



Audit of the Assets Forfeiture Fund and Seized Asset
Deposit Fund Annual Financial Statements
Fiscal Year 2022



AUDIT DIVISION

23-036

MARCH 2023



COMMENTARY AND SUMMARY

Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2022

Objectives

In accordance with Civil Asset Forfeiture Reform Act of 2000, the Department of Justice Office of the Inspector General (OIG) contracted with an independent auditor to perform an audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund's (AFF/SADF) annual financial statements.

The objectives of the audit were to opine on the financial statements; report on internal control over financial reporting; and report on compliance and other matters, including compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA).

Results in Brief

KPMG LLP (KPMG) found that the AFF/SADF's financial statements are fairly presented as of and for the year ended September 30, 2022, and issued an unmodified opinion. KPMG reported one significant deficiency in the Independent Auditors' Report. The Independent Auditors' Report did not report any instances of non-compliance.

The OIG reviewed KPMG's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards, was not intended to enable us to express, and we do not express, an opinion on the AFF/SADF's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the AFF/SADF's financial management systems substantially complied with FFMIA, or conclusions on compliance and other matters. KPMG is responsible for the attached Independent Auditors' Report dated November 7, 2022, and the conclusions expressed in the report. Our review disclosed no instances where KPMG did not comply, in all material respects, with Government Auditing Standards.

Recommendations

KPMG provided AFF/SADF four recommendations to improve its controls over timely recognition of forfeiture revenue and seized assets.

Audit Results

Under the direction of the OIG, KPMG performed the AFF/SADF's audit in accordance with auditing standards generally accepted in the United States of America. The fiscal year (FY) 2022 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in accordance with U.S. generally accepted accounting principles. For FY 2021, the AFF/SADF also received an unmodified opinion on its financial statements (OIG Audit Division Report Number 22-018).

KPMG reported one significant deficiency in the FY 2022 Independent Auditors' Report, noting that improvements are needed in controls over timely recognition of forfeiture revenue and seized assets. No instances of non-compliance or other matters were identified during the audit that are required to be reported under Government Auditing Standards. Additionally, KPMG's tests disclosed no instances in which the AFF/SADF's financial management systems did not substantially comply with FFMIA.

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U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund Management's Discussion and Analysis

Unaudited



Mission

The mission of the Department of Justice (DOJ or Department) Asset Forfeiture Program (AFP) is to employ asset forfeiture powers to achieve the following goals outlined in *The Attorney General's Guidelines on the Asset Forfeiture Program* (July 2018) (AG Guidelines):

- Punish and deter criminal activity by depriving criminals of property used in or acquired through illegal activities;
- Promote and enhance cooperation between federal, state, local, tribal, and foreign law enforcement agencies;
- Recover assets that may be used to compensate victims when authorized under federal law; and
- Ensure the AFP is administered professionally, lawfully, and in a manner consistent with sound public policy.

To achieve this mission, agencies participating in the AFP investigate, identify, seize, and forfeit the assets of criminals and their organizations while ensuring that due process rights of all property owners are protected. Asset forfeiture plays a critical role in disrupting and dismantling illegal enterprises, depriving criminals of the proceeds of illegal activities, deterring crime, and restoring property to victims.

The effective use of asset forfeiture is an essential component of the Department's efforts to combat the most sophisticated criminal actors and organizations – including terrorist financiers, cyber criminals, fraudsters, human traffickers, and transnational drug cartels.

Organization Structure

A participating agency of the AFP is one which deposits asset forfeiture proceeds in the Assets Forfeiture Fund (AFF). Participating agencies may be agencies within the Department or from other federal agencies. Only participating agencies that contribute to the AFF are eligible to receive an annual allocation of resources from it. AFP participating agencies in Fiscal Years (FYs) 2022 and 2021 are presented below.

AFP Participating Agencies



DOJ AFP Participating Agencies

Asset Forfeiture Management Staff (AFMS),
Justice Management Division (JMD)
Bureau of Alcohol, Tobacco, Firearms and
Explosives (ATF)
Drug Enforcement Administration (DEA)
Federal Bureau of Investigation (FBI)
Money Laundering and Asset Recovery Section
(MLARS), Criminal Division
Executive Office for Organized Crime Drug
Enforcement Task Force (OCDETF)
Executive Office for United States Attorneys
(EOUSA) & United States Attorney's Offices
(USAOs)
United States Marshals Service (USMS)

Non-DOJ AFP Participating Agencies

Defense Criminal Investigative Service
(DCIS), Department of Defense
Bureau of Diplomatic Security (DSS),
Department of State
Office of Criminal Investigations, Food and Drug
Administration (FDA), Department of Health and
Human Services
Office of the Inspector General, Department of
Agriculture (USDA)
United States Postal Inspection Service (USPIS)

Functions of AFP Participating Agencies

Function	AFMS	ATF	DEA	FBI	MLARS	OCDETF	USAO	USMS	DCIS	DSS	FDA	USDA	USPIS
Investigation		*	*	*		*			*	*	*	*	*
Legal Support					*		*						
Custody of Assets		*	*	*				*					
Management	*				*								

The USMS has primary responsibility for holding and maintaining real and tangible personal property seized by participating agencies for disposition. The ATF has primary responsibility over the custody, maintenance and disposition of firearms seized and forfeited by the participating agencies. Forfeited property is subsequently sold, placed into official use, destroyed, or transferred to other agencies.

Major Programs and Objectives

In FY 2022, the Department issued five new Strategic Goals based on the guidance from the current Administration.

1. Uphold the Rule of Law
2. Keep our Country Safe
3. Protect Civil Rights
4. Ensure Economic Opportunity and Fairness for All
5. Administer Just Court and Correctional Systems

While operationally AFF/Seized Asset Deposit Fund (SADF), primarily contributes to achieving the objectives of Strategic Goal 2, the Department reports in the Statement of Net Cost earned revenue and cost by major program. As such, AFF/SADF's Statement of Net Cost is aligned to Major Program 1: Law Enforcement.

The law enforcement program protects and defends the United States against foreign and domestic threats by investigating, enforcing, and upholding the criminal laws of the United States. In addition, it provides leadership and criminal justice services to federal, state, municipal, international agencies, and partners.

Financial Structure

The AFF and SADF together comprise a single financial reporting entity of the DOJ. The AFF was created by the Comprehensive Crime Control Act of 1984 as the repository of the proceeds of forfeitures under any law enforced by members of the AFP or administered by the DOJ (28 U.S.C. § 524(c)). The AFF is a special fund with no-year budget authority available until expended and is identified in the U.S. Department of the Treasury's (Treasury) Federal Account Symbols and Titles Book (FAST) as 15X5042. Special funds are credited with receipts from sources that are earmarked by law for a specific purpose. At the point of collection, these receipts are available immediately for expenditure pursuant to statutory requirements.

Funds deposited in the AFF are used for the costs of the AFP, including:

- Victims and other innocent third party claims
- Equitable sharing of forfeiture proceeds to state, local, and tribal agencies and foreign governments which directly assist in law enforcement efforts that lead to the seizure and forfeiture of assets
- Federal, state, and local task forces' expenses incurred in a joint law enforcement operation
- Forfeiture-related investigation and legal support

- Contract support services
- Information systems and equipment used in forfeiture work
- Management and disposal of assets
- Forfeiture training

Some salaries and employment-related expenses are paid from the AFF when authorized by the Attorney General (AG). Salaries and employment-related costs not authorized by the AG for payment from the AFF are reported in the financial statements of the participants' reporting agencies.

The SADF is a deposit fund in the U.S. Treasury identified in the FAST Book as 15X6874. The SADF holds seized cash, the proceeds of any pre-forfeiture sale of seized property, and forfeited cash not yet transferred to the AFF. Income from operating businesses under seizure also may be held in the SADF. Funds held in the SADF are not Government property and may not be used to cover any costs of the AFP. Upon forfeiture, funds are transferred from the SADF to the AFF. In a limited number of cases, funds may be transferred to the United States Victims of State Sponsored Terrorism Fund (USVSSTF), a fund managed by the Department. In FYs 2022 and 2021, \$5.3 million and \$105 thousand, were transferred from the SADF to the USVSSTF, respectively.

Limitations on the use of the Assets Forfeiture Fund

Authorities and limitations governing the use of the AFF are specified in 28 U.S.C. § 524(c). In addition, use of the AFF is controlled by laws and regulations governing the use of public funds and appropriations (e.g., 31 U.S.C. § 1341-1353 and 1501-1558, Office of Management and Budget (OMB) Circulars, and provisions of annual appropriation acts). The AFF is further controlled by the AG Guidelines, other policy memoranda and statutory interpretations issued by appropriate authorities. Unless otherwise provided by law, restrictions on the use of the AFF retain those limitations after any AFF funds are made available to a recipient agency. Moreover, funds are available for use only to the extent that receipts are available in the AFF.

Pursuant to 21 U.S.C. § 881(e)(1) and 19 U.S.C. § 1616(a), as made applicable by 21 U.S.C. § 881(d) and other statutes, the AG has the authority to equitably transfer forfeited property and cash to state and local agencies that directly participate in the law enforcement effort leading to the seizure and forfeiture of property. All property and cash transferred to state and local agencies and any income generated by this property and cash is to be used for law enforcement purposes.

As a result, state and local law enforcement programs and capabilities benefit from their cooperative efforts with Federal law enforcement agencies. Among the uses of equitable sharing, priority is given to supporting community policing activities, training, and law enforcement operations intended to result in further forfeitures. To ensure effective management and assure that AFF resources are used for the purpose for which they were provided, the AFP follows internal control procedures referenced in the joint Justice and Treasury *Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies* (July 2018) and *Asset Forfeiture Policy Manual* (2021), *Chapter 15: Federal Official Use and Equitable Sharing*. Internal controls include reviews of regular reports from state and local law enforcement agencies receiving equitable sharing resources and external audit reports, when required.

FY 2022 Resource Information

Most of the AFF's resources come from the forfeiture of cash and cash equivalents and donations and forfeitures of property. Interest earned on investments, presented below as nonexchange revenue, is also a valuable resource to the AFF.

Table 1 - Sources of AFF Resources
(Dollars in Thousands)

Source	FY 2022	FY 2021	% Change
Exchange Revenues	\$ 15,732	\$ 5,289	197.4 %
Nonexchange Revenues	40,254	5,811	592.7 %
Donations and Forfeitures of Cash or Cash Equivalents	1,328,670	1,027,671	29.3 %
Donations and Forfeitures of Property	420,818	393,144	7.0 %
Transfers-In/Out Without Reimbursement	(2,450)	(3,410)	28.2 %
Imputed Financing from Costs Absorbed by Others	2,808	2,694	4.2 %
Total Assets Forfeiture Fund Resources	\$ 1,805,832	\$ 1,431,199	26.2 %

As indicated in Table 2, below, AFF resources support Major Program 1: Law Enforcement. Expenses include case, program, investigative and other forfeiture support costs. Expenditures fluctuate in direct relation to the forfeiture activity of the investigative, legal, and administrative participants in the AFP.

Table 2 - How AFF Resources are Spent
(Dollars in Thousands)

Major Program (MP)	FY 2022	FY 2021	% Change
MP 1: Law Enforcement			
Total Gross Costs	\$ 1,399,275	\$ 1,598,734	(12.5)%
Less: Total Earned Revenue	15,732	5,289	197.4 %
Total Net Cost of Operations	<u>1,383,543</u>	<u>1,593,445</u>	(13.2)%

Analysis of Financial Statements

The AFF/SADF financial statements were prepared from the accounting records of AFF/SADF in conformity with the accounting principles generally accepted in the United States and OMB Circular A-136, *Financial Reporting Requirements*.

Consolidated Balance Sheets

Assets: Total assets presented on the AFF/SADF Consolidated Balance Sheet as of September 30, 2022 are \$5,225.2 million compared with \$5,150.3 million in FY 2021, an increase of \$74.9 million. The increase in assets was the result of increased Fund Balance with Treasury from forfeiture revenue deposits, offset with a decrease in funds invested in anticipation of large case and other outlays, of \$422.1 million. The increase in Fund Balance with Treasury is offset with a decrease in investments of \$392.9 million, for a net of \$29.2 million. Other factors include increased seized cash and monetary instruments of \$34.0 million and forfeited property of \$12.4 million.

Liabilities: Total liabilities of the AFF/SADF were \$3,654.7 million as of September 30, 2022 compared with \$3,859.3 million in FY 2021, a decrease of \$204.6 million. The decrease is primarily due to decreases in Accounts Payable Other than Intragovernmental of \$254.5 million. These decreases are the result of payments made and estimates reduced related to cases including FIFA, Western Union and Madoff. The decrease was offset by an increase in equitable sharing payable of \$101.4 million.

