



Audit of the Assets Forfeiture Fund  
and Seized Asset Deposit Fund  
Annual Financial Statements  
Fiscal Year 2020



AUDIT DIVISION

21-015

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**JANUARY 2021**

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# COMMENTARY AND SUMMARY

*Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund*

*Annual Financial Statements Fiscal Year 2020*

## Objectives

In accordance with Civil Asset Forfeiture Reform Act of 2000, the Department of Justice Office of the Inspector General (OIG) is required to perform or contract 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 are 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, 2020. An unmodified opinion was issued. The Independent Auditors' Report did not report any material weaknesses or 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 13, 2020, and the conclusions expressed in the report. Our review disclosed no instances where KPMG did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

## Recommendations

No recommendations were provided in this report.

## Audit Results

Under the direction of the OIG, KPMG performed the AFF/SADF's audit in accordance with auditing standards generally accepted in the United States of America. The fiscal year (FY) 2020 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 AFF/SADF's operations in accordance with U.S. generally accepted accounting principles. For FY 2019, the AFF/SADF also received an unmodified opinion on its financial statements (OIG Audit Division Report No. 20-014).

The AFF/SADF made significant improvements to its controls over budget related information presented in financial statement notes, eliminating the one material weakness in FY 2019. KPMG neither identified any material weaknesses, nor reported any significant deficiencies in the FY 2020 Independent Auditors' Report.

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.

**AUDIT OF THE  
ASSETS FORFEITURE FUND  
AND SEIZED ASSET DEPOSIT FUND  
ANNUAL FINANCIAL STATEMENTS  
FISCAL YEAR 2020**

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# **U.S. Department of Justice**

## **Assets Forfeiture Fund and Seized Asset Deposit Fund**

### **FY 2020 Management's Discussion and Analysis**

**(Unaudited)**



**September 30, 2020**

**U.S. Department of Justice**  
**Assets Forfeiture Fund and Seized Asset Deposit Fund**  
**Management’s Discussion and Analysis**  
**(Unaudited)**

**MISSION**

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

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

To achieve this mission, agencies participating in the AFP investigate, identify, seize, and forfeit the assets of criminals and their organizations while ensuring that due process rights of all property owners are protected. Asset forfeiture plays a critical role in disrupting and dismantling illegal enterprises, depriving criminals of the proceeds of illegal activities, deterring crime, and restoring property to victims. The effective use of asset forfeiture is an essential component of the Department’s efforts to combat the most sophisticated criminal actors and organizations – including terrorist financiers, cyber criminals, fraudsters, human traffickers, and transnational drug cartels.

**ORGANIZATION STRUCTURE**

A participating agency of the AFP is one which deposits asset forfeiture proceeds in the Assets Forfeiture Fund (AFF). Participating agencies may be agencies within the Department or from other federal agencies. Only participating agencies that contribute to the AFF are eligible to receive an annual allocation of resources from it. AFP participating agencies in Fiscal Years (FYs) 2020 and 2019 are presented below.

### AFP Participating Agencies

DOJ AFP Participating Agencies	Non-DOJ AFP Participating Agencies
Asset Forfeiture Management Staff (AFMS), Justice Management Division (JMD)	Defense Criminal Investigative Service (DCIS)
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)	Department of State Bureau of Diplomatic Security (DS)
Drug Enforcement Administration (DEA)	Department of Health and Human Services Office of Criminal Investigations, Food and Drug Administration (FDA)
Federal Bureau of Investigation (FBI)	Department of Agriculture Office of the Inspector General (USDA)
Money Laundering and Asset Recovery Section, Criminal Division (MLARS)	United States Postal Inspection Service (USPIS)
Executive Office for Organized Crime Drug Enforcement Task Force (OCDETF)	
Executive Office for United States Attorneys (EOUSA) & United States Attorneys' Offices (USAOs)	
United States Marshals Service (USMS)	

Participating agencies in the AFP investigate or prosecute criminal activity under statutes, such as the Comprehensive Drug Abuse Prevention and Control Act of 1970, the Racketeer Influenced and Corrupt Organizations statute, the Controlled Substances Act, and the Money Laundering Control Act, or provide administrative support services to the AFP, are shown below.

### Functions of AFP Participating Agencies

Function	AFMS	ATF	DEA	FBI	MLARS	OCDETF	USAO	USMS	DCIS	DS	FDA	USDA	USPIS
Investigation		♦	♦	♦		♦			♦	♦	♦	♦	♦
Litigation					♦		♦						
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 AND OBJECTIVES

The *Department of Justice Strategic Plan for 2018 – 2022* (Plan) commits the Department to reducing violent crime affecting our communities, in part by supporting law enforcement and by providing additional prosecutorial resources to address the threat. It proposes to achieve these goals by enshrining the values of integrity, efficiency, and the Rule of Law. The AFF/ Seized Asset Deposit Fund (SADF) supports three of the Department’s strategic goals as follows:

**Strategic Goal 1, Enhance National Security and Counter the Threat of Terrorism.** AFF resources dedicated to Goal 1 fund the Criminal Division’s MLARS and Office of International Affairs for their activities targeting transnational criminal organizations and activities threatening national security, to include exploitation of U.S. financial system vulnerabilities and links to terrorist-related organizations and activities. Approximately 5 percent of the AFF/SADF’s net cost supports this goal.

**Strategic Goal 3, Reduce Violent Crime and Promote Public Safety.** AFF resources dedicated to Goal 3 fund investigation and litigation-related activities, including identifying, seizing, forfeiting, and disposing of assets; administering the victim compensation and equitable sharing programs, a diverse array of joint law enforcement operations, and case-related investigations and legal proceedings. Approximately 90 percent of the AFF/SADF’s net cost supports this goal.

**Strategic Goal 4, Promote Rule of Law, Integrity, and Good Government.** Resources dedicated to Goal 4 are for AFMS’s oversight of program-wide compliance, accountability, and “good government” practices and solutions that cut across the very diverse mission responsibilities carried out by each of the 13 AFP participating agencies. It is important to note that five of these participating partners are from other federal agencies external to the Department, with their own strategic goals and objectives. The eight participating agencies from within the Department support its goals in different ways because of the unique missions of each. AFMS supports all of these goals in different ways, depending on the participating agency and its mission. This includes effectively and efficiently managing the Consolidated Asset Tracking System (CATS) and related applications used program-wide, oversight of professional services contractors supporting participating agencies, budget formulation and allocation procedures for resourced activities, program and performance evaluations of resourced activities, audits and internal control activities, and compliance reviews to ensure resourced activities are operating in accordance with law, policy, and regulation. Approximately 5 percent of the AFF/SADF’s net cost supports this goal.

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

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

The SADF is a deposit fund in the U.S. Treasury identified in the FAST Book as 15X6874. The SADF holds seized cash, the proceeds of any pre-forfeiture sale of seized property, and forfeited cash not yet transferred to the AFF. Income from operating businesses under seizure also may be held in the SADF. Funds held in the SADF are not Government property and may not be used to cover any costs of the AFP. Upon forfeiture, funds are transferred from the SADF to the AFF. In a limited number of cases, funds may be transferred to the United States Victims of State Sponsored Terrorism Fund (USVSSTF), a fund managed by the Department. In FYs 2020 and 2019, \$39.9 million and \$436.5 million, were transferred from the SADF to the USVSSTF, respectively.

## **Limitations on the use of the Assets Forfeiture Fund**

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

Pursuant to 21 U.S.C. § 881(e)(1) and 19 U.S.C. § 1616(a), as made applicable by 21 U.S.C. § 881(d) and other statutes, the AG has the authority to equitably transfer forfeited property and cash to state and local agencies that directly participate in the law enforcement effort leading to the seizure and forfeiture of property. All property and cash transferred to state and local agencies and any income generated by this property and cash is to be used for law enforcement purposes. As a result, state and local law enforcement programs and capabilities benefit from their cooperative efforts with Federal law enforcement agencies. Among the uses of equitable sharing, priority is given to supporting community policing activities, training, and law enforcement operations intended to result in further seizures and 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* (2019), *Chapter 6: Equitable Sharing and Official Use*. 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 2020 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. As depicted in Figure 2, below, earnings on investments in Federal securities increased steadily until FY 2019. However, in FY 2020, interest rates dropped from 2.27 percent in FY 2019 to 0.84 percent in FY 2020, resulting in a 56 percent decrease in nonexchange revenue.

