



Audit of the Assets Forfeiture Fund and Seized
Asset Deposit Fund Annual Financial Statements
Fiscal Year 2021



22-018

DECEMBER 2021



COMMENTARY AND SUMMARY

Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2021

Objectives

In accordance with Civil Asset Forfeiture Reform Act of 2020, 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, 2021. An unmodified opinion was issued. KPMG reported a significant deficiency in the Independent Auditors' Report. The Independent Auditors' Report did not report any instances of non-compliance.

The OIG reviewed KPMG's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards, was not intended to enable us to express, and we do not express, an opinion on the AFF/SADF's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the AFF/SADF's financial management systems substantially complied with FFMIA, or conclusions on compliance and other matters. KPMG is responsible for the attached Independent Auditors' Report dated November 8, 2021, 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

KPMG provided AFF/SADF three recommendations to improve its controls over timely recognition of forfeiture revenue.

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) 2021 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in accordance with U.S. generally accepted accounting principles. For FY 2020, the AFF/SADF also received an unmodified opinion on its financial statements (OIG Audit Division Report No. 21-015).

KPMG reported a significant deficiency in the FY 2021 Independent Auditors' Report, noting that improvements are needed in controls over timely recognition of forfeiture revenue. No instances of non-compliance or other matters were identified during the audit that are required to be reported under Government Auditing Standards. Additionally, KPMG's tests disclosed no instances in which the AFF/SADF's financial management systems did not substantially comply with FFMIA.

**AUDIT OF THE
ASSETS FORFEITURE FUND AND
SEIZED ASSET DEPOSIT FUND
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2021**

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U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund

Management's Discussion and Analysis

Unaudited



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) 2021 and 2020 are presented below.

AFP Participating Agencies



DOJ AFP Participating Agencies

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

Non-DOJ AFP Participating Agencies

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

Functions of AFP Participating Agencies

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

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

STRATEGIC PROGRAMS AND OBJECTIVES

In FY 2021, the Department began the process of developing new strategic goals based on guidance from the current Administration. As a result, the Department is no longer reporting the strategic goals and objectives related to its FY 2018 – FY 2022 Strategic Plan. The FY 2022 – FY 2026 Strategic Plan information will be available early in FY 2022.

For FY 2021 reporting, the Department has replaced the prior year's strategic goals and objectives with five strategic programs (SPs) as follows: (1) Law Enforcement, (2) Litigation and Compensation, (3) Prisons and Detention, (4) Grants, and (5) Executive Oversight and Enterprise Technology.

The law enforcement program protects and defends the United States against foreign and domestic threats by investigating, enforcing, and upholding the criminal laws of the United States. In addition, it provides leadership and criminal justice services to federal, state, municipal, and international agencies, and partners. The AFF/Seized Asset Deposit Fund (SADF) supports the Department's law enforcement strategic program. Specifically, the AFF resources fund investigation and law enforcement-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. The AFF also funds legal oversight and support of forfeiture cases. Additionally, the AFF resources 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.

FINANCIAL STRUCTURE

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

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

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

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

The SADF is a deposit fund in the U.S. Treasury identified in the FAST Book as 15X6874. The SADF holds seized cash, the proceeds of any pre-forfeiture sale of seized property, and forfeited cash not yet transferred to the AFF. Income from operating businesses under seizure also may be held in the SADF. Funds held in the SADF are not Government property and may not be used to cover any costs of the AFP. Upon forfeiture, funds are transferred from the SADF to the AFF. In a limited number of cases, funds may be transferred to the United States Victims of State Sponsored Terrorism Fund (USVSSTF), a fund managed by the Department. In FYs 2021 and 2020, \$105 thousand and \$39.9 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 forfeitures. To ensure effective management and assure that AFF resources are used for the purpose for which they were provided, the AFP follows internal control procedures referenced in the joint Justice and Treasury *Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies* (July 2018) and *Asset Forfeiture Policy Manual* (2021), *Chapter 15: Federal Official Use and Equitable Sharing*. Internal controls include reviews of regular reports from state and local law enforcement agencies receiving equitable sharing resources and external audit reports, when required.

FY 2021 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 continue to decline, from \$68.5 million in FY 2020 to \$5.8 million in FY 2021, a decrease of \$62.7 million or 91.5 percent. The decrease is caused by the stark decrease in effective interest rates on Treasury T-bills from 129 basis points in FY 2020 to 9 basis points in FY 2021.

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

Source	FY 2021	FY 2020	% Change
Exchange Revenue	\$ 5,289	\$ 14,296	(63.0)%
Nonexchange Revenues	5,811	68,519	(91.5)%
Donations and Forfeitures of Cash or Cash Equivalents	1,027,671	1,127,903	(8.9)%
Donations and Forfeitures of Property	393,144	565,757	(30.5)%
Transfers-In/Out Without Reimbursement	(3,410)	(14,780)	(76.9)%
Imputed Financing from Costs Absorbed by others	2,694	2,253	19.6%
Total Asset Forfeiture Fund Resources	\$ 1,431,199	\$ 1,763,948	(18.9)%

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

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

Strategic Program (SP)	FY 2021	FY 2020	% Change
SP 1: Law Enforcement			
Total Gross Cost	\$ 1,598,734	\$ 1,810,983	
Less: Total Earned Revenue	5,289	14,296	
Total Net Cost of Operations	\$ 1,593,445	\$ 1,796,687	(11.3)%

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, 2021 are \$5,150.3 million compared with \$6,014.0 million in FY 2020, a decrease of \$863.7 million. Fund Balance with Treasury increased in FY 2021. The increase in Fund Balance with Treasury is primarily due to large case forfeitures, including those related to the 1MDB, Stanford International Bank, Operation Spin Cycle, Novartis Pharmaceuticals and Suboxone, totaling \$594.3 million; and non-large case forfeitures totaling \$750.5 million. Also contributing to the increase was the change in the AFF's long-term investments to overnight investments due to falling interest rates on long-term investments, which increased the Fund Balance with Treasury by \$1,884.0 million and decreasing AFF and SADF investments by a total of \$1,484.0 million.

