Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2023

AUDIT DIVISION

24-018

JANUARY 2024

COMMENTARY AND SUMMARY

Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2023

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, 2023, 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 6, 2023, 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 five recommendations to improve its controls over seized property and forfeiture revenue.

Audit Results

The fiscal year (FY) 2023 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 2022, the AFF/SADF also received an unmodified opinion on its financial statements (OIG Audit Division Report Number 22-036).

KPMG reported one significant deficiency in the FY 2023 Independent Auditors' Report, noting that improvements are needed in controls over seized property and forfeiture revenue. 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.

Table of Contents

U.S. Department of Justice

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

Unaudited

September 30, 2023

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) 2023 and 2022 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.

Strategic Goals, Major Programs, and Objectives

The Department's strategic plan provides an overarching framework for component and function-specific plans, as well as for annual performance plans, budgets, and reports. To accomplish long-term objectives the Department's current strategic plan embodies five strategic goals.

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. There were no transfers to the USVSSTF in FY 2023. In FY 2022, $5.3 million was transferred from the SADF to the USVSSTF.

The Consolidated Appropriations Act, 2023 provided the Attorney General the authority to transfer to the U.S. Department of State proceeds of any covered forfeited property to provide assistance to Ukraine. For FY 2023, $5.4 million was transferred from AFF to the U.S. Department of State.

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* (2023), *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 2023 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 2023	FY 2022	% Change
Exchange Revenues	$ 15,220	$ 15,732	(3.3)%
Nonexchange Revenues	276,467	40,254	586.8 %
Donations and Forfeitures of Cash or Cash Equivalents	2,960,474	1,328,670	122.8 %
Donations and Forfeitures of Property	224,397	420,818	(46.7)%
Transfers-In/Out Without Reimbursement	(9,696)	(2,450)	(295.8)%
Imputed Financing from Costs Absorbed by Others	4,652	2,808	65.7 %
Total Assets Forfeiture Fund Resources	$ 3,471,514	$ 1,805,832	92.2 %

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 2023	FY 2022	% Change
MP 1: Law Enforcement			
Total Gross Costs	$ 1,613,032	$ 1,399,275	15.3 %
Less: Total Earned Revenue	15,220	15,732	(3.3)%
Total Net Cost of Operations	$ 1,597,812	$ 1,383,543	15.5 %

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, 2023, were \$8,510.9 million compared with \$5,225.2 million in FY 2022, an increase of \$3,285.7 million. The increase is due in part to deposits to Fund Balance with Treasury from large cases including Danske Bank of \$1,209.1 million and LaFarge-Holcim of \$663.1 million. The large deposits to Fund Balance with Treasury were offset by large case payments out of \$202 million on cases including Suboxone, Western Union, and LaFarge-Holcim; the permanent rescission of \$500 million; and the transfer to the U.S. Department of State to benefit Ukraine of \$ 5.4 million. Cash and Monetary Instruments also increased as a result of large seizures of \$1,815.9 million from cases including FTX, GTV Media and Ability Pharmacy.

Liabilities: Total liabilities of the AFF/SADF were \$5,581.9 million as of September 30, 2023 compared with \$3,654.7 million in FY 2022, an increase of \$1,927.2 million. The increase is primarily due to higher Seized Cash and Monetary Instruments of \$1,863.9 million and other than intragovernmental Accounts Payable of \$113.9 million. These increases were partially offset by payments made and estimates reduced related to cases including Suboxone, Western Union, Deal Automotive, Abacha, Madoff and LaFarge.

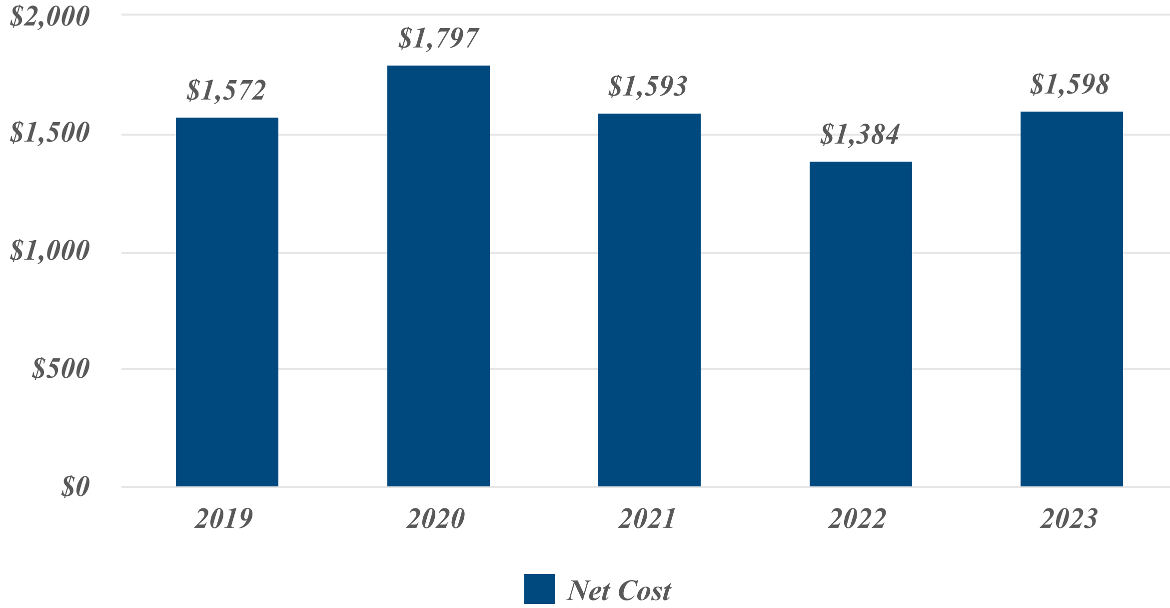
Consolidated Statements of Net Cost

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 on the trading partner. FBI remains on a separate instance of UFMS and therefore does not receive their allocation 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.

Gross cost increased from \$1,399.3 million in FY 2022 to \$1,613.0 million in FY 2023, an increase of \$213.7 million. The increase is primarily because of Equitable Sharing in the LaFarge case of \$230 million obligated in FY 2023.

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 Figure 1, below.