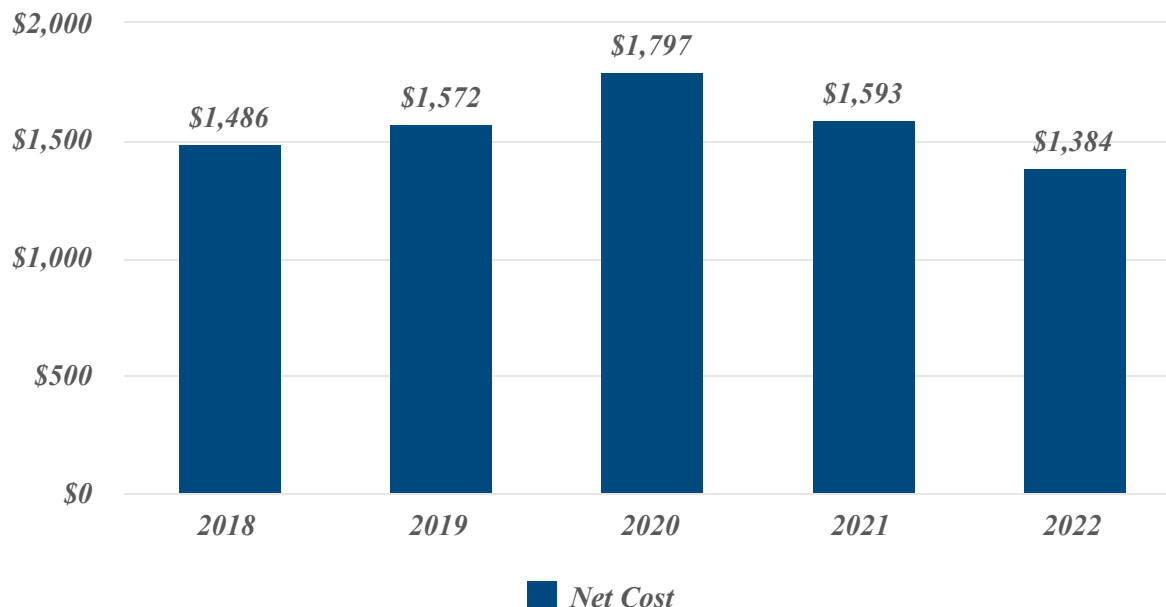
Consolidated Statements of Net Cost

The Department's Unified Financial Management System (UFMS) is the Department's financial system of record. Most DOJ AFP participating agencies use the same instance of UFMS. These agencies receive their allocations on a Suballotment advice (SA), which allows the agencies to obligate and expend directly from the AFF within UFMS. These agencies' transactions are reflected in the financial statements as intragovernmental or other than intragovernmental, depending upon the trading partner. FBI remains on a separate instance of UFMS and therefore does not receive their allocations on a SA through UFMS. FBI and non-DOJ participating agencies receive allocations on a reimbursable agreement and must expend the agency's funds and bill the AFF for reimbursement. These transactions are reflected in the financial statements as intragovernmental.

The Consolidated Statements of Net Cost present the AFF's net cost of operations by Major Program. The net cost of operations for the year ended September 30, 2022, totaled \$1,383.5 million compared with \$1,593.4 million in FY 2021, a decrease of \$209.9 million. A reduction in costs with the public account for the majority of the reduction in Net Cost. Costs related to cases such as 1Malaysia Development Berhard, Stanford International Bank and Madoff totaling \$559 million are offset by increases in other expenses with the public of \$343.6 million, for a net decrease of \$215.4 million.

To the extent that financing sources do not cover net costs, AFF's carry forward balances are used to support AFP expenses. The carry forward balances consist of prior years' resources over operational requirements. There are no costs associated with the SADF. Net cost over a five-year period is presented in the following table, Figure 1.

Figure 1 - AFF Net Cost
(Dollars in Millions)



Consolidated Statements of Changes in Net Position

Donations and Forfeitures of Cash and Cash Equivalents and Donations and Forfeitures of Property:

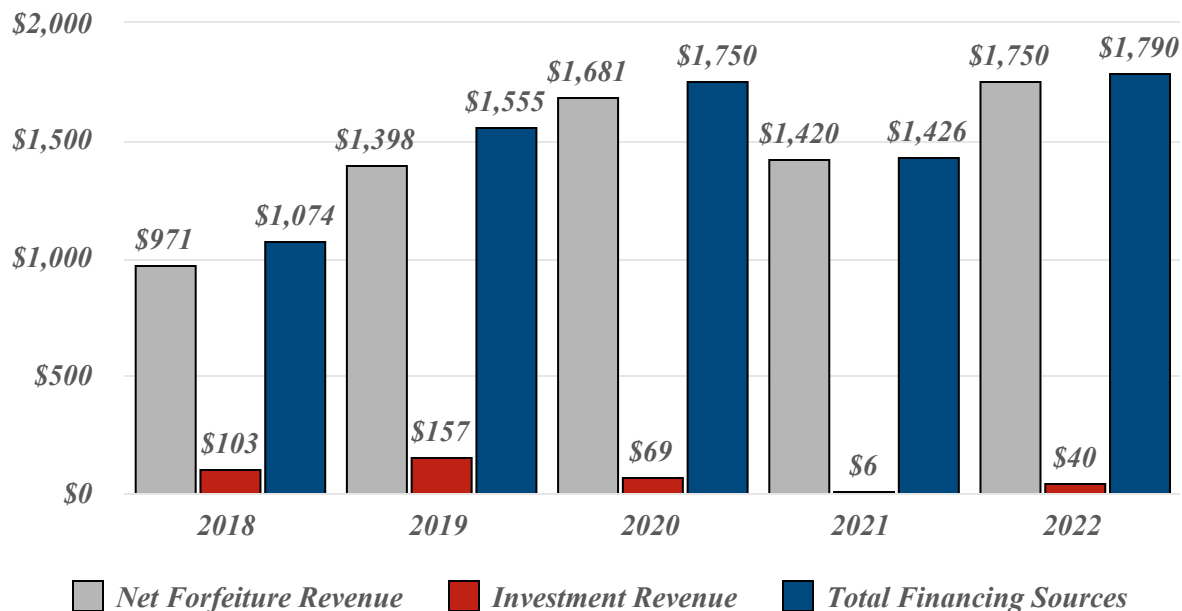
These two sources of AFF resources in Table 1 comprise the AFF's forfeiture revenue and consistently comprise the majority of the AFF's resources. The AFF's forfeiture revenue was \$1,749.5 million in FY 2022 and \$1,420.8 million in FY 2021, an increase of \$328.7 million. The increase is the result primarily of forfeiture revenue related to the Fiat Chrysler Automobiles US LLC and 1Malaysia Development Berhad cases of \$324.6 million. Also included in these figures are receipts from the Treasury Forfeiture Fund (TFF), for the Department's participation in cases that resulted in forfeiture revenue to the AFF of \$23.5 million and \$28.8 million in FYs 2022 and 2021 respectively, a decrease of \$5.3 million. The transfers from the TFF result from prior year forfeitures for which sharing to the Department was calculated and paid in the current year.

Nonexchange Revenue: Nonexchange revenue on the Statement of Changes in Net Position is comprised solely of interest earned on investments of AFF and SADF in government securities. Amounts available for investment are difficult to predict because many factors influence the balance available. These factors may include unanticipated cash seizures and forfeitures increasing funds available for investment or orders to pay victims and other innocent third party payments decreasing the funds available for investment. Revenue from AFF and SADF investments increased by \$34.5 million, to \$40.3 million in FY 2022 from \$5.8 million in FY 2021. Increased interest rates, from an average of 9 basis points in FY 2021 to an average of 79 basis points in FY 2022, are the cause of the increase.

Permanent Rescission: The Consolidated Appropriations Act, 2022 (P.L. 117-103) enacted a permanent rescission of \$127 million for FY 2022. There was no permanent rescission enacted in FY 2021.

Total Financing Sources: AFF revenue and financing sources over a five-year period are presented in Figure 2 below.

*Figure 2 - AFF Revenue & Financing Sources
(Dollars in Millions)*



Total financing sources increased by \$364 million from FY 2021 to FY 2022. The increase is explained above in “Donations and Forfeitures of Cash and Cash Equivalents and Donations and Forfeitures of Property” and “Nonexchange Revenue”.

Net Position: The AFF/SADF Net Position, or excess of assets over liabilities, is an indicator of its ability to support ongoing operations in the future. At the end of FY 2022, Net Position totaled \$1,570.5 million versus \$1,290.9 million at the end of FY 2021, an increase of \$279.6 million.

Combined Statements of Budgetary Resources

Budgetary Resources: Total Budgetary Resources in FY 2022 totaled \$2,759.1 million compared with \$2,726.2 million in FY 2021, an increase of \$32.9 million. In FY 2022, appropriations increased by \$143 million which was offset by a permanent rescission of \$127 million. Decreases in the unobligated balance brought forward of \$74.8 million, recoveries of prior year unpaid and paid obligations of \$30.4 million, and offsetting collections of \$4.9 million bring the net increase to budgetary resources to \$32.9 or an increase of 0.4 percent.

Unobligated Balance – End of Year (Total): The Unobligated Balance as of September 30, 2022 was \$1,312.7 million compared to \$1,083.0 million as of September 30, 2021, an increase of \$229.7 million. The increase is primarily due to the Fiat Chrysler Automobiles US LLC deposits in the last quarter of FY 2022 of \$203.6 million. The processing of the administrative forfeiture backlog in the last half of FY 2022 also increased the unobligated balance.

Outlays, Net: Net outlays were \$1,594.8 million in FY 2022 compared with \$2,644.9 million in FY 2021, a decrease of \$1,050.1 million. The decrease is due primarily to outlays in FY 2021 related to the Madoff, Stanford International Bank and Western Union cases of \$1,450.6 million, offset by outlays in FY 2022 related to the US v Webb case and other asset-related outlays of \$281.2 million.

Summary of Performance Information

The AFF was established to be a repository of the proceeds of forfeiture and to provide funding across agencies in accordance with full program costing guidance to cover the costs associated with forfeiture. These costs include, but are not limited to; seizing, evaluating, maintaining, protecting, and disposing of an asset. AFP's operations are performed by its participants; therefore, performance measures are not applicable to the AFP.

In FY 2022, the forfeiture revenue increased by \$328.7 million due to forfeitures in cases including Fiat Chrysler Automobiles US LLC and 1Malaysia Development Berhard, as well as smaller cases including Insure Nutrition, Carpoft and Kolawole Akanni Aluko. Forfeited property also increased in FY 2022 by \$12.5 million over FY 2021. Seized cash and property also increased in FY 2022 by \$240.9 million over FY 2021. These factors show that the AFP is robust and will continue to sustain operations.

Analysis of Systems, Controls, and Legal Compliance

Management Assurance

AFMS is responsible for overseeing the adequacy of internal accounting and administrative controls put in place by AFP participants to ensure that:

1. Transactions are executed in accordance with applicable budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with Federal accounting standards;
2. Assets are properly safeguarded to deter fraud, waste, and abuse; and
3. Management information is adequately supported. AFMS, along with other DOJ AFP participants except for FBI, monitor financial transactions on an ongoing basis. FBI and non-DOJ participating agencies provide status of funds reports for their AFF allocations to AFMS at least quarterly so the AFF's obligation status may be updated.

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (FMFIA or Integrity Act) provides the statutory basis for management's responsibility for and assessment of internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The Integrity Act requires Federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The Integrity Act also requires agencies to annually assess and report on the internal controls that protect the integrity of Federal programs (FMFIA § 2) and whether financial management systems conform to related requirements (FMFIA § 4).

Guidance for implementing the Integrity Act is provided through OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. In addition to requiring Federal agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial system requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting.

FMFIA Assurance Statement

AFMS provided reasonable assurance that internal controls over financial reporting were effective. There have been no changes to internal control over financial reporting subsequent to September 30, 2022, or other factors that might significantly affect the effectiveness of internal control over financial reporting.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

FFMIA Compliance Determination

During FY 2022, the AFF/SADF assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the AFF/SADF financial statement audit.

Financial Management Systems Strategy, Goals, and Framework

The AFF/SADF's financial system of record is the Department's UFMS. The Department's UFMS managers in JMD are responsible for reporting on the UFMS's strategy, goals, and framework.

Summary of Financial Statement Audit and Management Assurances

The following table summarizes the results of the AFF/SADF's FY 2022 financial statement audit and Management Assurances.