Offsetting the increases were payments to victims and equitable sharing related to large cases, including Madoff, 1MDB, Stanford International Bank, and Western Union of \$1,714.5 million and payments related to non-large cases of \$947.9 million.

Liabilities: Total liabilities of the AFF/SADF were \$3,859.3 million as of September 30, 2021 compared with \$4,555.6 million in FY 2020, a decrease of \$696.3 million. The decrease is the result of changes in Fund Balance with Treasury and Investments, discussed in “Assets” above, combined with the reductions to prior year accounts payable resulting from victims’ payments discussed above.

Consolidated Statements of Net Cost

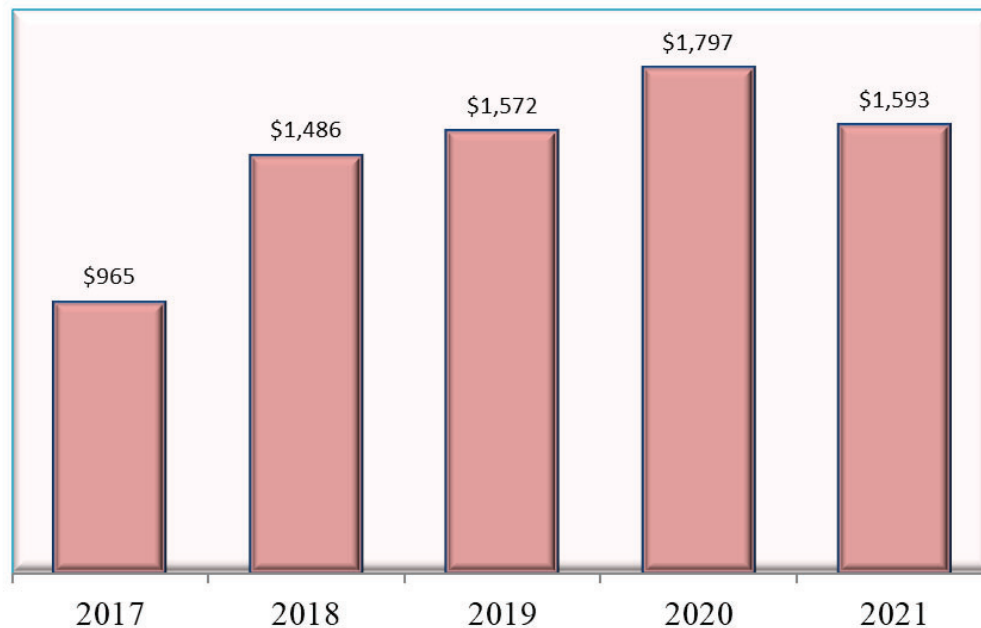
All DOJ AFP participating agencies, except for FBI, use the Department's Unified Financial Management System (UFMS) as the financial system of record. These agencies receive their allocations on a suballotment advice (SA), which allows the agencies to obligate and expend directly from the AFF within 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.

The Consolidated Statements of Net Cost present the AFF’s net cost of operations by Strategic Program. The net cost of operations for the year ended September 30, 2021, totaled \$1,593.4 million compared with \$1,796.7 million in FY 2020, a decrease of \$203.3 million. The decrease in net cost of operations was the result of prior year large case accounts payable discussed above, offset by reduced revenue earned by USAOs in prosecuting forfeiture cases for the Treasury Forfeiture Fund (TFF) from \$14.3 million in FY 2020 to \$5.3 million in FY 2021. Court closures resulting from the COVID-19 pandemic prevented court action on forfeiture cases.

To the extent that financing sources do not cover net costs, AFF’s carry forward balances are used to support AFP expenses. The carry forward balances consist of prior years’ resources over operational requirements. There are no costs associated with the SADF.

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

Figure 1 – AFF Net Cost
(Dollars in Millions)



Net cost in FY 2021 was \$1,593.4 million compared with FY 2020's net cost of \$1,796.7 million, a decrease of \$203.3 million. The majority of the decrease is due to reduced allocations of monies to participating agencies in FY 2021, from \$1,980.6 in FY 2020 to \$1,795.9 million in FY 2021, a decrease of \$184.7 million. The decrease in allocations to participating agencies is primarily due to reduced forfeiture revenue in FY 2021.

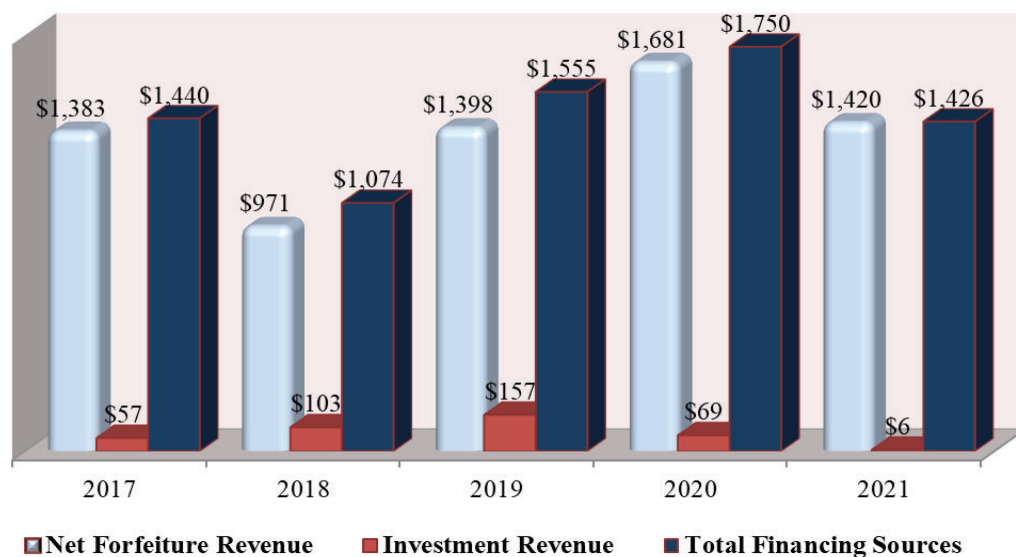
Consolidated Statements of Changes in Net Position

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 \$1,420.8 million in FY 2021 and \$1,693.6 million in FY 2020, a decrease of \$272.8 million. The decrease is driven by lower forfeitures in FY 2021 than in FY 2020, due primarily to personnel restrictions from the COVID-19 pandemic, from limited access of investigative agencies to case work for administrative forfeitures and court closures for civil and criminal forfeitures. Also included in these figures are receipts from the TFF for the Department's participation in cases that resulted in forfeiture revenue to the AFF of \$28.8 million and \$17.1 million in FYs 2021 and 2020 respectively, an increase of \$11.7 million. The transfers from the TFF result from prior year forfeitures for which sharing to the Department was calculated and paid in the current year.