Figure 1 - AFF Net Cost
(Dollars in Millions)



Consolidated Statements of Changes in Net Position

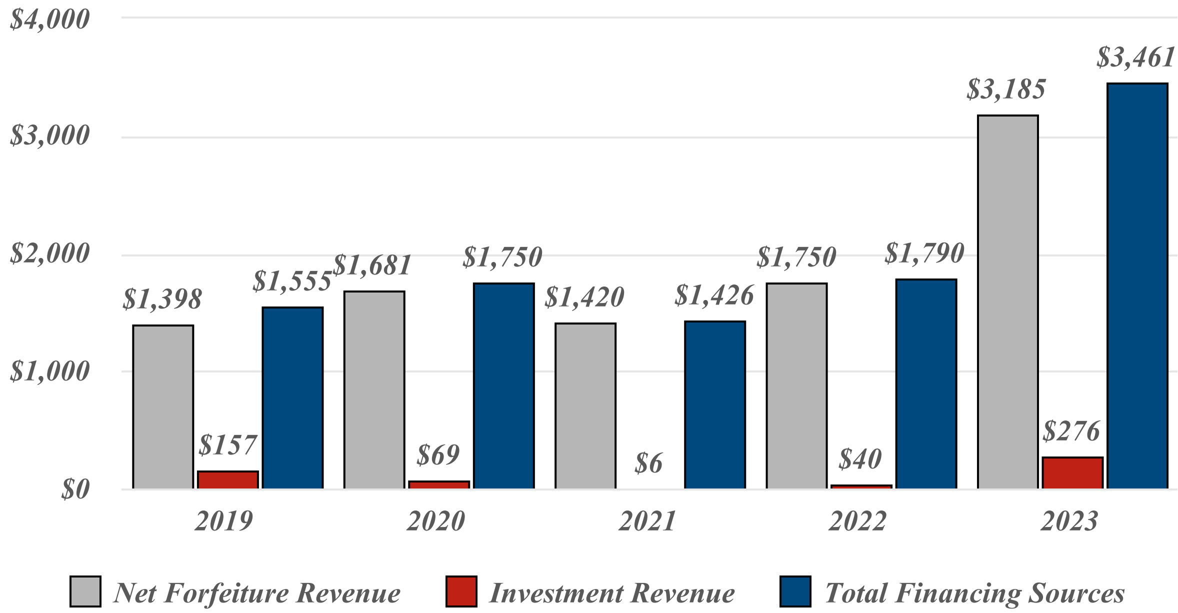
Donations and Forfeitures of Cash and Cash Equivalents and Donations and Forfeitures of Property: These two sources of AFF resources in Table 1 comprise the AFF's forfeiture revenue and consistently comprise the majority of the AFF's resources. The AFF's forfeiture revenue was $3,184.9 million in FY 2023 and $1,749.5 million in FY 2022, an increase of $1,435.4 million. The increase is driven by forfeiture revenue related to the Danske Bank, LaFarge, Glencore International, and Allianz Global Investors cases of $2,265.1 million. In addition, receipts from the Treasury Forfeiture Fund (TFF), for the Department's participation in cases that resulted in forfeiture revenue to the AFF of $36.4 million and $28.8 million in FYs 2023 and 2022 respectively, an increase of $7.6 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 $236.2 million, to $276.5 million in FY 2023 from $40.3 million in FY 2022. Increased interest rates, from an average of 79 basis points in FY 2022 to an average of 399 basis points in FY 2023, are the cause of the increase.

Other Adjustments: The Consolidated Appropriations Act, 2023 (P.L 117-328) enacted a permanent rescission of $500 million for FY2023 compared to $127 million in FY 2022.

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 $1,671 million from FY 2022 to FY 2023. The increase is the result of large case forfeitures, receipts from the TFF, and higher investments revenue, explained in the analysis of the Combined Statements of Changes in Net Position, above.

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 2023, Net Position totaled $2,929.0 million versus $1,570.5 million at the end of FY 2022, an increase of $1,358.5 million.

Combined Statements of Budgetary Resources

Budgetary Resources: Total Budgetary Resources in FY 2023 totaled $4,132.6 million compared with $2,759.1 million in FY 2022, an increase of $1,373.5 million. The increase is the result of higher receipts into the Fund from large cases, including the Danske Bank of $1,209.1 million.

Unobligated Balance – End of Year (Total): The Unobligated Balance as of September 30, 2023 was $2,510.2 million compared to $1,312.7 million as of September 30, 2022, an increase of $1,197.5 million. The increase is the result of higher deposits to the AFF from large fraud cases, including Danske Bank of $1,209.1 million.

Outlays, Net: Net outlays were $1,466.6 million in FY 2023 compared with $1,594.8 million in FY 2022, a decrease of $128.2 million. The decrease is primarily due to higher large case payments in FY 2022 over FY 2023. In FY 2022, payments related to large cases, including U.S. v. Webb, were $281.2 million, whereas in FY 2023 payments related to large cases, including Suboxone, Western Union, LAFARGE-HOLCIM, Inc. and Deal Automotive were $164.4 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. Provided below are some highlights of operations performed by the AFP.

Case Highlights

Danske Bank

On December 13, 2022, the U.S. Department of Justice charged Danske Bank A/S (the Bank), a global financial institution headquartered in Copenhagen, Denmark, with a long-running scheme to commit bank fraud. In its Information, the government alleged that from 2008 to early 2016, the Bank, through its subsidiary bank located in Estonia, conspired with others to offer banking services with little or no oversight to high-risk customers who resided outside Estonia, including in Russia. As a result, Danske Bank defrauded U.S. banks by laundering large sums of criminal or other suspicious proceeds through the U.S. financial system. This case was brought as the result of parallel investigations by the Department and other domestic and foreign authorities. On January 24, 2023, Danske Bank pleaded guilty to one count of conspiracy to commit bank fraud, acknowledging that it deliberately disregarded U.S. financial laws and its own internal controls, and facilitated the laundering of criminal and other suspicious proceeds through United States financial institutions. Under the terms of its plea agreement, Danske Bank also agreed to a criminal forfeiture of $2.059 billion as proceeds of its fraud scheme. This case was investigated by the FBI New York City Office and was prosecuted by the United States Attorney's Office for the Southern District of New York and the Department's Money Laundering and Asset Recovery Section.

Elder Fraud Cases

Nigerian Nationals

On April 6, 2022, the U.S. Department of Justice charged Jerry Chucks Ozor and Iheanyichukwu Jonathan Abraham, two Nigerian nationals, with multiple counts of wire fraud and mail fraud. These defendants, along with other co-conspirators, conducted a transnational inheritance fraud scheme that targeted elderly and other vulnerable United States citizens. The scheme consisted of personalized letters sent to elderly victims in the United States, falsely claiming that the sender was a bank representative for a Spanish bank and that the recipient was entitled to receive a multi-million-dollar inheritance from a family member who had died years before in Spain, but only after sending money to the defendants for purported delivery fees, taxes, and other payments to avoid government scrutiny. Following their indictment, both defendants were arrested in the United Kingdom and extradited to the United States for prosecution. Both defendants pleaded guilty to conspiracy to commit mail and wire fraud, admitting to defrauding more than 400 victims of more than $6 million. Ozor was sentenced in July 2023 to 87 months' imprisonment, and Abraham was sentenced in August 2023 to 90 months' imprisonment. Both defendants were also ordered to pay $6,736,179 in restitution. This case was investigated by the U.S. Department of Justice Consumer Protection Branch, together with the USPIS, and other domestic and foreign law enforcement authorities, and prosecuted by the U.S. Attorney's Office for the Southern District of Florida.