Financial Statement Audit Opinion and Material Weaknesses				
Audit Opinion	Unmodified			
Restatement	No			
Material Weaknesses	Beginning Balance	New	Resolved	Ending Balance
None	0	0	0	0
Total Material Weaknesses	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)				
Statement of Assurance	Unmodified			
Material Weaknesses	Beginning Balance	New	Resolved	Ending Balance
None	0	0	0	0
Total Material Weaknesses	0	0	0	0
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)				
Statement of Assurance	Modified			
Material Weaknesses	Beginning Balance	New	Resolved	Ending Balance
None	0	0	0	0
Total Material Weaknesses	0	0	0	0
Compliance with Financial Management System Requirements (FMFIA § 4)				
Statement of Assurance	Federal Systems Comply			
Non-Compliances	Beginning Balance	New	Resolved	Ending Balance
None	0	0	0	0
Total Non-Compliances	0	0	0	0
Compliance with Section 803(a) of Federal Financial Management Improvement Act (FFMIA)				
Compliance with Specific Requirements				
Specific Requirements	AFF/SADF		Auditor	
Federal Financial Management System Requirements	No Lack of Compliance Noted		No Lack of Compliance Noted	
Applicable Federal Accounting Standards	No Lack of Compliance Noted		No Lack of Compliance Noted	
USSGL at Transaction Level	No Lack of Compliance Noted		No Lack of Compliance Noted	

Analysis of Legal Compliance

The Department of Justice management is committed to ensuring compliance with applicable laws and regulations, including data standards and appropriations and employment laws and regulations. Compliance is addressed through the financial statement audit and internal audits, reviews, and inspections. The audits, reviews, and inspections performed in FY 2022 identified no instances of noncompliance which are material to the Department's system of internal control or financial statements.

Possible Future Effects of Existing Events and Conditions

FY 2022 Budget Position

The Consolidated Appropriations Act, 2022 (P.L. 117-103) enacted a permanent rescission of \$127 million for FY 2022. There was no permanent rescission enacted for FY 2021. The permanent rescission in FY 2022 reduces budgetary resources available to fund the AFP, restricting the activities of participating agencies.

Several states implemented or are considering implementing state legislation restricting or prohibiting state, local or tribal law enforcement agencies' ability to accept Federal equitable sharing. As of September 30, 2022, there has been no material impact on the AFF/SADF.

Forward Looking Information

Future significant rescissions enacted by Congress may cause the AFP to restrict spending for participating agencies or limit the AFP's ability to support emerging priorities, such as Task Force KleptoCapture, an interagency task force dedicated to enforcing Russian sanctions.

As of FY 2022, there is an existing backlog of administrative forfeiture actions related to COVID-19 delays. The AFF saw an increase in regular case deposits in the second half of the FY as this backlog was processed. Also in FY 2022, seizure and forfeiture actions aimed at Russian sanctions violators increased, with approximately \$53 million allocated from the AFF in support of Task Force KleptoCapture seizure efforts.

Limitations of the Financial Statements

- The financial statements have been prepared to report the financial position and results of operations of the AFF/SADF, pursuant to the requirements of 31 U.S.C. § 3515(b).
- While the statements have been prepared from the books and records of the AFF/SADF in accordance with U.S. generally accepted accounting principles for Federal entities and 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.

U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund Independent Auditors' Report





KPMG LLP
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Washington, DC 20006

Independent Auditors' Report

Inspector General
U.S. Department of Justice

Acting Chief Financial Officer
Assets Forfeiture Fund and Seized Asset Deposit Fund
U.S. Department of Justice

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the U.S. Department of Justice Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Assets Forfeiture Fund and Seized Asset Deposit Fund as of September 30, 2022 and 2021, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the AFF/SADF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of



not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AFF/SADF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2022, we considered the AFF/SADF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AFF/SADF's internal control. Accordingly, we do not express an opinion on the effectiveness of the AFF/SADF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in



internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Exhibit I, that we consider to be a significant deficiency.

Exhibit II presents the status of the prior year's finding and recommendations.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AFF/SADF's consolidated financial statements as of and for the year ended September 30, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

We also performed tests of the AFF/SADF's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the AFF/SADF's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Management's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the AFF/SADF's response to the finding identified in our audit and described in Exhibit I. The AFF/SADF's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the AFF/SADF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 7, 2022

Significant Deficiency

This section contains our discussion of the significant deficiency that we identified in internal control over financial reporting.

Improvements Needed in Controls over Timely Recognition of Forfeiture Revenue and Seized Assets

The U.S. Department of Justice's (DOJ) Asset Forfeiture Program's (AFP) activities are captured in the Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF), which collectively comprise a single financial reporting entity of the DOJ. While just two funds comprise the reporting entity, there are 13 participating agencies that contribute to the day-to-day activities of the AFP. These agencies all play different roles in the forfeiture process, and they typically have different lines of reporting authority.

Although management took certain steps to implement corrective actions in fiscal year (FY) 2022, deficiencies continued to exist in the AFF/SADF's internal controls over accounting for forfeiture revenue. We noted that management did not have effective controls in place to ensure that the participating agencies were evaluating and reporting and reporting judicial and seizure information timely in the Consolidated Asset Tracking System (CATS). Management also did not have a comprehensive process in place to identify, analyze, and document the impact of out-of-period revenue and seizure transactions on the current and prior year financial statements.

The Asset Forfeiture Management Staff (AFMS) management was in the process of drafting a financial management guide that would provide more specific policy and procedures related to accounting for forfeiture revenue and seized property. While multiple chapters of the guide were published and disseminated in FY 2022, the chapters relevant to the forfeiture revenue and seized property processes were still in process and not expected to be finalized until FY 2023. As a result, there continues to be a lack of clarity for when certain forfeiture orders should be considered final and the revenue recognized and no formal process in place for participating agencies to elevate transactions that may require additional guidance to ensure the proper accounting. Further, the lack of clear financial management guidelines made it difficult for management to hold the AFP participating agencies accountable to ensure that revenue and seized property transactions were consistently and timely entered in the applicable information system.

In addition, management's planned enhancements to preventive controls at the participating agency level as well as monitoring controls to identify final forfeiture orders for which revenue should be recorded prior to fiscal year end were not fully implemented as of September 30, 2022.

The noted deficiencies impair management's ability to prevent, or detect and correct, misstatements in the entity's financial statements on a timely basis. See below for additional details on these deficiencies and the related errors identified during our audit.

Incomplete and Inaccurate Information in CATS Impacting Revenue Cut-off and Recognition

As noted above, management took certain steps to design and implement corrective actions to mitigate the deficiencies; however, management informed us their key corrective actions were not planned to be fully implemented until FY 2023 because of procurement and resource constraints. Additionally, we noted that management performed an analysis to identify potential out-of-period revenue transactions in FY 2022 but the analysis did not include formal documentation of their evaluation of the results, considerations over materiality, or the effect of identified errors on the current and prior year financial statements.

During our testing of forfeiture revenue transactions, we identified certain transactions that were forfeited in a prior fiscal year but were not recognized as forfeiture revenue until FY 2022 because of incomplete judicial information in CATS. This occurred because management's controls were not operating effectively to ensure that the participating agencies were evaluating and reporting judicial information timely. Specifically, we identified a net factual overstatement of \$17.2 million in Donations and Forfeitures of Cash and Cash Equivalents that resulted in a net most likely overstatement of \$22.7 million as of September 30, 2022.

Incomplete Information in CATS Impacting Timely Recognition of Seized Property

In FY 2022, management identified a population of potential out-of-period seizure entries but did not perform a sufficient analysis to fully determine how much of the seizures represented current-year activity versus prior years' activity. In addition, management did not formally document their assessment of materiality or their conclusion of the impact on current and prior year financial statements to determine if an adjustment needed to be recorded.

During our testing of seized property, we identified certain items that were seized in prior fiscal years but were not reported until FY 2022 because of incomplete information entered in CATS. This occurred because management's controls were not operating effectively to ensure that the participating agencies were reporting seizure information timely. Specifically, we identified over 2,000 assets reported in the current year that were related to delayed seizure entries in CATS. As a result, we identified a most likely error of \$47.7 million related to the delayed reporting of seized property for the year ended September 30, 2022. This included \$31.1 million of seized cash and \$16.6 million of non-cash seized property.

Criteria:

The U.S. Government Accountability Office - Standards for Internal Control in the Federal Government ("Green Book") states:

5.02, Management enforces accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top and supported by the commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. Accountability for performance of internal control responsibility supports day-to-day decision making, attitudes, and behaviors.

10.03, Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records.

16.05, Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools.

The Asset Forfeiture Policy Manual, which serves primarily as legal guidance for participating agencies, requires that (1) revenue be recognized when authorized by a court-provided Final Order of Forfeiture or an administratively provided Declaration of Forfeiture by a participating agency; and (2) each U.S. Attorney certify the accuracy of the status of their cases in CATS, which includes reviewing the cases to ensure all forfeiture orders have been entered.

The Executive Office of United States Attorneys (EOUSA) and United States Marshals Service (USMS) have guidelines regarding the timing of entries into CATS as follows:

The United States Attorneys' Policies and Procedures (USAPPs) CATS and CASEVIEW Entry: Civil Cases (November 2018) states, "At the conclusion of a civil case, the appropriate final judicial document must be added to CATS within 10 days of its entry by the court or no later than the last day of the fiscal quarter."

The United States Attorneys' Policies and Procedures (USAPPs) CATS and CASEVIEW Entry: Criminal Cases (November 2018) states, "USAOs must record the resolution for each asset in CATS, whether forfeited or returned to the Claimant, within 10 days of entry of the final judicial order by the court or no later than the last day of the fiscal quarter (e.g., final order of forfeiture, notice of finality, criminal judgment, etc.)."

Recommendations:

We recommend that the Asset Forfeiture Management Staff:

1. Finalize and implement its Asset Forfeiture Financial Management Guide to clarify the accounting requirements for AFP participants to adhere to timely data input to CATS, including forfeiture decisions that directly impact the recognition of revenue and seizures of assets, and the accounting requirements for the reporting of transactions in the Adjustments column of Note 7, *Forfeited and Seized Property, Net*. (Updated)

Management Response:

Management concurs with the recommendation. The estimated issuance of the final Asset Forfeiture Management Guide has been delayed from September 30, 2022, until April 2023, and includes requirements for participating agencies to record seized and forfeited property transactions no later than the end of the fiscal quarter, and accounting requirements for making adjustments to Note 7, *Forfeited and Seized Property*.

2. Develop new and/or enhance existing process controls for participating agencies and monitoring controls within the Asset Forfeiture Management Staff to ensure participating agencies accurately and timely record forfeiture and seizure transactions in CATS. (Updated)

Management Response:

Management concurs with the recommendation. AFMS management will work with participating agencies to develop controls ensuring that seized and forfeited property transactions are recorded in a timely manner. CourtLink automation enhancements are currently in development with implementation scheduled for the 2nd quarter of 2023. AFMS management will also develop procedures for the elevation of findings not confirmed or corrected by participating agencies to the appropriate agency's senior management so they may be corrected for quarter-end reports.

3. Enhance existing processes to analyze potential out-of-period revenue transactions, and formally document the evaluation results to include a consideration of materiality and the impact on the prior period financial statements. (Repeat)

Management Response:

Management concurs with the recommendation. CourtLink automation enhancements are currently in development with implementation scheduled for the 2nd quarter of 2023. AFMS management will review current internal controls procedures, identifying high risk areas requiring more intensive review and update review procedures. Included is the determination of an acceptable error level, detailed reviews of revenue transactions, identification of out-of-period revenue recorded in the current fiscal year and the level of misstatement in prior fiscal years.

4. Enhance existing processes to analyze potential delayed seizure records, and formally document the evaluation results to include a consideration of materiality and the impact on the current and prior period financial statements. *(New)*

Management Response:

Management concurs with the recommendation. However, it is important to note that less than 150 transactions out of the 2,000 mentioned above were material to the financial statements or Note 7, *Seized and Forfeited Property*. CourtLink automation enhancements are currently in development with implementation scheduled for the 2nd quarter of 2023, which will facilitate AFMS management's analysis of potential delayed seizure records, including any material impact on both current and prior year financial statements.

EXHIBIT II

STATUS OF PRIOR YEAR'S FINDING AND RECOMMENDATIONS

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, we have evaluated whether the AFF/SADF has taken the appropriate corrective action to address the finding and recommendations from the prior year's financial statements audit that could have a material effect on the consolidated financial statements or other financial data significant to the audit objectives. The following table provides the Office of the Inspector General report number where the deficiency was reported, our recommendations for improvement, and the status of the previously identified significant deficiency and recommendations as of the end of FY 2022.

