

Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2026

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AUDIT DIVISION

27-009

NOVEMBER 2026

COMMENTARY AND SUMMARY

Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2026

Objectives

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

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

Audit Results

KPMG found that the AFF/SADF's financial statements are fairly presented as of and for the year ended September 30, 2026, and issued an unmodified opinion. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the AFF/SADF's operations in accordance with U.S. generally accepted accounting principles. For fiscal year (FY) 2025, the AFF/SADF also received an unmodified opinion on its financial statements (OIG Audit Division Report Number 26-013).

KPMG reported one material weakness in the Independent Auditors' Report related to controls over digital assets. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. Although management continued to make progress on its remediation efforts related to prior years' financial statement audit findings related to digital assets, the magnitude of the risk of misstatement combined with continuing and new deficiencies resulted in the material weakness. Management's remediation efforts were sufficient to close the prior years' financial statement audit deficiencies related to controls over recording and disclosing gross costs and liabilities, and controls over seized property.

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.

The AFF/SADF's annual financial statements are included within this OIG report. The OIG's memorandum transmitting the Independent Auditors' Report to the AFF/SADF management, the Independent Auditors' Report, and the OIG Analysis and Summary of Actions Necessary to Close the Audit Report are found on pages 19, 21, and 69, respectively, of the AFF/SADF's annual financial statements.

Recommendations

KPMG provided the AFF/SADF with four recommendations to improve controls over digital assets, including two new recommendations, and two updated recommendations that were originally identified in FY 2023 and FY 2025 and continued to exist in FY 2026. Management concurred with KPMG's recommendations, and its response to the recommendations can be found in the Exhibit of the Independent Auditors' Report.

KPMG also evaluated whether the AFF/SADF had taken the appropriate corrective action to address recommendations (from the prior years' financial statements audits) that remained open during this audit. The AFF/SADF had seven open prior year recommendations. The audit determined that five recommendations from the prior year were closed, and two recommendations from prior year were updated for this audit.

The following table provides the status of the recommendations. A "Resolved" status means that the AFF/SADF has agreed to implement the recommendation or has proposed actions that will address the recommendation. Corrective actions relevant to resolved recommendations will be evaluated in subsequent financial statement audits.

Fiscal Year	Recommendations	Status
FY 2026	**Recommendation No. 1:** Perform ongoing risk assessments related to the safeguarding, existence, ownership, and accuracy of digital assets including risks associated with the private key lifecycle for assets held in self-custody or by service providers. The risk assessment should include evaluating the uninterrupted and exclusive control over private keys for the entire private key lifecycle. After performing these risk assessments, management should design and implement appropriate control activities responsive to such risks to address segregation of duties and the periodic validations of asset records to the blockchain. *(New)*	Resolved
	Recommendation No. 2: Define the agreed-upon inputs (e.g., market or exchange and time of day) used to determine and record the value of the asset in the property system of record. Then, design and implement controls to validate that the correct inputs are used to estimate the value of digital assets. *(Updated)*	Resolved
	Recommendation No. 3: Design and implement monitoring controls to ensure compliance with existing policies and procedures. Effectively communicate such policies, procedures, and controls to all participating agencies in the process and establish mechanisms to hold participating agencies accountable. *(New)*	Resolved
	Recommendation No. 4. Re-evaluate risk assessments for digital assets seized in prior control environments to consider whether risks related to safeguarding, existence, ownership, and valuation have been adequately addressed considering the evolving nature of digital asset seizures and policy changes. Based on the results of the evaluation, design and implement controls to appropriately account for and maintain custody of aged digital assets and update the policies and procedures accordingly. *(Updated)*	Resolved
FY 2025	**Recommendation No. 1:** Completely implement monitoring activities over the effectiveness of existing controls to ensure expenses, including accruals, are recorded accurately. Such activities should include, at a minimum: a. Coordinating with the participating agencies to monitor the design and effectiveness of accrual controls. b. Responding to the results of such monitoring with appropriate revisions to process-level activities and controls as necessary.	Closed
	Recommendation No. 2: Enhance existing risk assessment processes to identify and respond to potential areas of increased risk in key process areas, including consideration of materiality and aggregation risk across the participating agencies and types of business events.	Closed
	Recommendation No. 3: Enhance existing financial statement preparation controls to identify and correct presentation errors in the financial statements and related note disclosures.	Closed

Fiscal Year	Recommendations	Status
FY 2025	**Recommendation No. 4:** Update and reissue its Asset Forfeiture Financial Management and Administrative Guide to more clearly define the investigative action that should be used as the seizure date for purposes of actual or constructive custody and valuation of seized property. Specifically, this should include consideration of digital assets that are direct transferred. Additionally, establish the accounting requirements for AFP participants to adhere to timely and accurate data input to the AFP's asset tracking system, including the definition of the date of seizure of assets and the timeline to obtain a professional appraisal, to enforce accountability.	Closed *(Updated by FY 2026 Recommendation No. 2 See prior page)*
	Recommendation No. 5: Develop new and/or enhance existing process controls for participating agencies and monitoring controls within the Asset Forfeiture Management Staff to ensure participating agencies accurately and timely record seizure transactions in the AFP asset system—with a supported appraisal—to enforce accountability for internal control responsibilities of responsible parties.	Closed
	Recommendation No. 7: Establish a materiality amount for non-financial measures in the financial statements and perform existing controls over valued property or design new controls specific to the presentation of firearm counts.	Closed
FY 2023	**Recommendation No. 5:** Re-evaluate aged seized digital assets to consider whether risks of misstatement related to accurate valuation, existence, and ownership of assets have been adequately addressed considering the evolving nature of digital asset seizures. Based on the results of the evaluation, design and implement processes, procedures, and controls to appropriately account for aged digital assets.	Closed *(Updated by FY 2026 Recommendation No. 4 See prior page)*

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U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund
Section I: Management's Discussion and Analysis
(Unaudited)

September 30, 2026

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 Year (FY) 2026 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, Narcotics and Forfeiture Section (MNF), Criminal Division (formerly MLARS)
*Executive Office for United States Attorneys (EOUSA) & United States Attorney's Offices (USAOs)
*United States Marshals Service (USMS)

Non-DOJ AFP Participating Agencies

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

Functions of AFP Participating Agencies

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

In FY 2026, the Money Laundering and Asset Recovery Section (MLARS) merged with Narcotics and Dangerous Drugs Section (NDDS) to become the Money Laundering, Narcotics and Forfeiture Section (MNF). Executive Office for Organized Crime Drug Enforcement Task Force (OCDETF) has been dissolved and its responsibilities realigned.