Fola Alabi and Co-conspirators

On June 22, 2022, the U.S. Department of Justice charged Fola Alabi, of Richmond Texas, for his role in a conspiracy to defraud elderly citizens in at least eleven states, including Rhode Island, through an online romance scam. Alabi, along with other co-conspirators, befriended unsuspecting senior citizens online, frequently posing as one of two actual generals in the U.S. military, using their identities and likenesses, and claiming to be stationed overseas. The conspirators claimed to have a personal, sometimes romantic, interest in their victims, and convinced them to send substantial sums of money to addresses or companies in Texas controlled by Alabi. These funds were quickly deposited, moved through different bank accounts, and then used by Alabi to pay the mortgage on his house; other funds were sent to India or China. In April 2023, Alabi pleaded guilty to money laundering and conspiracy to commit money laundering in April 2023, admitting to defrauding multiple victims of more than $1.6 million. Alabi was sentenced to in August 2023 to 37 months' imprisonment and ordered to forfeit property involved in his money laundering scheme, including his Texas residence, valued at $560,000, and $31,773 held in a bank account. Alabi was also ordered to pay $1,495,421 in restitution to his victims. This case was investigated by the FBI, USPIS, DCIS, and other federal, state, and local law enforcement authorities, and prosecuted by the U.S. Attorney's Office for the District of Rhode Island.

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 assurance that internal controls over financial reporting were effective. There have been no changes to internal control over financial reporting subsequent to September 30, 2023, 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 2023, 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 2023 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 2023 identified no instances of noncompliance which are material to the Department's systems of internal control or financial statements.

Possible Future Effects of Existing Events and Conditions

FY 2023 Budget Position

The Consolidated Appropriations Act, 2023 (P.L. 117-328, Sec. 209) enacted a permanent rescission of $500 million for FY 2023. Likewise, there was a permanent rescission of $127 million enacted in FY 2022. Permanent rescissions reduce 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. Although no new state legislation limiting acceptance of Federal equitable sharing were enacted in FY 2023, management continues to track state legislation in the future and will assess its impact. As of September 30, 2023, 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. In FY 2023, $500 million was permanently rescinded in the AFF. In FY 2022, $127 million was rescinded in the AFF, an increase of $373 million. If the trend of larger rescissions each fiscal year continues, there will be significant impact on the AFF's ability to support Program priorities.

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 (GAAP) 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
Suite 12000
1801 K Street, NW
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, 2023 and 2022, 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, 2023 and 2022, 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. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 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. 24-01 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. 24-01, 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, 2023, 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 years' 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, 2023, 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. 24-01.

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, 2023

EXHIBIT I

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 Seized Property and Forfeiture Revenue

Although management continued to make progress on its remediation efforts in fiscal year (FY) 2023, management did not complete key corrective actions to fully address the previously identified deficiencies in the AFF/SADF's internal controls over accounting for seized property and forfeiture revenue. Specifically, the Asset Forfeiture Management Staff (AFMS) was in the process of drafting the final chapters of a financial management guide that would provide more specific policies and procedures related to accounting for seized property and forfeiture revenue, but it was still not completed as of September 30, 2023. Additionally, management's planned enhancements to preventive controls at the participating agency level and monitoring controls to identify final forfeiture orders and record the related revenue in the proper fiscal year were not fully implemented as of September 30, 2023.

As a result of the incomplete corrective actions, there continued to be a lack of clear financial management guidelines for management to hold the Asset Forfeiture Program (AFP) participating agencies accountable to ensure that seized property transactions and forfeiture decisions were consistently and timely entered in the AFP asset system. Specifically, we noted the following:

- Instances in which the participating agencies did not record seizures or forfeiture decisions in the AFP asset system in the same period in which the seizure occurred or forfeiture decision was finalized;
- Instances in which the participating agencies did not accurately record financially relevant data elements for certain assets in the AFP asset system that impacted the accurate recognition of forfeiture revenue; and
- Lack of a formal process for participating agencies to elevate transactions that may require additional guidance to ensure proper accounting.

We also noted that management performed an analysis of potential out-of-period revenue and seizure activities in response to prior delays in entering information in the AFP asset system but did not formally document the evaluation of the results, considerations over materiality, or the effect of the identified errors on the current and prior year financial statements.

Related to the lack of clarity around financial management guidelines for reporting seized property, management did not consistently define and implement policies, procedures, and controls over the existence, accuracy, and valuation of seized digital assets. Specifically, participating agencies inconsistently interpreted the activity that constituted the date of seizure, improperly revalued assets subsequent to initial seizure, and did not identify aged seizures that were not compliant with current policies and practices related to valuation and custody.

The conditions above primarily occurred because management's policy updates were dependent on the involvement of multiple key stakeholders to review and approve policies prior to finalizing and communicating updates. Additionally, management was unable to implement preventive automated controls because of delays in implementing necessary interfaces with third-party data. Specific to seized digital assets, management did not identify risks of misstatement related to the precision of the seizure date due to the volatility of the asset value. Further, as changes occurred in the sophistication and prevalence of digital asset seizures, management did not re-evaluate and respond to those changes for assets already in actual or constructive custody.

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

Accuracy and Valuation of Seized Digital Assets

As a result of the deficiencies identified above related to the existence, accuracy, and valuation of digital assets disclosed as part of Note 7, *Forfeited and Seized Property, Net,* the beginning balance of seizures was understated by a likely amount of $3.4 million, adjustments to seizures were overstated by $7.1 million, and current year seizures were overstated by a likely amount of $47 million.

Incomplete Information in the AFP Asset System Impacting Timely Recognition of Seized Property

Certain assets were seized in prior fiscal years but were not reported until FY 2023 because of incomplete information entered in the AFP's asset system. Specifically, we identified over 1,200 assets reported in the current year that were related to delayed seizure entries. As a result, we identified a most likely error in Note 7, *Forfeited and Seized Property,* of $13.1 million related to the delayed reporting of seized property in the year ended September 30, 2023. This included $9.1 million of seized cash and $4 million of seized non-cash property.

Incomplete and Inaccurate Information in the AFP Asset System Impacting Revenue Cut-off and Recognition

Certain assets were forfeited in prior or subsequent fiscal years, but management's controls were not operating effectively to ensure that the participating agencies were evaluating and reporting judicial information timely. Additionally, management's controls were not operating effectively to ensure that certain assets were legally forfeited prior to the recognition of revenue. Specifically, we identified a net factual overstatement of $12.1 million in Donations and Forfeitures of Cash and Cash Equivalents that resulted in a net overstatement by a likely amount of $20.3 million as of September 30, 2023.

Criteria:

The U.S. Government Accountability Office - Standards for Internal Control in the Federal Government ("Green Book") provides standards for management's responsibilities for internal control. Specific relevant principles include: 5 – Enforce Accountability; 9 – Risk Assessment; 10 – Design Control Activities; 12 - Implement Control Activities; 16 – Perform Monitoring Activities; and 17 – Evaluate and Remediate Deficiencies.

Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 3 – *Accounting for Inventory and Related Property*. SFFAS 3 provides guidance on the reporting and valuation of seized property.

The AFMS *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.