Report	Significant Deficiency	Recommendations	Status
Annual Financial Statements Fiscal Year 2021 Report No. 22-018	Improvements Needed in Controls over Timely Recognition of Forfeiture Revenue	Recommendation No. 1: Finalize and implement its Asset Forfeiture Financial Management Guide to clarify accounting requirements for Asset Forfeiture Program participants to adhere to timely data input to the Consolidated Asset Tracking System including forfeiture decisions that directly impact the recognition of revenue.	In Process (Updated by FY22 Recommendation No. 1)
		Recommendation No. 2: Develop new and/or enhance existing process controls for participating agencies and monitoring controls within the Asset Forfeiture Management Staff to ensure participating agencies timely record transactions.	In Process (Updated by FY22 Recommendation No. 2)
		Recommendation No. 3: Enhance existing processes to analyze potential out-of-period revenue transactions, and formally document the evaluation results to include a consideration of materiality and the impact on the prior period financial statements.	In Process (See Recommendation No. 3 in this Report)

U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund Principal Financial Statements and Related Notes



U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Balance Sheets
As of September 30, 2022 and 2021

Dollars in Thousands	2022	2021
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 1,350,658	\$ 928,529
Investments (Note 5)	2,526,048	2,918,959
Accounts Receivable (Note 6)	6,010	7,621
Total Intragovernmental	<u>\$ 3,882,716</u>	<u>\$ 3,855,109</u>
Other than Intragovernmental		
Cash and Other Monetary Assets (Note 4)	\$ 1,245,248	\$ 1,211,275
Accounts Receivable, Net (Note 6)	42	42
Inventory and Related Property, Net:		
Forfeited Property, Net (Note 7)	95,062	82,601
General Property, Plant and Equipment, Net (Note 8)	1,099	1,224
Advances and Prepayments	1,000	—
Other Assets (Note 9)	2	1
Total Other than Intragovernmental	<u>\$ 1,342,453</u>	<u>\$ 1,295,143</u>
Total Assets	<u>\$ 5,225,169</u>	<u>\$ 5,150,252</u>
LIABILITIES (Note 10)		
Intragovernmental		
Accounts Payable	\$ 104,297	\$ 101,850
Other Liabilities (Note 12)	929	804
Total Intragovernmental	<u>\$ 105,226</u>	<u>\$ 102,654</u>
Other than Intragovernmental		
Accounts Payable	\$ 630,705	\$ 885,161
Federal Employee Benefits Payable	4,541	4,522
Advances from Others and Deferred Revenue	95,062	82,601
Other Liabilities:		
Seized Cash and Monetary Instruments (Note 11)	2,816,203	2,781,818
Other (Note 12)	2,940	2,561
Total Other than Intragovernmental	<u>\$ 3,549,451</u>	<u>\$ 3,756,663</u>
Total Liabilities	<u>\$ 3,654,677</u>	<u>\$ 3,859,317</u>
Commitments and Contingencies (Note 13)		
NET POSITION		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 14)	\$ 1,570,492	\$ 1,290,935
Total Cumulative Results of Operations	<u>\$ 1,570,492</u>	<u>\$ 1,290,935</u>
Total Net Position	<u>\$ 1,570,492</u>	<u>\$ 1,290,935</u>
Total Liabilities and Net Position	<u>\$ 5,225,169</u>	<u>\$ 5,150,252</u>

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

U. S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2022 and 2021

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 15)
	FY	Intra-governmental	Other than Intra-governmental	Total	Intra-governmental	Other than Intra-governmental	Total	
MP 1	2022	\$ 181,455	\$ 1,217,820	\$1,399,275	\$ 15,732	\$ —	\$ 15,732	\$ 1,383,543
	2021	165,318	1,433,416	1,598,734	5,289	—	5,289	1,593,445
Total	2022	<u>\$ 181,455</u>	<u>\$ 1,217,820</u>	<u>\$1,399,275</u>	<u>\$ 15,732</u>	<u>\$ —</u>	<u>\$ 15,732</u>	<u>\$ 1,383,543</u>
	2021	<u>\$ 165,318</u>	<u>\$ 1,433,416</u>	<u>\$1,598,734</u>	<u>\$ 5,289</u>	<u>\$ —</u>	<u>\$ 5,289</u>	<u>\$ 1,593,445</u>

Major Program (MP) 1: Law Enforcement

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

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2022 and 2021

Dollars in Thousands

	<u>2022</u>	<u>2021</u>
	<u>Funds from Dedicated Collections</u>	<u>Funds from Dedicated Collections</u>
Cumulative Results of Operations		
Beginning Balances	\$ 1,290,935	\$ 1,458,470
Other Adjustments	(127,000)	—
Non-exchange Revenues	40,254	5,811
Donations and Forfeitures of Cash and Cash Equivalents	1,328,670	1,027,671
Transfers-In/Out Without Reimbursement	(2,450)	(3,410)
Donations and Forfeitures of Property	420,818	393,144
Imputed Financing (Note 16)	2,808	2,694
Net Cost of Operations	<u>(1,383,543)</u>	<u>(1,593,445)</u>
Net Change in Cumulative Results of Operations	279,557	(167,535)
Total Cumulative Results of Operations	<u>\$ 1,570,492</u>	<u>\$ 1,290,935</u>
Net Position	<u>\$ 1,570,492</u>	<u>\$ 1,290,935</u>

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

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2022 and 2021

Dollars in Thousands	2022	2021
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 17)	\$ 1,157,312	\$ 1,262,487
Appropriations (discretionary and mandatory)	1,587,082	1,444,103
Spending Authority from Offsetting Collections (discretionary and mandatory)	14,720	19,582
Total Budgetary Resources	<u>\$ 2,759,114</u>	<u>\$ 2,726,172</u>
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	\$ 1,446,401	\$ 1,643,202
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,131,045	1,000,221
Unapportioned, Unexpired Accounts	181,668	82,749
Unexpired Unobligated Balance, End of Year	1,312,713	1,082,970
Unobligated Balance - End of Year (Total)	1,312,713	1,082,970
Total Budgetary Resources	<u>\$ 2,759,114</u>	<u>\$ 2,726,172</u>
Outlays, Net		
Outlays, Net (Total) (discretionary and mandatory)	\$ 1,594,790	\$ 2,644,850
Less: Distributed Offsetting Receipts	21,162	40,445
Agency Outlays, Net (discretionary and mandatory)	<u>\$ 1,573,628</u>	<u>\$ 2,604,405</u>

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

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Assets Forfeiture Fund (AFF) and Seized Asset Deposit Fund (SADF) together comprise a single financial reporting entity of the Department of Justice (DOJ or Department), hereinafter referred to as the AFF/SADF. Property seized for forfeiture, and the transactions and Asset Forfeiture Program (AFP) activities of DOJ and non-DOJ AFP participating agencies are described more fully herein.

The primary mission of the DOJ AFP is to maximize the effectiveness of forfeiture as a deterrent to crime. This is accomplished by means of depriving drug traffickers, racketeers, and other criminal syndicates of their ill-gotten proceeds and instrumentalizes of their trade. Participating agencies responsible for administration and financial management of the AFP are charged with lawfully, effectively, and efficiently supporting law enforcement authorities in the application of specified forfeiture statutes.

The AFF was created by the Comprehensive Crime Control Act of 1984 to be a repository of proceeds from forfeitures under any law enforced and administered by the DOJ. The SADF was created administratively by the Department to ensure control over monies seized by agencies participating in the Department's AFP.

The AFF and SADF are managed by the Asset Forfeiture Management Staff (AFMS), which is a part of the Justice Management Division (JMD). The Money Laundering and Asset Recovery Section (MLARS), Criminal Division, is responsible for coordination, direction, and general oversight of the AFP.

B. Basis of Presentation

These financial statements have been prepared from the books and records of the AFF/SADF in accordance with United States generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. These financial statements are different from the financial reports prepared pursuant to OMB directives, which are used to monitor and control the use of the AFF/SADF budgetary resources. To ensure that the AFF/SADF financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Other Liabilities as defined by OMB Circular No. A-136 have been disaggregated on the Consolidated Balance Sheets. These include Seized Cash and Monetary Instruments and Other Miscellaneous Liabilities.

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the AFF and SADF. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for FYs 2022 and 2021, and as such, intra-entity transactions have not been eliminated.

The FASAB Statement of Federal Financial Accounting Standards (SFFAS) 47, Reporting Entity, which sets forth guidance to include, in the financial statements or as note disclosures, "all organizations (1) budgeted for by elected officials of the federal government; (2) owned by the federal

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Consolidation (continued)

government; or (3) controlled by the federal government with risk of loss or expectation of benefits.” The standard also requires information to be provided about related party relationships of such significance that it would be misleading to exclude information. In FY 2022, the AFF/SADF did not identify any disclosure entity or related party relationships that meet the disclosure requirements of SFFAS 47.

D. Basis of Accounting

Transactions are recorded on the accrual and budgetary bases of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements.

E. Non-Entity Assets

Non-entity assets consist of seized cash and investments of seized cash that are not available to fund the operations of the AFP.

F. Fund Balance with Treasury, and Cash and Other Monetary Assets

Generally, the U.S. Treasury processes cash receipts and disbursements for the AFF and SADF. The funds in the AFF, a special fund receipt account, are entity assets and are used to finance the operations of the AFP. Seized cash is deposited and accounted for in the SADF, a deposit fund, until a determination has been made as to its disposition. Upon forfeiture and if the title passes to the U.S. Government, a determination is made whether the funds will go to the AFF or, in a limited number of cases, the United States Victims of State Sponsored Terrorism Fund (USVSSTF), a fund managed by the Department. Forfeited cash is then transferred from the SADF to the AFF or, in very limited cases, to the USVSSTF.

The cash balance in the SADF is a non-entity asset and is not available to finance the AFP activities, but AFMS does have statutory authority for the investment of idle funds in the AFF and SADF.

G. Investments

The AFF and SADF are authorized by 28 U.S.C. § 524(c) to invest funds in excess of the AFF’s and SADF’s immediate needs in Treasury Securities. Investments are short-term, non-marketable market-based Federal Debt securities issued by the U.S. Treasury Bureau of Fiscal Service (BFS) and purchased exclusively through the BFS’s Federal Investments Program. Investments are reported on the Consolidated Balance Sheet at their net value, the cost plus or minus any unamortized premium or discount. Premiums and discounts are amortized using the straight-line method over the life of the Treasury security. AFF and SADF intend to hold investments to maturity. Accordingly, no provision is made for unrealized gains or losses on these securities.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies (continued)

H. Accounts Receivable

Intra-governmental accounts receivable consist of amounts due from the Treasury Executive Office for Asset Forfeiture (TEOAF) for goods or services provided by the DOJ AFP. Claims with other federal agencies are resolved in accordance with the business rules published in Appendix 10 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700. Additionally, based on past experience in the collection of TEOAF outstanding balances, receivables arising from services provided to the TEOAF are considered fully collectible, and no allowance for uncollectible accounts is established.

Accounts receivable other than intragovernmental consist of the proceeds of forfeited property sales not yet received and refunds due from commercial vendors. For non-intragovernmental receivables, allowances for uncollectible accounts are not reported due to immateriality.

I. General Property, Plant and Equipment

AFP participating agencies lease buildings from GSA for most of their operations. The DOJ AFP portion of those leases are reimbursed by the AFF. The DOJ AFP has no leases that meet the capital leases requirements for financial reporting purposes.

Capitalization thresholds were amended for periods after September 30, 2021 by DOJ Policy Statement 1400.06, *Capitalization of General Property, Plant and Equipment, and Internal Use Software*; however, AFF/SADF was not impacted. Pursuant to Statements of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment* and No. 10, *Accounting for Internal Use Software*, capitalization thresholds are presented below:

Type of Property	Capitalization Threshold
Real Property	\$1,000
Personal Property	\$100
Internal Use Software	\$5,000

Depreciation of general PP&E is based upon historical cost and is calculated using the straight-line method over the useful life of the asset.

J. Advances and Prepayments

Advances and prepayments include advances to state and local law enforcement agencies and other Federal agencies for any law enforcement, legal support, and correctional activity, or any other authorized purpose of the DOJ, as well as, travel advances issued to Federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by employees during official travel. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of payment and are recognized as expenses when the goods and services are received. Advances and prepayments involving other Federal agencies are classified as Other Intragovernmental Assets on the Balance Sheet. Advances and prepayments to state and local agencies are classified as Other Assets on the Balance Sheet.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies (continued)

K. Forfeited and Seized Property

AFF/SADF's inventory and related property is comprised solely of forfeited property, as reported in Note 7. Property is seized as a consequence of an alleged violation of public law. Seized property can include cash and monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. The value of seized property is its estimated fair market value at the time it was seized.