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

Strategic Goals, Major Programs, and Objectives

The Department's FYs 2026-2030 Strategic Plan provides an overarching framework for component and function-specific plans, as well as for annual performance plans, budgets, and reports. To accomplish long-term objectives the Department's current strategic plan embodies three strategic goals.

1. Keep our Country Safe and Secure
2. Uphold the Rule of Law and Protect the Rights of American Citizens
3. Modernize the Department of Justice

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

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

Financial Structure

The AFF and SADF together comprise a single financial reporting entity of the DOJ. The AFF was created by the Comprehensive Crime Control Act of 1984 as the repository of the proceeds of forfeitures under any law enforced by members of the AFP or administered by the DOJ (28 U.S.C. § 524(c)). The AFF is a special fund with no-year budget authority available until expended and is identified in the U.S. Department of the Treasury's (Treasury) Federal Account Symbols and Titles (FAST) Book 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 FY 2026, no funds were transferred from the SADF to the USVSSTF. In FY 2025, $14.2 million was transferred from the SADF to the USVSSTF.

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

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 proceeds to state and local agencies that directly participate in the law enforcement effort leading to the seizure and forfeiture of property. All funds 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* (March 2024) and *Asset Forfeiture Policy Manual* (2025), *Chapter 15: Federal Transfers 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.

Summary Financial Information

The following information highlights financial position and results of operations for the fiscal years ended September 30, 2026 and 2025. The complete set of financial statements and related notes are provided in Section II of this document.

Table 1 - Key Measures
(Dollars in Thousands)

Source	FY 2026	FY 2025	% Change
	Budgetary Resources		
Budgetary Resources	$ 5,704,705	$ 5,174,255	10.3 %
Unobligated Balance - End of Year	2,840,088	3,432,794	(17.3)%
Agency Outlays, Net	2,146,663	1,327,289	61.7 %
	Cost of Operations		
Gross Cost	$ 2,607,820	$ 1,664,597	56.7 %
Less: Earned Revenues	19,719	17,070	15.5 %
Net Cost of Operations	2,588,101	1,647,527	57.1 %
Assets:	**Balance Sheet**		
Fund Balance with Treasury	$ 2,708,669	$ 3,123,427	(13.3)%
Investments, Net	2,855,171	2,751,700	3.8 %
Cash and Other Monetary Assets	4,117,688	2,984,044	38.0 %
Forfeited Property, Net	438,412	459,609	(4.6)%
Other	78,818	14,986	425.9 %
Total Assets	$ 10,198,758	$ 9,333,766	9.3 %
Liabilities:			
Accounts Payable	$ 625,331	$ 559,555	11.8 %
Advances from Others and Deferred Revenue	438,412	459,609	(4.6)%
Seized Cash and Monetary Instruments	5,743,041	4,545,109	26.4 %
Other	7,853	6,503	20.8 %
Total Liabilities	$ 6,814,637	$ 5,570,776	22.3 %
Net Position:			
Cumulative Results of Operations	$ 3,384,121	$ 3,762,990	(10.1)%

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

Table 2 - Sources of AFF Resources *(Dollars in Thousands)*			
Source	**FY 2026**	**FY 2025**	**% Change**
Exchange Revenues	$ 19,719	$ 17,070	15.5 %
Nonexchange Revenues	337,115	372,201	(9.4)%
Donations and Forfeitures of Cash and Cash Equivalents	823,500	1,422,478	(42.1)%
Donations and Forfeitures of Property	1,412,854	534,302	164.4 %
Transfers-In/Out Without Reimbursement	(2,732)	(1,742)	56.8 %
Imputed Financing	6,696	8,081	(17.1)%
Total Assets Forfeiture Fund Resources	$ 2,597,152	$ 2,352,390	10.4 %

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

The Balance Sheet presents the resources owned or managed by the Department that have future economic benefits (assets) and the amounts owed by AFF/SADF that will require future payments (liabilities). The difference between the Department's assets and liabilities is the residual amount retained by AFF/SADF (net position) that is available for future programs and investments.

Assets: As of September 30, 2026 and 2025, total assets presented on the AFF/SADF Consolidated Balance Sheets were $10,198.8 million and $9,333.8 million, respectively, representing an increase of $865.0 million or 9.3 percent. The increase is largely driven by cash and other monetary assets which increased by 38%; from $2,984.0 million in FY 2025 to $4,117.7 million in FY 2026.

Liabilities: Total liabilities of the AFF/SADF were $6,814.6 million in FY 2026 and $5,570.8 million in FY 2025, an increase of $1,243.8 million or 22.3 percent. The increase is the result of $1,189.4 million in large case deposits into the SADF led by Alibaba Group and AUS Merchant Services $390 million, Amadea $181.7 million, and 1Malaysia Development Berhad $171.9 million. .

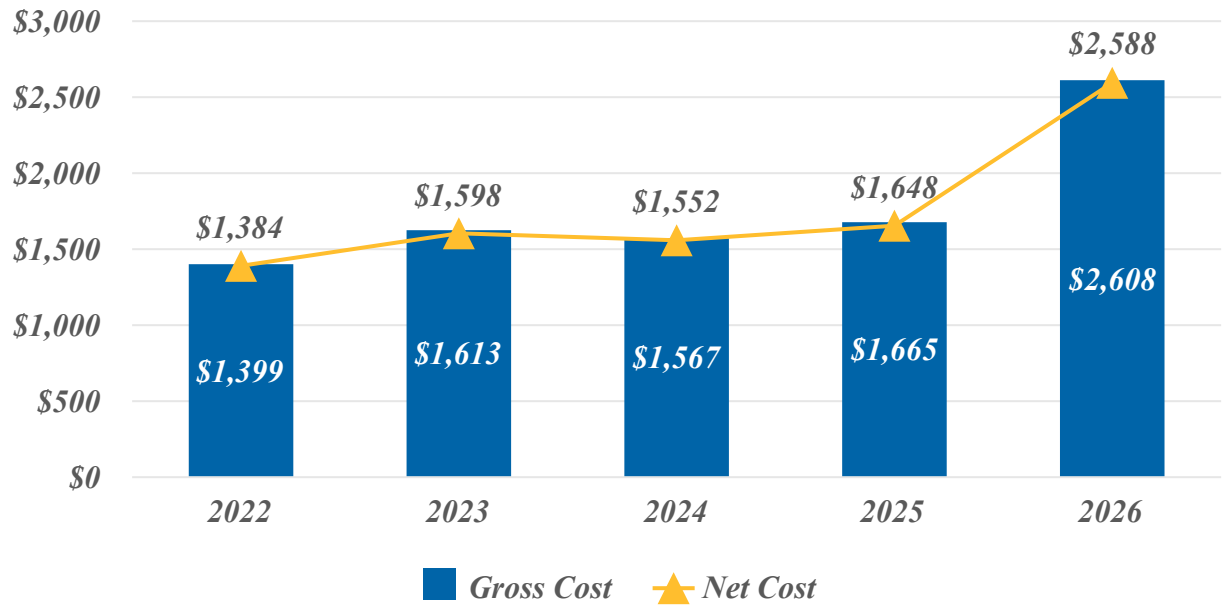
Consolidated Statements of Net Cost

As of September 30, 2026 and 2025, gross cost was $2,607.8 million and $1,664.6 million, respectively, representing an increase of $943.2 million or 56.7 percent. The increase is primarily the result of increased third-party payments made to legitimate parties who hold legal claims to forfeited or seized assets from $1,179.9 million in FY 2026 compared with $371.8 million in FY 2025. Also, CRM investigative costs leading to seizure increased by $402.9 million in FY 2026 compared with FY 2025.