Recommendations:

We recommend that the Asset Forfeiture Management Staff:

1. Finalize and implement its Asset Forfeiture Financial Management Guide to reinforce the accounting requirements for AFP participants to adhere to timely and accurate data input to the AFP asset system, including forfeiture decisions that directly impact the recognition of revenue, and the accounting requirements for the reporting of transactions in Note 7, *Forfeited and Seized Property, Net.* In addition, management should more clearly define the investigative action that should be used as the seizure date for purposes of actual or constructive custody and valuation of seized property. *(Updated)*

Management Response:

AFMS concurs with the recommendation.

AFMS will publish the last two chapters of the Asset Forfeiture Financial and Administrative Guide before the end of calendar year 2023. Chapter 8 specifically addresses the requirement for forfeiture decisions be recorded in CATS within the fiscal quarter in which the decision was made. It also addresses the timeframes for disposal of forfeited assets, including the deposit of forfeited asset proceeds into the AFF and the recognition of revenue.

Further, AFMS will work with the participating agencies to identify the legal triggers for seizures for evidence and forfeiture, clearly define the seizure date for AFF/SADF reporting purposes and issue policy memorandums to the AFP's participating agencies defining the seizure and forfeiture date to be recorded in CATS before the end of calendar year 2023. In addition, AFMS will formalize the process for the participating agencies to elevate prior year transactions to AFMS so appropriate accounting procedures can be determined for those transactions prior to them being entered into CATS.

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 the AFP asset system. *(Repeat)*

Management Response:

AFMS concurs with the recommendation.

Chapter 8 of the Asset Forfeiture Financial and Administrative Guide, discussed above, will complete the recommendation to develop new and/or enhance existing process controls in the participating agencies. Chapter 8 contains detailed guidance on the timely recording of seizure and forfeiture transactions in CATS and UFMS, AFMS's accounting system.

AFMS will also develop additional review procedures in the Data Quality Team to address emerging data consistency and compliance issues, provide results to participating agencies, and ensure corrections are made when needed during the fiscal quarter appropriate to the transaction.

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:

AFMS concurs with the recommendation.

AFMS will clearly document the steps taken to perform the analysis of risk over potential out-of-period revenue transactions, the criteria used and population coverage of transactions selected for further review, the steps taken to perform the analysis, clearly defined categories into which the transactions are classified, characteristics of a transaction requiring supplemental information from the appropriate participating agency in order to make a determination of whether the transaction is in-period or out-of-period, characteristics of a true out-of-period transaction, and an explanation of the results of the analysis. AFMS will use these results to determine the materiality and impact on current year and applicable prior years' financial statements and, if material, what actions will be taken to correct misstatements.

4. Formally document the evaluation results of the out-of-period seizure analysis to include a consideration of materiality and the impact on the current and prior period financial statements. *(Updated)*

Management Response:

AFMS concurs with the recommendation.

AFMS sends potential delayed entry of seizure transactions to participating agencies quarterly with requests for details required to determine whether the transactions are in-period or out-of-period. The participating agencies respond to the data call with the requested additional details or explanations. Adjustments are made to the financial statements and/or the Forfeited and Seized Property footnote, as necessary. Although the analysis is effective, AFMS agrees that documentation needs improvement and the analysis of materiality to current year and applicable prior years' financial statements must be included in the analysis.

AFMS will clearly document the steps taken to perform analysis of risk, the criteria used and population coverage of transactions selected for further review, the steps taken to perform the analysis, clearly defined categories into which the transactions are classified, characteristics of a transaction requiring supplemental information from the appropriate participating agency in order to make a determination of whether the transaction is in-period or out-of-period, characteristics of a true out-of-period transaction, and an explanation of the results of the analysis. AFMS will use these results to determine the materiality and impact on current year and applicable prior years' financial statements and, if material, what actions will be taken to correct misstatements.

5. Re-evaluate aged seized digital assets to consider whether risks of misstatement related to accurate valuation, existence, and ownership of assets have been adequately addressed considering the evolving nature of digital asset seizures. Based on the results of the evaluation, design and implement processes, procedures, and controls to appropriately account for aged digital assets. *(New)*

Management Response:

AFMS concurs with the recommendation.

AFMS will work with the participating agencies to identify the correct date for seizure records in CATS. AFMS will review digital assets with no activity over a year or more and determine evaluation values recorded in CATS to ensure they are accurate and comply with policy regarding the correct date of seizure for assets. AFMS will also develop testing to ensure that all participating agencies are identifying and recording seizure dates consistently and that digital assets are valued correctly.

EXHIBIT II

STATUS OF PRIOR YEARS' 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 recommendations from the prior years' financial statements audits. The following table provides the status of the recommendations as of the end of FY 2023.

Report	Recommendations	Status
Annual Financial Statements Fiscal Year 2021 Report No. 22-018	**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 (Repeated by FY23 Recommendation No. 3)
Annual Financial Statements Fiscal Year 2022 Report No. 23-036	**Recommendation No. 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.*	In Process (Updated by FY23 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 accurately and timely record forfeiture and seizure transactions in CATS.	In Process (Repeated by FY23 Recommendation No. 2)
	Recommendation No. 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.	In Process (Updated by FY23 Recommendation No. 4)

U.S. Department of Justice

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

September 30, 2023

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Balance Sheets
As of September 30, 2023 and 2022

Dollars in Thousands	2023	2022
ASSETS (Note 2)		
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	$ 2,647,870	$ 1,350,658
Investments, Net (Note 5)	2,635,482	2,526,048
Accounts Receivable, Net (Note 6)	11,929	6,010
Advances and Prepayments	2,713	—
Total Intragovernmental Assets	$ 5,297,994	$ 3,882,716
Other than Intragovernmental Assets		
Cash and Other Monetary Assets (Note 4)	$ 3,105,697	$ 1,245,248
Accounts Receivable, Net (Note 6)	48	42
Inventory and Related Property, Net:		
Forfeited Property, Net (Note 7)	105,996	95,062
General Property, Plant and Equipment, Net (Note 8)	973	1,099
Advances and Prepayments	—	1,000
Other Assets (Note 9)	143	2
Total Other than Intragovernmental Assets	$ 3,212,857	$ 1,342,453
Total Assets	**$ 8,510,851**	**$ 5,225,169**
LIABILITIES (Note 10)		
Intragovernmental Liabilities		
Accounts Payable	$ 41,970	$ 104,297
Other Liabilities (Note 12)	1,536	929
Total Intragovernmental Liabilities	$ 43,506	$ 105,226
Other than Intragovernmental Liabilities		
Accounts Payable	$ 744,619	$ 630,705
Federal Employee Benefits Payable	4,599	4,541
Advances from Others and Deferred Revenue	105,996	95,062
Other Liabilities:		
Seized Cash and Monetary Instruments (Note 11)	4,680,116	2,816,203
Other (Note 12)	3,041	2,940
Total Other than Intragovernmental Liabilities	$ 5,538,371	$ 3,549,451
Total Liabilities	**$ 5,581,877**	**$ 3,654,677**
Commitments and Contingencies (Note 13)		
NET POSITION		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 14)	$ 2,928,974	$ 1,570,492
Total Cumulative Results of Operations	**$ 2,928,974**	**$ 1,570,492**
Total Net Position	**$ 2,928,974**	**$ 1,570,492**
Total Liabilities and Net Position	**$ 8,510,851**	**$ 5,225,169**