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

Source	FY 2020	FY 2019	% Change
<b>Exchange Revenue</b>	\$ 14,296	\$ 19,123	(25.2%)
<b>Budgetary Financing Sources</b>			
Other Adjustments	-	(674,000)	(100.0%)
Nonexchange Revenues	68,519	156,615	(56.3%)
Donations and Forfeitures of Cash or Cash Equivalents	1,127,903	1,710,195	(34.0%)
Transfers-In/Out Without Reimbursement	(10,000)	-	(100.0%)
<b>Other Financing Sources</b>			
Donations and Forfeitures of Property	565,757	360,257	57.0%
Transfers-In/Out Without Reimbursement	(4,780)	(2,061)	131.9%
Imputed Financing from Costs Absorbed by others	2,253	3,166	(28.8%)
<b>Total Asset Forfeiture Fund Resources</b>	<b>\$ 1,763,948</b>	<b>1,573,295</b>	<b>12.1%</b>

As indicated in Table 2, below, AFF resources support Strategic Goals 1, 3 and 4 in the Plan. Expenses include case, program, investigative and other forfeiture support costs. Expenditures fluctuate in direct relation to the forfeiture activity of the investigative, prosecutive, litigative and administrative participants in the AFP.

**Table 2 – How AFF Resources Are Spent**  
(Dollars in Thousands)

Strategic Goal (SG)	FY 2020	FY 2019	% Change
SG 1: Enhance National Security and Counter the Threat of Terrorism			
Gross Cost	\$ 90,549	\$ 79,567	
Less: Earned Revenue	-	-	
<i>Net Cost</i>	<u>\$ 90,549</u>	<u>\$ 79,567</u>	13.8%
SG 3: Reduce Violent Crime and Promote Public Safety			
Gross Cost	\$ 1,629,885	\$ 1,432,214	
Less: Earned Revenue	14,296	19,123	
<i>Net Cost</i>	<u>\$ 1,615,589</u>	<u>\$ 1,413,091</u>	14.3%
SG 4: Promote Rule of Law, Integrity, and Good Government			
Gross Cost	\$ 90,549	\$ 79,567	
Less: Earned Revenue	-	-	
<i>Net Cost</i>	<u>\$ 90,549</u>	<u>\$ 79,567</u>	13.8%
<b>Total Gross Cost</b>	<b>\$ 1,810,983</b>	<b>\$ 1,591,348</b>	
<b>Less: Total Earned Revenue</b>	<b>14,296</b>	<b>19,123</b>	
<b>Total Net Cost of Operations</b>	<b>\$ 1,796,687</b>	<b>\$ 1,572,225</b>	<b>14.3%</b>

## 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, 2020 are \$6,014.0 million compared with \$6,762.7 million in FY 2019, a decrease of \$748.7 million. The primary cause of the decrease is a decline in forfeiture activity in FY 2020 over FY 2019, exacerbated by forfeiture limitations as a result of Coronavirus disease 2019 (COVID-19). Also, the transition of overnight investments to short-term investments in response to falling investment earning rates. Overnight investments are invested prior to the day's opening of business and redeemed after the close of business on the day invested, resulting in no change to the Fund Balance with Treasury.

**Liabilities:** Total liabilities of the AFF/SADF were \$4,555.6 million as of September 30, 2020 compared with \$5,257.2 million in FY 2019, a decrease of \$701.6 million. The decrease is primarily the result of prior fiscal year liabilities paid in FY 2020, including liabilities related to the Bernard L. Madoff fraud case of \$338.7 million, Western Union of \$299.9 million, Wilmington Trust of \$43.9 million, and Tom Petters of \$21.8 million.

### Consolidated Statements of Net Cost

All DOJ AFP participating agencies, except for FBI, use the Department's Unified Financial Management System (UFMS) as the financial system of record. 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 with the public, depending upon the trading partner. FBI remains on a separate instance of UFMS and therefore does not receive their allocations on a SA through UFMS. FBI and non-DOJ participating agencies receive allocations on a reimbursable agreement and must expend the agency's funds and bill the AFF for reimbursement. These transactions are reflected in the financial statements as intragovernmental.

**Net Cost:** The Consolidated Statements of Net Cost present the AFF's net cost of operations by Strategic Goal. The net cost of operations for the year ended September 30, 2020, totaled \$1,796.7 million compared with \$1,572.2 million in FY 2019, an increase of \$224.5 million. The increase is primarily attributable to third party payments to victims in the General Sani Abacha case of \$311 million. To the extent that financing sources do not cover net costs, AFF's carry forward balances are used to support AFP expenses. The carry forward balances consist of prior years' resources in excess of operational requirements. There are no costs associated with the SADF.

Net cost over a five-year period is presented in Figure 1.

**Figure 1 – AFF Net Cost**  
*(Dollars in Millions)*



### **Consolidated Statements of Changes in Net Position**

**Donations and Forfeitures of Cash and Cash Equivalents and Donations and Forfeitures of Property:** These two sources of AFF resources in Table 1 comprise the AFF’s forfeiture revenue and consistently comprise the majority of the AFF’s resources. The AFF’s forfeiture revenue was \$1,693.7 million in FY 2020 and \$2,070.5 million in FY 2019, a decrease of \$376.8 million. The COVID-19 pandemic limited the capability of investigative participating agencies to perform investigative techniques and litigating agencies’ ability to litigate cases resulting in lower forfeiture proceeds. Also included in these figures are receipts from the Treasury Forfeiture Fund (TFF) for the Department’s participation in cases that resulted in forfeiture revenue to the AFF of \$17.1 million and \$ 26.5 million in FYs 2020 and 2019 respectively, a decrease of \$9.4 million.

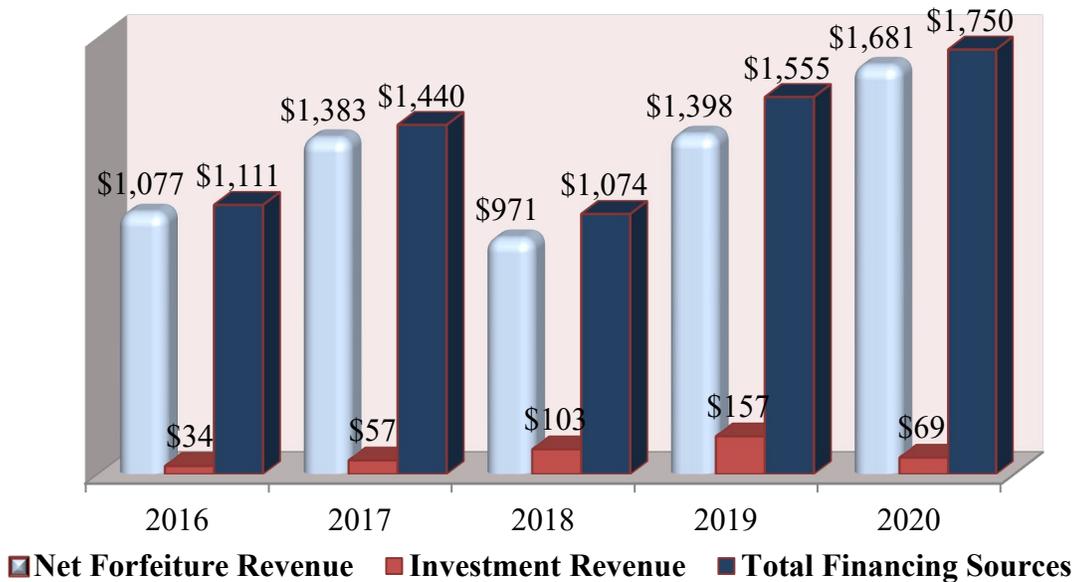
**Nonexchange Revenue:** Nonexchange revenue on the Statement of Change in Net Position is comprised solely of interest earned on investments of AFF and SADF in government securities. Amounts available for investment are difficult to predict because many factors influence the balance available. These 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 decreased by \$88.1 million, to \$68.5 million in FY 2020 from \$156.6 million in FY 2019. The decrease is the result of lower interest rates, from 2.27 percent in FY 2019 to 0.84% in FY 2020.