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. In accordance with Federal Accounting

Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 64, *Management's Discussion and Analysis*, which rescinded and replaced SFFAS No. 15, the AFP's net cost in relation to gross cost over a five-year period is presented in Figure 1, below.

Figure 1 - AFF Net Cost
(Dollars in Millions)



Consolidated Statements of Changes in Net Position

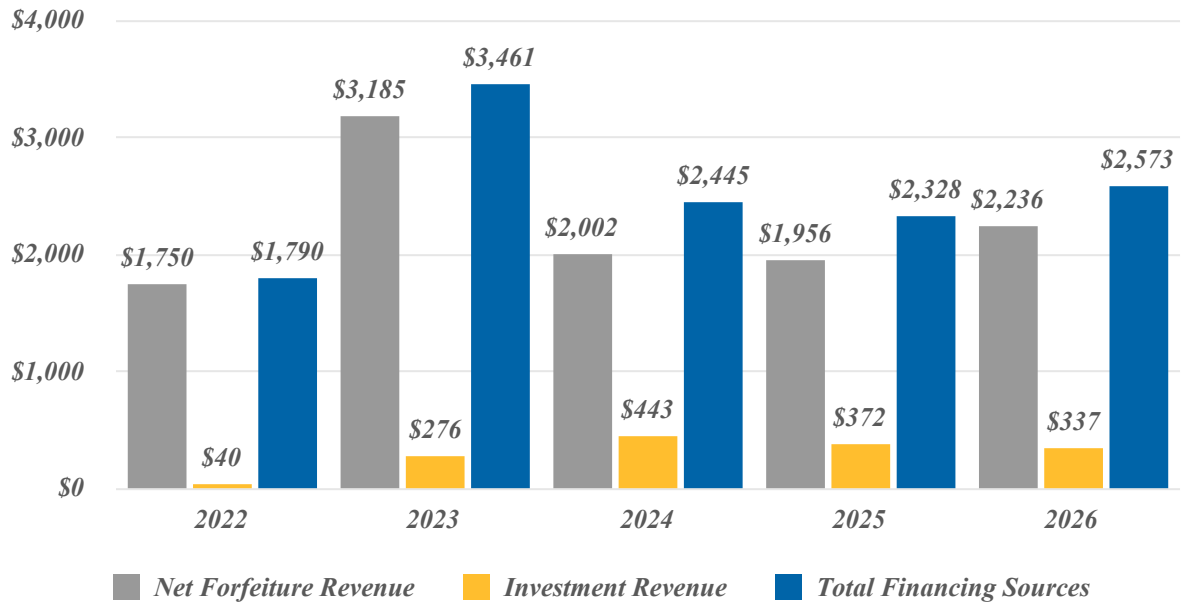
Donations and Forfeitures of Cash and Cash Equivalents and Donations and Forfeitures of Property: These two sources of AFF resources in Table 2 comprise the AFF's forfeiture revenue and consistently comprise the majority of the AFF's resources. The AFF's forfeiture revenue was $2,236.4 million in FY 2026 and $1,956.8 million in FY 2025 representing an increase of $279.6 million or 14.3 percent. The increase is largely driven by Suboxone, $129 million, and Apex Mobile Medical LLC, $67 million.

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. As of September 30, 2026 and 2025, revenue from AFF and SADF investments was $337.1 million and $372.2 million, respectively, representing a decrease of $35.1 million or 9.4 percent. The decrease relates to lower interest rates in FY 2026.

Other Adjustments: The Commerce, Justice, Science; Energy and Water Development; and Interior and Environment Appropriations Act, 2026 (P.L. 119-74) and the National Defense Authorization Act (P.L. 119-60) enacted a permanent rescission totaling $368.2 million for FY 2026 compared to $250.0 million in FY 2025, representing an increase of $118.2 million or 47.3 percent over the prior year's rescission.

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

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



Total financing sources increased by $245.0 million from FY 2025 to 2026, an increase of 9.5%. The increase is the result of the Suboxone, and Apex Mobile Medical LLC deposits to the AFF in FY 2026 of $129 million and $67 million respectively.

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. As of September 30, 2026 and 2025, Net Position totaled $3,384.1 million and $3,763.0 million, a decrease of $378.9 million or 10.1 percent.

Combined Statements of Budgetary Resources

The Statement of Budgetary Resources is prepared on a combined basis, rather than a consolidated basis, and provides information about how budgetary resources were made available as well as their status at the end of the period.

Budgetary Resources: As of September 30, 2026 and 2025, Total Budgetary Resources were $5,704.7 million and $5,174.3 million, respectively, representing an increase of $530.4 million or 10.3 percent.

In FYs 2026 and 2025 the unobligated balance brought forward from prior year budget authority was $3,506.8 million and $3,098.6 million, respectively, for an increase of $408.2 million or 13.2 percent.

The increase in both the unobligated balance from prior-year budget authority and total budgetary resources stems from a larger allocation set aside from large-case forfeitures. These funds are specifically reserved to cover pending victim petitions and equitable sharing liabilities, ensuring that capital remains available once final distributions are determined.

The AFF's appropriation is based on estimated receipts prepared in the previous fiscal year. In FYs 2026 and 2025, appropriations were $2,178.5 million and $2,045.0 million, respectively. This represents an increase of $133.5 million or 6.5 percent. The increase in appropriations is primarily driven by several significant cases, as detailed in the Case Highlights section.

Offsetting collections represent reimbursable income from the Treasury Asset Forfeiture Fund, and is lower in fiscal year 2026, $19.4 million, as compared to 2025, $30.7 million, due to changes in prior year agreements, representing a decrease of $11.3 million or 37.0 percent.

Unobligated Balance – End of Year (Total): As of September 30, 2026 and 2025 the Unobligated Balance was $2,840.1 million and $3,432.8 million, respectively, representing a $592.7 million or 17.3 percent decrease.

