in concert with other federal and state authorities, conducted a work site enforcement action at over 40 IFCO Systems of North America (IFCO) plants in 26 states, which resulted in the detention of 1,182 illegal aliens working at those plants. In January 2009, a federal grand jury in Albany, New York, returned superseding indictments on seven IFCO managers stemming from an ICE investigation of illegal immigration and employment-related practices at IFCO's pallet management services plants nationwide.

The seven defendants indicted in January were accused of conspiring, between 2003 and 2006, to harbor illegal aliens employed by IFCO and to encourage and induce those illegal aliens to reside in

the United States. Four of these defendants were charged in a related conspiracy to defraud the Internal Revenue Service and the Social Security by submitting false payroll-related information to those agencies and to facilitate the misuse of social security numbers by IFCO employees.

IFCO agreed in December 2008 to pay, over four years, \$2.6 million in back pay and penalties related to overtime violations, and \$18.1 million in civil forfeitures.

### **Forfeiture of \$2.2 Million for Money Laundering Conspiracy and Concealing Terrorist Financing**

Information included in the following forfeiture article is attributed to:

News Release dated November 4, 2008, "Money remitter sentenced to over 9 years for money laundering conspiracy and concealing terrorist financing"

U.S. Immigration and Customs Enforcement Website: <http://www.ice.gov/pi/nr/0811/081104baltimore.htm>

In November 2008, Saifullah Anjum Ranjha was sentenced to just over 9 years in prison, followed by three years of supervised release, for conspiring to launder money and for concealing terrorist financing. A preliminary order of forfeiture for \$2,208,000 of Ranjha's assets was also entered.

### **Joint Investigation of ICE and IRS – CI nets \$3 Million in Forfeitures**

### **Yong Sang Kim, 38, Sentenced to 36 Months in Prison, Forfeits Cash and Property Equivalent to over \$3 Million for Illegal Gambling on Oahu**

Information included in the following forfeiture article is attributed to:

United States Attorney's Office, District of Hawaii; Press Release dated February 9, 2009, "Honolulu Man Sentenced to Prison for His Role in Operating an Illegal Gambling Operation"

U.S. Department of Justice Website: <http://www.usdoj.gov/usao/hi/pressreleases/0902kim.html>

In February 2009, Yong Sang Kim (Kim), 38, was sentenced to 36 months in prison for his role in operating an illegal gambling business on Oahu. Kim, a Honolulu resident, agreed to forfeit all rights and interest in certain real properties located in Honolulu, Hawaii; a 2004 Land Rover; and \$789,674 in seized U.S. Currency, the total value of all forfeitures: \$3,040,000.

According to an October 2008 Plea Agreement, Kim pled guilty to one count each of Conspiracy to Operate an Illegal Gambling Business, Operating an Illegal Gambling Business, and Conspiracy to Conduct and Attempt to Conduct a Financial Transaction Affecting Interstate and Foreign Commerce.

### **Case Update on the Eric Cai Forfeiture**

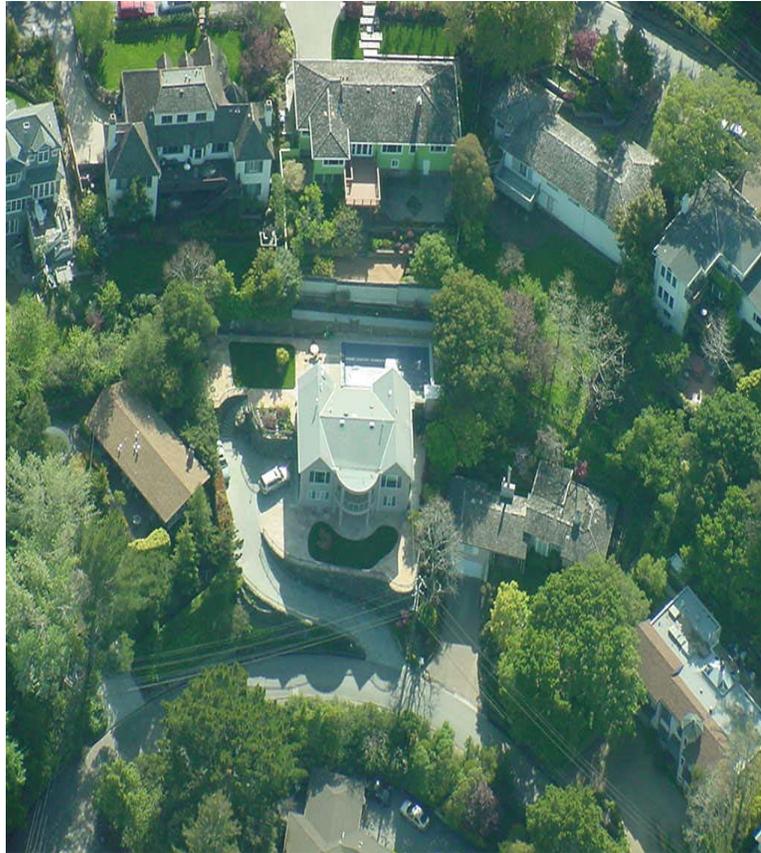
#### **Re: Investigation of the Johnson Mai Ecstasy Smuggling, Money Laundering Organization**

### **Forfeiture of Eric Cai's Burlingame, California Residence brings in \$601,259.11 in Forfeiture Revenue**

Information included in the following forfeiture article is attributed to:

Case Summary by Immigration and Customs Enforcement, "Forfeiture of Eric Cai's Burlingame, CA Residence;" and United States District Court, Northern District of California, San Francisco Venue, First Amended Complaint for Forfeiture, Case No. C 05-4185 EDL, executed August 11, 2006.

On November 4, 2008, Immigration and Customs Enforcement (ICE), San Francisco, received \$601,259.11 in forfeiture revenue as the result of the sale of the Burlingame, California residence of Eric Cai. On August 10, 2006, as the result of an ICE investigation in San Francisco, the US Attorney for the Northern District of California filed a Complaint for Forfeiture against the Cai Burlingame, California residence. Cai was a lieutenant in the Johnson Mai ecstasy smuggling organization, responsible for the smuggling and/or manufacture of over 12,000,000 ecstasy pills between 2001 and 2006. The Complaint alleged that Eric Cai had purchased the residence in 2002 for \$1,275,000 with the laundered proceeds of ecstasy trafficking, in violation of 18 USC 981. The U.S. District Court in San Francisco issued a Final Order of Forfeiture for this property in April 2008. After paying the mortgage balance, the sale netted the Treasury Forfeiture Fund just over \$600,000.



*Sale of Eric Cai's residence, purchased with illegal proceeds, nets the Treasury Forfeiture Fund \$600,000.*

## ICE Returns Stolen Religious Sculpture to Italy

### ICE Returns 350-Year old Bust of Saint Innocent to Italy

Information included in the following forfeiture article is attributed to:

News Release dated March 17, 2009, "ICE seizes stolen Italian religious sculpture in North Carolina"

U.S. Immigration and Customs Enforcement Website: <http://www.ice.gov/pi/nr/0903/090317winstonsalem.htm>

In March 2009, ICE returned to the Italian government an antique wooden bust of Saint Innocent, which was stolen with 16 similar busts and two oil paintings from a church in Naples, Italy, in November 1990. The bust was recovered from private owners in the Charlotte, North Carolina area after being sold by an antiques dealer in Greensboro, North Carolina in 2007. No one in the United States has been criminally charged, though the investigation is ongoing.