Nonexchange Revenue: Nonexchange revenue on the Statement of Changes in Net Position is comprised solely of interest earned on investments of AFF and SADF in government securities. Amounts available for investment are difficult to predict because many factors influence the balance available. These factors may include unanticipated cash seizures and forfeitures increasing funds available for investment or orders to pay victims and other innocent third party payments decreasing the funds available for investment. Revenue from AFF and SADF investments decreased by \$62.7 million, to \$5.8 million in FY 2021 from \$68.5 million in FY 2020. The decrease in interest earned on investments is primarily from the stark decreases in effective interest rates on Treasury T-bills in FY 2021 from 129 basis points in FY 2020 to 9 basis points in FY 2021.

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)



Total financing sources decreased by \$323.7 million from FY 2020 to FY 2021. The decrease in total financing sources was caused mainly by the decreases in Donations of Cash and Cash Equivalents, Donations and Forfeitures of Property and Nonexchange Revenue, discussed above.

Net Position: The AFF/SADF Net Position, or excess of assets over liabilities, is an indicator of its ability to support ongoing operations in the future. At the end of FY 2021, Net Position totaled \$1,290.9 million versus \$1,458.5 million at the end of FY 2020, a decrease of \$167.6 million. The decrease in net position is the result of decreased changes in Fund Balance with Treasury and Investments discussed in Consolidated Balance Sheets, Assets, above, and changes to Accounts Payable discussed in Liabilities, above.

Combined Statements of Budgetary Resources

Budgetary Resources: Total Budgetary Resources in FY 2021 totaled \$2,726.2 million compared with \$3,025.0 million in FY 2020, a decrease of \$298.8 million. Although the Unobligated Balance from Prior Year Budget Authority, Net, increased by \$20.4 million, from \$1,242.1 million in FY 2020 to \$1,262.5 million in FY 2021, the increase was offset by the \$321.2 million reduction in appropriated authority. Appropriated authority was reduced as a result of lower forfeiture proceeds in FY 2021 than FY 2020.

Unobligated Balance – End of Year (Total): The Unobligated Balance as of September 30, 2021 was \$1,083.0 million compared to \$1,157.8 million as of September 30, 2020, a decrease of \$74.8 million.

Outlays, Net: Net outlays were \$2,644.9 million in FY 2021 compared with \$2,364.1 million in FY 2020, an increase of \$280.8 million. The increase in outlays is the direct result of payments to victims in the Madoff, Stanford International Bank, 1MDB and Western Union cases, which were accrued in prior years.

SUMMARY OF PERFORMANCE INFORMATION

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

In FY 2021, the AFF made several large case distributions to victims totaling \$1,706.3 million in the Madoff, Stanford International Bank, 1MDB, and Western Union.

The COVID-19 pandemic limited the capability of investigative participating agencies to perform investigative techniques and legal support agencies' ability to convene with judges and grand juries. As a result, forfeiture activity dropped through the third fiscal quarter of FY 2021 and began to rebound in the fourth quarter of FY 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, 2021, 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 2021, 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 2021 financial statement audit and Management Assurances.

Financial Statement Audit Opinion and Material Weaknesses				
Audit Opinion	Unmodified			
Restatement	No			
Material Weaknesses	Beginning Balance	New	Resolved	Ending Balance
	0	0	0	0
Total Material Weaknesses	0	0	0	0

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

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

Compliance with Section 803(a) of Federal Financial Management Improvement Act (FFMIA)		
Compliance with Specific Requirements		
Specific Requirements	AFF/SADF	Auditor
Federal Financial Management System Requirements	No Lack of Compliance Noted	No Lack of Compliance Noted
Applicable Federal Accounting Standards	No Lack of Compliance Noted	No Lack of Compliance Noted
USSGL at Transaction Level	No Lack of Compliance Noted	No Lack of Compliance Noted

Analysis of Legal Compliance

The Department of Justice management is committed to ensuring compliance with applicable laws and regulations, including data standards and appropriations and employment laws and regulations. Compliance is addressed through the financial statement audit and internal audits, reviews, and inspections. The audits, reviews, and inspections performed in FY 2021 identified no instances of noncompliance which are material to the Department's system of internal control or financial statements.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

FY 2021 Budget Position

The Consolidated Appropriations Act, 2021 (P.L. 116-260) did not enact a permanent rescission in FYs 2021 or 2020. 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, 2021, there has been no material impact on the AFF/SADF.

FORWARD LOOKING INFORMATION

The most important impact to the AFF/SADF in FY 2021 was that of the COVID-19 pandemic. Impacts were on law enforcement actions and delayed court actions. As of FY 2021 year end, there is an existing backlog of administrative, civil, and criminal forfeiture actions related to COVID-19 delays. It is anticipated that this backlog will be cleared by the end of FY 2022. Further, 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
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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, 2021 and 2020, 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. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 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, 2021 and 2020, 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, 2021, 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 AFF/SADF's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an



opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

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.

Management's Response to the Findings

Management's response to the findings identified in our audit is described in the Exhibit. The AFF/SADF's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 8, 2021

Significant Deficiency

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

Improvements Needed in Controls over Timely Recognition of Forfeiture Revenue

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

In fiscal year (FY) 2021, we identified a deficiency in the AFF/SADF's internal controls over forfeiture revenue. Specifically, we noted that management did not have effective controls in place to ensure that agencies participating in the AFP were evaluating and reporting judicial information timely in the Consolidated Asset Tracking System (CATS). Management also did not have a comprehensive process in place to identify, analyze, and document the impact of out-of-period revenue transactions on the current and prior year financial statements.