**Budgetary Financing Sources:** In FY 2019, AFF transferred \$674 million to the Treasury as a permanent rescission subject to Consolidated Appropriations Act, 2019 (P.L.116-6). There was no such permanent rescission in FY 2020. The increase in budgetary financing sources is partially offset by the decrease in revenue from forfeitures of property of \$582.3, the decrease in revenue earned on investments of \$88.1 million, and the FY 2020 super surplus transfer-out of resources of \$10 million, resulting in a net decrease in budgetary financing sources of \$6.4 million over FY 2019.

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

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



**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 2020, Net Position totaled \$1,458.5 million versus \$1,505.5 million at the end of FY 2019, a decrease of \$47.0 million.

## Combined Statements of Budgetary Resources

**Budgetary Resources:** Total Budgetary Resources in FY 2020 totaled \$3,025.0 million compared with \$2,790.0 million in FY 2019, an increase of \$235.0 million. The increase related to an increase in appropriations in FY 2020 of \$266.6 million, corresponding with decreases in both unobligated balance from prior year budget authority of \$30.1 million and spending authority from offsetting collections of \$1.5 million.

**Unobligated Balance – End of Year (Total):** The Unobligated Balance as of September 30, 2020 was \$1,157.8 million as opposed to \$1,171.7 million as of September 30, 2019, a decrease of \$13.9 million.

**Outlays, Net:** Net outlays were \$2,364.1 million in FY 2020 compared with \$2,408.6 million in FY 2019, a decrease of \$44.5 million.

### SUMMARY OF PERFORMANCE INFORMATION

The AFP is an enabling/administrative activity in which resources are spread across agencies in accordance with full program costing guidance. AFP's operations are performed by its participants; therefore, performance measures are not applicable to the AFP.

In March 2020, the World Health Organization (“WHO”) classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the entity’s financial condition and future results of operations.

The COVID-19 pandemic limited the capability of investigative participating agencies to perform investigative techniques and litigating agencies’ ability to convene with judges and grand juries. As a result, forfeiture and seizure activity dropped through the third fiscal quarter of FY 2020. In the fourth fiscal quarter, activity began normalizing as investigative and litigating agencies resolved security and other concerns and returned to processing seizures and forfeitures.

Although the AFF/SADF cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the entity’s results of future operations and financial position in fiscal year 2021.

## ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

### **Management Assurance**

AFMS is responsible for overseeing the adequacy of internal accounting and administrative controls put in place by AFP participants to ensure that: (1) transactions are executed in accordance with applicable budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with Federal accounting standards; (2) assets are properly safeguarded to deter fraud, waste, and abuse; and (3) management information is adequately supported. AFMS, along with other DOJ AFP participants, except for FBI, monitor financial transactions on an ongoing basis. FBI and non-DOJ participating agencies provide status of funds reports for their AFF allocations to AFMS at least quarterly so the AFF's obligation status may be updated.

### **Federal Managers' Financial Integrity Act of 1982**

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

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

### **FMFIA Assurance Statement**

AFMS provided reasonable assurance that internal controls over financial reporting were effective. There have been no changes to internal control over financial reporting subsequent to September 30, 2020, 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 2020, 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 2020 financial statement audit and Management Assurances.

<b>Financial Statement Audit Opinion and Material Weaknesses</b>				
<b>Audit Opinion</b>	Unmodified			
<b>Restatement</b>	No			
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Ending Balance</b>
Financial Statement Compilation and Review Controls	1	0	1	0
<b>Total Material Weaknesses</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>

<b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>				
<b>Statement of Assurance</b>	Unmodified			
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Ending Balance</b>
None	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Compliance with Financial Management System Requirements (FMFIA § 4)</b>				
<b>Statement of Assurance</b>	Federal Systems Comply			
<b>Non-Compliances</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Ending Balance</b>
None	0	0	0	0
<b>Total Non-Compliances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Compliance with Section 803(a) of Federal Financial Management Improvement Act (FFMIA)</b>		
<b>Compliance with Specific Requirements</b>		
<b>Specific Requirements</b>	<b>Agency</b>	<b>Auditor</b>
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 2020 no instances of noncompliance which are material to the Department's system of internal control or financial statements.

## **POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS**

### **FY 2020 Budget Position**

The Consolidated Appropriations Act, 2020 (P.L. 116-93) did not enact a permanent rescission in FY 2020; the FY 2019's permanent rescission was \$674 million. Future significant rescissions enacted by Congress may lead to AFP spending restrictions for participating agencies, leading to reductions in assets seized and forfeited by AFP participating agencies.

Several states implemented or are considering implementing state legislation restricting or prohibiting state, local or tribal law enforcement agencies' ability to accept Federal equitable sharing. As of September 30, 2020, there has been no material impact on the AFF/SADF.

## **FORWARD LOOKING INFORMATION**

The most important existing uncertainty for the AFF/SADF is the impact of COVID-19 pandemic restrictions as it impacts law enforcement actions and delays court actions. This will further compound the decline in regular receipts that has occurred over the last two years. Future rescissions would compound these impacts and reduce the ability of the AFP to continue to support the most critical needs of law enforcement agencies.

## **LIMITATIONS OF THE FINANCIAL STATEMENTS**

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

# U.S. DEPARTMENT OF JUSTICE

## Assets Forfeiture Fund and Seized Asset Deposit Fund

### Independent Auditors' Report





KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

Inspector General  
U.S. Department of Justice

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

### Report on the Financial Statements

We have audited the accompanying 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, 2020 and 2019, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

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

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Assets Forfeiture Fund and Seized Asset Deposit Fund as of September 30, 2020 and 2019, 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.

### *Other Matters*

#### 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, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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.

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

##### *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, 2020, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



### *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, 2020 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the 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. 19-03.

We also performed tests of its 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.

### *Purpose of the Other Reporting Required by Government Auditing Standards*

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 13, 2020

**STATUS OF PRIOR YEAR FINDING AND RECOMMENDATIONS**

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, we have evaluated whether the AFF/SADF has taken the appropriate corrective action to address the finding and recommendations from the prior year financial statements audit that could have a material effect on the financial statements or other financial data significant to the audit objectives. The following table provides the Office of the Inspector General report number where the deficiency was reported, our recommendations for improvement, and the status of the previously identified material weakness and recommendations as of the end of fiscal year 2020.