Most seized property is held by the USMS from the point of seizure until its disposition. In certain cases, the investigative agency will keep seized property in its custody if the intention is to place the property into official use after forfeiture or to use the property as evidence in a court proceeding. Seized cash and monetary instruments are presented as assets with offsetting liabilities on the Balance Sheet. The funds in the SADF are held in trust until a determination is made as to their disposition. These funds include seized cash, proceeds from pre-forfeiture sales of seized property, and income from property under seizure. No revenue recognition is given to seized cash deposited in the SADF that is not forfeited. Seized property other than cash and monetary instruments are only presented in the notes to the financial statements.

Forfeited property is property for which title has passed to the U.S. Government. This property is recorded at the estimated market value at the time of forfeiture and is adjusted at the time of disposal, or as needed by AFP management.

The value of forfeited property net of liens is reported on the Balance Sheet as assets. The amount ultimately realized from the forfeiture and disposition of these assets could differ from the amounts initially reported. The proceeds from the sale of forfeited property are deposited in the AFF.

Market value of seized and forfeited property is determined by the following:

Asset Type	Valuation Documentation
Cash/Currency, Monetary Instruments	Copy of Check, cash management company (e.g., Brinks) receipt, EFT, wire confirmation, in accordance with DOJ policy
Financial Instruments	Web-based valuation tools (e.g., for crypto currency, CoinMarketCap.com), financial market, account statement, other source in accordance with DOJ policy
Vehicles	National Automobile Dealers Association (NADA) or Kelley Blue Book value in accordance with DOJ policy
Real Property	Real Property Appraisal/Broker's Price Opinion (BPO)
Other Valued Assets	Professional appraisal, web-based valuation tools (e.g., Usedprice.com), other source in accordance with DOJ policy

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies (continued)

L. Liabilities

AFF accounts payable represent liabilities to both Federal and non-Federal entities. Intragovernmental accounts payable consist of amounts owed to other Federal Government agencies, primarily to Department of Labor (DOL) and Office of Personnel Management (OPM) for employee benefits. The remaining accounts payable consist of amounts due to the public for unpaid goods and services received. Deferred revenue represents the estimated market value of forfeited property not yet sold or placed into official use. Seized cash and monetary instruments represent liabilities for SADF amounts on deposit pending disposition.

M. Commitments and Contingencies

The AFF is party to various administrative proceedings, legal actions, and claims. The Balance Sheet may include an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions “probable” and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions “probable” or “reasonably possible” and the amounts are reasonably estimable are disclosed in Note 13, *Contingencies and Commitments*. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered “remote”.

N. Annual, Sick, and Other Leave

Annual leave and compensatory leave are expensed as earned with an offsetting liability. Liabilities are reduced as leave is taken. At the end of each fiscal quarter, the balance in the accrued annual leave liability account is adjusted to reflect valuation at current pay rates. To the extent current-year or prior-year appropriations are not available to fund annual and compensatory leave that is earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

O. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, Federal agencies must pay interest on payments for goods or services made to concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services, whichever is later.

P. Retirement Plan

With few exceptions, employees of the Department are covered by one of the following retirement programs:

- 1) Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). The Department contributes 7% of the gross pay for regular employees and 7.5% for law enforcement officers.
- 2) Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).

U.S. Department of Justice
Notes to the Principal Financial Statements
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Note 1. Summary of Significant Accounting Policies (continued)

P. Retirement Plan (continued)

- a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The Department contribute _____ of the gross pay for regular employees and 37.6
- b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The Department contributes 16.6% of the gross pay for regular employees and 35.8% for law enforcement officers.
- c. Employees hired January 1, 2014 or later are covered by the Federal Employees System-Further Revised Annuity Employees (FERS-FRAE). The Department contributes 16.6% of the gross pay for regular employees and 35.8% for law enforcement officers.

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the Department is required to contribute an additional 1% of gross pay and match employee contributions up to 4%. No government contributions are made to the TSP accounts established by the CSRS employees.

The AFF/SADF does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management.

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 16, *Imputed Financing from Costs Absorbed by Others*, for additional details.

Q. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the Federal Government. Costs and earned revenues other than intragovernmental represent exchange transactions made between the reporting entity and a non-Federal entity. The classification of revenue or cost as "intragovernmental" or "other than intragovernmental" is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the Federal Government to prepare consolidated financial statements, not to match other than intragovernmental and intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

R. Revenues and Other Financing Sources

The funds in the AFF are derived primarily from non-exchange revenues and are presented on the Consolidated Statements of Changes in Net Position. Financing sources include interest earned on investments and Donations and Forfeitures of Cash and Cash Equivalents, which includes forfeited cash and payments received on judgments. Financing sources also include Donations and

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies (continued)

R. Revenues and Other Financing Sources (continued)

Forfeitures of Property, which include proceeds from the sale of forfeited property (or conversion of deferred revenue to realized revenue through sale), receipt of payments in lieu of property forfeiture, recovery of asset management expenses, and financing sources from judgments. These financing sources are recognized when cash is forfeited or when forfeited property is sold, placed into official use, or transferred to another Federal agency. The financing sources from legal judgments are not recognized until the judgment has been enforced. In accordance with 28 U.S.C. § 524 and AFMS Memorandums of Understanding, donations and forfeitures available for use by certain Federal Agencies are treated as returns of financing sources when their final disposition is determined. Deferred revenue is recorded when property is forfeited. When the property is sold or otherwise disposed, the deferred revenue becomes earned and a financing source is recognized.

Intra-governmental earned revenue consists of goods or services provided to TEOAF by the AFP. The AFF recognizes exchange revenue when the United States Attorney's Office (USAO) attorneys provide services in judicial forfeiture cases brought by agencies participating in the Treasury Forfeiture Fund (TFF). The AFF recognizes exchange revenue on a reimbursement basis at least quarterly and the revenue is presented on the Consolidated Statements of Net Cost as earned revenue.

S. Funds from Dedicated Collections

SFFAS No.27, *Identifying and Reporting Funds from Dedicated Collections*, as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds* defines 'funds from dedicated collections' as being financed by specifically identified revenues, provided to the Government by non-Federal sources, 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.

The three required criteria for a fund from dedicated collections are:

- 1) A statute committing the federal government to use specifically identified revenues and/or other financing sources that are originally provided to the federal government by a non-federal source only for designated activities, benefits or purposes;
- 2) Explicit authority for the funds to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- 3) A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the fund from the federal government's general revenues.

The AFF meets the definition of funds from dedicated collections, but the SADF does not because seized cash is not available to finance the AFP.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies (continued)

T. Tax Exempt Status

As an agency of the Federal Government, AFF/SADF is exempt from all income taxes imposed by any governing body whether it be a Federal, state, commonwealth, local, or foreign government.

U. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Reclassifications

The FY 2021 financial statements were reclassified to conform to the FY 2022 Departmental financial statement presentation requirements. These reclassifications had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources previously reported. Specifically, the format of the Balance Sheet has changed as required for all significant reporting entities by OMB Circular A-136, *Financial Reporting Requirements*.

This change will support the preparation and audit of the Government-wide Financial Report and will standardize the Balance Sheet across significant entities, increasing its usefulness to financial report users. Certain amounts in the prior period financial statements have been reclassified to enhance comparability with the current year's financial statements following DOJ's adoption of the new Balance Sheet format this year. These reclassifications had no effect on the previously reported net position. As a result, several line items have been amended on the Balance Sheet and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

W. Subsequent Events

Subsequent events and transactions occurring after September 30, 2022 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. No changes were necessary for proper presentation of the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

X. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 2. Non-Entity Assets

Non-entity assets are assets that are held by the AFF/SADF but are not available to fund the AFP.

As of September 30, 2022 and 2021

	2022	2021
Intragovernmental		
Investments (Note 5)	\$ 1,580,000	\$ 1,580,000
Other than Intragovernmental		
Cash and Other Monetary Assets (Note 4)	1,245,248	1,211,275
Total Non-Entity Assets	2,825,248	2,791,275
Total Entity Assets	2,399,921	2,358,977
Total Assets	<u>\$ 5,225,169</u>	<u>\$ 5,150,252</u>

Note 3. Fund Balance with Treasury

As of September 30, 2022 and 2021

	2022	2021
Status of Fund Balances With Treasury		
Unobligated Balance - Available	\$ 1,131,045	\$ 1,000,221
Unobligated Balance - Unavailable	181,668	82,749
Obligated Balance not yet Disbursed	865,575	1,103,025
Budgetary Resources from Invested Balances	(827,630)	(1,257,466)
Total Status of Fund Balances	<u>\$ 1,350,658</u>	<u>\$ 928,529</u>

Note 4. Cash and Other Monetary Assets

Cash consists of seized cash in the SADF, as well as forfeited cash in transit to the AFF. Other monetary assets include seized cash and monetary instruments in DOJ custody but not yet deposited in the SADF.

As of September 30, 2022 and 2021

	2022	2021
Cash		
Seized Cash Deposited	\$ 1,227,755	\$ 1,192,416
Other Monetary Assets		
Seized Monetary Instruments	17,493	18,859
Total Cash and Other Monetary Assets	<u>\$ 1,245,248</u>	<u>\$ 1,211,275</u>

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 5. Investments

The cash receipts collected from the public and in the AFF, a dedicated collections fund, or the SADF, a deposit fund, are deposited in the Treasury. Treasury securities are issued to the AFF and SADF as evidence of its receipts. Treasury securities are an asset to the AFF/SADF and a liability to the Treasury. Because the AFF/SADF and the Treasury are both parts of the Federal Government, these assets and liabilities offset each other from the standpoint of the Federal Government as a whole. For this reason, they do not represent an asset or a liability in the Government-wide financial statements.

Treasury securities provide the AFF with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the AFF requires redemption of these securities to make expenditures, the Federal 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 Federal Government finances all other expenditures.

The AFF invests Funds from Dedicated Collections in Treasury securities. The Treasury does not set aside assets to pay future expenditures associated with funds from dedicated collections. Instead, the cash generated from Funds from Dedicated Collections is used by the Treasury for general government purposes. When the funds redeem their Treasury securities to make expenditures, the Treasury will finance the expenditures in the same manner that it finances all other expenditures.

	Cost/ Acquisition Value	Amortization Method	Amortized (Premium) Discount	Investments, Net	Market Value Disclosure
As of September 30, 2022					
Intragovernmental Securities					
Non-Marketable: Market Based					
AFF	\$ 925,600	Straight-Line	\$ 20,448	\$ 946,048	\$ 923,861
SADF	\$ 1,580,000	Straight-Line	\$ —	\$ 1,580,000	\$ 1,576,374
Total	<u>\$ 2,505,600</u>		<u>\$ 20,448</u>	<u>\$ 2,526,048</u>	<u>\$ 2,500,235</u>
As of September 30, 2021					
Intragovernmental Securities					
Non-Marketable: Market Based					
AFF	\$ 1,337,850	Straight-Line	\$ 1,109	\$ 1,338,959	\$ 1,338,526
SADF	\$ 1,580,000	Straight-Line	\$ —	\$ 1,580,000	\$ 1,580,893
Total	<u>\$ 2,917,850</u>		<u>\$ 1,109</u>	<u>\$ 2,918,959</u>	<u>\$ 2,919,419</u>

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 6. Accounts Receivable, Net

Accounts receivable consist of amounts owed to the AFF from the TEOAF for services provided and amounts owed to the AFF by AFP's Federal participating agencies for the use of Forfeiture.gov for publication of forfeiture notices. There is no allowance for uncollectible accounts since accounts receivable from business with Federal entities are considered fully collectible. Accounts receivable other than intragovernmental consist of refunds receivable from commercial vendors.

As of September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Intragovernmental		
Accounts Receivable	\$ 6,010	\$ 7,621
Other than Intragovernmental		
Accounts Receivable	\$ 42	\$ 42
Total Accounts Receivable, Net	<u>\$ 6,052</u>	<u>\$ 7,663</u>

Note 7. Forfeited and Seized Property, Net

A. Forfeited Property, Net

Liabilities for equitable sharing due to federal, state, and local law enforcement agencies which participated in cases that led to forfeiture were \$148,720 on September 30, 2022, and \$80,414 on September 30, 2021.