The AFP's current policies and procedures were not at a sufficient level of detail to ensure that revenue was consistently reported in the proper accounting period. The Asset Forfeiture Management Staff management was in the process of drafting a financial management guide that would provide more specific policy and procedures related to accounting for forfeiture revenue; however, the guide was not finalized as of September 30, 2021. As a result, there was a lack of clarity for when certain forfeiture orders should be considered final and the revenue recognized, and no formal process in place for participating agencies to elevate transactions that may require additional guidance to ensure the proper accounting.

Further, the lack of clear financial management guidelines made it difficult for management to hold the AFP participating agencies accountable to ensure that revenue transactions were consistently and timely entered to the applicable information system. Management implemented a control to identify final forfeiture orders for which revenue should be recorded but it was not operating at a level of precision to identify all revenue earned but not entered by the participating agencies prior to fiscal year end.

The aforementioned deficiency impaired management's ability to prevent, or detect and correct, misstatements in the entity's financial statements on a timely basis. Specifically, we identified a net \$30.5 million factual overstatement of Donations and Forfeitures of Cash and Cash Equivalents that resulted in a net most likely error of \$35.4 million as of September 30, 2021. We also identified a \$2.0 million factual overstatement of Donations and Forfeitures of Property that resulted in a most likely error of \$2.8 million as of September 30, 2021.

We also noted there was an upward trend of out-of-period revenue misstatements over the last three fiscal years. The total forfeiture revenue misstatement increased from \$5.0 million in FY 2019 to \$8.5 million in FY 2020. In FY 2021, as described above, the total net forfeiture revenue misstatement was \$38.2 million.

CRITERIA

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

5.02, Management enforces accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top and supported by the

commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. Accountability for performance of internal control responsibility supports day-to-day decision making, attitudes, and behaviors.

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

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

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

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

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

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

Recommendations:

We recommend that the Asset Forfeiture Management Staff:

1. Finalize and implement its Asset Forfeiture Financial Management Guide to clarify accounting requirements for AFP participants to adhere to timely data input to CATS, including forfeiture decisions that directly impact the recognition of revenue. *(New)*

Management Response:

Management concurs with the recommendation. The estimated issuance of the final Asset Forfeiture Management Guide is September 30, 2022 and includes requirements for participating agencies to record seized and forfeited property transactions no later than the end of the fiscal quarter.

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

Management Response:

Management concurs with the recommendation. AFMS management will work with participating agencies to develop controls ensuring that seized and forfeited property transactions are recorded in

a timely manner. AFMS management will elevate findings not confirmed or corrected by participating agencies to the appropriate agency's senior management so they may be corrected for quarter-end reports.

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

Management Response:

Management concurs with the recommendation. AFMS management will review current internal controls review procedures, identifying high risk areas requiring more intensive review and update review procedures. Included is the determination of an acceptable level error, detailed reviews of revenue transactions, identification of out-of-period revenue recorded in the current fiscal year and the level of misstatement in prior fiscal years.

U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund

Principal Financial Statements and Related Notes



U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Balance Sheets
As of September 30, 2021 and 2020

Dollars in Thousands	2021	2020
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 928,529	\$ 299,087
Investments, Net (Note 5)	2,918,959	4,402,946
Accounts Receivable, Net (Note 6)	7,621	19,428
Total Intragovernmental	3,855,109	4,721,461
With the Public		
Cash and Other Monetary Assets (Note 4)	1,211,275	1,184,697
Accounts Receivable, Net (Note 6)	42	36
Inventory and Related Property, Net		
Forfeited Property, Net (Note 7)	82,601	106,008
General Property, Plant and Equipment, Net (Note 8)	1,224	1,350
Advances and Prepayments	-	495
Other Assets (Note 9)	1	1
Total With the Public	1,295,143	1,292,587
Total Assets	\$ 5,150,252	\$ 6,014,048
LIABILITIES (Note 10)		
Intragovernmental		
Accounts Payable	\$ 101,850	\$ 106,704
Other Liabilities (Note 12)	804	646
Total Intragovernmental	102,654	107,350
With the Public		
Accounts Payable	885,161	1,973,343
Federal Employee Benefits Payable	4,522	4,304
Advances from Others and Deferred Revenue	82,601	106,008
Other Liabilities		
Seized Cash and Monetary Instruments (Note 11)	2,781,818	2,362,505
Other (Note 12)	2,561	2,068
Total With the Public	3,756,663	4,448,228
Total Liabilities	\$ 3,859,317	\$ 4,555,578
Contingent Liabilities (Note 13)		
NET POSITION		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 14)	\$ 1,290,935	\$ 1,458,470
Total Net Position - Funds from Dedicated Collections	\$ 1,290,935	\$ 1,458,470
Total Net Position	\$ 1,290,935	\$ 1,458,470
Total Liabilities and Net Position	\$ 5,150,252	\$ 6,014,048

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, 2021 and 2020

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 15)
	FY	Intra- governmental	With the Public	Total	Intra- governmental	With the Public	Total	
Program 1	2021	\$ 165,318	\$ 1,433,416	\$ 1,598,734	\$ 5,289	\$ -	\$ 5,289	\$ 1,593,445
	2020	\$ 254,362	\$ 1,556,621	\$ 1,810,983	\$ 14,296	\$ -	\$ 14,296	\$ 1,796,687
Total	2021	<u>\$ 165,318</u>	<u>\$ 1,433,416</u>	<u>\$ 1,598,734</u>	<u>\$ 5,289</u>	<u>\$ -</u>	<u>\$ 5,289</u>	<u>\$ 1,593,445</u>
	2020	<u>\$ 254,362</u>	<u>\$ 1,556,621</u>	<u>\$ 1,810,983</u>	<u>\$ 14,296</u>	<u>\$ -</u>	<u>\$ 14,296</u>	<u>\$ 1,796,687</u>