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, 2023 and 2022

Dollars in Thousands		2023		2022
Major Program 1: Law Enforcement				
Gross Cost	$	1,613,032	$	1,399,275
Less: Earned Revenues		15,220		15,732
Total Net Cost of Operations (Note 15)	$	1,597,812	$	1,383,543

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 Years Ended September 30, 2023 and 2022

Dollars in Thousands

	2023	2022
	Funds from Dedicated Collections	**Funds from Dedicated Collections**
Cumulative Results of Operations		
Beginning Balances	**$ 1,570,492**	**$ 1,290,935**
Other Adjustments	(500,000)	(127,000)
Non-exchange Revenues	276,467	40,254
Donations and Forfeitures of Cash and Cash Equivalents	2,960,474	1,328,670
Transfers-In/Out Without Reimbursement	(9,696)	(2,450)
Donations and Forfeitures of Property	224,397	420,818
Imputed Financing (Note 16)	4,652	2,808
Net Cost of Operations	**(1,597,812)**	**(1,383,543)**
Net Change in Cumulative Results of Operations	**1,358,482**	**279,557**
Total Cumulative Results of Operations	**$ 2,928,974**	**$ 1,570,492**
Net Position	**$ 2,928,974**	**$ 1,570,492**

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, 2023 and 2022

Dollars in Thousands	2023	2022
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 17)	$ 1,372,811	$ 1,157,312
Appropriations (discretionary and mandatory)	2,742,379	1,587,082
Spending Authority from Offsetting Collections (discretionary and mandatory)	17,455	14,720
Total Budgetary Resources	**$ 4,132,645**	**$ 2,759,114**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 1,622,470	$ 1,446,401
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	2,416,464	1,131,045
Unapportioned, Unexpired Accounts	93,711	181,668
Unexpired Unobligated Balance, End of Year	2,510,175	1,312,713
Unobligated Balance - End of Year (Total)	2,510,175	1,312,713
Total Budgetary Resources	**$ 4,132,645**	**$ 2,759,114**
Outlays, Net		
Outlays, Net (Total) (discretionary and mandatory)	$ 1,466,582	$ 1,594,790
Less: Distributed Offsetting Receipts	237,751	21,162
Agency Outlays, Net (discretionary and mandatory)	**$ 1,228,831**	**$ 1,573,628**

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

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 2023 and 2022, 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

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 2023, 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 Consolidated Appropriations Act, 2023, provided the Attorney General the authority to transfer the proceeds of qualifying forfeited property to the Secretary of State for use in providing assistance to Ukraine.

The cash balance in the SADF is a non-entity asset and is not available to finance the AFP activities. 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.

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 8 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.

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.

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, financial market, account statement, other sources in accordance with DOJ policy
Digital Assets	Web-based valuation tools (e.g., CoinMarketCap.com) and other sources 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

Note 1. Summary of Significant Accounting Policies (continued)

L. Digital Assets

Digital Assets refers to cryptocurrencies (e.g., Bitcoins, Ethereum, etc.), stablecoins, Non-Fungible Tokens (NFT), and are considered non-monetary instruments. DOJ primarily encounters digital assets through seizure and forfeitures activities of the law enforcement components (ATF, DEA, FBI) and the Assets Forfeiture Program (AFP). DOJ records digital assets at fair market value at the point of seizure and records the seized value in Note 7, Forfeited and Seized Property, Net. Once an order of forfeiture is obtained and prior to liquidation, forfeited values would be included on the Balance Sheet as assets with offsetting liabilities. Once digital assets are liquidated, proceeds from the sale are recorded as forfeiture revenue and are presented on the Statement of Changes in Net Position as Donations and Forfeitures of Property.

M. 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.

N. 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".

O. 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.

P. 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.

Note 1. Summary of Significant Accounting Policies (continued)

Q. 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).

   a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The Department contributes 18.4% of the gross pay for regular employees and 37.6% for law enforcement officers.

   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.

R. 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.

Note 1. Summary of Significant Accounting Policies (continued)

S. 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 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.

T. 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.

Note 1. Summary of Significant Accounting Policies (continued)

T. Funds from Dedicated Collections (continued)

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. 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.

V. 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.

W. Reclassifications

The FY 2022 financial statements were reclassified to conform to the FY 2023 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.

X. Subsequent Events

Subsequent events and transactions occurring after September 30, 2023 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.

Y. 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.

(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, 2023 and 2022

	2023	2022
Intragovernmental		
Investments (Note 5)	$ 1,580,000	$ 1,580,000
Other than Intragovernmental		
Cash and Other Monetary Assets (Note 4)	3,105,697	1,245,248
Total Non-Entity Assets	4,685,697	2,825,248
Total Entity Assets	3,825,154	2,399,921
Total Assets	$ 8,510,851	$ 5,225,169

Note 3. Fund Balance with Treasury

As of September 30, 2023 and 2022

	2023	2022
Status of Fund Balances With Treasury		
Unobligated Balance - Available	$ 2,416,464	$ 1,131,045
Unobligated Balance - Unavailable	93,711	181,668
Obligated Balance not yet Disbursed	943,909	865,575
Budgetary Resources from Invested Balances	(806,214)	(827,630)
Total Status of Fund Balances	$ 2,647,870	$ 1,350,658

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, 2023 and 2022

	2023	2022
Cash		
Seized Cash Deposited	$ 3,086,171	$ 1,227,755
Other Monetary Assets		
Seized Monetary Instruments	19,526	17,493
Total Cash and Other Monetary Assets	$ 3,105,697	$ 1,245,248

(Dollars in Thousands, Except as Noted)

Note 5. Investments, Net

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, 2023					
Intragovernmental Securities					
Non-Marketable: Market Based					
AFF	$ 995,500	Straight-Line	$ 59,982	$ 1,055,482	$ 1,013,519
SADF	$ 1,580,000	Straight-Line	$ —	$ 1,580,000	$ 1,608,971
Total	$ 2,575,500		$ 59,982	$ 2,635,482	$ 2,622,490
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	$ 2,505,600		$ 20,448	$ 2,526,048	$ 2,500,235

(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, 2023 and 2022

	2023	2022
Intragovernmental		
Accounts Receivable	$ 11,929	$ 6,010
Other than Intragovernmental		
Accounts Receivable	48	42
Total Accounts Receivable, Net	$ 11,977	$ 6,052

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 $654,259 on September 30, 2023, and $148,720 on September 30, 2022. As of September 30, 2023, the top three forfeited digital assets were Waves, Bitcoin, and Monero.

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, 2023 and 2022.