The bust, by 17<sup>th</sup> Century Franciscan artist Diego da Careri, was housed in the relic closet in the transept of the church of Santa Maria degli Angeli alle Croci in Naples. The sculpture is carved from wood, but painted and detailed in gold. It is missing its head and pieces of a cross that the saint is depicted as carrying.

Italy considers the ancient bust a national treasure.



*350-Year-Old Wooden Bust of Saint Innocent by  
17<sup>th</sup> Century Franciscan artist Diego da Careri  
The sculpture is carved from wood, but painted and detailed in gold.*

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

**CBP Officers Seize \$1 Million in Undeclared Outbound Currency from FAST Driver at World Trade Bridge**

Information included in the following forfeiture article is attributed to:

News Release dated April 13, 2009, “CBP Officers Seize \$1 Million in Undeclared Outbound Currency from FAST Driver at World Trade Bridge”

In April 2009, U.S. Customs and Border Protection (CBP) officers at the Laredo port of entry conducting outbound operations seized \$1 million in undeclared currency from a driver enrolled in a trusted shipper program. A 1999 Freightliner tractor hauling a shipment of appliances was referred for a secondary examination. The driver gave a negative declaration for currency in excess of \$10,000, weapons or ammunition. A routine inspection of the tractor cab resulted in a canine alert to the mattress. A non-intrusive imaging system scan indicated anomalies in the same area. A closer visual inspection of the area revealed tape-wrapped bundles of U.S. currency hidden under the mattress. CBP officers discovered bundles containing \$1,000,035 in undeclared currency underneath the mattress in the sleeper area of the cab. The driver was arrested and the tractor was seized.



*\$1,000,035 in undeclared currency seized from a southbound tractor.*

**CBP Officers Seize \$500,000 During Outbound Enforcement Operation**

Information included in the following forfeiture article is attributed to:

News Release dated April 23, 2009, “CBP Officers in Pharr Seize \$500k During Outbound Enforcement Operation”

In April 2009, CBP officers and Border Patrol agents working outbound enforcement operations at the Pharr port of entry came in contact with a 2009 Nissan Sentra sedan that was traveling south to Mexico. The driver and vehicle were referred to a secondary examination. Officers there referred the vehicle for a non-intrusive image scan. X-ray images revealed anomalies within the vehicle’s floor area below the front seats. While conducting an examination of the vehicle, officers discovered two secret compartments under the driver’s and passenger’s front seats. After accessing the compartments, officers removed a total of 48 undeclared U.S. bulk cash packages, containing \$500,003.

The driver was arrested on Federal bulk cash smuggling charges. The bulk cash was seized along with the vehicle.



*Undeclared bulk cash totaling \$500,003 seized from secret compartments under the front seats of a 2009 Nissan Sentra.*

### **Border Patrol Seizes Nearly \$400,000 during Traffic Stop**

Information included in the following forfeiture article is attributed to:  
News Release dated April 28, 2009, "Border Patrol Seizes Nearly \$400k during Traffic Stop"



*Nearly \$ 400,000 in undeclared cash seized during a traffic stop near the San Clemente Border Check point. The cash was discovered concealed in the rear quarter panels of a Volkswagen Golf.*

Border Patrols agents seized a large sum of money suspected to be connected to narcotics sales during a traffic stop near the San Clemente Border Patrol Checkpoint. A 29-year-old Mexican national, driving a Volkswagen Golf, was questioned by Border Patrol agents. After questioning the man, agents searched the vehicle and discovered numerous large bundles of U.S. currency hidden within the rear quarter panels of the Volkswagen. The total of the currency was \$399,900. Six counterfeit bills totaling \$100 were also found within bundles of seized currency.

The Mexican national was arrested and charged with bulk cash smuggling. The vehicle and the cash were seized by the Border Patrol.

### **CBP Fights Drug Traffic and Prevents Import of Other Illegal Goods**

#### **CBP Officers Seize \$18 Million Worth of Cocaine in Shipment of Stone**

Information included in the following forfeiture article is attributed to:

News Release dated February 4, 2009, "Texas CBP Officer Seize \$18 Million worth of Cocaine in Shipment of Stone"

In February 2009, CBP officers at the Cargo Facility in Brownsville, Texas, discovered nearly \$18 million in cocaine hidden within a commercial shipment of cantera stone being imported into the country. Officers referred a white 1993 Dina tractor for a more extensive inspection. During this secondary examination, CBP officers discovered discrepancies to the cantera stone on several of the 12 pallets contained in the shipment. After further scrutiny of the suspect stone, CBP officers removed 403 packages from within the stone which harbored 560 pounds of cocaine.



*560 pounds of Cocaine Secreted in Cantera Stone being Imported into the Country.  
Estimated Illicit Street Value of the Cocaine: \$18 Million.*

**Alfredo F. Lopez Sentenced to 10 Years in Prison, Substantial Forfeitures for Medicare Fraud and Money Laundering**

Information included in the following forfeiture article is attributed to:  
United States Attorney’s Office, Southern District of Florida, Press Release: January 13, 2009, “Organizer Receives 10 Year Sentence in Medicare Fraud and Money Laundering Scheme”

In January 2009, Alfredo F. Lopez was sentenced to 120 months in prison for his role in orchestrating a multi-million dollar health care fraud and money laundering scheme. According to documents filed in the case and statements made in open court, from 2003 through 2006, Lopez owned and controlled various durable medical equipment (DME) companies in Miami, Florida. These DME companies collectively submitted more than \$16.5 million in false claims to Medicare for services and equipment that were never provided. Lopez also used a series of straw owners to conceal his ownership of the DME companies.

Through his scheme, Lopez received more than \$3.3 million from the Medicare program. After receiving these funds, Lopez laundered the money by using friends and other associates, including bank employees, to cash hundreds of checks. Lopez then spent the money on expensive vehicles, jewelry and to invest in other Miami-based medical enterprises.

In connection with the Lopez investigation, the U.S. Secret Service recovered more than \$778,000 in cash, a 2007 CL 550 Mercedes Benz, a 2008 Cadillac Escalade, Rolex watches and other jewelry. The Court ordered these items forfeited to the United States along with Lopez’s residence located in Southwest Miami-Dade County.



*2007 CL 550 Mercedes Benz, the same model luxury vehicle as the one forfeited by Alfredo F. Lopez, pursuant to Medicare fraud and money laundering charges.*

*U. S. Coast Guard  
Department of Homeland Security*

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

**U.S. Coast Guard Law Enforcement Detachment (LEDET) Crew members and HMS Iron Duke Crew members Stop a Go-Fast Vessel off the Coast of Venezuela in July 2009, Seize 36 Bales of Cocaine Worth an Estimated \$55 Million**

Information included in the following forfeiture article is attributed to:

United States Coast Guard Press Release: July 22, 2009, "Coast Guard, Royal Navy seize estimated \$55 million in cocaine" Website: <http://www.d7publicaffairs.com/go/doc/586/290231/>

A U.S. Coast Guard law enforcement boarding team from Miami, aboard the Royal Navy Frigate HMS Iron Duke, seized an estimated \$55 million worth of cocaine from a go-fast vessel off the coast of Venezuela in July 2009. While on routine patrol in the Caribbean Sea, Iron Duke crew members located a suspicious go-fast vessel and launched an embarked Lynx helicopter crew to investigate after witnessing the go-fast crew throwing packages overboard. The Iron Duke also launched a small boat with the Coast Guard law enforcement team and conducted an at-sea boarding. Crews boarded the vessel, detained four men and recovered the 36 bales of cocaine thrown overboard.