<b>Report</b>	<b>Material Weakness</b>	<b>Recommendations</b>	<b>Status</b>
Annual Financial Statements Fiscal Year 2019 Report No. 20-014	Improvements Needed in Controls over Budget Related Information Presented in Financial Statement Notes	<b>Recommendation No. 1:</b> Document the specific requirements for the supervisory review of the AFF/SADF financial statements, which should include critically reviewing the financial statement amounts and disclosures to ensure they agree to the relevant crosswalks or other supporting documentation and are properly presented.	Completed
		<b>Recommendation No. 2:</b> Implement effective risk assessment controls to identify, analyze, and respond to risks related to new financial reporting requirements. When new financial statement requirements are implemented, management should provide adequate training and allocate appropriate resources to ensure the new requirements are properly implemented in accordance with the applicable financial reporting requirements.	Completed

# **U.S. Department of Justice**

## **Assets Forfeiture Fund and Seized Asset Deposit Fund**

### **Principal Financial Statements and Related Notes**



**September 30, 2020**

**U.S. Department of Justice**  
**Assets Forfeiture Fund and Seized Asset Deposit Fund**  
**Consolidated Balance Sheets**  
**As of September 30, 2020 and 2019**

<b>Dollars in Thousands</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS (Note 2)</b>		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 299,087	\$ 2,081,223
Investments (Note 5)	4,402,946	2,254,142
Accounts Receivable (Note 6)	19,428	18,662
Total Intragovernmental	<u>4,721,461</u>	<u>4,354,027</u>
Cash and Other Monetary Assets (Note 4)	1,184,697	2,270,286
Accounts Receivable, Net (Note 6)	36	185
Forfeited Property, Net (Note 7)	106,008	136,774
General Property, Plant and Equipment, Net (Note 8)	1,350	1,467
Advances and Prepayments	495	-
Other Assets (Note 9)	1	1
<b>Total Assets</b>	<b><u>\$ 6,014,048</u></b>	<b><u>\$ 6,762,740</u></b>
<b>LIABILITIES (Note 10)</b>		
Intragovernmental		
Accounts Payable	\$ 106,704	\$ 95,322
Other Liabilities (Note 12)	646	519
Total Intragovernmental	<u>107,350</u>	<u>95,841</u>
Accounts Payable	1,973,343	2,595,695
Accrued Payroll and Benefits	2,160	1,960
Accrued Annual and Compensatory Leave Liabilities	4,212	3,337
Deferred Revenue	106,008	136,774
Seized Cash and Monetary Instruments (Note 11)	2,362,505	2,423,628
<b>Total Liabilities</b>	<b><u>\$ 4,555,578</u></b>	<b><u>\$ 5,257,235</u></b>
<b>Contingent Liabilities (Note 13)</b>		
<b>NET POSITION</b>		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 14)	\$ 1,458,470	\$ 1,505,505
<b>Total Net Position</b>	<b><u>\$ 1,458,470</u></b>	<b><u>\$ 1,505,505</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 6,014,048</u></b>	<b><u>\$ 6,762,740</u></b>

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, 2020 and 2019**

**Dollars in Thousands**

	FY	Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 15)
		Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
<b>Goal 1</b>	<b>2020</b>	\$ 12,718	\$ 77,831	\$ 90,549	\$ -	\$ -	\$ -	\$ 90,549
	<b>2019</b>	\$ 9,316	\$ 70,251	\$ 79,567	\$ -	\$ -	\$ -	\$ 79,567
<b>Goal 3</b>	<b>2020</b>	\$ 228,926	\$ 1,400,959	\$ 1,629,885	\$ 14,296	\$ -	\$ 14,296	\$ 1,615,589
	<b>2019</b>	\$ 167,694	\$ 1,264,520	\$ 1,432,214	\$ 19,123	\$ -	\$ 19,123	\$ 1,413,091
<b>Goal 4</b>	<b>2020</b>	\$ 12,718	\$ 77,831	\$ 90,549	\$ -	\$ -	\$ -	\$ 90,549
	<b>2019</b>	\$ 9,316	\$ 70,251	\$ 79,567	\$ -	\$ -	\$ -	\$ 79,567
<b>Total</b>	<b>2020</b>	<b>\$ 254,362</b>	<b>\$ 1,556,621</b>	<b>\$ 1,810,983</b>	<b>\$ 14,296</b>	<b>\$ -</b>	<b>\$ 14,296</b>	<b>\$ 1,796,687</b>
	<b>2019</b>	<b>\$ 186,326</b>	<b>\$ 1,405,022</b>	<b>\$ 1,591,348</b>	<b>\$ 19,123</b>	<b>\$ -</b>	<b>\$ 19,123</b>	<b>\$ 1,572,225</b>

Goal 1 Enhance National Security and Counter the Threat of Terrorism

Goal 3 Reduce Violent Crime and Promote Public Safety

Goal 4 Promote Rule of Law, Integrity, and Good Government

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, 2020 and 2019**

<b>Dollars in Thousands</b>	<b>2020</b>	<b>2019</b>
	<b>Funds from Dedicated Collections</b>	<b>Funds from Dedicated Collections</b>
<b>Cumulative Results of Operations</b>		
<b>Beginning Balances</b>	\$ 1,505,505	\$ 1,523,558
<b>Budgetary Financing Sources</b>		
Other Adjustments	-	(674,000)
Nonexchange Revenues	68,519	156,615
Donations and Forfeitures of Cash and Cash Equivalents	1,127,903	1,710,195
Transfers-In/Out Without Reimbursement (Note 18)	(10,000)	-
<b>Other Financing Sources</b>		
Donations and Forfeitures of Property	565,757	360,257
Transfers-In/Out Without Reimbursement	(4,780)	(2,061)
Imputed Financing (Note 16)	2,253	3,166
<b>Total Financing Sources</b>	<b>1,749,652</b>	<b>1,554,172</b>
<b>Net Cost of Operations</b>	<b>(1,796,687)</b>	<b>(1,572,225)</b>
<b>Net Change</b>	<b>(47,035)</b>	<b>(18,053)</b>
<b>Cumulative Results of Operations</b>	<b>\$ 1,458,470</b>	<b>\$ 1,505,505</b>
<b>Net Position</b>	<b>\$ 1,458,470</b>	<b>\$ 1,505,505</b>

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, 2020 and 2019**

<b>Dollars in Thousands</b>	<b>2020</b>	<b>2019</b>
<b>Budgetary Resources:</b>		
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	\$ 1,242,130	\$ 1,272,275
Appropriations (discretionary and mandatory)	1,765,276	1,498,726
Spending Authority from Offsetting Collections (discretionary and mandatory)	17,551	19,021
<b>Total Budgetary Resources</b>	<b>\$ 3,024,957</b>	<b>\$ 2,790,022</b>
<b>Status of Budgetary Resources:</b>		
New Obligations and Upward Adjustments (Total)	\$ 1,867,172	\$ 1,618,355
Unobligated Balance, End of Period:		
Apportioned, Unexpired Accounts	1,152,322	394,334
Unapportioned, Unexpired Accounts	5,463	777,333
Unexpired Unobligated Balance, End of Period	1,157,785	1,171,667
Unobligated Balance, End of Period (Total)	1,157,785	1,171,667
<b>Total Status of Budgetary Resources:</b>	<b>\$ 3,024,957</b>	<b>\$ 2,790,022</b>
<b>Outlays, Net:</b>		
Outlays, Net (Total) (discretionary and mandatory)	\$ 2,364,053	\$ 2,408,564
Less: Distributed Offsetting Receipts (-)	89,062	180,142
Agency Outlays, Net (discretionary and mandatory)	<b>\$ 2,274,991</b>	<b>\$ 2,228,422</b>

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

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

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**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 instrumentalities 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 Accrued Payroll and Benefits; Accrued Annual and Compensatory Leave Liabilities; Deferred Revenue; and Seized Cash and Monetary Instruments.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

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 2020 and 2019, 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 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 2020, the AFF/SADF did not identify any disclosure entity or related party relationships that meet the disclosure requirements of SFFAS 47.

D. Basis of Accounting

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

E. Non-Entity Assets

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

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

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

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

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

**G. Investments**

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

**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 AFP. Claims with other federal agencies are resolved in accordance with the business rules published in Appendix 10 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700. Therefore, receivables arising from services provided to the TEOAF are considered fully collectible, and no allowance for uncollectible accounts is established.

Accounts receivable with the public consist of the proceeds of forfeited property sales not yet received and refunds due from commercial vendors. These accounts receivable are considered fully collectible and there is no allowance for uncollectible accounts.

**I. General Property, Plant and Equipment**

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

Capitalization thresholds are established by DOJ Policy Statement 1400.06, *Capitalization of General Property, Plant and Equipment, and Internal Use Software*, 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*, and are presented below:

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

**Note 1. Summary of Significant Accounting Policies (continued)**

Type of Property	Thresholds
Real Property	\$250
Personal Property	\$50
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, litigative/prosecutive, 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 to state and local agencies are classified as Other Assets on the Balance Sheet.