Strategic Program 1 Law Enforcement

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

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2021 and 2020

Dollars in Thousands	2021	2020
	Funds from Dedicated Collections	Funds from Dedicated Collections
Cumulative Results of Operations		
Beginning Balances	\$ 1,458,470	\$ 1,505,505
Non-exchange Revenues	5,811	68,519
Donations and Forfeitures of Cash and Cash Equivalents	1,027,671	1,127,903
Transfers-In/Out Without Reimbursement	(3,410)	(14,780)
Donations and Forfeitures of Property	393,144	565,757
Imputed Financing (Note 16)	2,694	2,253
Net Cost of Operations	(1,593,445)	(1,796,687)
Net Change in Cumulative Results of Operations	(167,535)	(47,035)
Cumulative Results of Operations	\$ 1,290,935	\$ 1,458,470
Net Position	<u>\$ 1,290,935</u>	<u>\$ 1,458,470</u>

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

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2021 and 2020

Dollars in Thousands	2021	2020
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	\$ 1,262,487	\$ 1,242,130
Appropriations (discretionary and mandatory)	1,444,103	1,765,276
Spending Authority from Offsetting Collections (discretionary and mandatory)	19,582	17,551
Total Budgetary Resources	\$ 2,726,172	\$ 3,024,957
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	\$ 1,643,202	\$ 1,867,172
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,000,221	1,152,322
Unapportioned, Unexpired Accounts	82,749	5,463
Unexpired Unobligated Balance, End of Year	1,082,970	1,157,785
Unobligated Balance - End of Year (Total)	1,082,970	1,157,785
Total Status of Budgetary Resources:	\$ 2,726,172	\$ 3,024,957
Outlays, Net:		
Outlays, Net (Total) (discretionary and mandatory)	\$ 2,644,850	\$ 2,364,053
Less: Distributed Offsetting Receipts (-)	40,445	89,062
Agency Outlays, Net (discretionary and mandatory)	\$ 2,604,405	\$ 2,274,991

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

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The primary mission of the DOJ AFP is to maximize the effectiveness of forfeiture as a deterrent to crime. This is accomplished by means of depriving drug traffickers, racketeers, and other criminal syndicates of their ill-gotten proceeds and 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 Seized Cash and Monetary Instruments; and Other Miscellaneous Liabilities.

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

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Consolidation

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 2021 and 2020, 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 2021, 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

**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)

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. Additionally, based on past experience in the collection of TEOAF outstanding balances, receivables arising from services provided to the TEOAF are considered fully collectible, and no allowance for uncollectible accounts is established.

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

I. General Property, Plant and Equipment

AFP participating agencies lease buildings from GSA for most of their operations. The 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:

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

K. Forfeited and Seized Property

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

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

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

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

Asset Type	Valuation Documentation
Cash/Currency, Monetary Instruments	Copy of check, cash management company (e.g., Brinks) receipt, EFT, wire confirmation, in accordance with 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. Intragovernmental accounts payable consist of amounts owed to other Federal Government agencies, primarily to Department of Labor (DOL) and Office of Personnel Management (OPM) for employee benefits. The remaining accounts payable consist of amounts due to the public for unpaid goods and services received. Deferred revenue represents the estimated market value of forfeited property not yet sold or placed into official use. Seized cash and monetary instruments represent liabilities for SADF amounts on deposit pending disposition.

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 1. Summary of Significant Accounting Policies (continued)

M. Commitments and Contingencies

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

N. Annual, Sick, and Other Leave

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

O. Interest on Late Payments

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

P. Retirement 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 17.3% (16.0% in FY 2020) of the gross pay for regular employees and 35.8% (33.4% in FY 2020) 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 15.5% (14.2% in FY 2020) of the gross pay for regular employees and 34.0% (31.6% in FY 2020) 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 15.5% (14.2% in FY 2020) of the gross pay for regular employees and 34.0% (31.6% in FY 2020) 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.

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
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)**

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. 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.

**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)

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.

**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)

V. Reclassifications

The FY 2020 financial statements were reclassified to conform to the FY 2021 Departmental financial statement presentation requirements. These reclassifications had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources previously reported. Specifically, the format of the Balance Sheet has changed as required for all significant reporting entities by OMB Circular A-136, *Financial Reporting Requirements*. This change will support the preparation and audit of the Government-wide Financial Report and will standardize the Balance Sheet across significant entities, increasing its usefulness to financial report users. Certain amounts in the prior period financial statements have been reclassified to enhance comparability with the current year's financial statements following DOJ's adoption of the new Balance Sheet format this year. These reclassifications had no effect on the previously reported net position. As a result, several line items have been amended on the Balance Sheet and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

In addition, the Department has realigned its Statement of Net Cost and Note 15, Suborganization Program Costs, to align to strategic programs in the Department's annual budget and/or its individual organizational mission. As such, activity and balances reported on the FY 2020 Statement of Net Cost have been reclassified to conform to the current year presentation. These reclassifications have no effect on the Net Cost of Operations, as previously reported.

W. Subsequent Events

Subsequent events and transactions occurring after September 30, 2021 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. No changes were necessary for proper presentation of the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

X. Classified Activities

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

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

Note 2. Non-Entity Assets

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

As of September 30, 2021 and 2020

	2021	2020
Intragovernmental		
Investments, Net (Note 5)	\$ 1,580,000	\$ 1,180,000
With the Public		
Cash and Other Monetary Assets (Note 4)	1,211,275	1,184,697
Total Non-Entity Assets	2,791,275	2,364,697
Total Entity Assets	2,358,977	3,649,351
Total Assets	\$ 5,150,252	\$ 6,014,048

Note 3. Fund Balance with Treasury

As of September 30, 2021 and 2020

	2021	2020
Status of Fund Balances		
Unobligated Balance - Available	\$ 1,000,221	\$ 1,152,322
Unobligated Balance - Unavailable	82,749	5,463
Obligated Balance not yet Disbursed	1,103,025	2,228,957
Budgetary Resources from Invested Balances	(1,257,466)	(3,087,655)
Total Status of Fund Balances	\$ 928,529	\$ 299,087

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 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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash		
Seized Cash Deposited	\$ 1,192,416	\$ 1,152,074
Other Monetary Assets		
Seized Monetary Instruments	18,859	32,623
Total Cash and Other Monetary Assets	<u>\$ 1,211,275</u>	<u>\$ 1,184,697</u>

Note 5. Investments, Net

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

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

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

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

Note 5. Investments, Net (continued)

	Cost	Amortization Method	Amortized (Premium) Discount	Investments, Net	Market Value Disclosure
As of September 30, 2021					
Intragovernmental					
Non-Marketable Securities					
Market-Based					
AFF	\$ 1,337,850	Straight Line	\$ 1,109	\$ 1,338,959	\$ 1,338,526
SADF	1,580,000	Straight Line	-	1,580,000	1,580,893
Total	<u>\$ 2,917,850</u>		<u>\$ 1,109</u>	<u>\$ 2,918,959</u>	<u>\$ 2,919,419</u>
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>

These notes are an integral part of the financial statements.