(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, 2023

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	215	461	651	(1,096)	231	—	231
	Value	$ 1,783	$ 2,065	$ 101,799	$ (104,734)	$ 913	$ —	$ 913
Digital Assets	Number	58	(9)	212	(125)	136	—	136
	Value	$ 8,127	$ 1,528	$ 25,370	$ (28,324)	$ 6,701	$ —	$ 6,701
Real Property	Number	113	3	178	(188)	106	—	106
	Value	$ 50,545	$ (2,675)	$ 97,450	$ (85,753)	$ 59,567	$ (1,888)	$ 57,679
Personal Property	Number	4,035	157	3,003	(2,708)	4,487	—	4,487
	Value	$ 36,571	$ (6,761)	$ 54,889	$ (43,759)	$ 40,940	$ (237)	$ 40,703
Non-Valued Firearms	Number	56,058	(511)	23,482	(20,553)	58,476	—	58,476
Total	Number	60,479	101	27,526	(24,670)	63,436	—	63,436
	Value	$ 97,026	$ (5,843)	$ 279,508	$ (262,570)	$ 108,121	$ (2,125)	$ 105,996

(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, 2023

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	1,049	10	22	—	5	10	1,096
	Value	$ 66,192	$ 35,002	$ 3,287	$ —	$ 253	$ —	$ 104,734
Digital Assets	Number	1	—	124	—	—	—	125
	Value	$ 33	$ —	$ 28,291	$ —	$ —	$ —	$ 28,324
Real Property	Number	—	—	184	—	3	1	188
	Value	$ —	$ —	$ 85,483	$ —	$ 291	$ (21)	$ 85,753
Personal Property	Number	—	762	1,685	169	92	—	2,708
	Value	$ —	$ 167	$ 38,178	$ 4,181	$ 1,233	$ —	$ 43,759
Non-Valued Firearms	Number	—	19,969	—	109	475	—	20,553
Total	Number	1,050	20,741	2,015	278	575	11	24,670
	Value	$ 66,225	$ 35,169	$ 155,239	$ 4,181	$ 1,777	$ (21)	$ 262,570

(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 18, 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 18, 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.

(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	189	384	826	(1,184)	215	—	215
	Value	$ 1,202	$ 2,069	$ 199,447	$ (200,935)	$ 1,783	$ —	$ 1,783
Digital Assets	Number	47	1	87	(77)	58	—	58
	Value	$ 9,645	$ 33,959	$ 17,437	$ (52,914)	$ 8,127	$ —	$ 8,127
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	1,123	22	22	—	1	16	1,184
	Value	$ 199,192	$ 1,408	$ 305	$ —	$ 30	$ —	$ 200,935
Digital Assets	Number	$ 1	$ —	$ 75	$ —	$ 1	$ —	$ 77
	Value	$ 456	$ —	$ 52,378	$ —	$ 80	$ —	$ 52,914
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 18, 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 18, 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.

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 year ended September 30, 2023 and 2022. 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. As of September 30, 2023, the top three seized digital assets were Bitcoin, Tether, and Ethereum.

(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, 2023

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	21,578	571	8,214	(9,814)	20,549	—	20,549
	Value	$2,825,248	$ (1,317)	$4,018,237	$(2,156,471)	$4,685,697	$ (415,551)	$ 4,270,146
Financial Instruments	Number	479	(66)	551	(429)	535	—	535
	Value	$ 233,655	$ (12,418)	$ 51,896	$ (26,359)	$ 246,774	$ (43,535)	$ 203,239
Digital Assets	Number	753	82	620	(235)	1,220	—	1,220
	Value	$ 287,907	$ 12,754	$ 912,738	$ (27,859)	$1,185,540	$ (16,674)	$ 1,168,866
Real Property	Number	47	(2)	28	(41)	32	—	32
	Value	$ 48,324	$ (10,974)	$ 65,137	$ (21,019)	$ 81,468	$ (72,549)	$ 8,919
Personal Property	Number	8,328	(28)	3,343	(3,615)	8,028	—	8,028
	Value	$ 438,059	$ (24,110)	$ 114,837	$ (74,098)	$ 454,688	$ (56,022)	$ 398,666
Non-Valued Firearms	Number	40,706	6,796	24,886	(25,923)	46,465	—	46,465
Total	Number	71,891	7,353	37,642	(40,057)	76,829	—	76,829
	Value	$3,833,193	$ (36,065)	$5,162,845	$(2,305,806)	$6,654,167	$ (604,331)	$ 6,049,836

(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, 2023

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	17	56	—	916	8,825	—	9,814
	Value	$ 854	$ 5,544	$ —	$ 139,610	$ 2,010,463	$ —	$ 2,156,471
Financial Instruments	Number	3	3	—	13	410	—	429
	Value	$ 370	$ 25	$ —	$ 8,171	$ 17,793	$ —	$ 26,359
Digital Assets	Number	—	—	—	24	211	—	235
	Value	$ —	$ —	$ —	$ 2,518	$ 25,341	$ —	$ 27,859
Real Property	Number	—	—	1	15	25	—	41
	Value	$ —	$ —	$ 296	$ 5,045	$ 15,678	$ —	$ 21,019
Personal Property	Number	—	28	—	601	2,986	—	3,615
	Value	$ —	$ 201	$ —	$ 19,382	$ 54,515	$ —	$ 74,098
Non-Valued Firearms	Number	—	4,189	—	2,120	19,614	—	25,923
Total	Number	20	4,276	1	3,689	32,071	—	40,057
	Value	$ 1,224	$ 5,770	$ 296	$ 174,726	$ 2,123,790	$ —	$ 2,305,806

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

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

(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	585	(199)	586	(493)	479	—	479
	Value	$ 203,136	$ (22,478)	$ 82,061	$ (29,064)	$ 233,655	$ (13,775)	$ 219,880
Digital Assets	Number	480	(12)	386	(101)	753	—	753
	Value	$ 262,727	$ (25,523)	$ 68,164	$ (17,461)	$ 287,907	$ (9,417)	$ 278,490
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	4	—	9	478	—	493
	Value	$ —	$ 4	$ —	$ 2,393	$ 26,667	$ —	$ 29,064
Digital Assets	Number	—	8	—	6	87	—	101
	Value	$ —	$ 5	$ —	$ 20	$ 17,436	$ —	$ 17,461
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) Forfeitures reported on the Analysis of Changes in Forfeited Property may be greater because some assets are not seized until after declared forfeited.
(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

(Dollars in Thousands, Except as Noted)

Note 8. General Property, Plant and Equipment, Net

As of September 30, 2023

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Equipment	$ 164	$ (164)	$ —	5-12 years
Leasehold Improvements	2,940	(1,967)	973	5 years
Total	$ 3,104	$ (2,131)	$ 973	

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	$ 3,268	$ (2,169)	$ 1,099	

As of September 30, 2023 and 2022

	2023 Net PP&E	2022 Net PP&E
Balance beginning of year	$ 1,099	$ 1,224
Depreciation expense	(126)	(125)
Balance at end of year	$ 973	$ 1,099

Note 9. Other Assets

As of September 30, 2023 and 2022

	2023	2022
Other than Intragovernmental		
Other Assets	$ 143	$ 2
Total Other Assets	$ 143	$ 2

(Dollars in Thousands, Except as Noted)

Note 10. Liabilities not Covered by Budgetary Resources

As of September 30, 2023 and 2022

	2023	2022
Other than Intragovernmental		
Federal Employee Benefits Payable	$ 4,467	$ 4,414
Total Liabilities Not Covered by Budgetary Resources	$ 4,467	$ 4,414
Total Liabilities Covered by Budgetary Resources	790,733	738,998
Total Liabilities Not Requiring Budgetary Resources	4,786,677	2,911,265
Total Liabilities	$ 5,581,877	$ 3,654,677

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 SADF pending disposition.