## 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. § 9703) defines those purposes for which Treasury forfeiture revenue may be used. Once property or cash is seized, there is a forfeiture process. Upon forfeiture, seized currency, initially deposited into a suspense account, or holding account, is transferred to the Fund as forfeited revenue. Once forfeited, physical properties are sold and the proceeds are deposited into the Fund as forfeited revenue. It is this forfeiture revenue that comprises the budget authority for meeting expenses of running Treasury’s forfeiture program.

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

### *Mandatory Authority*

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

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

### *Secretary's Enforcement Fund*

The Secretary’s Enforcement Fund (SEF) is derived from equitable shares received from the Justice Department’s forfeiture fund for work done by Treasury law enforcement bureaus leading to Justice forfeitures. SEF revenue is available for federal law enforcement purposes of any Treasury law enforcement organization or law enforcement bureau that participates in the Treasury Forfeiture Fund. In FY 2009, the Fund expensed \$20.8 million in SEF authority as compared to \$17.9 million in FY 2008, an increase of \$2.9 million or 16.2 percent. These resources were used to meet a variety of law enforcement needs of member bureaus.

### *Super Surplus*

Super Surplus represents the remaining unobligated balance after an amount is reserved for Fund operations in the next fiscal year. Super Surplus can be used for any federal law enforcement purpose. The Fund declared a Super Surplus in the amount of \$68.3 million for FY 2009. The actual expense for FY 2009 was \$42.8 million.

## Program Performance

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### *Strategic View*

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

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 provided \$184.85 million toward equitable sharing expenses in FY 2009, significantly above the \$130 million in FY 2008, representing more than 40 percent of the regular mandatory expense budget in FY 2009, and 25 percent in FY 2008. The actual expense for FY 2009 was \$138.7 million as compared to \$90.2 million for FY 2008. The higher allocation and expense levels for FY 2008 and FY 2009 also reflect the higher forfeiture revenue earnings for those years. These are critical resources afforded by policy of the Treasury Forfeiture Fund to protect and preserve the valuable working relationships between our federal law enforcement bureaus and the critically important state, local and foreign law enforcement agencies that work with them in an investigative capacity day-in and day-out.

### *Strategic Mission and Goal*

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

### *Multi-Departmental Fund*

The Treasury Forfeiture Fund continued in its capacity as a multi-Departmental Fund in FY 2009, representing the interests of law enforcement components of the Departments of Treasury and Homeland Security. FY 2009 posed some continued management challenges including continued oversight of increasing general property contract expenses associated with higher revenue levels. In addition, commensurate with the high revenue year, there were additional expenses incurred by the bureaus. In the midst of this period of growth and change, the Fund's family of law enforcement bureaus continued their hard work of federal law enforcement and the application of asset forfeiture as a sanction to bring criminals to justice.

FY 2009 continued a pattern of robust revenue years with regular revenue of \$527.2 million from all sources, surpassing the FY 2008 banner year of \$386.4 million by over 36 percent. As we enter fiscal year 2010, the Fund remains focused on support for strategic investigative initiatives that will have the greatest impact on national and international criminal enterprise including valuable training and investigative expense funding which emphasizes high impact cases.

*Performance Measure*

In FY 2009, 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 2009 is as follows:

Performance Measure	FY 2008 Actual	FY 2009 Target	FY 2009 Actual
Percent of forfeited cash proceeds resulting from high-impact cases	86.91%	75%	87.65%

A target of 75 percent high-impact cases was set for FY 2009. 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 2009 was 87.65 percent, well above target. This compares with our FY 2008 and FY 2007 performance of 86.91 percent and 84.18 percent, respectively. This continued achievement is excellent and reflects Fund management’s longstanding emphasis on high-impact forfeiture strategies as well as the use of Fund authorities to assist member bureaus with larger cases that may take longer or require additional resources not otherwise available. This measure was put into effect in FY 2001.

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

## Financial Statement Highlights

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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, 2009.

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

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

Follows are brief highlights from the Statements of Changes in Net Position for FY 2009 and 2008.

**Net Position – End of Year.** For FY 2009, 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 \$594.5 million versus \$426.8 million at the end of FY 2008. Both years closed with a strong and viable net position with which to commence the next fiscal year's operations.

**Total Gross Non-Exchange Revenues.** This line item on the *Statements of Changes in Net Position* is the best indicator of regular "business-type" income of the account on an annual basis. For a number of years, Fund management forecast \$250.0 million for the Fund from regular seizure and forfeiture activities of our participating bureaus. For FY 2009, the Fund closed with \$527.2 million in Gross Non-Exchange Revenues versus a total for the FY 2008 closing of \$386.4 million, an increase of over 36 percent over FY 2008.

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

As of the close of FY 2009, Treasury Forfeiture Fund bureaus earned a total of \$20.5 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 \$50.9 million during FY 2008, both excellent years. A portion of these proceeds reflects Fund management's continued work with the Department of Justice to identify delays and/or downward adjustments to percentages associated with Reverse Asset Sharing payments 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 but can be used for any law enforcement purpose of our participating bureaus.

**Cost of Operations.** For FY 2009, the Cost of Operations totaled \$150.0 million, down from \$171.9 million in FY 2008.

**Investment Interest Income.** The Fund is authorized to invest cash balances in Treasury securities. As of September 30, 2009, investments totaled \$1.23 billion, up from \$1.03 billion invested as of September 30, 2008. Given the higher investment balance but negligible interest rates on Treasury securities during FY 2009, investment income totaled only \$1.3 million in FY 2009 as compared to \$21.1 million in FY 2008.

**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 2009, the Fund shared a total of \$134.6 million with other federal, state and local law enforcement agencies, and another \$4.1 million with foreign countries. This compares with \$90.0 million shared with other federal, state and local law enforcement agencies during FY 2008, and another \$0.2 million with foreign countries in FY 2008.

**Victim Restitution.** During FY 2009, the Fund paid \$7.1 million in restitution to victims as compared to \$6.1 million in FY 2008.

**Summary of Statements of Changes in Net Position.** The Fund closed with a strong net position in FY 2009. Management will continue to emphasize high-impact cases by participating law enforcement bureaus. The FY 2009 performance with forfeiture revenue earnings of over \$527.2 million from all sources and a high rate of high-impact cases is truly a credit to the dedicated law enforcement personnel of our participating law enforcement bureaus.

### **Statements: Net Cost**

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

On the Statements of Net Cost, the Net Cost of Operations totaled \$150.0 million in FY 2009, down from \$171.9 million in FY 2008.

**Intra-governmental.** This cost category totaled \$90.2 million in FY 2009, down from \$108.2 million in FY 2008. The amounts represent costs incurred by participating bureaus in running their respective forfeiture programs.

**National Seized Property Contracts.** One of the largest program costs of the Fund is the storage, maintenance and disposal of real and personal property. During FY 2009, general property was maintained by VSE Corporation and real property was maintained by EG&G Technical Services, both contracts of the Department of the Treasury. In FY 2009, expenses of these two contracts

totaled \$49.1 million, down from expenses of the two contracts in FY 2008 of \$53.2 million.