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

Note 6. Accounts Receivable, Net

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

As of September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Intragovernmental		
Accounts Receivable	\$ 7,621	\$ 19,428
With the Public		
Accounts Receivable	\$ 42	\$ 36
Total Accounts Receivable, Net	<u>\$ 7,663</u>	<u>\$ 19,464</u>

Note 7. Forfeited and Seized Property, Net

A. Forfeited Property, Net

Liabilities for equitable sharing due to federal, state, and local law enforcement agencies which participated in cases that led to forfeiture were \$80,414 on September 30, 2021, and \$79,579 on September 30, 2020.

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, 2021 and 2020.

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

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

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

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

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

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

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

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

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

These notes are an integral part of the financial statements.

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

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

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.

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

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

B. Seized Property

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

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

The following tables show the analysis of changes in and methods of disposition of property seized for forfeiture during the fiscal years ended September 30, 2021 and 2020. 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.

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

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

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

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Seized Cash and Monetary Instruments	Number	15,984	895	13,189	(7,812)	22,256	-	22,256
	Value	\$ 2,355,697	\$ 61,080	\$ 1,400,619	\$ (1,026,121)	\$ 2,791,275	\$ (575,132)	\$ 2,216,143
Financial Instruments	Number	891	(99)	799	(526)	1,065	-	1,065
	Value	\$ 313,382	\$ (48,785)	\$ 263,521	\$ (62,255)	\$ 465,863	\$ (16,776)	\$ 449,087
Real Property	Number	52	(2)	34	(36)	48	-	48
	Value	\$ 87,622	\$ 3,993	\$ 34,121	\$ (34,593)	\$ 91,143	\$ (61,144)	\$ 29,999
Personal Property	Number	5,922	670	4,727	(2,709)	8,610	-	8,610
	Value	\$ 136,472	\$ (9,253)	\$ 81,450	\$ (39,641)	\$ 169,028	\$ (47,560)	\$ 121,468
Firearms, Non-Valued	Number	34,054	3,556	21,511	(21,130)	37,991	-	37,991
Total	Number	56,903	5,020	40,260	(32,213)	69,970	-	69,970
	Value	\$ 2,893,173	\$ 7,035	\$ 1,779,711	\$ (1,162,610)	\$ 3,517,309	\$ (700,612)	\$ 2,816,697

(1) Adjustments include property status 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, 2021

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

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

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

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

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

Analysis of Changes in Seized Property -- For the Fiscal Year Ended September 30, 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 were \$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.

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

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, 2021				
Equipment	\$ 328	\$ (328)	\$ -	5-12 years
Leasehold Improvements	2,940	(1,716)	1,224	5 years
Total	<u>\$ 3,268</u>	<u>\$ (2,044)</u>	<u>\$ 1,224</u>	

	<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	2,940	(1,590)	1,350	5 years
Total	<u>\$ 3,268</u>	<u>\$ (1,918)</u>	<u>\$ 1,350</u>	

As of September 30, 2021 and 2020

	<u>2021 Net PP&E</u>	<u>2020 Net PP&E</u>
Balance beginning of year	\$ 1,350	\$ 1,467
Depreciation Expense	(126)	(117)
Balance at end of year	<u>\$ 1,224</u>	<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
(Dollars in Thousands, Except as Noted)**

Note 9. Other Assets

As of September 30, 2021 and 2020

	2021	2020
Other Assets With the Public	\$ 1	\$ 1
Total Other Assets	<u>\$ 1</u>	<u>\$ 1</u>

Note 10. Liabilities not Covered by Budgetary Resources

As of September 30, 2021 and 2020

	2021	2020
With the Public		
Federal Employee Benefits Payable	\$ 4,411	\$ 4,212
Total With the Public	<u>4,411</u>	<u>4,212</u>
Total Liabilities not Covered by Budgetary Resources	4,411	4,212
Total Liabilities Covered by Budgetary Resources	990,487	2,082,853
Total Liabilities not requiring Budgetary Resources	<u>2,864,419</u>	<u>2,468,513</u>
Total Liabilities	<u>\$ 3,859,317</u>	<u>\$ 4,555,578</u>

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

Note 11. Seized Cash and Monetary Instruments

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

As of September 30, 2021 and 2020

	2021	2020
Investments, Net (Note 5)	\$ 1,580,000	\$ 1,180,000
Seized Cash Deposited (Note 4)	1,192,416	1,152,074
Seized Monetary Instruments (Note 4)	18,859	32,623
Cash in Transit to (AFF)/SADF	<u>(9,457)</u>	<u>(2,192)</u>
Total Seized Cash and Monetary Instruments	<u>\$ 2,781,818</u>	<u>\$ 2,362,505</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 12. Other Liabilities

All other liabilities are current liabilities.

As of September 30, 2021 and 2020

	2021	2020
Intragovernmental		
Benefit Program Contributions Payable	\$ 632	\$ 508
Employer Contributions and Payroll Taxes Payable	172	138
Total Intragovernmental	<u>\$ 804</u>	<u>\$ 646</u>
With the Public		
Accrued Funded Payroll and Leave	\$ 2,561	\$ 2,068
Total With the Public	<u>\$ 2,561</u>	<u>\$ 2,068</u>
Total Other Liabilities	<u>\$ 3,365</u>	<u>\$ 2,714</u>

Note 13. Contingencies and Commitments

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2021			
Reasonably Possible	\$ -	\$ -	\$ -
As of September 30, 2020			
Reasonably Possible	\$ -	\$ -	\$ -

These notes are an integral part of the financial statements.