As of September 30, 2023 and 2022

	2023	2022
Investments (Note 5)	$ 1,580,000	$ 1,580,000
Seized Cash Deposited (Note 4)	3,086,171	1,227,755
Seized Monetary Instruments (Note 4)	19,526	17,493
Cash in Transit to (AFF)/SADF	(5,581)	(9,045)
Total Seized Cash and Monetary Instruments	$ 4,680,116	$ 2,816,203

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 or do not require budgetary resources.

As of September 30, 2023 and 2022

	2023	2022
Intragovernmental		
Benefit Program Contributions Payable	$ 762	$ 733
Employer Contributions and Payroll Taxes Payable	209	196
Other Liabilities	565	—
Total Intragovernmental	$ 1,536	$ 929
Other than Intragovernmental		
Accrued Funded Payroll and Leave	$ 2,975	$ 2,901
Other Liabilities	66	39
Total Other than Intragovernmental	$ 3,041	$ 2,940
Total Other Liabilities	$ 4,577	$ 3,869

(Dollars in Thousands, Except as Noted)

Note 13. Commitments and Contingencies

As of September 30, 2023	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
Legal Contingencies:			
Probable	$ —	$ —	$ —
Reasonably Possible	$ —	$ —	$ —

As of September 30, 2022	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)

(Dollars in Thousands, Except as Noted)

Note 14. Funds from Dedicated Collections (continued)

As of September 30, 2023 and 2022

	2023	2022
Balance Sheet		
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasury	$ 2,647,870	$ 1,350,658
Investments, Net	1,055,482	946,048
Accounts Receivable, Net	11,929	6,010
Advances and Prepayments	2,713	—
Total Intragovernmental Assets	$ 3,717,994	$ 2,302,716
Other than Intragovernmental Assets		
Accounts Receivable, Net	$ 48	$ 42
Inventory and Related Property, Net	105,996	95,062
General Property, Plant, and Equipment, Net	973	1,099
Advances and Prepayments	—	1,000
Other Assets	143	2
Total Other than Intragovernmental Assets	$ 107,160	$ 97,205
Total Assets	$ 3,825,154	$ 2,399,921
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable	$ 41,970	$ 104,297
Other Liabilities	1,536	929
Total Intragovernmental Liabilities	$ 43,506	$ 105,226
Other than Intragovernmental Liabilities		
Accounts Payable	$ 744,619	$ 630,705
Advances from Others and Deferred Revenue	105,996	95,062
Federal Employee Benefits Payable	4,599	4,541
Other Liabilities	(2,540)	(6,105)
Total Other than Intragovernmental Liabilities	$ 852,674	$ 724,203
Total Liabilities	$ 896,180	$ 829,429
Net Position		
Unexpended Appropriations	$ —	$ —
Cumulative Results of Operations	2,928,974	1,570,492
Total Net Position	$ 2,928,974	$ 1,570,492
Total Liabilities and Net Position	$ 3,825,154	$ 2,399,921

(Dollars in Thousands, Except as Noted)

Note 14. Funds from Dedicated Collections (continued)

As of September 30, 2023 and 2022

	2023	2022
Statement of Net Cost		
Gross Program Costs	$ 1,613,032	$ 1,399,275
Less: Earned Revenues	15,220	15,732
Net Cost of Operations	$ 1,597,812	$ 1,383,543
Statement of Changes in Net Position		
Cumulative Results of Operations		
Beginning Balance	$ 1,570,492	$ 1,290,935
Intragovernmental non-exchange revenue	276,467	40,254
Donations and forfeitures of Cash and Property	3,184,871	1,749,488
Transfers in/out without reimbursement	(9,696)	(2,450)
Imputed Financing	4,652	2,808
Other	(500,000)	(127,000)
Net cost of operations	(1,597,812)	(1,383,543)
Net Change in Cumulative Results of Operations	1,358,482	279,557
Cumulative Results of Operations: Ending	$ 2,928,974	$ 1,570,492
Net Position End of Period	$ 2,928,974	$ 1,570,492

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.

(Dollars in Thousands, Except as Noted)

Note 15. Suborganization Program Costs (continued)

For the Fiscal Year Ended September 30, 2023

	Forfeiture Operations Expenses	General Investigation Expenses	Total
Major Program 1: Law Enforcement			
Gross Cost	$ 1,359,384	$ 253,648	$ 1,613,032
Less: Earned Revenue	15,220	—	15,220
Net Cost of Operations	$ 1,344,164	$ 253,648	$ 1,597,812

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	$ 1,112,482	$ 271,061	$ 1,383,543

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 (FEGLI), the Federal Pension plans that are paid by other Federal entities, and any unreimbursed 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 fiscal years ended September 30, 2023 and 2022, the AFF had no liabilities related to the Treasury Judgment Fund.

(Dollars in Thousands, Except as Noted)

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	50.4
	Regular Employees Offset	36.9
	Law Enforcement Officers	83.8
	Law Enforcement Officers Offset	70.9
Federal Employees Retirement System (FERS)	Regular Employees	22.4
	Regular Employees - Revised Annuity Employees (RAE)	22.9
	Regular Employees - Further Revised Annuity Employees (FRAE)	23.2
	Law Enforcement Officers	47.4
	Law Enforcement Officers - RAE	48.1
	Law Enforcement Officers - FRAE	48.4

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, 2023 and 2022

	2023	2022
Imputed Inter-Departmental Financing		
Health Insurance	$ 2,910	$ 2,607
Life Insurance	9	9
Pension	1,733	192
Total Imputed Inter-Departmental	$ 4,652	$ 2,808

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.

(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, 2023 and 2022, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2022 and 2021. 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, 2023 and 2022 are presented below.

As of September 30, 2023 and 2022

	2023	2022
Unobligated balance brought forward from prior year	$ 1,312,713	$ 1,082,970
Adjustments to Budgetary Resources made during current year		
Downward Adjustments of prior year undelivered orders	55,964	66,889
Downward adjustments of prior year delivered orders	4,134	7,453
Total Adjustments	$ 60,098	$ 74,342
Unobligated balance brought forward from prior year budget authority, net (discretionary and mandatory)	$ 1,372,811	$ 1,157,312

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, 2023 and 2022

	2023	2022
Intragovernmental		
UDO Obligations Unpaid	$ 52,602	$ 46,244
Total Intragovernmental	$ 52,602	$ 46,244
Other than Intragovernmental		
UDO Obligations Unpaid	$ 132,826	$ 104,272
UDO Obligations Prepaid/Advanced	2,713	1,000
Total Other than Intragovernmental	135,539	105,272
Total UDO	$ 188,141	$ 151,516

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 2023, the Consolidated Appropriations Act, 2023, enacted a $500 million permanent rescission from the AFF. In FY 2022, there was also a permanent rescission of $127 million. Both permanent rescissions were transferred to the Treasury by September 30, 2023 and 2022.