Outlays, Net: In FYs 2026 and 2025, net outlays were $2,501.3 million and $1,701.3 million, respectively, an increase of $800.0 million or 47.0 percent, mainly due to higher victims and third-party payments driven by the forfeiture of $627 million in FTX case.

Summary of Performance Information

Key Performance Results

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. Central to the AFP is the Consolidated Asset Tracking System (CATS) managed by AFMS.

The CATS tracks assets through the forfeiture life cycle. It generates legally required public and personal forfeiture notifications and allows for the documentation of legal claims and petitions. It is also used to generate managerial, as well as congressional and financial reports required under 28 U.S.C. § 524(c) and 18 U.S.C. § 983. This system is vital in managing the asset forfeiture process, ensuring communications between investigations and prosecutorial agencies, and upholding transparency and due process protections under the Fourth Amendment. This program is critical to tracking asset values at seizure and revenue recognized at disposal that are included in these financial statements and facilitating payments to victims of crime and law enforcement partners.

The CATS contractor maintains a performance metric measuring the availability of customer-facing production applications, with a target uptime of 99.8%. This metric establishes the acceptable level of contractor performance and supports the Asset Forfeiture Management Staff's (AFMS) objective of ensuring reliable CATS production availability. The contractor achieved the 99.8% uptime target in FY 2026. Application availability is measured during core business hours, defined as 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday, excluding federal holidays.

Significant Opportunities and Risks

Opportunity: AFP funding provides member agencies with unique flexibility to address unforeseen investigative requirements and emerging criminal threats. It also enables agencies to explore innovative technologies and implement pilot initiatives to test, validate, and refine new concepts and approaches.

Risk: Future congressional rescissions could constrain AFP funding available to support critical asset forfeiture operations, potentially limiting the program's ability to meet participating agencies' operational needs, respond to emerging threats, and address evolving mission priorities. Over the past three fiscal years, more than $1.1 billion in Asset Forfeiture Fund budgetary resources has been eliminated through permanent rescissions. If this trend of substantial annual rescissions continues, it could significantly erode the AFF's capacity to sustain critical program investments, advance modernization priorities, and provide timely financial and operational support for essential law enforcement investigations.

Case Highlights

$4.8 Million Recovered from Business Email Compromise in Dickinson Public Schools Scam:

The U.S. Attorney's Office for the District of North Dakota, in coordination with the FBI, successfully seized approximately $4.86 million that had been fraudulently obtained from Dickinson Public Schools through a business email compromise (BEC) scheme.

Cybercriminals used a BEC scheme to trick the school district into transferring funds to a fraudulent account. Authorities traced the stolen funds to a Citibank account. On March 27, 2026, the U.S. filed a civil forfeiture complaint and obtained a Warrant of Arrest in Rem to seize the funds. On April 22, 2026, Citibank transferred the funds (via check) to the U.S. Marshals Service. The DOJ seeks a final order of forfeiture judgment and will remit the funds to Dickinson Public Schools.

DOJ Secures $600 Million Resolution with Alibaba and AUS Merchant Services:

In a significant enforcement success, DOJ obtained a $600 million financial resolution from Alibaba Group Holding Limited and AUS Merchant Services, Inc. (formerly Alipay US) for failing to prevent the sale and importation of illegal pharmaceuticals, controlled substances, listed chemicals, and pharmaceutical counterfeiting equipment into the U.S. through Alibaba's e-commerce platforms. DOJ, working with multiple federal law enforcement partners, conducted a lengthy investigation that found Alibaba failed to prevent approximately 80,000 illegal transactions. Federal investigators also conducted more than 40 undercover purchases to document unlawful activity.

DOJ negotiated non-prosecution agreements which required Alibaba and AUS to accept responsibility for the conduct, forfeit proceeds, pay criminal penalties, and implement enhanced compliance controls. The resolution included substantial forfeiture recoveries. Alibaba agreed to forfeit $200 million and pay a criminal monetary penalty of $125 million and AUS agreed to forfeit $190 million and pay a criminal monetary penalty of $85 million. The combined resolution totaled $600 million, making it the largest monetary settlement in the history of the District of Rhode Island. Of the $600 million noted above, $390 million in seized proceeds is being held in the Seized Asset Deposit Fund pending final forfeiture to the Assets Forfeiture Fund, while the $210 million in criminal monetary penalties was paid separately to other funds based on the terms of the agreement.

The forfeiture action complemented the broader criminal resolution by helping dismantle a channel used to distribute illegal pharmaceuticals and pharmaceutical manufacturing equipment into the U.S. market.

Cryptocurrency Recovery and Victim Compensation:

The U.S. Attorney's Office for the Southern District of Georgia successfully leveraged civil asset forfeiture authorities to recover and return stolen cryptocurrency proceeds to a fraud victim, demonstrating effective use of asset recovery and victim compensation.

A Georgia resident experienced unauthorized transactions resulting in approximately $124,000 in stolen cryptocurrency from a personal digital wallet. The FBI conducted a financial investigation, tracing the flow of stolen cryptocurrency across accounts and jurisdictions, including links to overseas actors, including Cambodia. Law enforcement identified and seized the majority of the stolen assets in a timely manner. Through a civil forfeiture action, the U.S. forfeited, liquidated, and returned approximately $84,327.50 in cryptocurrency proceeds to the victim.

Analysis of Systems, Controls, and Legal Compliance

Management Assurance

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

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

Federal Managers' Financial Integrity Act of 1982

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

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

FMFIA Assurance Statement

AFMS provided assurance that internal controls over financial reporting were effective, except for the material weakness related to internal controls over digital assets. AFMS management is committed to sound financial management principles and will work in FY 2027 to strengthen controls areas identified through internal review activities and by the Office of Inspector General.

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 2026, 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 2026 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**
Financial Reporting: Improvements needed in internal controls over digital assets	0	1	0	1
Total Material Weaknesses	**0**	**1**	**0**	**1**

Effectiveness of Internal Control over Operations (FMFIA § 2)				
Statement of Assurance	Unmodified			
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Ending Balance**
None	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)				
Statement of Assurance	Modified			
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Ending Balance**
Financial Reporting: Improvements needed in internal controls over digital assets	0	1	0	1
Total Material Weaknesses	**0**	**1**	**0**	**1**
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

Internal Controls Over Digital Assets

During the current-year financial statement audit, auditors identified deficiencies in internal controls related to digital asset revaluation; monitoring of third-party digital asset custodians; periodic validation of the existence and ownership of digital assets; documentation of cryptocurrency seizures; disposition of digital assets; and safeguarding of digital assets. Management continues to address these deficiencies through risk-based corrective action plans designed to mitigate identified risks, strengthen internal controls, and enhance the overall control environment for digital assets. In addition, AFMS plans to work with participating agencies to develop and implement processes for monitoring, validating, revaluing, disposing of, and safeguarding digital assets.