## **Statements: Balance Sheet**

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

Total assets of the Fund increased in FY 2009 to \$1.4 billion, up from \$1.26 billion million in FY 2008, an increase in asset value of over 11 percent. If seized currency, which is an asset in the custody of the government but not yet owned by the government, is backed out of both figures, the adjusted total assets of the Fund increased to \$808.0 million in FY 2009, up from \$643.9 million in FY 2008. During FY 2009, total liabilities of the Fund decreased to \$812.5 million, down from \$837.7 million in FY 2008. If seized currency, which is also shown as a liability because it is not yet owned by the government, is backed out of both figures, the adjusted total liabilities of the Fund decreased modestly to \$213.5 million in FY 2009, down from \$217.2 million in FY 2008.

With increased assets and decreased liabilities in FY 2009, the Cumulative Results of Operations, i.e., retained earnings, increased at the end of FY 2009 to a total of \$594.5 million, up from \$426.8 million at the end of FY 2008.

**Financial and Program Performance -What is needed and planned.** OMB Circular A-136, *Financial Reporting Requirements*, requires that agencies include an explanation of what needs to be done and what is being planned to improve financial or program performance.

### **Auditor's Findings**

**FY 2009 Audit.** The Fund's independent auditors have given the FY 2009 financial statements an Unqualified Opinion with no material weaknesses in internal control over financial reporting identified. The FY 2008 management letter comment regarding recording of indirect overhead expenses of property to the line item level has been resolved.

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

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**Net Position.** To summarize, Fund management concluded a highly productive FY 2009 "in the black," with the necessary resources to commence the business of the asset forfeiture program for FY 2010. Fund management declared a Super Surplus from FY 2009 operations and will work to recognize the hard work of our participating bureaus in the allocation of these resources.

## *A Look Forward*

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

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

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

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

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## Independent Auditor's Report on Financial Statements

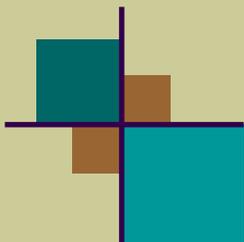
Inspector General  
United States Department of the Treasury  
Washington, D.C.

We have audited the Principal Statements (balance sheets and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as "financial statements") of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the years ended September 30, 2009 and 2008. These financial statements are the responsibility of Fund Management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2009 and 2008, and its net costs, changes in net position, and budgetary resources, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2009, on our consideration of the Fund's internal control over financial reporting and a report dated October 30, 2009, on our tests of its compliance with laws, regulations, and contracts. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and these reports should be read in conjunction with this report in considering the results of our audits.



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

GKA, P.C.

October 30, 2009

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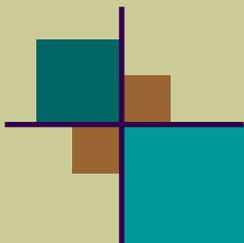
## Independent Auditor's Report on Internal Control over Financial Reporting

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

We have audited the Principal Statements (balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as "financial statements") of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the year ended September 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Under standards issued by the American Institute of Certified Public Accountants, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



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

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

Handwritten signature in black ink, appearing to read "G.A.P.C." with a stylized flourish.

October 30, 2009

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## Independent Auditor's Report on Compliance with Laws and Regulations

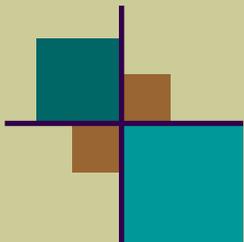
Inspector General  
United States Department of the Treasury  
Washington, D.C.

We have audited the Principal Statements (balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as "financial statements") of the Department of the Treasury Forfeiture Fund (the Fund) as of and for the year ended September 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

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

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

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



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

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

A handwritten signature in black ink that reads "G.A.P.C." with a stylized flourish at the end.

October 30, 2009

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



**Department of the Treasury Forfeiture Fund**  
**BALANCE SHEETS**  
**As of September 30, 2009 and 2008**  
(Dollars in thousands)

	<b>2009</b>	<b>2008</b>
<b>Assets:</b>		
<b>Intragovernmental:</b>		
Fund balance with Treasury	\$ 30,676	\$ 9,936
Investments and related interest (Note 3)	1,227,862	1,030,653
Advances (Note 5)	<u>218</u>	<u>270</u>
<b>Total Intragovernmental</b>	<u>1,258,756</u>	<u>1,040,859</u>
Cash and other monetary assets (Note 6)	95,044	136,855
Accounts Receivable	<u>1,282</u>	<u>1,208</u>
	<u>96,326</u>	<u>138,063</u>
Forfeited property (Note 7)		
Held for sale, net of mortgages, liens and claims	49,756	83,599
To be shared with federal, state or local, or foreign governments	<u>2,215</u>	<u>1,966</u>
Total forfeited property, net of mortgages, liens and claims	<u>51,971</u>	<u>85,565</u>
<b>Total Assets</b>	<u>\$1,407,053</u>	<u>\$1,264,487</u>
<b>Liabilities:</b>		
<b>Intragovernmental:</b>		
Distributions payable		
Other federal agencies	\$ 1,949	\$ 13,035
Accounts payable	<u>38,882</u>	<u>28,636</u>
<b>Total Intragovernmental:</b>	<u>\$40,831</u>	<u>\$41,671</u>
Seized currency and other monetary instruments (Note 9)	599,087	620,541
Distributions payable (Note 10)		
State and local agencies and foreign governments	108,372	68,631
Accounts payable	12,279	21,300
Deferred revenue from forfeited assets	<u>51,971</u>	<u>85,565</u>
<b>Total Liabilities</b>	<u>812,540</u>	<u>837,708</u>
<b>Net Position:</b>		
Cumulative results of operations (Note 11)	<u>594,513</u>	<u>426,779</u>
<b>Total Liabilities and Net Position</b>	<u>\$1,407,053</u>	<u>\$1,264,487</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, 2009 and 2008**  
(Dollars in thousands)

	<b>2009</b>	<b>2008</b>
<b>Program:</b>		
<b>ENFORCEMENT</b>		
<b>Intragovernmental:</b>		
Seizure investigative costs and asset management	\$ 56,051	\$ 69,779
Other asset related contract services	9,780	6,964
Awards to informer	...	99
Data systems, training and others	<u>24,377</u>	<u>31,309</u>
<b>Total Intragovernmental</b>	<u>90,208</u>	<u>108,151</u>
<b>With the Public:</b>		
National contract services seized property and other	49,100	53,235
Joint operations	<u>10,690</u>	<u>10,490</u>
<b>Total with the Public</b>	<u>59,790</u>	<u>63,725</u>
<b>Net Cost of Operations</b>	<u>\$ 149,998</u>	<u>\$ 171,876</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, 2009 and 2008**  
(Dollars in thousands)