**K. Forfeited and Seized Property**

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.

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

**Note 1. Summary of Significant Accounting Policies (continued)**

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 the property is reduced by estimated liens of record. 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:

<b>Asset Type</b>	<b>Valuation Documentation</b>
Cash/Currency, Monetary Instruments	Copy of check, cash management company (e.g., Brinks) receipt, EFT, wire confirmation, in accordance with agency policy
Financial Instruments	Web-based valuation tools (e.g., for crypto currency, CoinMarketCap.com), financial market, account statement, other source in accordance with agency policy
Vehicles	National Automobile Dealers Association (NADA) or Kelley Blue Book value in accordance with agency policy
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 agency policy

**L. Liabilities**

AFF accounts payable represent liabilities to both Federal and non-Federal entities. 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.

These notes are an integral part of the financial statements.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

M. Contingencies and Commitments

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

N. Annual, Sick, and Other Leave

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

O. Interest on Late Payments

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

P. Retirement Plans

With few exceptions, employees of the AFF/SADF 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 AFF contributes 7% of the gross pay for regular employees and 7.5% for law enforcement officers.

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

**Note 1. Summary of Significant Accounting Policies (continued)**

- 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 AFF contributes 16.0% of the gross pay for regular employees and 33.4% 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 AFF contributes 14.2% of the gross pay for regular employees and 31.6% for law enforcement officers.
  - c. Employees hired January 1, 2014 or later are covered by the Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE). The AFF contributes 14.2% of the gross pay for regular employees and 31.6% 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 AFF/SADF 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 (OPM).

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

**Q. Intragovernmental Activity**

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

**U.S. Department of Justice  
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**Note 1. Summary of Significant Accounting Policies (continued)**

intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

**R. Revenues and Other Financing Sources**

The funds in the AFF are derived primarily from non-exchange revenues and are presented on the Consolidated Statements of Changes in Net Position as both Budgetary and Other Financing Sources. Budgetary 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. Other financing sources 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 USAOs provide services in judicial forfeiture cases brought by agencies participating in the Treasury Forfeiture Fund (TFF). The AFF recognizes exchange revenue on a reimbursement basis at least quarterly and the revenue is presented on the Consolidated Statements of Net Cost as earned revenue.

**S. Funds from Dedicated Collections**

SFFAS No. 27, *Identifying and Reporting Funds from Dedicated Collections*, as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds* defines ‘funds from dedicated collections’ as being financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government’s general revenues.

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**Note 1. Summary of Significant Accounting Policies (continued)**

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/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

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

**T. Tax Exempt Status**

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

**U. Use of Estimates**

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

**V. Reclassifications**

Certain FY 2019 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation to conform to the FY 2020 Departmental and OMB financial statement presentation requirements. The reclassifications had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources previously reported.

**U.S. Department of Justice**  
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**Note 1. Summary of Significant Accounting Policies (continued)**

**W. Subsequent Events**

Subsequent events and transactions occurring after September 30, 2020 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. No changes were necessary for proper presentation of the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

**X. Classified Activities**

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

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**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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Intragovernmental		
Investments, Net (Note 5)	\$ 1,180,000	\$ 150,000
With the Public		
Cash and Other Monetary Assets (Note 4)	<u>1,184,697</u>	<u>2,270,286</u>
Total Non-Entity Assets	2,364,697	2,420,286
Total Entity Assets	<u>3,649,351</u>	<u>4,342,454</u>
Total Assets	<u>\$ 6,014,048</u>	<u>\$ 6,762,740</u>

**Note 3. Fund Balance with Treasury**

As of September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Status of Fund Balances		
Unobligated Balance - Available	\$ 1,152,322	\$ 394,334
Unobligated Balance - Unavailable	5,463	777,333
Obligated Balance not yet Disbursed	2,228,957	2,823,852
Budgetary Resources from Invested Balances	<u>(3,087,655)</u>	<u>(1,914,296)</u>
Total Status of Fund Balances	<u>\$ 299,087</u>	<u>\$ 2,081,223</u>

These notes are an integral part of the financial statements.

**U.S. Department of Justice  
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**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, 2020 and 2019

	2020	2019
Cash		
Seized Cash Deposited	\$ 1,152,074	\$ 2,255,494
Other Monetary Assets		
Seized Monetary Instruments	32,623	14,792
Total Cash and Other Monetary Assets	\$ 1,184,697	\$ 2,270,286

**Note 5. Investments**

The cash receipts collected from the public for 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 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.

These notes are an integral part of the financial statements.

**U.S. Department of Justice  
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**Note 5. Investments (continued)**

	Cost	Amortization Method	Amortized Premium (Discount)	Investments, Net	Market Value Disclosure
As of September 30, 2020					
Intragovernmental					
Non-Marketable Securities					
Market-Based					
AFF	\$ 3,189,000	Straight Line	\$ 33,946	\$ 3,222,946	\$ 3,223,292
SADF	1,180,000	Straight Line	-	1,180,000	1,183,516
Total	<u>\$ 4,369,000</u>		<u>\$ 33,946</u>	<u>\$ 4,402,946</u>	<u>\$ 4,406,808</u>
As of September 30, 2019					
Intragovernmental					
Non-Marketable Securities					
Market-Based					
AFF	\$ 2,050,000	Straight Line	\$ 54,142	\$ 2,104,142	\$ 2,102,608
SADF	150,000	Straight Line	-	150,000	153,849
Total	<u>\$ 2,200,000</u>		<u>\$ 54,142</u>	<u>\$ 2,254,142</u>	<u>\$ 2,256,457</u>

These notes are an integral part of the financial statements.

**U.S. Department of Justice  
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**Note 6. Accounts Receivable, Net**

Accounts receivable consist of amounts owed to the AFF from the TEOAF services provided to Treasury 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 with the public consist of refunds receivable from commercial vendors.

As of September 30, 2020 and 2019

	2020	2019
Intragovernmental		
Accounts Receivable	\$ 19,428	\$ 18,662
With the Public		
Accounts Receivable	36	185
Total Accounts Receivable, Net	\$ 19,464	\$ 18,847

**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 \$79,579 on September 30, 2020, and \$72,069 on September 30, 2019.

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, 2020 and 2019.

**U.S. Department of Justice**  
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**Note 7. Forfeited and Seized Property, Net (continued)**

**Analysis of Changes in Forfeited Property -- For the Fiscal Year Ended September 30, 2020**

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial Instruments	Number	270	220	753	(962)	281	-	281
	Value	\$ 32,134	\$ 15,167	\$ 366,223	\$ (401,226)	\$ 12,298	\$ (26)	\$ 12,272
Real Property	Number	207	(11)	310	(315)	191	-	191
	Value	\$ 68,252	\$ (9,230)	\$ 133,730	\$ (136,865)	\$ 55,887	\$ (1,144)	\$ 54,743
Personal Property	Number	3,204	112	2,649	(2,498)	3,467	-	3,467
	Value	\$ 39,040	\$ (15,057)	\$ 51,512	\$ (35,842)	\$ 39,653	\$ (660)	\$ 38,993
Firearms, Non-Valued	Number	43,379	(198)	19,591	(14,085)	48,687	-	48,687
Total	Number	47,060	123	23,303	(17,860)	52,626	-	52,626
	Value	\$ 139,426	\$ (9,120)	\$ 551,465	\$ (573,933)	\$ 107,838	\$ (1,830)	\$ 106,008

(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. 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, 2020**

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	885	14	62	-	1	-	962
	Value	\$ 363,797	\$ 1	\$ 37,428	\$ -	\$ -	\$ -	\$ 401,226
Real Property	Number	-	-	311	-	4	-	315
	Value	\$ -	\$ -	\$ 134,952	\$ -	\$ 1,913	\$ -	\$ 136,865
Personal Property	Number	2	624	1,609	159	104	-	2,498
	Value	\$ 89	\$ 161	\$ 30,000	\$ 2,957	\$ 2,635	\$ -	\$ 35,842
Firearms, Non-Valued	Number	-	13,412	173	18	482	-	14,085
Total	Number	887	14,050	2,155	177	591	-	17,860
	Value	\$ 363,886	\$ 162	\$ 202,380	\$ 2,957	\$ 4,548	\$ -	\$ 573,933