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

The reconciliation as of September 30, 2023 is not presented because the submission of the Budget of the U.S. Government for FY 2025, which presents the execution of the FY 2023 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 2024.

For the Fiscal Year Ended September 30, 2022
(Dollars in Millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 2,759	$ 1,446	$ 21	$ 1,574
Funds not Reported in the Budget				
Distributed Offsetting Receipts	—	—	—	21
Funds not Reported in the SBR				
Other	(1)	—	—	1
Budget of the United States Government	$ 2,758	$ 1,446	$ 21	$ 1,596

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.

(Dollars in Thousands, Except as Noted)

Note 18. 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 $3,184.9 for the fiscal year ended September 30, 2023, and $1,749.5 for the fiscal year ended September 30, 2022.

	2023	2022
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	$ 49	$ 130
Return of forfeiture income to the TFF for its participation in seizures that led to forfeiture	34,951	8,162
Return of forfeiture income to the U.S. Postal Service for its participation in seizures that led to forfeiture	11,263	2,458
Total Return of Forfeiture Income	$ 46,263	$ 10,750

Note 19. 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, increased by $113.9 million primarily due to estimated large forfeiture case payments and was partially offset by payments made and estimates reduced related to cases including Suboxone, Western Union, Deal Automotive, Abacha, Madoff, and LaFarge. Lastly, distributed offsetting receipts increased by 216.6 million due to higher interest rates related to investment revenue.

(Dollars in Thousands, Except as Noted)

Note 19. Reconciliation of Net Costs to Net Outlays (continued)

For the Fiscal Year Ended September 30, 2023

	Intra-governmental	Other than Intra-governmental	Total FY 2023
NET COST	$ 194,855	$ 1,402,957	$ 1,597,812
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation expense	$ —	$ (126)	$ (126)
Other	—	(23,954)	(23,954)
Increase/(decrease) in assets			
Accounts Receivable, Net	5,918	6	5,924
Other Assets	2,713	(859)	1,854
(Increase)/decrease in liabilities			
Accounts Payable	3,251	(113,914)	(110,663)
Federal employees and benefits payable	—	(58)	(58)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(238)	(100)	(338)
Financing Sources			
Imputed Costs	(4,652)	—	(4,652)
Total Components of Net Operating Costs Not Part of the Budgetary Outlays:	$ 6,992	$ (139,005)	$ (132,013)
Component of Budgetary Outlays That Are Not Part of Net Operating Costs:			
Acquisition of capital assets	$ —	$ 579	$ 579
Total Component of the Budget Outlays That Are Not Part of Net Operating Costs	$ —	$ 579	$ 579
Misc Items			
Distributed Offsetting Receipts	$ (237,751)	$ —	$ (237,751)
Other temporary timing differences	204	—	204
Total Other Reconciling items	$ (237,547)	$ —	$ (237,547)
Total Net Outlays	$ (35,700)	$ 1,264,531	$ 1,228,831
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 1,228,831

(Dollars in Thousands, Except as Noted)

Note 19. 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	$ 165,723	$ 1,217,820	$ 1,383,543
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Property, Plant, and equipment depreciation expense	$ —	$ (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:	$ (7,029)	$ 218,338	$ 211,309
Component of Budgetary Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	$ —	$ —	$ —
Total Component of the Budgetary Outlays That Are Not Part of Net Operating Cost	$ —	$ —	$ —
Misc Items			
Distributed Offsetting Receipts	(21,162)	—	(21,162)
Other temporary timing differences (+/-)	$ (62)	$ —	$ (62)
Total Other Reconciling items	$ (21,224)	$ —	$ (21,224)
Total Net Outlays	$ 137,470	$ 1,436,158	$ 1,573,628
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 1,573,628

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 Audit 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 I 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:

1. **Finalize and implement its Asset Forfeiture Financial Management Guide to reinforce the accounting requirements for AFP participants to adhere to timely and accurate data input to the AFP asset system, including forfeiture decisions that directly impact the recognition of revenue, and the accounting requirements for the reporting of transactions in Note 7, Forfeited and Seized Property, Net. In addition, management should more clearly define the investigative action that should be used as the seizure date for purposes of actual or constructive custody and valuation of seized property. (Updated)**

   Resolved. AFMS concurred with this recommendation. AFMS stated in its response that they will publish the last two chapters of the Asset Forfeiture Financial and Administrative Guide before the end of calendar year 2023; and will formalize the process for the participating agencies to elevate prior year transactions to AFMS so appropriate accounting procedures can be determined for those transactions prior to them being entered into CATS. As a result, this recommendation is resolved.

   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 and AFMS has more clearly defined the investigative action that should be used as the seizure date for purposes of actual or constructive custody and valuation of 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 the AFP asset system. (Repeat)**

   Closed. AFMS concurred with this recommendation. Because this is a repeat, we are closing this recommendation and tracking the status of corrective action through recommendation No. 2 of the Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2022 (OIG Report No. 23-036).

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)**

Closed. AFMS concurred with this recommendation. Because this is a repeat, we are closing this recommendation and tracking the status of corrective action through recommendation No. 3 of the Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2021 (OIG Report No. 22-018).

4. Formally document the evaluation results of the out-of-period seizure analysis to include a consideration of materiality and the impact on the current and prior period financial statements. (Updated)

Resolved. AFMS concurred with this recommendation. AFMS stated in its response that AFMS will clearly document the steps taken to perform analysis of risk, the criteria used and population coverage of transactions selected for further review, the steps taken to perform the analysis, clearly defined categories into which the transactions are classified, characteristics of a transaction requiring supplemental information from the appropriate participating agency in order to make a determination of whether the transaction is in-period or out-of-period, characteristics of a true out-of-period transaction, and an explanation of the results of the analysis. AFMS will use these results to determine the materiality and impact on current year and applicable prior years' financial statements and, if material, what actions will be taken to correct misstatements. As a result, this recommendation is resolved.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that AFMS has formally documented the evaluation results of the out-of-period seizure analysis to include a consideration of materiality and the impact on the current and prior period financial statements.

5. Re-evaluate aged seized digital assets to consider whether risks of misstatement related to accurate valuation, existence, and ownership of assets have been adequately addressed considering the evolving nature of digital asset seizures. Based on the results of the evaluation, design and implement processes, procedures, and controls to appropriately account for aged digital assets. (New)

Resolved. AFMS concurred with this recommendation. AFMS stated in its response that AFMS will work with the participating agencies to identify the correct date for seizure records in CATS. AFMS will review digital assets with no activity over a year or more and determine evaluation values recorded in CATS to ensure they are accurate and comply with policy regarding the correct date of seizure for assets. AFMS will also develop testing to ensure that all participating agencies are identifying and recording seizure dates consistently and that digital assets are valued correctly.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that AFMS re-evaluated aged seized digital assets to consider whether risks of misstatement related to accurate valuation, existence, and ownership of assets have been adequately addressed; and implemented processes, procedures, and controls to appropriately account for aged digital assets.