	<b>2009</b>	<b>2008</b>
<b>Net Position – Beginning of year</b>	<u>\$ 426,779</u>	<u>\$ 361,387</u>
<b>Financing Sources (Non-Exchange Revenues):</b>		
<b>Intragovernmental</b>		
Investment interest income	1,345	21,082
<b>Public</b>		
Forfeited currency and monetary instruments	479,494	412,151
Sales of forfeited property net of mortgages and claims	37,242	52,611
Proceeds from participating with other federal agencies	20,485	50,948
Value of property transferred in equitable sharing	8,012	8,095
Payments in lieu of forfeiture, net of refund (Note 19)	(27,608)	(166,561)
Reimbursed costs	4,026	4,352
Others	<u>4,180</u>	<u>3,698</u>
<b>Total Gross Non-Exchange Revenues</b>	<u>527,176</u>	<u>386,376</u>
<b>Less: Equitable Sharing</b>		
<b>Intragovernmental</b>		
Federal	<u>(9,594)</u>	<u>(11,551)</u>
<b>Public</b>		
State and local agencies	(125,009)	(78,498)
Foreign countries	(4,096)	(177)
Victim restitution	<u>(7,143)</u>	<u>(6,086)</u>
	<u>(136,248)</u>	<u>(84,761)</u>
<b>Total Equitable Sharing</b>	<u>(145,842)</u>	<u>(96,312)</u>
<b>Total Non-Exchange Revenues, Net</b>	<u>381,334</u>	<u>290,064</u>
<b>Transfers –Out</b>		
<b>Intragovernmental</b>		
Super surplus (Note 13)	(42,771)	(34,871)
Secretary’s enforcement fund (Note 14)	<u>(20,831)</u>	<u>(17,925)</u>
<b>Total Transfers Out</b>	<u>(63,602)</u>	<u>(52,796)</u>
<b>Total Financing Sources - Net</b>	317,732	237,268
<b>Net Cost of Operations</b>	<u>(149,998)</u>	<u>(171,876)</u>
<b>Net Results of Operations</b>	<u>167,734</u>	<u>65,392</u>
<b>Net Position – End of Year</b>	<u>\$ 594,513</u>	<u>\$ 426,779</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, 2009 and 2008**  
(Dollars in thousands)

	<b>2009</b>	<b>2008</b>
<b>Budgetary Resources:</b>		
Unobligated balances- beginning of year	\$ 183,082	\$ 160,117
Recoveries of prior year unpaid obligations	74,946	41,607
Budget authority	<u>525,527</u>	<u>578,645</u>
<b>Total Budgetary Resources</b>	<u><u>\$ 783,555</u></u>	<u><u>\$ 780,369</u></u>
<b>Status of Budgetary Resources:</b>		
Obligations incurred	\$ 483,585	\$ 597,287
Unobligated balances - available	<u>299,970</u>	<u>183,082</u>
<b>Total Status of Budgetary Resources</b>	<u><u>\$ 783,555</u></u>	<u><u>\$ 780,369</u></u>
<b>Change in Obligated Balance:</b>		
Obligated balance, net-beginning of year	\$ 358,143	\$ 316,085
Obligations incurred	483,585	597,287
Less: Gross outlays	(360,762)	(513,622)
Less: Recoveries of prior year unpaid obligations, actual	<u>(74,946)</u>	<u>(41,607)</u>
<b>Obligated balance, net – end of year</b>	<u><u>\$ 406,020</u></u>	<u><u>\$ 358,143</u></u>
<b>Net Outlays</b>	<u><u>\$ 360,762</u></u>	<u><u>\$ 513,622</u></u>

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

### **Note 1: Reporting Entity**

The Department of the Treasury Forfeiture Fund (Treasury Forfeiture Fund or the Fund) was established by the Treasury Forfeiture Fund Act of 1992, Public Law 102-393 (the TFF Act), and is codified at 31 USC 9703. The Fund was created to consolidate all Treasury law enforcement bureaus under a single forfeiture fund program administered by the Department of the Treasury (Treasury). Treasury law enforcement bureaus fully participating in the Fund upon enactment of this legislation were the U.S. Customs Service (Customs); the Internal Revenue Service (IRS); the United States Secret Service (Secret Service); the Bureau of Alcohol, Tobacco and Firearms (ATF); the Financial Crimes Enforcement Network (FinCEN); and the Federal Law Enforcement Training Center (FLETC). FinCEN and FLETC contribute no revenue to the Fund and receive relatively few distributions from the Fund. The U.S. Coast Guard, formerly part of the Department of Transportation, now part of the Department of Homeland Security (DHS), also participates in the Fund. However, all Coast Guard seizures are treated as Customs seizures because the Coast Guard lacks seizure authority.

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

The Fund is a special fund that is accounted for under Treasury symbol number 20X5697. From this no-year account, expenses may be incurred consistent with 31 USC 9703, as amended. A portion of these expenses, referred to as discretionary expenses, are subject to annual appropriation limitations. Others, referred to as non-discretionary (mandatory) expenses, are limited only by the availability of resources in the Fund. Both expense categories are limited in total by the amount of revenue in the Fund. The Fund is managed by the Treasury's Executive Office for Asset Forfeiture (EOAF).

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

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

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

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

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

### ***Financial Statements Presented***

These financial statements are provided to meet the requirements of the Chief Financial Officers Act of 1990, and the Government Management Reform Act of 1994. They consist of the balance sheet, the statement of net cost, the statement of changes in net position, and the statement of budgetary resources, all of which are prescribed by OMB.

Comparative financial statements are presented in order to provide a better understanding of, and identifying trends in the financial position and results of operations of the Fund.

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

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

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

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

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

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

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

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

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

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

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

### ***Earmarked Funds***

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. In accordance with SFFAS 27, *Earmarked Funds*, all of the TFF's revenue meets this criteria and constitutes an earmarked fund.

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

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

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

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

### ***Entity Assets***

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

- **Fund Balance with Treasury** – This represents amounts on deposit with Treasury.
- **Investments and Related Interest Receivable** – This includes forfeited cash held by the Fund and seized currency held in the Customs Suspense Account that had been invested in short term U.S. Government Securities.
- **Receivables** – Intragovernmental receivables principally represent monies due from the law enforcement agencies participating in the Fund. 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, 2009 and 2008.

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

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

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

#### *Non-entity Assets*

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

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

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

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

#### *Liabilities Covered by Budgetary Resources*

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

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

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

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

#### *Net Position*

The components of net position are classified as follows:

- **Retained Capital** – There is no cap on amounts that the Fund can carry forward into Fiscal Year 2010. The cap was removed by the Fiscal Year 1997 Omnibus Appropriations Act (PL 104-208).
- **Unliquidated Obligations** – This category represents the amount of undelivered purchase orders, contracts and equitable sharing requests which have been obligated with current budget resources or delivered purchase orders and contracts that have not been invoiced. An expense and liability

are recognized and the corresponding obligations are reduced as goods are received or services are performed. A portion of the equitable sharing requests that were in final stages of approval are recognized as liabilities at year end. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain liabilities at year end. (See also Distributions Payable at Note 10).

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

**Note 3: Investments and Related Interest**

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

The following schedule presents the investments on hand as of September 30, 2009 and 2008, respectively (dollars in thousands):

**Entity Assets**

<b>Description.</b>	<b>Cost</b>	<b>Unamortized Discount</b>	<b>Investment, Net</b>
<b><u>September 30, 2009</u></b>			
Treasury Forfeiture Fund -			
35 days 0.0350% U.S. Treasury Bills	\$705,338	(\$24)	\$705,314
Interest Receivable			<u>7</u>
Total Investment, Net, and Interest Receivable			<u>\$705,321</u>
Fair Market Value			<u>\$705,305</u>
<b><u>September 30, 2008</u></b>			
Treasury Forfeiture Fund -			
35 days 0.160% U.S. Treasury Bills	\$531,371	(\$83)	\$531,288
Interest Receivable			<u>55</u>
Total Investment, Net, and Interest Receivable			<u>\$531,343</u>
Fair Market Value			<u>\$531,302</u>

## Non-entity Assets

Description	Cost	Unamortized Discount	Investment, Net
<b><u>September 30, 2009</u></b>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.0350% U.S. Treasury Bills	\$522,559	(\$18)	<u>\$522,541</u>
Fair Market Value			<u>\$522,534</u>
<b><u>September 30, 2008</u></b>			
Treasury Forfeiture Fund – Seized Currency Suspense Account			
35 days 0.160% U.S. Treasury Bills	\$499,388	(\$78)	<u>\$499,310</u>
Fair Market Value			<u>\$499,324</u>

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

The following schedule presents the non-entity assets as of September 30, 2009 and 2008, respectively, (dollars in thousands):

	<u>2009</u>	<u>2008</u>
<b>Seized currency:</b>		
Intragovernmental Investments (Note 3)	\$ 522,541	\$ 499,310
Cash and other monetary assets (Note 6)	76,546	121,231
<b>Total Non-Entity Assets</b>	<u>599,087</u>	<u>620,541</u>
<b>Total Entity Assets</b>	<u>807,966</u>	<u>643,946</u>
<b>Total Assets</b>	<u>\$ 1,407,053</u>	<u>\$ 1,264,487</u>

### **Note 5: Advances**

Advances amounted to \$218 thousand and \$270 thousand as of September 30, 2009 and 2008, respectively.