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

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

**These notes are an integral part of the financial statements.**

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

**Analysis of Changes in Forfeited Property -- For the Twelve Months Ended September 30, 2019**

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial Instruments	Number	455	184	848	(1,217)	270	-	270
	Value	\$ 12,390	\$ 1,248	\$ 204,507	\$ (186,011)	\$ 32,134	\$ -	\$ 32,134
Real Property	Number	303	(2)	327	(421)	207	-	207
	Value	\$ 106,543	\$ (10,519)	\$ 111,478	\$ (139,250)	\$ 68,252	\$ (1,876)	\$ 66,376
Personal Property	Number	2,894	107	3,371	(3,168)	3,204	-	3,204
	Value	\$ 38,757	\$ (1,228)	\$ 49,064	\$ (47,553)	\$ 39,040	\$ (776)	\$ 38,264
Firearms, Non-Valued	Number	32,944	67	19,001	(8,633)	43,379	-	43,379
Total	Number	36,596	356	23,547	(13,439)	47,060	-	47,060
	Value	\$ 157,690	\$ (10,499)	\$ 365,049	\$ (372,814)	\$ 139,426	\$ (2,652)	\$ 136,774

(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. 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, 2019**

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	972	26	217	-	1	1	1,217
	Value	\$ 179,479	\$ 3,760	\$ 2,785	\$ -	\$ 62	\$ (75)	\$ 186,011
Real Property	Number	1	-	416	-	4	-	421
	Value	\$ 5	\$ -	\$ 138,576	\$ -	\$ 669	\$ -	\$ 139,250
Personal Property	Number	2	943	1,961	161	101	-	3,168
	Value	\$ 55	\$ 342	\$ 39,667	\$ 2,537	\$ 4,952	\$ -	\$ 47,553
Firearms, Non-Valued	Number	-	8,081	-	68	484	-	8,633
Total	Number	975	9,050	2,594	229	590	1	13,439
	Value	\$ 179,539	\$ 4,102	\$ 181,028	\$ 2,537	\$ 5,683	\$ (75)	\$ 372,814

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

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

**These notes are an integral part of the financial statements.**

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

B. Seized Property

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

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

The following tables show the analysis of changes in and methods of disposition of property seized for forfeiture during the fiscal years ended September 30, 2020 and 2019. In the following tables, Seized Cash and Monetary Instruments includes seized cash in transit as well as pre-forfeiture deposits into the SADF of monetary instruments and depository account balances, proceeds from pre-forfeiture sales, and cash received in lieu of seized property. Financial Instruments include negotiable instruments and restricted depository accounts.

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

**Analysis of Changes in Seized Property -- For the Fiscal Year Ended September 30, 2020**

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	12,474	991	10,174	(7,655)	15,984	-	15,984
	Value	\$ 2,420,286	\$ 94,901	\$ 1,205,354	\$ (1,364,844)	\$ 2,355,697	\$ (444,656)	\$ 1,911,041
Financial Instruments	Number	583	97	694	(483)	891	-	891
	Value	\$ 270,883	\$ (38,839)	\$ 95,995	\$ (14,657)	\$ 313,382	\$ (20,064)	\$ 293,318
Real Property	Number	109	(1)	38	(94)	52	-	52
	Value	\$ 112,379	\$ (30,279)	\$ 38,555	\$ (33,033)	\$ 87,622	\$ (79,042)	\$ 8,580
Personal Property	Number	5,600	252	3,295	(3,225)	5,922	-	5,922
	Value	\$ 136,964	\$ (17,806)	\$ 72,861	\$ (55,547)	\$ 136,472	\$ (43,914)	\$ 92,558
Firearms, Non-Valued	Number	31,648	5,405	19,592	(22,591)	34,054	-	34,054
Total	Number	50,414	6,744	33,793	(34,048)	56,903	-	56,903
	Value	\$ 2,940,512	\$ 7,977	\$ 1,412,765	\$ (1,468,081)	\$ 2,893,173	\$ (587,676)	\$ 2,305,497

(1) Adjustments include property status and asset group changes that occurred during the current year for assets that were already on hand at the start of the year. 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, 2020**

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	21	58	-	653	6,923	-	7,655
	Value	\$ 2,670	\$ 164,380	\$ -	\$ 112,819	\$ 1,084,975	\$ -	\$ 1,364,844
Financial Instruments	Number	-	5	-	15	463	-	483
	Value	\$ -	\$ 32	\$ -	\$ 1,245	\$ 13,380	\$ -	\$ 14,657
Real Property	Number	-	1	1	1	91	-	94
	Value	\$ -	\$ 112	\$ 339	\$ 100	\$ 32,482	\$ -	\$ 33,033
Personal Property	Number	-	44	3	546	2,632	-	3,225
	Value	\$ -	\$ 76	\$ 103	\$ 24,456	\$ 30,912	\$ -	\$ 55,547
Firearms, Non-Valued	Number	-	2,180	173	3,041	17,197	-	22,591
Total	Number	21	2,288	177	4,256	27,306	-	34,048
	Value	\$ 2,670	\$ 164,600	\$ 442	\$ 138,620	\$ 1,161,749	\$ -	\$ 1,468,081

(1) Transfers of seized cash to the USVSST in FY 2020 was \$39.9 million.

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

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

**These notes are an integral part of the financial statements.**

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

**Analysis of Changes in Seized Property -- For the Fiscal Year Ended September 30, 2019**

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	11,319	603	9,711	(9,159)	12,474	-	12,474
	Value	\$ 1,385,747	\$ 86,793	\$ 2,938,082	\$ (1,990,336)	\$ 2,420,286	\$ (864,579)	\$ 1,555,707
Financial Instruments	Number	493	(38)	728	(600)	583	-	583
	Value	\$ 291,620	\$ (45,242)	\$ 116,530	\$ (92,025)	\$ 270,883	\$ (18,159)	\$ 252,724
Real Property	Number	103	3	72	(69)	109	-	109
	Value	\$ 37,065	\$ 1,706	\$ 100,729	\$ (27,121)	\$ 112,379	\$ (74,759)	\$ 37,620
Personal Property	Number	5,288	679	3,932	(4,299)	5,600	-	5,600
	Value	\$ 173,782	\$ (39,503)	\$ 76,310	\$ (73,625)	\$ 136,964	\$ (49,343)	\$ 87,621
Firearms, Non-Valued	Number	26,218	3,110	23,297	(20,977)	31,648	-	31,648
Total	Number	43,421	4,357	37,740	(35,104)	50,414	-	50,414
	Value	\$ 1,888,214	\$ 3,754	\$ 3,231,651	\$ (2,183,107)	\$ 2,940,512	\$ (1,006,840)	\$ 1,933,672

(1) Adjustments include property status and asset group changes that occurred during the current year for assets that were already on hand at the start of the year. 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, 2019**

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	30	40	-	724	8,365	-	9,159
	Value	\$ 6,181	\$ 438,042	\$ -	\$ 107,215	\$ 1,438,898	\$ -	\$ 1,990,336
Financial Instruments	Number	4	8	-	29	559	-	600
	Value	\$ 2,809	\$ 5	\$ -	\$ 3,461	\$ 85,750	\$ -	\$ 92,025
Real Property	Number	-	1	4	11	53	-	69
	Value	\$ -	\$ 360	\$ 1,030	\$ 2,363	\$ 23,368	\$ -	\$ 27,121
Personal Property	Number	-	37	4	906	3,352	-	4,299
	Value	\$ -	\$ 178	\$ 64	\$ 24,589	\$ 48,794	\$ -	\$ 73,625
Firearms, Non-Valued	Number	-	2,177	-	1,884	16,916	-	20,977
Total	Number	34	2,263	8	3,554	29,245	-	35,104
	Value	\$ 8,990	\$ 438,585	\$ 1,094	\$ 137,628	\$ 1,596,810	\$ -	\$ 2,183,107

(1) Transfers of seized cash to the USVSST in FY 2019 of \$436.5 million account for the majority of this amount.