The following tables show the analysis of changes in and methods of disposition of forfeited property, excluding cash, during the fiscal years ended September 30, 2022 and 2021.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 7. Forfeited and Seized Property, Net (continued)

Analysis of Changes in Forfeited Property - For the Fiscal Year Ended September 30, 2022

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	236	385	913	(1,261)	273	—	273
	Value	\$ 10,847	\$ 36,028	\$ 216,884	\$ (253,849)	\$ 9,910	\$ —	\$ 9,910
Real Property	Number	156	9	171	(223)	113	—	113
	Value	\$ 48,285	\$ 3,385	\$ 117,176	\$ (118,301)	\$ 50,545	\$ (1,243)	\$ 49,302
Personal Property	Number	3,726	(176)	3,065	(2,580)	4,035	—	4,035
	Value	\$ 25,858	\$ (1,187)	\$ 45,196	\$ (33,296)	\$ 36,571	\$ (721)	\$ 35,850
Non-Valued Firearms	Number	50,803	(456)	23,489	(17,778)	56,058	—	56,058
Total	Number	54,921	(238)	27,638	(21,842)	60,479	—	60,479
	Value	\$ 84,990	\$ 38,226	\$ 379,256	\$ (405,446)	\$ 97,026	\$ (1,964)	\$ 95,062

(1) Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Property status changes include appealed forfeitures and other actions that change the status of an asset between seized and forfeited classifications. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur primarily due to changes in appraisals.

Methods of Disposition of Forfeited Property - For the Fiscal Year Ended September 30, 2022

Forfeited Property Category		Converted Financial Instruments/ Property	Destroyed/ Donated/ Transferred	Sold/ Liquidated (1)	Official Use/ Transfer for Equitable Sharing	Returned Assets	Variance (2)	Total
Financial Instruments	Number	1,124	22	97	—	2	16	1,261
	Value	\$ 199,648	\$ 1,408	\$ 52,683	\$ —	\$ 110	\$ —	\$ 253,849
Real Property	Number	—	—	222	—	1	—	223
	Value	\$ —	\$ —	\$ 117,971	\$ —	\$ 330	\$ —	\$ 118,301
Personal Property	Number	—	769	1,534	116	161	—	2,580
	Value	\$ —	\$ 938	\$ 27,807	\$ 3,004	\$ 1,547	\$ —	\$ 33,296
Non-Valued Firearms	Number	—	16,945	—	101	732	—	17,778
Total	Number	1,124	17,736	1,853	217	896	16	21,842
	Value	\$ 199,648	\$ 2,346	\$ 198,461	\$ 3,004	\$ 1,987	\$ —	\$ 405,446

(1) The sold/liquidated total dollar value does not agree to Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 19, Donations and Forfeitures, because the sold/liquidated amount above represents the assets at their appraised values at forfeiture, and the Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 19, Donations and Forfeitures, represents the proceeds realized upon disposition.

(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 7. Forfeited and Seized Property, Net (continued)

Analysis of Changes in Forfeited Property - For the Fiscal Year Ended September 30, 2021

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	281	264	921	(1,230)	236	—	236
	Value	\$ 12,298	\$ 53,693	\$ 238,431	\$ (293,575)	\$ 10,847	\$ —	\$ 10,847
Real Property	Number	191	3	171	(209)	156	—	156
	Value	\$ 55,887	\$ (93)	\$ 87,041	\$ (94,550)	\$ 48,285	\$ (1,802)	\$ 46,483
Personal Property	Number	3,467	95	2,145	(1,981)	3,726	—	3,726
	Value	\$ 39,653	\$ 954	\$ 29,219	\$ (43,968)	\$ 25,858	\$ (587)	\$ 25,271
Non-Valued Firearms	Number	48,687	(347)	19,019	(16,556)	50,803	—	50,803
Total	Number	52,626	15	22,256	(19,976)	54,921	—	54,921
	Value	\$ 107,838	\$ 54,554	\$ 354,691	\$ (432,093)	\$ 84,990	\$ (2,389)	\$ 82,601

(1) Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Property status changes include appealed forfeitures and other actions that change the status of an asset between seized and forfeited classifications. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur primarily due to changes in appraisals.

Methods of Disposition of Forfeited Property - For the Fiscal Year Ended September 30, 2021

Forfeited Property Category		Converted Financial Instruments/ Property	Destroyed/ Donated/ Transferred	Sold/ Liquidated (1)	Official Use/ Transfer for Equitable Sharing	Returned Assets	Variance (2)	Total
Financial Instruments	Number	1,088	16	110	—	5	11	1,230
	Value	\$ 211,409	\$ 27	\$ 57,361	\$ —	\$ 24,778	\$ —	\$ 293,575
Real Property	Number	—	1	207	—	1	—	209
	Value	\$ —	\$ 18	\$ 94,527	\$ —	\$ 5	\$ —	\$ 94,550
Personal Property	Number	—	662	1,140	91	88	—	1,981
	Value	\$ —	\$ 166	\$ 24,197	\$ 2,574	\$ 17,031	\$ —	\$ 43,968
Non-Valued Firearms	Number	—	15,758	—	197	601	—	16,556
Total	Number	1,088	16,437	1,457	288	695	11	19,976
	Value	\$ 211,409	\$ 211	\$ 176,085	\$ 2,574	\$ 41,814	\$ —	\$ 432,093

(1) The sold/liquidated total dollar value does not agree to Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 19, Donations and Forfeitures, because the sold/liquidated amount above represents the assets at their appraised values at forfeiture, and the Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 19, Donations and Forfeitures, represents the proceeds realized upon disposition.

(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 7. Forfeited and Seized Property, Net (continued)

B. Seized Property

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property consists of seized cash, monetary instruments, real property, and tangible personal property in the actual or constructive possession of the seizing and the custodial agencies. The Department, until judicially or administratively forfeited, does not legally own such property.

Property seized for any purpose other than forfeiture and held by the seizing agency or a custodial agency is reported in the financial statements of the seizing or custodial agency. All property seized for forfeiture, including property with evidentiary value, is reported in the financial statements of the AFF/SADF. Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*, requires disclosure of property that does not have a legal market in the United States or does not have a value to the Federal Government.

The following tables show the analysis of changes in and methods of disposition of property seized for forfeiture during the fiscal years ended September 30, 2022 and 2021. In the following tables, Seized Cash and Monetary Instruments includes seized cash in transit as well as pre-forfeiture deposits into the SADF of monetary instruments and depository account balances, proceeds from pre-forfeiture sales, and cash received in lieu of seized property. Financial Instruments include negotiable instruments, crypto assets/virtual currency and restricted depository accounts.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 7. Forfeited and Seized Property, Net (continued)

Analysis of Changes in Seized Property - For the Fiscal Year Ended September 30, 2022

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized Cash and Monetary Instruments	Number	22,256	(122)	10,431	(10,987)	21,578	—	21,578
	Value	\$ 2,791,275	\$ 78,336	\$ 1,242,168	\$ (1,286,531)	\$ 2,825,248	\$ (440,158)	\$ 2,385,090
Financial Instruments	Number	1,065	(211)	972	(594)	1,232	—	1,232
	Value	\$ 465,863	\$ (48,001)	\$ 150,225	\$ (46,525)	\$ 521,562	\$ (23,192)	\$ 498,370
Real Property	Number	48	(10)	49	(40)	47	—	47
	Value	\$ 91,143	\$ (8,919)	\$ 18,220	\$ (52,120)	\$ 48,324	\$ (30,481)	\$ 17,843
Personal Property	Number	8,610	(397)	3,900	(3,785)	8,328	—	8,328
	Value	\$ 169,028	\$ (5,811)	\$ 335,423	\$ (60,581)	\$ 438,059	\$ (60,913)	\$ 377,146
Non-Valued Firearms	Number	37,991	2,365	26,426	(26,076)	40,706	—	40,706
Total	Number	69,970	1,625	41,778	(41,482)	71,891	—	71,891
	Value	\$ 3,517,309	\$ 15,605	\$ 1,746,036	\$ (1,445,757)	\$ 3,833,193	\$ (554,744)	\$ 3,278,449

(1) Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Property status changes include appealed forfeitures and other actions that change the status of an asset between seized and forfeited classifications. Asset group changes occur primarily when cash is substituted for a different asset category.

Methods of Disposition of Seized Property - For the Fiscal Year Ended September 30, 2022

Seized Property Category		Converted Financial Instruments /Property	Destroyed/ Donated/ Transferred (1)	Sold/ Liquidated	Returned Assets	Forfeited (2)	Variance (3)	Total
Seized Cash and Monetary Instruments	Number	47	73	—	1,149	9,718	—	10,987
	Value	\$ 6,673	\$ 2,189	\$ —	\$ 294,028	\$ 983,641	\$ —	\$ 1,286,531
Financial Instruments	Number	2	12	—	15	565	—	594
	Value	\$ —	\$ 9	\$ —	\$ 2,413	\$ 44,103	\$ —	\$ 46,525
Real Property	Number	—	—	—	2	38	—	40
	Value	\$ —	\$ —	\$ —	\$ 750	\$ 51,370	\$ —	\$ 52,120
Personal Property	Number	—	45	3	686	3,051	—	3,785
	Value	\$ —	\$ 427	\$ 83	\$ 17,160	\$ 42,911	\$ —	\$ 60,581
Non-Valued Firearms	Number	—	3,620	—	2,414	20,042	—	26,076
Total	Number	49	3,750	3	4,266	33,414	—	41,482
	Value	\$ 6,673	\$ 2,625	\$ 83	\$ 314,351	\$ 1,122,025	\$ —	\$ 1,445,757

(1) Transfers of seized cash to the USVSSTF in FY 2022 were \$5.3 million.

(2) Forfeitures reported on the Analysis of Changes in Forfeited Property may be greater because some assets are not seized until after declared forfeited.

(3) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 7. Forfeited and Seized Property, Net (continued)

Analysis of Changes in Seized Property - For the Fiscal Year Ended September 30, 2021

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized Cash and Monetary Instruments	Number	15,984	895	13,189	(7,812)	22,256	—	22,256
	Value	\$2,355,697	\$ 61,080	\$1,400,619	\$(1,026,121)	\$2,791,275	\$ (575,132)	\$ 2,216,143
Financial Instruments	Number	891	(99)	799	(526)	1,065	—	1,065
	Value	\$ 313,382	\$ (48,785)	\$ 263,521	\$ (62,255)	\$ 465,863	\$ (16,766)	\$ 449,087
Real Property	Number	52	(2)	34	(36)	48	—	48
	Value	\$ 87,622	\$ 3,993	\$ 34,121	\$ (34,593)	\$ 91,143	\$ (61,144)	\$ 29,999
Personal Property	Number	5,922	670	4,727	(2,709)	8,610	—	8,610
	Value	\$ 136,472	\$ (9,253)	\$ 81,450	\$ (39,641)	\$ 169,028	\$ (47,560)	\$ 121,468
Non-Valued Firearms	Number	34,054	3,556	21,511	(21,130)	37,991	—	37,991
Total	Number	56,903	5,020	40,260	(32,213)	69,970	—	69,970
	Value	\$2,893,173	\$ 7,035	\$1,779,711	\$(1,162,610)	\$3,517,309	\$ (700,612)	\$ 2,816,697

(1) Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Property status changes include appealed forfeitures and other actions that change the status of an asset between seized and forfeited classifications. Asset group changes occur primarily when cash is substituted for a different asset category.

Methods of Disposition of Seized Property - For the Fiscal Year Ended September 30, 2021

Seized Property Category		Converted Financial Instruments /Property	Destroyed/ Donated/ Transferred (1)	Sold/ Liquidated	Returned Assets	Forfeited (2)	Variance (3)	Total
Seized Cash and Monetary Instruments	Number	3	66	—	853	6,890	—	7,812
	Value	\$ 163	\$ 2,042	\$ —	\$ 193,765	\$ 830,151	\$ —	\$ 1,026,121
Financial Instruments	Number	1	11	—	18	496	—	526
	Value	\$ 650	\$ 303	\$ —	\$ 2,440	\$ 58,862	\$ —	\$ 62,255
Real Property	Number	—	—	—	7	29	—	36
	Value	\$ —	\$ —	\$ —	\$ 15,944	\$ 18,649	\$ —	\$ 34,593
Personal Property	Number	—	40	—	536	2,133	—	2,709
	Value	\$ —	\$ 287	\$ —	\$ 10,191	\$ 29,163	\$ —	\$ 39,641
Non-Valued Firearms	Number	—	2,929	—	2,090	16,111	—	21,130
Total	Number	4	3,046	—	3,504	25,659	—	32,213
	Value	\$ 813	\$ 2,632	\$ —	\$ 222,340	\$ 936,825	\$ —	\$ 1,162,610

(1) Transfers of seized cash to the USVSSTF in FY 2021 were \$105 thousand.