## **Note 6: Cash and Other Monetary Assets**

### **Entity Assets**

Cash and Other Monetary Assets held on hand included forfeited currency not yet deposited, as well as forfeited currency held as evidence, amounting to \$18.5 million and \$15.6 million as of September 30, 2009 and 2008, respectively.

### **Non-Entity Assets**

Cash and Other Monetary Assets included seized currency not yet deposited, as well as deposited seized currency which is not invested in order to pay remissions, amounted to \$76.5 million and \$121.2 million as of September 30, 2009 and 2008, respectively.

## **Note 7: Forfeited Property**

The following summarizes the components of forfeited property (net), as of September 30, 2009 and 2008, respectively, (dollars in thousands):

	<b><u>2009</u></b>	<b><u>2008</u></b>
Held for Sale	\$ 57,263	\$ 95,149
To be shared with federal, state or local, or foreign government	<u>2,215</u>	<u>1,966</u>
Total forfeited property (Note 8)	59,478	97,115
Less: Allowance for mortgages and claims	<u>(7,507)</u>	<u>(11,550)</u>
Total forfeited property, net	<b><u>\$ 51,971</u></b>	<b><u>\$ 85,565</u></b>

**Note 8: FY 2009 Analysis of Changes in Forfeited Property and Currency**

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

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

**Note 8 (Cont'd): FY 2008 Analysis of Changes in Forfeited Property and Currency**

The following schedule presents the changes in the forfeited property and currency balances from October 1, 2007 to September 30, 2008. (Dollar value is in thousands.)

	10/1/07 Financial Statement Balance		Adjustments		10/1/07 Carrying Value		Forfeitures		Deposits/Sales		Disposals/Transfers			
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.		
Currency	\$28,023	-	\$-	-	\$28,023	-	\$288,883	-	\$(320,420)	-	\$(160)	-		
Other Monetary Instruments	448	-	-	-	448	-	96,572	-	(96,709)	-	-	-		
<b>Subtotal</b>	<b>28,471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,471</b>	<b>-</b>	<b>385,455</b>	<b>-</b>	<b>(417,129)</b>	<b>-</b>	<b>(160)</b>	<b>-</b>		
Real Property	63,141	136	(14,799)	-	48,342	136	65,102	112	(25,728)	(119)	(6,590)	(17)		
General Property	7,757	8,947	18,017	-	25,774	8,947	41,312	14,836	(12,351)	(2,488)	(25,723)	(1,129)		
Vessels	355	52	512	-	867	52	3,290	103	(3,620)	(77)	(218)	(6)		
Aircraft	437	7	239	-	676	7	200	3	(244)	(4)	-	-		
Vehicles	10,780	5,656	16,669	-	27,449	5,656	56,143	14,525	(53,777)	(15,374)	(12,124)	(1,141)		
<b>Subtotal</b>	<b>82,470</b>	<b>14,798</b>	<b>20,638</b>	<b>-</b>	<b>103,108</b>	<b>14,798</b>	<b>166,047</b>	<b>29,579</b>	<b>(95,720)</b>	<b>(18,062)</b>	<b>(44,655)</b>	<b>(2,293)</b>		
<b>Grand Total</b>	<b>\$110,941</b>	<b>14,798</b>	<b>\$20,638</b>	<b>-</b>	<b>\$131,579</b>	<b>14,798</b>	<b>\$551,502</b>	<b>29,579</b>	<b>\$(512,849)</b>	<b>(18,062)</b>	<b>\$(44,815)</b>	<b>(2,293)</b>		
	Victim Restitution		Destroyed		Other Adjustments		Value Change		2008 Carrying Value		Fair Market Value Adjustment		9/30/08 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$-	-	\$-	0	\$19,082	-	\$(95)	-	\$15,313	-	\$-	-	\$15,313	-
Other Monetary Instruments	-	-	-	-	-	-	-	-	311	-	-	-	311	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,082</b>	<b>-</b>	<b>(95)</b>	<b>-</b>	<b>15,624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,624</b>	<b>-</b>
Real Property	-	-	-	-	7,636	99	764	-	89,526	211	(6,233)	-	83,293	211
General Property	-	-	(122)	(12,428)	376	59	(8,023)	-	21,243	7,797	(14,790)	-	6,453	7,797
Vessels	-	-	-	(32)	183	4	(23)	-	479	44	(253)	-	226	44
Aircraft	-	-	-	-	(60)	(1)	-	-	572	5	(229)	-	343	5
Vehicles	-	-	-	(269)	(870)	(283)	(313)	-	16,508	3,114	(9,708)	-	6,800	3,114
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>(122)</b>	<b>(12,729)</b>	<b>7,265</b>	<b>(122)</b>	<b>(7,595)</b>	<b>-</b>	<b>128,328</b>	<b>11,171</b>	<b>(31,213)</b>	<b>-</b>	<b>97,115</b>	<b>11,171</b>
<b>Grand Total</b>	<b>\$-</b>	<b>-</b>	<b>\$(122)</b>	<b>(12,729)</b>	<b>\$26,347</b>	<b>(122)</b>	<b>\$(7,690)</b>	<b>-</b>	<b>\$143,952</b>	<b>11,171</b>	<b>\$(31,213)</b>	<b>-</b>	<b>\$112,739</b>	<b>11,171</b>