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

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

**These notes are an integral part of the financial statements.**

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**Note 8. General Property, Plant and Equipment, Net**

	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Useful Life</u>
As of September 30, 2020				
Equipment	\$ 328	\$ (328)	\$ -	5-12 years
Leasehold Improvements	<u>2,940</u>	<u>(1,590)</u>	<u>1,350</u>	5 years
Total	<u>\$ 3,268</u>	<u>\$ (1,918)</u>	<u>\$ 1,350</u>	

	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Useful Life</u>
As of September 30, 2019				
Equipment	\$ 328	\$ (325)	\$ 3	5-12 years
Leasehold Improvements	<u>2,940</u>	<u>(1,476)</u>	<u>1,464</u>	5 years
Total	<u>\$ 3,268</u>	<u>\$ (1,801)</u>	<u>\$ 1,467</u>	

As of September 30, 2020

Current Year - Property, Plant and Equipment

	<u>2020 Net PP&amp;E</u>
Balance beginning of year	\$ 1,467
Depreciation Expense	<u>(117)</u>
Balance at end of year	<u>\$ 1,350</u>

These notes are an integral part of the financial statements.

**U.S. Department of Justice  
Notes to the Principal Financial Statements  
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**Note 9. Other Assets**

As of September 30, 2020 and 2019

	2020	2019
Intragovernmental		
Other Assets With the Public	\$ 1	\$ 1
Total Other Assets	\$ 1	\$ 1

**Note 10. Liabilities not Covered by Budgetary Resources**

As of September 30, 2020 and 2019

	2020	2019
With the Public		
Accrued Annual and Compensatory Leave Liabilities	\$ 4,212	\$ 3,337
Total With the Public	4,212	3,337
Total Liabilities not Covered by Budgetary Resources	4,212	3,337
Total Liabilities Covered by Budgetary Resources	2,082,853	2,693,496
Total Liabilities not requiring Budgetary Resources	2,468,513	2,560,402
Total Liabilities	\$ 4,555,578	\$ 5,257,235

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, 2020 and 2019

	2020	2019
Investments, Net (Note 5)	\$ 1,180,000	\$ 150,000
Seized Cash Deposited (Note 4)	1,152,074	2,255,494
Seized Monetary Instruments (Note 4)	32,623	14,792
Cash in Transit to (AFF)/SADF	(2,192)	3,342
Total Seized Cash and Monetary Instruments	\$ 2,362,505	\$ 2,423,628

These notes are an integral part of the financial statements.

**U.S. Department of Justice  
Notes to the Principal Financial Statements  
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**Note 12. Other Liabilities**

All other liabilities are current liabilities.

As of September 30, 2020 and 2019

	2020	2019
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	\$ 646	\$ 519
Total Intragovernmental	\$ 646	\$ 519
Total Other Liabilities	\$ 646	\$ 519

**Note 13. Contingencies and Commitments**

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2020			
Reasonably Possible	\$ -	\$ -	\$ -
As of September 30, 2019			
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 Fund, and using those receipts to finance expenses associated with asset forfeiture functions.

These notes are an integral part of the financial statements.

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

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**Note 14. Funds from Dedicated Collections (continued)**

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

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

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

**Note 14. Funds from Dedicated Collections (continued)**

As of September 30, 2020 and 2019

	2020	2019
Balance Sheet		
Assets		
Intragovernmental		
Fund Balance with U.S. Treasury	\$ 299,087	\$ 2,081,223
Investments, Net	3,222,946	2,104,142
Accounts Receivable, Net	19,428	18,662
Total Intragovernmental Assets	\$ 3,541,461	\$ 4,204,027
Accounts Receivable, Net	\$ 36	\$ 185
Forfeited Property, Net	106,008	136,774
Property, Plant, and Equipment, Net	1,350	1,467
Other Assets	496	1
Total Assets	\$ 3,649,351	\$ 4,342,454
Liabilities		
Intragovernmental		
Accounts Payable	\$ 106,704	\$ 95,322
Other Liabilities	646	519
Total Intragovernmental Liabilities	\$ 107,350	\$ 95,841
Accounts Payable	\$ 1,973,343	\$ 2,595,695
Deferred Revenue	106,008	136,774
Other Liabilities	4,180	8,639
Total Liabilities	\$ 2,190,881	\$ 2,836,949
Net Position		
Cumulative Results of Operations	\$ 1,458,470	\$ 1,505,505
Total Net Position	\$ 1,458,470	\$ 1,505,505
Total Liabilities and Net Position	\$ 3,649,351	\$ 4,342,454
For the Fiscal Years Ended September 30, 2020 and 2019		
Statement of Net Cost		
Gross Cost of Operations	\$ 1,810,983	\$ 1,591,348
Less: Earned Revenue	14,296	19,123
Net Cost of Operations	\$ 1,796,687	\$ 1,572,225
Statement of Changes in Net Position		
Net Position Beginning of Period	\$ 1,505,505	\$ 1,523,558
Adjustments		
Budgetary Financing Sources	1,186,422	1,192,810
Other Financing Sources	563,230	361,362
Total Financing Sources	1,749,652	1,554,172
Net Cost of Operations	(1,796,687)	(1,572,225)
Net Change	(47,035)	(18,053)
Net Position End of Period	\$ 1,458,470	\$ 1,505,505

These notes are an integral part of the financial statements.

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

**Note 15. Suborganization Program Costs/Program Costs by Segment**

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.

For the Fiscal Year Ended September 30, 2020

	Forfeiture Operations Expenses	General Investigation Expenses	Total
<b>Goal 1: Enhance National Security and Counter the Threat of Terrorism</b>			
Gross Cost	\$ 90,549	\$ -	\$ 90,549
Less: Earned Revenue	-	-	-
Net Cost of Operations	90,549	-	90,549
<b>Goal 3: Reduce Violent Crime and Promote Public Safety</b>			
Gross Cost	\$ 1,373,254	\$ 256,631	\$ 1,629,885
Less: Earned Revenue	14,296	-	14,296
Net Cost of Operations	1,358,958	256,631	1,615,589
<b>Goal 4: Promote Rule of Law, Integrity, and Good Government</b>			
Gross Cost	\$ 90,549	\$ -	\$ 90,549
Less: Earned Revenue	-	-	-
Net Cost of Operations	90,549	-	90,549
<b>Net Cost of Operations</b>	<b>\$ 1,540,056</b>	<b>\$ 256,631</b>	<b>\$ 1,796,687</b>

For the Nine Fiscal Year Ended September 30, 2019

	Forfeiture Operations Expenses	General Investigation Expenses	Total
<b>Goal 1: Enhance National Security and Counter the Threat of Terrorism</b>			
Gross Cost	\$ 79,567	\$ -	\$ 79,567
Less: Earned Revenue	-	-	-
Net Cost of Operations	79,567	-	79,567
<b>Goal 3: Reduce Violent Crime and Promote Public Safety</b>			
Gross Cost	\$ 1,187,391	\$ 244,823	\$ 1,432,214
Less: Earned Revenue	19,123	-	19,123
Net Cost of Operations	1,168,268	244,823	1,413,091
<b>Goal 4: Promote Rule of Law, Integrity, and Good Government</b>			
Gross Cost	\$ 79,567	\$ -	\$ 79,567
Less: Earned Revenue	-	-	-
Net Cost of Operations	79,567	-	79,567
<b>Net Cost of Operations</b>	<b>\$ 1,327,402</b>	<b>\$ 244,823</b>	<b>\$ 1,572,225</b>

These notes are an integral part of the financial statements.