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

Note 14. Funds from Dedicated Collections

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

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

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

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

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

Note 14. Funds from Dedicated Collections (continued)

As of September 30, 2021 and 2020

	2021	2020
Balance Sheet		
Assets		
Intragovernmental		
Fund Balance with U.S. Treasury	\$ 928,529	\$ 299,087
Investments, Net	1,338,959	3,222,946
Accounts Receivable, Net	7,621	19,428
Total Intragovernmental Assets	<u>\$ 2,275,109</u>	<u>\$ 3,541,461</u>
With the Public		
Accounts Receivable, Net	\$ 42	\$ 36
Inventory and Related Property, Net	82,601	106,008
General Property, Plant, and Equipment, Net	1,224	1,350
Advances and Prepayments	-	495
Other Assets	1	1
Total With the Public	<u>\$ 83,868</u>	<u>\$ 107,890</u>
Total Assets	<u>\$ 2,358,977</u>	<u>\$ 3,649,351</u>
Liabilities		
Intragovernmental		
Accounts Payable	\$ 101,850	\$ 106,704
Other Liabilities	804	646
Total Intragovernmental Liabilities	<u>\$ 102,654</u>	<u>\$ 107,350</u>
With the Public		
Accounts Payable	\$ 885,161	\$ 1,973,343
Federal Employee Benefits Payable	4,522	4,304
Advances from Others and Deferred Revenue	82,601	106,008
Other Liabilities	(6,896)	(124)
Total With the Public	<u>\$ 965,388</u>	<u>\$ 2,083,531</u>
Total Liabilities	<u>\$ 1,068,042</u>	<u>\$ 2,190,881</u>
Net Position		
Cumulative Results of Operations	\$ 1,290,935	\$ 1,458,470
Total Net Position	<u>\$ 1,290,935</u>	<u>\$ 1,458,470</u>
Total Liabilities and Net Position	<u>\$ 2,358,977</u>	<u>\$ 3,649,351</u>
For the Fiscal Years Ended September 30, 2021 and 2020		
Statement of Net Cost		
Gross Cost of Operations	\$ 1,598,734	\$ 1,810,983
Less: Earned Revenue	5,289	14,296
Net Cost of Operations	<u>\$ 1,593,445</u>	<u>\$ 1,796,687</u>
Statement of Changes in Net Position		
Beginning Balance	\$ 1,458,470	\$ 1,505,505
Intragovernmental Nonexchange Revenues	5,811	68,519
Donations and Forfeitures of Cash and Property	1,420,815	1,693,660
Transfers-In/Out Without Reimbursement	(3,410)	(14,780)
Imputed Financing	2,694	2,253
Net Cost of Operations	<u>(1,593,445)</u>	<u>(1,796,687)</u>
Net Change and Cumulative Results of Operations	(167,535)	(47,035)
Cumulative Results of Operation - Ending	1,290,935	1,458,470
Net Position End of Period	<u>\$ 1,290,935</u>	<u>\$ 1,458,470</u>

These notes are an integral part of the financial statements.

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

Note 15. Suborganization Program Costs

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

For the Fiscal Year Ended September 30, 2021

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

For the Fiscal Year Ended September 30, 2020

	Forfeiture Operations Expenses	General Investigation Expenses	Total
Program 1: Law Enforcement			
Gross Cost	\$ 1,554,352	\$ 256,631	\$ 1,810,983
Less: Earned Revenue	14,296	-	14,296
Net Cost of Operations	<u>\$ 1,540,056</u>	<u>\$ 256,631</u>	<u>\$ 1,796,687</u>

These notes are an integral part of the financial statements.

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

Note 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 legal outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund. For the FYs ended September 30, 2021 and 2020, 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	42.1
	Regular Employees Offset	31.2
	Law Enforcement Officers	68.2
	Law Enforcement Officers Offset	57.8
Federal Employees Retirement System (FERS)	Regular Employees	18.5
	Regular Employees – Revised Annuity Employees (RAE)	19.0
	Regular Employees – Further Revised Annuity Employees (FRAE)	19.2
	Law Enforcement Officers	38.2
	Law Enforcement Officers – RAE	38.8
	Law Enforcement Officers – FRAE	38.9

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 (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, 2021 and 2020

	2021	2020
Imputed Inter-Departmental Financing		
Health Insurance	\$ 2,549	\$ 2,305
Life Insurance	9	8
Pension	136	(60)
Total Imputed Inter-Departmental	<u>\$ 2,694</u>	<u>\$ 2,253</u>

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

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, 2021 and 2020, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2020 and 2019. 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, 2021 and 2020 are presented below.

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

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

As of September 30, 2021 and 2020

	2021	2020
Unobligated balance, brought forward from prior year	\$ 1,157,785	\$ 1,171,667
Adjustments to budgetary resources made during the year		
Downward adjustments of prior year undelivered orders	\$ 86,855	\$ 72,774
Downward adjustments of prior year delivered orders	17,847	7,689
Other Adjustments	-	(10,000)
	104,702	70,463
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 1,262,487	\$ 1,242,130

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, 2021 and 2020

	2021	2020
Intragovernmental		
UDO Obligations Unpaid	\$ 45,781	\$ 50,237
Total Intragovernmental UDO	45,781	50,237
With the Public		
UDO Obligations Unpaid	93,380	119,941
UDO Obligations Prepaid/Advanced	-	495
Total With the Public UDO	93,380	120,436
Total UDO	\$ 139,161	\$ 170,673

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

Permanent Indefinite Appropriations:

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

Legal Arrangements Affecting Use of Unobligated Balances:

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

There were no rescissions enacted in FYs 2021 and 2020.

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

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

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, 2020 is presented below.

The reconciliation as of September 30, 2021 is not presented because the submission of the Budget of the U.S. Government for FY 2023, which presents the execution of the FY 2021 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 2022.