**Note 9: FY 2009 Analysis of Changes in Seized Property and Currency**

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

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

**Note 9 (Cont'd): FY 2008 Analysis of Changes in Seized Property and Currency**

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

	9/30/07 Financial Statement Balance		Seizures		Remissions		Forfeitures		Adjustments		Value Changes		9/30/08 Financial Statement Balance	
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.
Currency	\$535,538	-	\$417,485	-	\$(22,265)	-	\$(288,883)	-	\$(32,242)	-	\$(1,170)	-	\$608,463	-
Other Monetary Instruments	12,234	-	98,788	-	-	-	(96,572)	-	(2,372)	-	-	-	12,078	-
<b>Subtotal</b>	<b>547,772</b>	<b>-</b>	<b>516,273</b>	<b>-</b>	<b>(22,265)</b>	<b>-</b>	<b>(385,455)</b>	<b>-</b>	<b>(34,614)</b>	<b>-</b>	<b>(1,170)</b>	<b>-</b>	<b>620,541</b>	<b>-</b>
Real Property	279,550	752	110,175	198	(34,086)	(193)	(65,102)	(112)	6,460	(55)	816	-	297,813	590
General Property	339,804	16,983	134,948	24,178	(104,128)	(3,778)	(41,312)	(14,836)	(3,899)	(3,804)	(27,880)	-	297,533	18,743
Vessels	7,889	112	7,518	222	(3,792)	(63)	(3,290)	(103)	(349)	(8)	(941)	-	7,035	160
Aircraft	2,707	13	5,439	13	(3,326)	(5)	(200)	(3)	(516)	(1)	(863)	-	3,241	17
Vehicles	64,341	8,655	113,850	19,486	(55,780)	(5,163)	(56,143)	(14,525)	(10,236)	(1,457)	(1,011)	-	55,021	6,996
<b>Subtotal</b>	<b>694,291</b>	<b>26,515</b>	<b>371,930</b>	<b>44,097</b>	<b>(201,112)</b>	<b>(9,202)</b>	<b>(166,047)</b>	<b>(29,579)</b>	<b>(8,540)</b>	<b>(5,325)</b>	<b>(29,879)</b>	<b>-</b>	<b>660,643</b>	<b>26,506</b>
<b>Grand Total</b>	<b>\$1,242,063</b>	<b>26,515</b>	<b>\$888,203</b>	<b>44,097</b>	<b>\$(223,377)</b>	<b>(9,202)</b>	<b>\$(551,502)</b>	<b>(29,579)</b>	<b>\$(43,154)</b>	<b>(5,325)</b>	<b>\$(31,049)</b>	<b>-</b>	<b>\$1,281,184</b>	<b>26,506</b>

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

Distributions Payable (state and local agencies and foreign governments) amounted to \$108.4 million and \$68.6 million as of September 30, 2009 and 2008, 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, 2009 and 2008, respectively. Prior experience with the nature of this account indicated that a substantial portion of these requests were certain to be paid out by the Fund during the following fiscal year.

**Note 11: Net Position**

***Cumulative Results***

The following summarizes components of cumulative results as of and for the years ended September 30, 2009 and 2008, respectively, (dollars in thousands):

	<u>2009</u>	<u>2008</u>
Retained Capital	\$ 180,326	\$ 132,959
Unliquidated Obligations	246,453	228,428
Net Results of Operations	<u>167,734</u>	<u>65,392</u>
	<u>\$ 594,513</u>	<u>\$ 426,779</u>

***Unliquidated Obligations***

The following summarizes the components of unliquidated obligations as of September 30, 2009 and 2008, respectively, (dollars in thousands):

	<u>2009</u>	<u>2008</u>
Equitable Sharing	\$ 113,060	\$ 88,181
Mandatory	<u>133,393</u>	<u>140,247</u>
	<u>\$ 246,453</u>	<u>\$ 228,428</u>

**Note 12: Related Party Transactions**

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

**Note 13: Super Surplus**

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

Amounts distributed to other federal agencies for law enforcement activities under "Super Surplus" requirements amounts to \$42.8 million and \$34.9 million in fiscal years 2009 and 2008, respectively.

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

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

Amounts distributed for federal law enforcement purposes of Treasury law enforcement organizations amounted to \$20.8 million and \$17.9 million in fiscal years 2009 and 2008, respectively.

**Note 15: Commitments and Contingencies**

COMMITMENTS

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

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

CONTINGENCIES

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

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

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

	<u>2009</u>	<u>2008</u>
Gross Costs	\$ 149,998	\$ 171,876
Earned Revenues	-	-
Net Costs	<u>\$ 149,998</u>	<u>\$ 171,876</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 2009 and 2008 were \$406.0 million and \$358.1 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 2009 and 2008 consist of the following (in thousands):

	<u>2009</u>	<u>2008</u>
Recoveries of Prior Year Unpaid Obligations	\$ 74,946	\$ 41,607

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

**Note 18: Dedicated Collections**

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

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

The following summarizes Payments in Lieu of Forfeiture, Net of Refunds as of September 30, 2009 and 2008, respectively, (dollars in thousands):

	<u>2009</u>	<u>2008</u>
Payments in Lieu of Forfeiture	\$ 8,169	\$ 10,355
Refunds	(35,777)	(176,916)
Total	<u>(\$ 27,608)</u>	<u>(\$166,561)</u>

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

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

	<u>2009</u>	<u>2008</u>
<b>Resources Used to Finance Activities:</b>		
Budgetary resources obligated		
Obligations incurred	\$ 483,585	\$ 597,287
Less: Spending authority from offsetting		
Collections and recoveries	<u>(74,946)</u>	<u>(41,607)</u>
Net Obligations	408,639	555,680
Other resources		
Transfers – out	<u>(63,602)</u>	<u>(52,796)</u>
<b>Total Resources Used to Finance Activities</b>	<u>345,037</u>	<u>502,884</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	(10,013)	(47,393)
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Mortgages and claims	(3,407)	(10,386)
Refunds	(35,777)	(176,917)
Equitable Sharing (federal, state/local and foreign)	(138,699)	(90,226)
Victim restitution	<u>(7,143)</u>	<u>(6,086)</u>
<b>Total Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<u>(195,039)</u>	<u>(331,008)</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<u>149,998</u>	<u>171,876</u>
<b>Net Cost of Operations</b>	<u>\$ 149,998</u>	<u>\$ 171,876</u>

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

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Intragovernmental Amounts – Assets (Dollars in thousands)

Partner Agency	2009			2008		
	Fund Balance with Treasury	Accounts Receivable/Advances	Investments	Fund Balance with Treasury	Accounts Receivable/Advances	Investments
Departmental Offices	\$ -	\$ 218	\$ -	\$ -	\$ 270	\$ -
Bureau of Public Debt	-	-	1,227,862	-	-	1,030,653
Totals	<u>\$ -</u>	<u>\$ 218</u>	<u>\$ 1,227,862</u>	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ 1,030,653</u>

Intragovernmental Amounts – Liabilities (Dollars in thousands)

Partner Agency	2009 Accounts Payable	2008 Accounts Payable
Department of Justice	\$ 2,280	\$ 2,280
Departmental Offices	949	897
Department of Homeland Security	10,752	10,752
Department of Defense	3	3
Fincen	1,243	925
Tax and Trade	285	22
Internal Revenue Service	25,319	26,792
Totals	<u>\$ 40,831</u>	<u>\$ 41,671</u>

Intragovernmental Amounts – Revenues and Costs (Dollars in thousands)

Budget Functions	2009		2008	
	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	\$ -	\$ 90,208	\$ -	\$ 108,151

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

Partner Agency	2009		2008	
	In	Out	In	Out
Department of Justice	\$ -	\$ 3,128	\$ -	244
Department of Homeland Security	-	32,300	-	20,584
Department of Treasury	-	563	-	318
Internal Revenue Service	-	21,107	-	30,569
Financial Crimes Enforcement Network	-	5,355	-	475
Tax and Trade	-	399	-	116
Department of State	-	-	-	140
Department of Labor	-	250	-	250
Department of Commerce	-	500	-	100
<b>Totals</b>	<b>\$ -</b>	<b>\$ 63,602</b>	<b>\$ -</b>	<b>52,796</b>

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



**TREASURY FORFEITURE FUND**  
**Equitable Sharing Summarized by State and U.S. Territories**  
**For the Year Ended September 30, 2009**  
**(Dollars in Thousands)**  
**(Unaudited)**