For additional information on the auditors' findings and management's corrective actions, see the Independent Auditors' Report section of this report.

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 2026 identified no instances of noncompliance which are material to the Department's systems of internal control or financial statements.

Limitations of the Financial Statements

- The financial statements have been prepared to report the financial position and results of operations of the AFF/SADF, pursuant to the requirements of 31 U.S.C. § 3515(b).

- While the statements have been prepared from the books and records of the AFF/SADF in accordance with U.S. generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

U.S. Department of Justice

Assets Forfeiture Fund and Seized Asset Deposit Fund
Office of the Inspector General Transmittal Memo and
Independent Auditors' Report

November 12, 2026

Memorandum For: Jolene A. Lauria
Assistant Attorney General for Administration
Justice Management Division



From: Don R. Berthiaume
Inspector General

Subject: Independent Auditors' Report on the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements, Fiscal Year 2026

The Civil Asset Forfeiture Reform Act of 2000 requires the Department of Justice (Department) Inspector General, or an independent external auditor as determined by the Inspector General, to audit the Assets Forfeiture Fund and Seized Asset Deposit Fund's (AFF/SADF) financial statements.

The Office of the Inspector General (OIG) contracted with the independent public accounting firm KPMG LLP (KPMG) to audit the financial statements of the AFF/SADF as of and for the fiscal years ended September 30, 2026, and 2025. The contract required that the audit be performed in accordance with Government Auditing Standards and Office of Management and Budget audit guidance.

In its audit of the AFF/SADF's financial statements, KPMG reported:

- The financial statements are fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles.
- One material weakness was reported in internal controls over financial reporting.
- No instances of non-compliance or other matters.
- No instances in which the AFF/SADF's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).

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 12, 2026, and the conclusions expressed in the report. Our review disclosed no instances where KPMG did not comply, in all material respects, with Government Auditing Standards.

Attachment

cc: Christopher C. Alvarez
Deputy Assistant Attorney General
Controller
Justice Management Division

Peter Maxey
Director
Asset Forfeiture Management Staff
Justice Management Division

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

Independent Auditors' Report

Inspector General
U.S. Department of Justice

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the U.S. Department of Justice Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF), which comprise the consolidated balance sheets as of September 30, 2026 and 2025, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the AFF/SADF as of September 30, 2026 and 2025, and its net cost, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the AFF/SADF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of

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

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02, we:

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual financial statements. The other information comprises the Office of the Inspector General Transmittal Memorandum, Commentary and Summary, Table of Contents, and Appendix but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2026, 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*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibit, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Exhibit to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AFF/SADF's consolidated financial statements as of and for the year ended September 30, 2026 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

We also performed tests of the AFF/SADF's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the AFF/SADF's financial management systems did not substantially

comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Management's Response to Findings

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

KPMG LLP

Washington, DC
November 13, 2026

Exhibit

Material Weakness

This section contains our discussion of the area of material weaknesses identified in internal control over financial reporting.

Improvements Needed in Internal Controls Over Digital Assets

Digital assets make up 61 percent of total seized and forfeited assets held by the AFF/SADF as of September 30, 2026. Balances have increased 494 percent from September 30, 2025 to September 30, 2026, representing a significant increase in balances seized and held by participating agencies and service providers. Digital assets carry unique risks that require robust controls to prevent loss, theft, or unauthorized access to private keys. The private key is a secure, confidential, cryptographic password that grants its holder exclusive ownership and authorization to access, manage, and transfer their digital assets. In addition to private key risks, certain digital asset values can fluctuate significantly and require clear controls and policies for accurate valuation.

Asset Forfeiture Management Staff (AFMS), and multiple participating agencies, continued to make progress on the remediation efforts related to previous financial statement audit findings through implementation of controls and policies over the safeguarding, existence, accuracy, ownership, and valuation of digital assets. However, we identified continuing and new deficiencies in the controls over digital assets.

Private Key Lifecyle and Periodic Custody Validation

Management did not effectively perform controls when generating a subset of private keys. Additionally, safeguarding controls did not operate effectively to prevent misappropriation. Separately, transaction approval controls for a small subset of assets held by a service provider were not enabled for the full year.

Management also did not design and implement controls to validate existence, accuracy, and ownership of a subset of assets by periodically reconciling asset records to asset balances on the relevant blockchain.

Valuation

Controls over the valuation of seized and forfeited digital assets were not designed consistently for participating agencies. Specifically, the Justice Management Division (JMD) has not established a departmental approach to estimating market value by defining acceptable valuation inputs such as the market or exchange and the time of day used for valuation.

Additionally, existing controls over the date used to determine value were not operating effectively. Specifically, certain forfeited assets were not revalued at forfeiture, and a different subset of seized assets were valued at a date other than the seizure date.

Separate from the issues discussed above, management has performed remediation for certain deficiencies related to safeguarding and valuation that existed in prior years. However, management did not analyze whether risks from the prior years' deficient controls needed a response in the current year. For example, assets held in digital wallets created in prior years that are not compliant with current controls may be at greater risk of loss or theft. Similarly, assets valued at an incorrect seizure date in prior years continued to have misstated values in the current year.

The above conditions existed because management and the participating agencies did not:

- Identify and respond to new and existing risks posed by seizing and holding digital assets;
- Formally develop and document controls through policies and procedures;
- Monitor that responsible parties implemented and were held accountable to perform existing control activities;
- Effectively communicate internal control responsibilities; and
- Remediate prior year findings timely.

These conditions increase the likelihood that management will not prevent, or detect and correct, material misstatements in the financial statements on a timely basis. Inconsistent valuation policies can result in different values being recorded for substantially similar transactions or at different values than required by the accounting standards.

As a result of the deficiencies, we identified the following in Note 7, *Forfeited and Seized Property, Net*, *Seized Digital Assets*:

- The Beginning Balance of Seized Digital Assets was overstated by a likely net amount of $35.2 million and adjustments were understated by $35.2 million.
- Current year Seizures were overstated by a likely amount of $24.1 million, which was offset by a likely understatement of $16.4 million. Management made corrections with a remaining understatement of $6.5 million and overstatement of $13.6 million.
- $47.7 million of digital assets were misappropriated from a service provider. The impact is disclosed in the Seized and Forfeited Adjustments column.

Additionally, current year Forfeitures were understated by $4.1 million in Note 7, *Forfeited and Seized Property, Net Forfeited Digital Assets*, that was corrected by management.