For the Fiscal Year Ended September 30, 2020
(Dollars in Millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	\$ 3,025	\$ 1,867	\$ 89	\$ 2,275
Funds not Reported in the Budget				
Distributed Offsetting Receipts	-	-	-	89
Funds not Reported in the SBR				
Other	1	-	-	(1)
Budget of the United States Government	<u>\$ 3,026</u>	<u>\$ 1,867</u>	<u>\$ 89</u>	<u>\$ 2,363</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
(Dollars in Thousands, Except as Noted)

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, legal support, and correctional activities, or any other authorized purpose of the Department of Justice. The excess unobligated balance consists of the AFF's unobligated balance at the end of the fiscal year after the AFP's operational needs for the subsequent year are reserved. The excess unobligated balance is historically known as "Super Surplus."

There was no Super Surplus declaration in FY 2021. In FY 2020, the Attorney General approved a Super Surplus of \$10 million. The USMS received \$5.3 million for Federal Prisoner Detention to support the increasing detainee population. DEA received \$4.7 million to support law enforcement operations.

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 \$1,420.8 million for the fiscal year ended September 30, 2021, and \$1,693.7 million for the fiscal year ended September 30, 2020.

	2021	2020
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.	\$ 24	\$ 8
Return of forfeiture income to the TFF for its participation in seizures that led to forfeiture.	15,506	20,148
Return of forfeiture income to the U.S. Postal Service for its participation in seizures that led to forfeiture.	1,704	3,492
Return of forfeiture income to the other Federal Agencies for their participation in seizures that led to forfeiture.	-	-
Total Return of Forfeiture Income	<u>\$ 17,234</u>	<u>\$ 23,648</u>

These notes are an integral part of the financial statements.

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

Note 20. Reconciliations of Net Costs to Net Outlays

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

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

Accounts payable with the public, a component of Net Cost that are Not Part of Net Outlays, decreased by \$1.1 billion, primarily as a result of payments to victims of the Bernard L. Madoff fraud of \$1.1 billion in FY 2021, 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 2021 and 2020 unreconciled variance of \$415 thousand and \$369 thousand respectively.

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

Note 20. Reconciliations of Net Costs to Net Outlays (continued)

For the Fiscal Years Ended September 30, 2021 and 2020

	2021			2020		
	Intra- governmental	With the Public	Total	Intra- governmental	With the Public	Total
NET COST	<u>\$ 160,029</u>	<u>\$ 1,433,416</u>	<u>\$ 1,593,445</u>	<u>\$ 240,066</u>	<u>\$ 1,556,621</u>	<u>\$ 1,796,687</u>
Components of Net Cost That Are Not Part of the Budgetary Outlays:						
Property, Plant, and Equipment Depreciation	\$ -	\$ (126)	\$ (126)	\$ -	\$ (117)	\$ (117)
Other	-	(26,487)	(26,487)	-	(42,304)	(42,304)
Increase/(decrease) in assets						
Accounts Receivable	(11,807)	6	(11,801)	766	(150)	616
Other Assets	-	(495)	(495)	-	495	495
(Increase)/decrease in liabilities						
Accounts Payable	4,854	1,088,177	1,093,031	(11,382)	622,353	610,971
Federal Employee and Benefit Payable	-	(219)	(219)	-	(889)	(889)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(159)	(492)	(651)	(126)	(186)	(312)
Financing Sources						
Imputed Cost	(2,694)	-	(2,694)	(2,253)	-	(2,253)
Total Components of Net Cost That are Not Part of Budgetary Outlays	<u>\$ (9,806)</u>	<u>\$ 1,060,364</u>	<u>\$ 1,050,558</u>	<u>\$ (12,995)</u>	<u>\$ 579,202</u>	<u>\$ 566,207</u>
Component of Budgetary Outlays That Are Not Part of Net Cost:						
Acquisition of Capital Assets	-	432	432	-	790	790
Total Component of Budgetary Outlays That Are Not Part of Net Cost	<u>\$ -</u>	<u>\$ 432</u>	<u>\$ 432</u>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 790</u>
Misc Items						
Other Temporary Timing Difference (+/-)	\$ 415	\$ -	415	\$ 369	\$ -	\$ 369
Distributed Offsetting Receipts	\$ (40,445)	\$ -	(40,445)	\$ (89,062)	\$ -	\$ (89,062)
Total Other Reconciling Items	<u>\$ (40,030)</u>	<u>\$ -</u>	<u>\$ (40,030)</u>	<u>\$ (88,693)</u>	<u>\$ -</u>	<u>\$ (88,693)</u>
Total Net Outlays			<u>\$ 2,604,405</u>			<u>\$ 2,274,991</u>
Budgetary Agency Outlays, Net (SBR 4210)						
Budgetary Agency Outlays, Net			<u>\$ 2,604,405</u>			<u>\$ 2,274,991</u>

These notes are an integral part of the financial statements.

U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund

Appendix



OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

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

Recommendations for the AFMS:

1. **Finalize and implement its Asset Forfeiture Financial Management Guide to clarify accounting requirements for Asset Forfeiture Program participants to adhere to timely data input to Consolidated Asset Tracking System, including forfeiture decisions that directly impact the recognition of revenue. (New)**

Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that the estimated issuance of the final Asset Forfeiture Management Guide is September 30, 2022 and includes requirements for participating agencies to record seized and forfeited property transactions no later than the end of the fiscal quarter.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that the AFMS has issued the final Asset Forfeiture Management Guide and it instituted requirements for participating agencies to record seized and forfeited property transactions timely.

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

Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that AFMS management will work with participating agencies to develop controls ensuring that seized and forfeited property transactions are recorded in a timely manner. AFMS management will elevate findings not confirmed or corrected by participating agencies to the appropriate agency's senior management so they may be corrected for quarter-end reports.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that AFMS's management has worked with the AFP to develop and or enhance existing controls to ensure that seized and forfeited property transactions are recorded timely and monitored by AFMS.

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

Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that AFMS management will review current internal controls review procedures, identifying

high risk areas requiring more intensive review and update review procedures. Included is the determination of an acceptable level error, detailed reviews of revenue transactions, identification of out-of-period revenue recorded in the current fiscal year and the level of misstatement in prior fiscal years.

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