<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
Alabama	\$ 293	\$ 2
Alaska	130	50
Arizona	858	146
Arkansas	61	-
California	3,335	105
Colorado	496	-
Connecticut	23	-
D.C. Washington	206	-
Delaware	62	-
Florida	4,708	440
Georgia	3,949	35
Guam	-	-
Hawaii	22	-
Idaho	435	5
Illinois	5,107	5
Indiana	1,240	-
Iowa	3	1
Kansas	21	-
Kentucky	688	9
Louisiana	657	-
Maine	511	-
Maryland	1,315	91
Massachusetts	832	-
Michigan	4,885	41
Minnesota	69	2
Mississippi	18	7
Missouri	224	-
Montana	67	-
Nebraska	17	-
Nevada	336	2
New Jersey	1,822	-
New Hampshire	272	10
New Mexico	3	-
New York	11,337	622
North Carolina	6,016	1,065
North Dakota	-	-
Ohio	425	5
Oklahoma	249	-
Oregon	1,433	53
Pennsylvania	176	38
Puerto Rico	1,203	20
Rhode Island	-	-
South Carolina	3,985	425
South Dakota	-	-
Tennessee	827	1,058
Texas	12,359	544
Utah	-	-
<i>Subtotal carried forward</i>	<u>\$70,675</u>	<u>\$4,781</u>

**TREASURY FORFEITURE FUND**  
**Equitable Sharing Summarized by State and U.S. Territories**  
**For the Year Ended September 30, 2009**  
**(Dollars in Thousands)**  
**(Unaudited)**

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<u>State/U.S. Territories</u>	<u>Currency Value</u>	<u>Property Value</u>
<i>Subtotal brought forward</i>	\$70,675	\$4,781
Vermont	225	-
Virgin Islands	-	-
Virginia	1,759	35
Washington	8,137	773
West Virginia	280	4
Wisconsin	3,061	9
Wyoming	<u>17</u>	<u>-</u>
Totals	<u>\$84,154</u>	<u>\$5,602</u>

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

**TREASURY FORFEITURE FUND**  
**Uncontested Seizures of Currency and Monetary Instruments Valued Over**  
**\$100,000, Taking More Than 120 Days from Seizure to Deposit in Fund**  
**For the Year Ended September 30, 2009**  
**(Dollars in Thousands)**

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**31 U.S.C. 9703(f)(2)(E) requires the Secretary of the Treasury to report annually to Congress uncontested seizures of currency or proceeds of monetary instruments over \$100,000, which were not deposited in the Department of the Treasury Forfeiture Fund within 120 days of the seizure date. There were no administrative seizures over \$100,000 over 120 days old for all bureaus in FY 2009.**

**TREASURY FORFEITURE FUND**  
**Analysis of Revenue and Expenses and Distributions**  
**For the Year Ended September 30, 2009**  
**(Dollars in Thousands)**

Revenue, Expenses and Distributions by Asset Category:

	<u>Revenue</u>	<u>Expenses and Distributions</u>
Vehicles	\$10,265	\$78,148
Vessels	2,851	99,568
Aircraft	2,851	32,077
General Property	9,124	316,033
Real Property	31,934	12,379
Currency and monetary instruments	<u>509,335</u>	<u>28,155</u>
	566,360	566,360
Less:		
Mortgages and claims	(3,407)	(3,407)
Refunds	(35,777)	(35,777)
Add:		
Excess of net revenues and financing sources over total program expenses	<u>    --</u>	<u>    --</u>
Total	<u>\$527,176</u>	<u>\$527,176</u>

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

Sales of property and forfeited currency and monetary instruments	416,492	107,609
Reimbursed storage costs	4,026	56,636
Assets shared with state and local agencies	125,009	125,009
Assets shared with other federal agencies	9,594	9,594
Assets shared with foreign countries	4,096	4,096
Victim Restitution	7,143	7,143
Destructions	--	67,963
Pending disposition	<u>    --</u>	<u>188,310</u>
	566,360	566,360
Less:		
Mortgages and claims	(3,407)	(3,407)
Refunds	(35,777)	(35,777)
Add:		
Excess of net revenues and financing sources over total program expenses	<u>    --</u>	<u>    --</u>
Total	<u>\$527,176</u>	<u>\$527,176</u>

The revenue amount of \$527,176 is from the Statement of Net Position. This supplemental schedule "Analysis of Revenues, Expenses and Distributions" is required under the Treasury Forfeiture Fund Act of 1992.

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9703(f)**  
**For the Year Ended September 30, 2009**  
**(Dollars in Thousands)**

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The Treasury Forfeiture Fund Act of 1992, 31 U.S.C. 9703(f), requires the Secretary of the Treasury to transmit to Congress, no later than February 1, of each year, certain information. The following summarizes the required information.

**(1) A report on:**

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

**As reported in the audited financial statements, at September 30, 2009, the Fund had forfeited property held for sale of \$57,263. 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, 2009, there was \$18,497 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 \$84,154 and total property transferred was \$5,602 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, 2008 which became the beginning balance for the Fund on October 1, 2009, as reported in the audited financial statements is \$426,779.**

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9703(f)**  
**For the Year Ended September 30, 2009**  
**(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 \$3,407. 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:**

<b>State and local</b>	<b>\$125,009</b>
<b>Foreign countries</b>	<b>4,096</b>
<b>Other federal agencies</b>	<b>9,594</b>
<b>Victim restitution</b>	<b>7,143</b>

- (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 \$149,998.**

**The amount of seized currency not on deposit in the Fund’s suspense account at September 30, 2009, was \$76,546. This amount includes some funds in the process of being deposited at yearend; cash seized in August or September 2009 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 \$299,970 for fiscal year 2009. This excludes \$30,000 in FY 2009 rescinded authority that is classified as “temporary.” If this figure is added to the unobligated balances at the end of FY 2009, the figure becomes \$329,970.**

- (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:**

<b>CBP</b>	<b>\$58,235</b>	<b>22 seizures</b>
<b>IRS</b>	<b>363,894</b>	<b>116 seizures</b>
<b>U.S. Secret Service</b>	<b>85,317</b>	<b>16 seizures</b>

**TREASURY FORFEITURE FUND**  
**Information Required by 31 U.S.C. 9703(f)**  
**For the Year Ended September 30, 2008**  
**(Dollars in Thousands)**

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- (E) The total dollar value of uncontested seizures of monetary instruments having a value of over \$100,000 which, or the proceeds of which, have not been deposited into the Fund within 120 days after the seizure, as of the end of the preceding fiscal year.

**The total dollar value of such seizures is \$0. This is also documented on page 50.**

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

**The total net position of the Fund at September 30, 2009, as reported in the audited financial statements is \$594,513.**

- (G) The net amount, if any, of the excess unobligated amounts remaining in the Fund at the end of the preceding fiscal year and available to the Secretary for Federal law enforcement related purposes.

**There is no cap on amounts that can be carried forward into Fiscal Year 2010 per the fiscal year 1997 Omnibus Appropriations Act (PL 104-208).**

- (H) A complete set of audited financial statements prepared in a manner consistent with the requirements of the Chief Financial Officers Act of 1990.

**The audited financial statements, including the Independent Auditor's Report, are found in Sections II and III.**

- (I) An analysis of income and expense showing revenue received or lost: (i) by property category (such as general property, vehicles, vessels, aircraft, cash, and real property); and (ii) by type of disposition (such as sale, remission, cancellation, placement into official use, sharing with state and local agencies, and destruction).

**A separate schedule is presented on page 51.**

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