Criteria:

The U.S. Government Accountability Office - *Standards for Internal Control in the Federal Government* ("Green Book") provides standards for management's responsibilities for internal control. Specific relevant principles include: 5 – Enforce Accountability, 7 – Identify, Analyze, and Respond to Risk; 9 – Identify, Analyze, and Respond to Change; 10 – Design Control Activities; 12 - Implement Control Activities; 14 – Communicate Internally; 16 – Perform Monitoring Activities; 17 – Evaluate Issues and Remediate Deficiencies.

The Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 3 – *Accounting for Inventory and Related Property* and FASAB Technical Bulletin (TB) 2024-01 – *Seized and Forfeited Digital Assets.* SFFAS 3 provides guidance on the reporting and valuation of seized property. TB 2024-01 provides guidance specific to digital assets.

Investigative agency guides and standards on investigations such as the Federal Bureau of Investigation *Domestic Investigations and Operations Guide*.

Recommendations:

We recommend that the Asset Forfeiture Management Staff, in coordination with participating agencies:

1. Perform ongoing risk assessments related to the safeguarding, existence, ownership, and accuracy of digital assets including risks associated with the private key lifecycle for assets held in self-custody or by service providers. The risk assessment should include evaluating the uninterrupted and exclusive control over private keys for the entire private key lifecycle. After performing these risk assessments, management should design and implement appropriate control activities responsive to such risks to address segregation of duties and the periodic validations of asset records to the blockchain.

Management Response: Management concurs with the recommendation. DOJ/AFMS will perform risk assessments as identified and will begin the implementation of processes and system improvements to address private key lifecycle management and digital asset inventory and valuation management. In the near term, management will focus on implementing new manual processes to minimize the risks associated with private key management and digital asset inventory management.

2. Define the agreed-upon inputs (e.g., market or exchange and time of day) used to determine and record the value of the asset in the property system of record. Then, design and implement controls to validate that the correct inputs are used to estimate the value of digital assets.

Management Response: Management concurs with the recommendation. DOJ/AFMS is in the process of issuing and implementing a consolidated digital asset valuation policy across the Department.

3. Design and implement monitoring controls to ensure compliance with existing policies and procedures. Effectively communicate such policies, procedures, and controls to all participating agencies in the process and establish mechanisms to hold participating agencies accountable.

Management Response: Management concurs with the recommendation. DOJ/AFMS will begin the implementation of processes and system improvements to address these concerns in the long term. These processes and systems will facilitate controls and ensure compliance. In addition, DOJ/AFMS will coordinate all policies, procedures and controls for all participating agencies to ensure consistency of process and establish a mechanism to hold agencies accountable.

4. Re-evaluate risk assessments for digital assets seized in prior control environments to consider whether risks related to safeguarding, existence, ownership, and valuation have been adequately addressed considering the evolving nature of digital asset seizures and policy changes. Based on the results of the evaluation, design and implement controls to appropriately account for and maintain custody of aged digital assets and update the policies and procedures accordingly.

Management's Response: Management concurs with the recommendation. DOJ/AFMS will re-evaluate the risks identified above and will begin the implementation of controls, processes, and system improvements needed to address any concerns identified.

U.S. Department of Justice

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

September 30, 2026

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Balance Sheet
As of September 30, 2026 and 2025

Dollars in Thousands	2026	2025
ASSETS (Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 2,708,669	$ 3,123,427
Investments, Net (Note 5)	2,855,171	2,751,700
Accounts Receivable, Net (Note 6)	7,816	11,586
Advances and Prepayments	519	564
Total Intragovernmental Assets	$ 5,572,175	$ 5,887,277
Other than Intragovernmental Assets:		
Cash and Other Monetary Assets (Note 4)	$ 4,117,688	$ 2,984,044
Accounts Receivable, Net (Note 6)	49,262	9
Inventory and Related Property, Net:		
Forfeited Property, Net (Note 7)	438,412	459,609
Property, Plant and Equipment, Net (Note 8)	12,629	722
Advances and Prepayments	8,591	2,104
Other Assets (Note 9)	1	1
Total Other than Intragovernmental Assets	$ 4,626,583	$ 3,446,489
Total Assets	**$10,198,758**	**$ 9,333,766**
LIABILITIES (Note 10)		
Intragovernmental Liabilities		
Accounts Payable	$ 78,747	$ 50,996
Other Liabilities (Note 14)	2,989	1,834
Total Intragovernmental Liabilities	$ 81,736	$ 52,830
Other than Intragovernmental Liabilities		
Accounts Payable	$ 546,584	$ 508,559
Federal Employee Salary, Leave and Benefits Payable (Note 13)	4,852	4,650
Advances from Others and Deferred Revenue	438,412	459,609
Other Liabilities:		
Seized Cash and Monetary Instruments (Note 12)	5,743,041	4,545,109
Other (Note 14)	12	19
Total Other than Intragovernmental Liabilities	$ 6,732,901	$ 5,517,946
Total Liabilities	**$ 6,814,637**	**$ 5,570,776**
Commitments and Contingencies (Note 15)		
NET POSITION		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 16)	$ 3,384,121	$ 3,762,990
Total Cumulative Results of Operations	**$ 3,384,121**	**$ 3,762,990**
Total Net Position	**$ 3,384,121**	**$ 3,762,990**
Total Liabilities and Net Position	**$10,198,758**	**$ 9,333,766**

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, 2026 and 2025

Dollars in Thousands	2026	2025
Major Program 1: Law Enforcement		
Gross Cost	$ 2,607,820	$ 1,664,597
Less: Earned Revenues	19,719	17,070
Total Net Cost of Operations (Note 17)	$ 2,588,101	$ 1,647,527

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, 2026 and 2025

Dollars in Thousands	2026	2025
	Funds from Dedicated Collections	Funds from Dedicated Collections
Cumulative Results of Operations		
Beginning Balances	**$ 3,762,990**	**$ 3,325,197**
Other Adjustments	(368,201)	(250,000)
Nonexchange Revenue	337,115	372,201
Donations and Forfeitures of Cash and Cash Equivalents	823,500	1,422,478
Transfers-In/(Out) Without Reimbursement	(2,732)	(1,742)
Donations and Forfeitures of Property	1,412,854	534,302
Imputed Financing (Note 18)	6,696	8,081
Net Cost of Operations	**(2,588,101)**	**(1,647,527)**
Net Change in Cumulative Results of Operations	**(378,869)**	**437,793**
Total Cumulative Results of Operations	**$ 3,384,121**	**$ 3,762,990**
Net Position	**$ 3,384,121**	**$ 3,762,990**

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, 2026 and 2025

Dollars in Thousands	2026	2025
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 19)	$ 3,506,825	$ 3,098,558
Appropriations (Discretionary and Mandatory)	2,178,526	2,044,985
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	19,354	30,712
Total Budgetary Resources	**$ 5,704,705**	**$ 5,174,255**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 2,864,617	$ 1,741,461
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	2,840,088	2,606,608
Unapportioned, Unexpired Accounts	—	826,186
Unexpired Unobligated Balance, End of Year	2,840,088	3,432,794
Unobligated Balance - End of Year (Total)	2,840,088	3,432,794
Total Status of Budgetary Resources	**$ 5,704,705**	**$ 5,174,255**
Outlays, Net		
Outlays, Net (Total) (Discretionary and Mandatory)	$ 2,501,333	$ 1,701,258
Less: Distributed Offsetting Receipts	354,670	373,969
Agency Outlays, Net (Discretionary and Mandatory)	**$ 2,146,663**	**$ 1,327,289**

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

The AFF and SADF are managed by the Asset Forfeiture Management Staff (AFMS), which is a part of the Justice Management Division (JMD). The Money Laundering, Narcotics and Forfeiture Section (MNF), 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 than Intragovernmental 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 Liabilities.