(2) Forfeitures reported on the Analysis of Changes in Forfeited Property may be greater because some assets are not seized until after declared forfeited.

(3) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
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Note 8. General Property, Plant and Equipment, Net

As of September 30, 2022

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Equipment	\$ 328	\$ (328)	\$ —	5-12 years
Leasehold Improvements	2,940	(1,841)	1,099	5 years
Total	<u>\$ 3,268</u>	<u>\$ (2,169)</u>	<u>\$ 1,099</u>	

As of September 30, 2021

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Equipment	\$ 328	\$ (328)	\$ —	5-12 years
Leasehold Improvements	2,940	(1,716)	1,224	5 years
Total	<u>\$ 3,268</u>	<u>\$ (2,044)</u>	<u>\$ 1,224</u>	

As of September 30, 2022 and 2021

	2022	2021
	Net PP&E	Net PP&E
Balance beginning of year	\$ 1,224	\$ 1,350
Depreciation expense	(125)	(126)
Balance at end of year	<u>\$ 1,099</u>	<u>\$ 1,224</u>

Note 9. Other Assets

As of September 30, 2022 and 2021

	2022	2021
Other than Intragovernmental		
Other Assets	\$ 2	\$ 1
Total Other Assets	<u>\$ 2</u>	<u>\$ 1</u>

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 10. Liabilities not Covered by Budgetary Resources

As of September 30, 2022 and 2021

	2022	2021
Other than Intragovernmental		
Federal Employee Benefits Payable	\$ 4,414	\$ 4,411
Total Liabilities Not Covered by Budgetary Resources	\$ 4,414	\$ 4,411
Total Liabilities Covered by Budgetary Resources	738,998	990,487
Total Liabilities Not Requiring Budgetary Resources	2,911,265	2,864,419
Total Liabilities	<u>\$ 3,654,677</u>	<u>\$ 3,859,317</u>

Total Liabilities not Requiring Budgetary Resources consist of Seized Cash and Monetary Instruments pending forfeiture. Once forfeited, apportionment of the funds must be approved by the Office of Management and Budget process before new obligations are incurred.

Note 11. Seized Cash and Monetary Instruments

The Seized Cash and Monetary Instruments represent liabilities for seized assets held by the SADP pending disposition.

As of September 30, 2022 and 2021

	2022	2021
Investments (Note 5)	\$ 1,580,000	\$ 1,580,000
Seized Cash Deposited (Note 4)	1,227,755	1,192,416
Seized Monetary Instruments (Note 4)	17,493	18,859
Cash in Transit to (AFF)/SADP	(9,045)	(9,457)
Total Seized Cash and Monetary Instruments	<u>\$ 2,816,203</u>	<u>\$ 2,781,818</u>

Note 12. Other Liabilities

Pursuant to SFFAS 1, *Accounting for Selected Assets and Liabilities*, paragraph 86, all Other Liabilities presented in the table below are covered by budgetary resources.

As of September 30, 2022 and 2021

	2022	2021
Intragovernmental		
Benefit Program Contributions Payable	\$ 733	\$ 632
Employer Contributions and Payroll Taxes Payable	196	172
Total Intragovernmental	<u>\$ 929</u>	<u>\$ 804</u>
Other than Intragovernmental		
Accrued Funded Payroll and Leave	\$ 2,901	\$ 2,561
Other Liabilities	39	—
Total Other than Intragovernmental	<u>\$ 2,940</u>	<u>\$ 2,561</u>
Total Other Liabilities	<u>\$ 3,869</u>	<u>\$ 3,365</u>

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
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Note 13. Commitments and Contingencies

As of September 30, 2022	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
Legal Contingencies:			
Probable	\$ —	\$ —	\$ —
Reasonably Possible	\$ —	\$ —	\$ —

As of September 30, 2021	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
Legal Contingencies:			
Probable	\$ —	\$ —	\$ —
Reasonably Possible	\$ —	\$ —	\$ —

Note 14. Funds from Dedicated Collections

Generally, funds from dedicated collections are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the government's general revenues. See SFFAS No. 27, as amended by SFFAS No. 43, for the required criteria for a fund from dedicated collections.

The AFF, a fund from dedicated collections, exists to eliminate economic disincentives to the operation of an extensive national asset forfeiture program by providing a stable source of funds to pay costs not otherwise funded under agency appropriations, to execute forfeiture functions. This is made possible by depositing the proceeds of all forfeitures under any laws enforced or administered by the Department into the AFF and using those receipts to finance expenses associated with asset forfeiture functions.

The AFF recognizes exchange revenue, on a reimbursement basis, when the USAOs provide services in judicial forfeiture cases brought by agencies participating in the TFF. This revenue is presented on the Consolidated Statement of Net Cost as earned revenue. In accordance with 28 U.S.C. § 524 donations and forfeitures available for use by certain Federal agencies are treated as returns of financing sources when their final disposition is determined.

All funds deposited to the AFF are considered "public" monies, i.e., funds belonging to the U.S. Government. The monies deposited into the AFF are available to cover all expenditures in support of the AFP that are allowable under the Fund statute created by the Comprehensive Crime Control Act of 1984 (P.L. 98-473, dated October 12, 1984) at 28 U.S.C. § 524(c)

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 14. Funds from Dedicated Collections (continued)

As of September 30, 2022 and 2021

	2022	2021
Balance Sheet		
ASSETS		
Intragovernmental		
Fund Balance with Treasury	\$ 1,350,658	\$ 928,529
Investments, Net	946,048	1,338,959
Accounts Receivable, Net	6,010	7,621
Total Intragovernmental Assets	<u>\$ 2,302,716</u>	<u>\$ 2,275,109</u>
Other than Intragovernmental		
Accounts Receivable, net	\$ 42	\$ 42
Inventory and Related Property, net	95,062	82,601
General Property, Plant, and Equipment, Net	1,099	1,224
Advances and Prepayments	1,000	—
Other Assets	2	1
Total Other than Intragovernmental	<u>\$ 97,205</u>	<u>\$ 83,868</u>
Total Assets	<u>\$ 2,399,921</u>	<u>\$ 2,358,977</u>
LIABILITIES		
Intragovernmental		
Accounts Payable	\$ 104,297	\$ 101,850
Other Liabilities	929	804
Total Intragovernmental Liabilities	<u>\$ 105,226</u>	<u>\$ 102,654</u>
Other than Intragovernmental		
Accounts Payable	\$ 630,705	\$ 885,161
Advances from Others and Deferred Revenue	95,062	82,601
Federal Employee Benefits Payable	4,541	4,522
Other Liabilities	(6,105)	(6,896)
Total Other than Intragovernmental	<u>\$ 724,203</u>	<u>\$ 965,388</u>
Total Liabilities	<u>\$ 829,429</u>	<u>\$ 1,068,042</u>
Net Position		
Cumulative Results of Operations	1,570,492	1,290,935
Total Net Position	<u>\$ 1,570,492</u>	<u>\$ 1,290,935</u>
Total Liabilities and Net Position	<u><u>\$ 2,399,921</u></u>	<u><u>\$ 2,358,977</u></u>

These notes are an integral part of the financial statements.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 14. Funds from Dedicated Collections (continued)

As of September 30, 2022 and 2021

	2022	2021
Statement of Net Cost		
Gross Program Costs	\$ 1,399,275	\$ 1,598,734
Less: Earned Revenues	15,732	5,289
Net Cost of Operations	\$ 1,383,543	\$ 1,593,445
Cumulative Results of Operations		
Beginning Balance	\$ 1,290,935	\$ 1,458,470
Intragovernmental non-exchange revenue	40,254	5,811
Donations and forfeitures of Cash and Property	1,749,488	1,420,815
Transfers in/out without reimbursement	(2,450)	(3,410)
Imputed Financing	2,808	2,694
Other	(127,000)	—
Net cost of operations	(1,383,543)	(1,593,445)
Net Change in Cumulative Results of Operations	279,557	(167,535)
Cumulative Results of Operations: Ending	\$ 1,570,492	\$ 1,290,935
Net Position End of Period	\$ 1,570,492	\$ 1,290,935

Note 15. Suborganization Program Costs

The AFF's statute, 28 U.S.C. § 524(c), authorizes the AFF to fund Forfeiture Operations Expenses, including those for third party payments, equitable sharing payments, asset management and disposal, forfeiture case prosecution, forfeiture systems, special contract services, forfeiture training and printing, contracts to identify assets, and other program management; and general investigative expenses, including those for awards for information, purchases of evidence, equipping of conveyances, investigative costs leading to seizure and joint law enforcement operations. Third party payments and equitable sharing are the most significant categories of Forfeiture Operations Expenses and Total Net Cost.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 15. Suborganization Program Costs (continued)

For the Fiscal Year Ended September 30, 2022

	Forfeiture Operations Expenses	General Investigation Expenses	Total
Major Program 1: Law Enforcement			
Gross Cost	\$ 1,128,214	\$ 271,061	\$ 1,399,275
Less: Earned Revenue	15,732	—	15,732
Net Cost of Operations	<u>\$ 1,112,482</u>	<u>\$ 271,061</u>	<u>\$ 1,383,543</u>

For the Fiscal Year Ended September 30, 2021

	Forfeiture Operations Expenses	General Investigation Expenses	Total
Major Program 1: Law Enforcement			
Gross Cost	\$ 1,328,095	\$ 270,639	\$ 1,598,734
Less: Earned Revenue	5,289	—	5,289
Net Cost of Operations	<u>\$ 1,322,806</u>	<u>\$ 270,639</u>	<u>\$ 1,593,445</u>

Note 16. Imputed Financing

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the AFF/SADF from a providing Federal entity that is not part of the Department. In accordance with SFFAS 55, *Amending Inter-Entity Cost Provisions*, and SFFAS 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental Financing Sources recognized by the AFF/SADF are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FGLI), the Federal Pension plans that are paid by other Federal entities, and any un-reimbursed payments made from the Treasury Judgment Fund on behalf of the AFP. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. § 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable legal outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund. For the FYs ended September 30, 2022 and 2021, the AFF had no liabilities related to the Treasury Judgment Fund.

U.S. Department of Justice
Notes to the Principal Financial Statements
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Note 16. Imputed Financing (continued)

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. The cost factors are as follows:

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees	46.2%
	Regular Employees Offset	34.4%
	Law Enforcement Officers	75.2%
	Law Enforcement Officers Offset	63.9%
Federal Employees Retirement System (FERS)	Regular Employees	19.7%
	Regular Employees - Revised Annuity Employees (RAE)	20.2%
	Regular Employees - Further Revised Annuity Employees (FRAE)	20.4%
	Law Enforcement Officers	40.8%
	Law Enforcement Officers - RAE	41.4%
	Law Enforcement Officers - FRAE	41.5%

The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, the cost of other retirement benefits, which included health and life insurance that are paid by other Federal entities, are recorded as imputed costs with a corresponding imputed financing source.

For the Fiscal Years Ended September 30, 2022 and 2021

	2022	2021
Imputed Inter-Departmental Financing		
Health Insurance	\$ 2,607	\$ 2,549
Life Insurance	9	9
Pension	192	136
Total Imputed Inter-Departmental	<u>\$ 2,808</u>	<u>\$ 2,694</u>

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, are the unreimbursed portion of the full costs of goods and services received by the AFF/SADF from a providing entity that is a part of the Department. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4, also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, Departmental reporting entities and not specifically related to the receiving entity's output. The AFF/SADF has no imputed intra-departmental financing sources that meet reporting requirements.

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Information Related to the Statement of Budgetary Resources

Net Adjustments to Unobligated Balance, Brought Forward, October 1:

During the fiscal years ended September 30, 2022 and 2021, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2021 and 2020. These adjustments include, among other things, downward adjustments to undelivered and delivered orders that were obligated in a prior fiscal year. The adjustments during the fiscal years ended September 30, 2022 and 2021 are presented below.

As of September 30, 2022 and 2021

	2022	2021
Unobligated balance brought forward from prior year	\$ 1,082,970	\$ 1,157,785
Adjustments to Budgetary Resources made during current year		
Downward Adjustments of prior year undelivered orders	66,889	86,855
Downward adjustments of prior year delivered orders	7,453	17,847
Total Adjustments	<u>\$ 74,342</u>	<u>\$ 104,702</u>
Unobligated balance brought forward from prior year		
budget authority, net (discretionary and mandatory)	<u><u>\$ 1,157,312</u></u>	<u><u>\$ 1,262,487</u></u>

Status of Undelivered Orders:

Undelivered Orders (UDOs) represent the amount of goods and/or services ordered, which have not been actually or constructively received. This amount includes any orders which may have been prepaid or advanced but for which delivery or performance has not yet occurred.