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

**Note 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 un-reimbursed payments made from the Treasury Judgment Fund on behalf of the AFP. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. § 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund. For the FYs ended September 30, 2020 and 2019, the AFF had no liabilities related to the Treasury Judgment Fund.

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	38.5
	Regular Employees Offset	28.6
	Law Enforcement Officers	62.7
	Law Enforcement Officers Offset	53.4
Federal Employees Retirement System (FERS)	Regular Employees	16.7
	Regular Employees – Revised Annuity Employees (RAE)	17.2
	Regular Employees – Further Revised Annuity Employees (FRAE)	17.4
	Law Enforcement Officers	34.7
	Law Enforcement Officers – RAE	35.2
	Law Enforcement Officers – FRAE	35.4

These notes are an integral part of the financial statements.

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

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 Year Ended September 30, 2020 and 2019

	2020	2019
Imputed Inter-Departmental Financing		
Health Insurance	\$ 2,305	\$ 1,038
Life Insurance	8	8
Pension	(60)	2,120
Total Imputed Inter-Departmental	\$ 2,253	\$ 3,166

**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.

**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, 2020 and 2019, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2019 and 2018. 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, 2020 and 2019 are presented below.

**U.S. Department of Justice  
Notes to the Principal Financial Statements  
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**Note 17. Information Related to the Statement of Budgetary Resources (continued)**

As of September 30, 2020 and 2019

	2020	2019
Unobligated balance, brought forward from prior year	\$ 1,171,667	\$ 1,200,869
Adjustments to budgetary resources made during the year		
Downward adjustments of prior year undelivered orders	\$ 72,774	\$ 65,668
Downward adjustments of prior year delivered orders	7,689	5,738
Other Adjustments	(10,000)	-
	70,463	71,406
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 1,242,130	\$ 1,272,275

**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, 2020 and 2019

	2020	2019
Intragovernmental		
UDO Obligations Unpaid	\$ 50,237	\$ 40,311
Total Intragovernmental UDO	50,237	40,311
With the Public		
UDO Obligations Unpaid	119,941	110,114
UDO Obligations Prepaid/Advanced	495	-
Total With the Public UDO	120,436	110,114
Total UDO	\$ 170,673	\$ 150,425

These notes are an integral part of the financial statements.

**U.S. Department of Justice  
Notes to the Principal Financial Statements  
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**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, litigative/prosecutive, and correctional activities, or any other authorized purpose of the DOJ” pursuant to 28 U.S.C. § 524(c)(8)(E).

There was no rescission enacted in FY 2020 as compared to FY 2019 \$674 million permanent rescission from the AFF.

**U.S. Department of Justice  
Notes to the Principal Financial Statements  
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**Note 17. Information Related to the Statement of Budgetary Resources (continued)**

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

The Statement of Budgetary Resources (SBR) versus the Budget of the U.S. Government as of September 30, 2019 is presented below.

The reconciliation as of September 30, 2020 is not presented because the submission of the Budget of the U.S. Government for FY 2022, which presents the execution of the FY 2020 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 2021.

For the Fiscal Year Ended September 30, 2019  
(Dollars in Millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	\$ 2,790	\$ 1,618	\$ 180	\$ 2,228
Funds not Reported in the Budget Distributed Offsetting Receipts	-	-	-	180
Funds not Reported in the SBR Other	2	-	-	-
Budget of the United States Government	<u>\$ 2,792</u>	<u>\$ 1,618</u>	<u>\$ 180</u>	<u>\$ 2,408</u>

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

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

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

In FY 2020, the Attorney General approved a Super Surplus of \$10 million. The USMS Federal Prisoner Detention received \$5.3 million to support the increasing detainee population. DEA received \$4.7 million to support law enforcement operations. Nonexpenditure transfers to both agencies were made from the AFF in FY 2020. There was no Super Surplus declaration in FY 2019.

**Note 19. Donations and Forfeitures**

Forfeiture income includes forfeited cash, sales of forfeited property, penalties in lieu of forfeiture, recovery of returned asset management costs, judgment collections, and other miscellaneous income. Revenue from donations and forfeitures of cash and cash equivalents, after the following payments and returns to agencies participating in seizures that led to forfeiture, totaled \$1,693.7 million for the Fiscal Year ended September 30, 2020, and \$2,070.5 million for the Fiscal Year ended September 30, 2019.

	FY 2020	FY 2019
Payments to individuals or organizations for proceeds from assets forfeited and deposited into the AFF and subsequently returned to them through a settlement agreement or by a court order.	\$ 8	\$ 707
Return of forfeiture income to the TFF for its participation in seizures that led to forfeiture.	20,148	9,763
Return of forfeiture income to the U.S. Postal Service for its participation in seizures that led to forfeiture.	3,492	7,556
Return of forfeiture income to the other Federal Agencies for their participation in seizures that led to forfeiture.	-	1
<b>Total Return of Forfeiture Income</b>	<b>\$ 23,648</b>	<b>\$ 18,027</b>

These notes are an integral part of the financial statements.

**U.S. Department of Justice**  
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**Note 20. Reconciliation of Net Cost 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). The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Accounts payable with the public, a component of Net Cost that are Not Part of Net Outlays, decreased by \$622.4 million, primarily as a result of payments to victims of the Bernard L. Madoff fraud of \$848.1 million in FY 2020, which were accrued in prior fiscal years. Other components of net operating cost not part of the budgetary outlays includes primarily other expenses not requiring budgetary resources and future funded expenses. Other temporary timing difference relates to FYs 2020 and 2019 unreconciled variance of \$369 thousand and \$(386) thousand respectively.

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

For the Fiscal Years Ended September 30, 2020 and 2019

	2020			2019		
	Intra-governmental	With the public	Total	Intra-governmental	With the public	Total
<b>NET COST</b>	<u>\$ 240,066</u>	<u>\$ 1,556,621</u>	<u>\$ 1,796,687</u>	<u>\$ 167,203</u>	<u>\$ 1,405,022</u>	<u>\$ 1,572,225</u>
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>						
Property, Plant, and equipment depreciation	\$ -	\$ (117)	\$ (117)	\$ -	\$ (300)	\$ (300)
Other	-	(42,304)	(42,304)	-	(44,604)	(44,604)
<b>Increase/(decrease) in assets</b>						
Accounts Receivable	766	(150)	616	4,642	185	4,827
Other Assets	-	495	495	-	-	-
<b>(Increase)/decrease in liabilities</b>						
Accounts Payable	(11,382)	622,353	610,971	(27,982)	905,911	877,929
Salaries and Benefits	(126)	(200)	(326)	(48)	383	335
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	-	(875)	(875)	-	(173)	(173)
<b>Other Financing Sources</b>						
Federal employee retirement benefit costs paid by OPM and imputed to agency	(2,253)	-	(2,253)	(3,166)	-	(3,166)
<b>Total Components of Net Cost That are Not Part of Net Outlays</b>	<u>\$ (12,995)</u>	<u>\$ 579,202</u>	<u>\$ 566,207</u>	<u>\$ (26,554)</u>	<u>\$ 861,402</u>	<u>\$ 834,848</u>
<b>Component of Net Outlays That Are Not Part of Net Cost:</b>						
Acquisition of capital assets	-	790	790	-	1,877	1,877
<b>Total Component of Net Outlays That Are Not Part of Net Cost</b>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 790</u>	<u>\$ -</u>	<u>\$ 1,877</u>	<u>\$ 1,877</u>
<b>Other Temporary Timing Difference (+/-)</b>	\$ 369	\$ -	369	\$ (386)	\$ -	\$ (386)
<b>Distributed Offsetting Receipts</b>	\$ (89,062)	\$ -	(89,062)	\$ (180,142)	\$ -	\$ (180,142)
<b>Net Outlays</b>	<u>\$ 138,378</u>	<u>\$ 2,136,613</u>	<u>\$ 2,274,991</u>	<u>\$ (39,879)</u>	<u>\$ 2,268,301</u>	<u>\$ 2,228,422</u>

These notes are an integral part of the financial statements.