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 2026 and 2025, and as such, intra-entity transactions have not been eliminated**.**

The FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 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 2026, the AFF/SADF did not identify any disclosure entity or related party relationships that meet the disclosure requirements of SFFAS No. 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, accounts receivable, and investments of seized cash that are not available to fund the operations of the AFP. Furthermore, all assets held within the SADF are classified as non-entity assets.

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

Note 1. Summary of Significant Accounting Policies (continued)

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 Sheets 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. The nonexchange revenue reported on the Statement of Changes in Net Position relates to revenue from investments in federal 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 DOJ AFP. Claims with other federal agencies are resolved in accordance with the business rules published in Appendix 8 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700. Additionally, based on past experience in the collection of TEOAF outstanding balances, receivables arising from services provided to the TEOAF are considered fully collectible, and no allowance for uncollectible accounts is established.

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

I. Property, Plant and Equipment

Pursuant to SFFAS No. 6, *Accounting for Property, Plant, and Equipment,* No. 10, *Accounting for Internal Use Software,* and No. 54, *Leases* capitalization thresholds are presented below:

Type of Property	Capitalization Threshold
Real Property	$1,000
Personal Property	$100
Internal Use Software	$5,000
Leases	$500

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.

Note 1. Summary of Significant Accounting Policies (continued)

J. Leases

A lease is a contract or agreement where the lessor conveys the right to control the use of property, plant, and equipment to the lessee for a specified period of time. The right to control the use of underlying assets gives the lessee the right to obtain economic benefits or services from the use of the underlying asset, and the right to control access to the economic benefits or services of the underlying asset.

SFFAS No. 54, *Leases*, requires federal lessees to recognize a lease liability and a lease asset at the commencement of the lease term, unless it is immaterial or meets the definition of a non-intragovernmental short-term lease, contract or agreement that transfers ownership, or intragovernmental lease. DOJ has elected to adopt *SFFAS No. 62, Transitional Amendment to SFFAS No. 54* through the end of the accommodation period September 30, 2026; for leases containing both lease and non-lease components that are primarily non-lease. After review of current contracts and agreements, management determined AFF/SADF as a reporting entity does not currently have contracts or agreements that meet the definition of right-to-use lease assets pursuant to SFFAS No. 54.

DOJ Policy Statement 1404.05 requires the Department and its components to review their lease portfolios annually for new lease activity, terminations, or modifications that would result in remeasurement. AFF does however engage in intragovernmental lessee arrangements through the General Services Administration (GSA) and reports the current year lease expenses in Note 11, Leases.

K. 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 Intragovernmental Assets on the Balance Sheet. Likewise, advances and prepayments to state and local agencies are classified as Other than Intragovernmental Assets on the Balance Sheet.

Note 1. Summary of Significant Accounting Policies (continued)

L. Forfeited and Seized Property

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

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

Forfeited property is property for which title has passed to the U.S. Government. This property is recorded at the estimated market value at the time of forfeiture and is adjusted at the time of disposal, or as needed by AFP management. The value of forfeited property net of liens is reported on the Balance Sheet as assets. The amount ultimately realized from the forfeiture and disposition of these assets could differ from the amounts initially reported. The proceeds from the sale of forfeited property are deposited in the AFF.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

M. Digital Assets

Only central bank digital currencies are considered monetary instruments. All other digital assets refer to cryptocurrencies (e.g., Bitcoins, Ethereum, etc.), stablecoins, Non-Fungible Tokens (NFT), and are considered non-monetary instruments. DOJ primarily encounters digital assets through seizure and forfeitures activities of the law enforcement components and the AFP. DOJ records digital assets at market value at the point of seizure and records the seized value in Note 7, Forfeited and Seized Property, Net. Once an order of forfeiture is obtained and prior to liquidation, forfeited values would be included on the Balance Sheet as assets with offsetting liabilities.

Once digital assets are liquidated, proceeds from the sale are recorded as forfeiture revenue and are presented on the Statement of Changes in Net Position as Donations and Forfeitures of Property.

In accordance with Executive Order 14233, *Establishment of the Strategic Bitcoin Reserve and United States Digital Asset Stockpile*, the Department is holding forfeited digital assets for sale pending transfer to the Strategic Bitcoin Reserve or United States Digital Asset Stockpile. There are limited exceptions where disposal occurs pursuant to Section 3(d) of the Executive Order.

N. 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 other DOJ components. 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.

O. 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 15, 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”.

Note 1. Summary of Significant Accounting Policies (continued)

P. 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.

Q. 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.

R. Retirement Plan

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

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

2) Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).

    a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The Department contributes 18.4% of the gross pay for regular employees and 38.2% for law enforcement officers.
    b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The Department contributes 16.5% of the gross pay for regular employees and 36.4% for law enforcement officers.
    c. Employees hired January 1, 2014 or later are covered by the Federal Employees System-Further Revised Annuity Employees (FERS-FRAE). The Department contributes 16.5% of the gross pay for regular employees and 36.4% for law enforcement officers.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

SFFAS No. *5*, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 18, Imputed Financing, for more details.

S. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the Federal Government. Costs and earned revenues other than intragovernmental represent exchange transactions made between the reporting entity and a non-Federal entity. The classification of revenue or cost as "intragovernmental" or "other than intragovernmental" is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the Federal Government to prepare consolidated financial statements.