As of September 30, 2022 and 2021

	2022	2021
Intragovernmental		
UDO Obligations Unpaid	\$ 46,244	\$ 45,781
Total Intragovernmental	<u>\$ 46,244</u>	<u>\$ 45,781</u>
Other than Intragovernmental		
UDO Obligations Unpaid	\$ 104,272	\$ 93,380
UDO Obligations Prepaid/Advanced	1,000	—
Total Other than Intragovernmental	<u>105,272</u>	<u>93,380</u>
Total UDO	<u><u>\$ 151,516</u></u>	<u><u>\$ 139,161</u></u>

U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Information Related to the Statement of Budgetary Resources (continued)

Permanent Indefinite Appropriations:

28 U.S.C. § 524(c)(1) authorizes the Attorney General to use AFF receipts to pay program operations expenses, equitable sharing to state and local law enforcement agencies who assist in forfeiture cases, and lien holders. This permanent indefinite authority is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount.

Legal Arrangements Affecting Use of Unobligated Balances

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation, unless otherwise restricted. Excess unobligated balances identified at the end of a fiscal year may be declared a “Super Surplus” balance. Super Surplus balances may be allocated at the discretion of the Attorney General for any Federal law enforcement, legal support, and correctional activities, or any other authorized purpose of the DOJ pursuant to 28 U.S.C. § 524(c)(8)(E).

In FY 2022, the Consolidated Appropriations Act, 2022, enacted a \$127 million permanent rescission from the AFF. There were no rescissions in FY 2021. The FY 2022 permanent rescission was transferred to the Treasury by September 30, 2022.

Explanation of Differences between the SBR and the Budget of the U.S. Government:

The reconciliation as of September 30, 2022 is not presented because the submission of the Budget of the U.S. Government for FY 2024, which presents the execution of the FY 2022 Budget, occurs after publication of these financial statements. The DOJ Budget Appendix can be found on the OMB website and will be available in early February 2023.

For the Fiscal Year Ended September 30, 2021

(Dollars in Millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	\$ 2,726	\$ 1,643	\$ 40	\$ 2,604
Funds not Reported in the Budget				
Distributed Offsetting Receipts	—	—	—	40
Funds not Reported in the SBR				
Other	1	—	—	1
Budget of the United States Government	<u>\$ 2,727</u>	<u>\$ 1,643</u>	<u>\$ 40</u>	<u>\$ 2,645</u>

Funds not Reported in the Budget – consist of distributed offsetting receipts earned from investment activity. Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the AFF/SADF’s SBR and the Budget of the United States.

U.S. Department of Justice
Notes to the Principal Financial Statements
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Note 18. Super Surplus

28 U.S.C. § 524(c)(8)(E) provides the Attorney General with the authority to use the AFF's excess unobligated balances remaining at the end of a fiscal year, without fiscal year limitation, for any Federal law enforcement, legal support, and correctional activities, or any other authorized purpose of the Department of Justice. The excess unobligated balance consists of the AFF's unobligated balance at the end of the fiscal year after the AFP's operational needs for the subsequent year are reserved. The excess unobligated balance is historically known as "Super Surplus."

There were no Super Surplus declarations in FY 2022 or 2021.

Note 19. Donations and Forfeitures

Forfeiture income includes forfeited cash, sales of forfeited property, penalties in lieu of forfeiture, recovery of returned asset management costs, judgment collections, and other miscellaneous income. Revenue from donations and forfeitures of cash and cash equivalents, after the following payments and returns to agencies participating in seizures that led to forfeiture, totaled \$1,749.5 million for the fiscal year ended September 30, 2022, and \$1,420.8 million for the fiscal year ended September 30, 2021.

	2022	2021
	<u>2022</u>	<u>2021</u>
Payments to individuals or organizations for the proceeds from assets forfeited and deposited into the AFF and subsequently returned to them through a settlement agreement or by a court order	\$ 130	\$ 24
Return of forfeiture income to the TFF for its participation in seizures that led to forfeiture	8,162	15,506
Return of forfeiture income to the U.S. Postal Service for its participation in seizures that led to forfeiture	2,458	1,704
Total Return of Forfeiture Income	<u>\$ 10,750</u>	<u>\$ 17,234</u>

U.S. Department of Justice
Notes to the Principal Financial Statements
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Note 20. Reconciliation of Net Costs to Net Outlays

AFF presents its Statement of Net Cost using the accrual basis of accounting. This differs from the obligation-based measurement of total resources supplied, both budgetary and from other sources, on the Statement of Budgetary Resources. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The reconciliation explains the relationship between the net cost of operations and net outlays by presenting (1) components of net cost that are not part of net outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities); (2) components of net outlays that are not part of net cost (e.g. acquisition of capital assets); and (3) other temporary timing difference (e.g. prior period adjustments due to correction of errors). Seized assets and deposit funds are neither an outlay nor a cost, and therefore, these items have been excluded from the reconciliation. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Accounts payable other than intragovernmental, a component of Net Cost that are Not Part of Net Outlays, decreased by \$252.0 million, primarily as a result of payments made and estimate reductions related to cases including FIFA, Western Union, and Madoff. Other components of net operating cost not part of the budgetary outlays includes primarily other expenses not requiring budgetary resources and future funded expenses.

U.S. Department of Justice
Notes to the Principal Financial Statements
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Note 20. Reconciliation of Net Costs to Net Outlays (continued)

For the Fiscal Year Ended September 30, 2022

	Intra- governmental	Other than Intra- governmental	Total FY 2022
NET COST	<u>\$ 165,723</u>	<u>\$ 1,217,820</u>	<u>\$ 1,383,543</u>
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	\$ —	\$ (125)	\$ (125)
Other	—	(36,635)	(36,635)
Increase/(decrease) in assets			
Accounts Receivable, net	(1,611)	—	(1,611)
Other Assets	—	1,000	1,000
(Increase)/decrease in liabilities			
Accounts Payable	(2,446)	254,457	252,011
Federal employees and benefits payable	—	(19)	(19)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(125)	(340)	(465)
Other Liabilities (Without Related Budgetary Obligations)	(39)	—	(39)
Financing Sources			
Imputed Costs	(2,808)	—	(2,808)
Total Components of Net Operating Costs Not Part of the Budgetary Outlays:	<u>\$ (7,029)</u>	<u>\$ 218,338</u>	<u>\$ 211,309</u>
Component of Budgetary Outlays That Are Not Part of Net Operating Costs:			
Acquisition of capital assets	\$ —	\$ —	\$ —
Total Component of the Budget Outlays That Are Not Part of Net Operating Costs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Misc Items			
Distributed Offsetting Receipts	\$ (21,162)	\$ —	\$ (21,162)
Other temporary timing differences	(62)	—	(62)
Total Other Reconciling items	<u>\$ (21,224)</u>	<u>\$ —</u>	<u>\$ (21,224)</u>
Total Net Outlays	<u><u>\$ 137,470</u></u>	<u><u>\$ 1,436,158</u></u>	<u><u>\$ 1,573,628</u></u>
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, Net			<u><u>\$ 1,573,628</u></u>

These notes are an integral part of the financial statements.

U.S. Department of Justice
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Note 20. Reconciliation of Net Costs to Net Outlays (continued)

For the Fiscal Year Ended September 30, 2021

	Intra- governmental	Other than Intra- governmental	Total FY 2021
NET COST	\$ 160,029	\$ 1,433,416	\$ 1,593,445
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Property, Plant, and equipment depreciation	\$ —	\$ (126)	\$ (126)
Other	—	(26,487)	(26,487)
Increase/(decrease) in assets			
Accounts Receivable, net	(11,807)	6	(11,801)
Other Assets	—	(495)	(495)
(Increase)/decrease in liabilities			
Accounts Payable	4,854	1,088,177	1,093,031
Federal employees and benefits payable	—	(219)	(219)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(159)	(492)	(651)
Financing sources			
Imputed Costs	(2,694)	—	(2,694)
Total Components of Net Operating Costs Not Part of the Budgetary Outlays:	<u>\$ (9,806)</u>	<u>\$ 1,060,364</u>	<u>\$ 1,050,558</u>
Component of Budgetary Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	\$ —	\$ 432	\$ 432
Total Component of the Budgetary Outlays That Are Not Part of Net Operating Cost	<u>\$ —</u>	<u>\$ 432</u>	<u>\$ 432</u>
Misc Items			
Distributed Offsetting Receipts	(40,445)	—	(40,445)
Other temporary timing differences (+/-)	\$ 415	\$ —	\$ 415
Total Other Reconciling items	<u>\$ (40,030)</u>	<u>\$ —</u>	<u>\$ (40,030)</u>
Total Net Outlays	<u><u>\$ 110,193</u></u>	<u><u>\$ 2,494,212</u></u>	<u><u>\$ 2,604,405</u></u>
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, Net			<u><u>\$ 2,604,405</u></u>

These notes are an integral part of the financial statements.

U.S. DEPARTMENT OF JUSTICE

Assets Forfeiture Fund and Seized Asset Deposit Fund

Appendix



APPENDIX: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Report

The Office of the Inspector General (OIG) provided a draft of the Independent Auditors' Report to the Asset Forfeiture Management Staff (AFMS). The AFMS' response is incorporated in the Exhibit of the Independent Auditors' Report of this final report. In response to the Independent Auditors' Report, the AFMS concurred with the recommendations and discussed the actions it will implement in response to the finding. As a result, the status of the report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for the AFMS:

- 1. Finalize and implement its Asset Forfeiture Financial Management Guide to clarify accounting requirements for Asset Forfeiture Program participants to adhere to timely data input to Consolidated Asset Tracking System, including forfeiture decisions that directly impact the recognition of revenue and seizures of assets, and the accounting requirements for the reporting of transactions in the Adjustments column of Note 7, *Forfeited and Seized Property, Net*. (Updated)**

Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that the final Asset Forfeiture Management Guide has been delayed from September 30, 2022, until April 2023, and includes requirements for participating agencies to record seized and forfeited property transactions no later than the end of the fiscal quarter, and accounting requirements for making adjustment to Note 7, *Forfeited and Seized Property, Net*.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that the AFMS has finalized and implemented the Asset Forfeiture Management Guide.

- 2. Develop new and/or enhance existing process controls for participating agencies and monitoring controls within the Asset Forfeiture Management Staff to ensure participating agencies accurately and timely record forfeiture and seizure transactions. (Updated)**

Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that AFMS management will work with participating agencies to develop controls ensuring that seized and forfeited property transactions are recorded in a timely manner. Automation enhancements are currently in development with implementation scheduled for the 2nd quarter of 2023. AFMS management will also develop procedures for elevation of findings not confirmed or corrected by participating agencies to the appropriate agency's senior management so they may be corrected for quarter-end reports.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that the AFMS's management has developed new and/or enhanced existing controls for participating agencies and monitoring controls within the AFMS to ensure that seized and forfeited property transactions are recorded timely and monitored by AFMS.

3. **Enhance existing processes to analyze potential out-of-period revenue transactions, and formally document the evaluation results to include a consideration of materiality and the impact on the prior period financial statements. (Repeat)**

Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that the automation enhancements are currently in development with implementation scheduled for the 2nd quarter of 2023. AFMS management will review current internal controls procedures, identifying high risk areas requiring more intensive review and update review procedures. Included is the determination of an acceptable level error, detailed reviews of revenue transactions, identification of out-of-period revenue recorded in the current fiscal year and the level of misstatement in prior fiscal years.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that the AFMS has developed enhancements in its processes to analyze potential out-of-period revenue transactions and formally documented the evaluation results including consideration for materiality and impact on prior period financial statements.

4. **Enhance existing processes to analyze potential delayed seizure records, and formally document the evaluation results to include a consideration of materiality and the impact on the current and prior period financial statements. (New)**

Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that less than 150 transactions out of the 2,000 assets reported in the current year that were related to delayed seizure entries in the Consolidated Asset Tracking System were material to the financial statement or Note 7, *Forfeited and Seized Property, Net*. The automation enhancements are currently in development with implementation scheduled for the 2nd quarter of 2023, which will facilitate AFMS management's analysis of potential delayed seizure records, including any material impact on both current and prior year financial statements.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that the AFMS has developed enhancements in its processes to analyze potential delayed seizure records, including any material impact on both current and prior year financial statements.