T. Revenues and Other Financing Sources

The funds in the AFF are derived primarily from non-exchange revenues and are presented on the Consolidated Statements of Changes in Net Position. Financing sources include interest earned on investments and Donations and Forfeitures of Cash and Cash Equivalents, which includes forfeited cash and payments received on judgments. Financing sources also include Donations and Forfeitures of Property, which include proceeds from the sale of forfeited property (or conversion of deferred revenue to realized revenue through sale), receipt of payments in lieu of property forfeiture, recovery of asset management expenses, and financing sources from judgments. These financing sources are recognized when cash is forfeited or when forfeited property is sold, placed into official use, or transferred to another Federal agency. The financing sources from legal judgments are not recognized until the judgment has been enforced. In accordance with 28 U.S.C. § 524 and AFMS Memorandums of Understanding, donations and forfeitures available for use by certain Federal Agencies are treated as returns of financing sources when their final disposition is determined. Deferred revenue is recorded when property is forfeited. When the property is sold or otherwise disposed, the deferred revenue becomes earned and a financing source is recognized.

Note 1. Summary of Significant Accounting Policies (continued)

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

U. 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. Funds from Dedicated Collections (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 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.

V. 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.

Note 1. Summary of Significant Accounting Policies (continued)

W. 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.

X. Subsequent Events

Subsequent events and transactions occurring after September 30, 2026 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. No changes were necessary for proper presentation of the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

Y. Classified Activities

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

Z. Standards Implemented - Change in Accounting Principle

In 2026, the Department implemented SFFAS No. 64, *Management's Discussion and Analysis*, which rescinded and replaced SFFAS No. 15. The new standard improved Federal guidance by providing a concise set of principle-based reporting standards and guiding management in the preparation of a balanced, concise, integrated, and understandable Management's Discussion and Analysis.

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, 2026 and 2025

	2026	2025
Intragovernmental Assets		
Investments (Note 5)	1,580,000	1,580,000
Other than Intragovernmental Assets		
Cash and Other Monetary Assets (Note 4)	4,117,688	2,984,044
Accounts Receivable, Net (Note 6)	49,262	—
Total Other than Intragovernmental	4,166,950	2,984,044
Total Non-Entity Assets	5,746,950	4,564,044
Total Entity Assets	4,451,808	4,769,722
Total Assets	$ 10,198,758	$ 9,333,766

Note 3. Fund Balance with Treasury

As of September 30, 2026 and 2025

	2026	2025
Status of Fund Balances With Treasury		
Unobligated Balance - Available	2,840,088	2,606,608
Unobligated Balance - Unavailable	—	826,186
Obligated Balance not yet Disbursed	949,530	679,632
Budgetary Resources from Invested Balances	(1,080,949)	(988,999)
Total Status of Fund Balances	$ 2,708,669	$ 3,123,427

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, 2026 and 2025

	2026	2025
Cash		
Seized Cash Deposited	4,104,032	2,969,488
Other Monetary Assets		
Seized Monetary Instruments	13,656	14,556
Total Cash and Other Monetary Assets	$ 4,117,688	$ 2,984,044

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.

Note 5. Investments, Net (continued)

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

	Cost/ Acquisition Value	Amortization Method	Amortized (Premium) Discount	Investments, Net	Market Value Disclosure
As of September 30, 2026					
Intragovernmental Securities					
Non-Marketable: Market Based					
AFF	$ 1,226,272	Straight-Line	48,899	$ 1,275,171	$ 1,245,419
SADF	1,580,000	Straight-Line	—	1,580,000	1,605,052
Total	$ 2,806,272		$ 48,899	$ 2,855,171	$ 2,850,471
As of September 30, 2025					
Intragovernmental Securities					
Non-Marketable: Market Based					
AFF	1,118,639	Straight-Line	53,061	$ 1,171,700	1,141,739
SADF	1,580,000	Straight-Line	—	1,580,000	1,613,099
Total	$ 2,698,639		$ 53,061	$ 2,751,700	$ 2,754,838

Note 6. Accounts Receivable, Net

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

As of September 30, 2026 and 2025

	2026	2025
Intragovernmental Accounts Receivable	$ 7,816	$ 11,586
Other than Intragovernmental Accounts Receivable	49,262	9
Total Accounts Receivable, Net	$ 57,078	$ 11,595

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 $233,216 on September 30, 2026 and $255,176 on September 30, 2025, a decrease of $21,960 or 8.6 percent.

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, 2026 and 2025.

Analysis of Changes in Forfeited Property - For the Fiscal Year Ended September 30, 2026

Forfeited Property Category		Beginning Balance	Adjustments (1)(2)	Forfeitures (2)	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	230	471	565	(1,016)	250	—	250
	Value	$ 141,207	$ 12,628	$ 442,359	$ (582,978)	$ 13,216	$ (87)	$ 13,129
Digital Assets	Number	365	(1)	325	(203)	486	—	486
	Value	$ 217,422	$ 1,953	$ 242,188	$ (173,757)	$ 287,806	$ (886)	$ 286,920
Real Property	Number	88	5	210	(178)	125	—	125
	Value	$ 57,134	$ (656)	$ 140,485	$ (99,933)	$ 97,030	$ (1,415)	$ 95,615
Personal Property	Number	4,705	(196)	2,891	(2,663)	4,737	—	4,737
	Value	$ 44,876	$ (45)	$ 44,330	$ (46,296)	$ 42,865	$ (117)	$ 42,748
Non-Valued Firearms	Number	60,225	29	26,220	(20,090)	66,384	—	66,384
Total	Number	65,613	308	30,211	(24,150)	71,982	—	71,982
	Value	$ 460,639	$ 13,880	$ 869,362	$ (902,964)	$ 440,917	$ (2,505)	$ 438,412

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

(2) During Fiscal Year 2026, a breach resulted in the misappropriation of fifty-one (51) virtual currency assets, all of which are contractually insured. The 9 impacted forfeited assets had an estimated value of $1 million as of the date of forfeiture. A receivable has been recorded reflecting the value of these assets the Department anticipates recovering from the vendor because these assets are contractually insured. The payment from the vendor will be entered as cash in lieu of the original asset upon receipt, with the value added to the adjustments column in the Analysis of Changes in Forfeited Property table for the fiscal year in which the cash payment is received. Therefore, the digital assets adjustments column includes a reduction of 4 assets with a value of $7 thousand to account for impacted assets forfeited in prior fiscal years and the forfeitures column has been reduced by 5 assets and $983 thousand to account for impacted assets forfeited in Fiscal Year 2026.

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

Methods of Disposition of Forfeited Property - For the Fiscal Year Ended September 30, 2026

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	969	8	31	—	5	2	1,015
	Value	$ 532,062	$ 3	$ 50,899	$ —	$ 14	$ —	$ 582,978
Digital Assets	Number	—	3	193	—	8	—	204
	Value	$ —	$ 4	$ 172,409	$ —	$ 1,344	$ —	$ 173,757
Real Property	Number	—	1	172	—	5	—	178
	Value	$ —	$ 30	$ 95,995	$ —	$ 3,908	$ —	$ 99,933
Personal Property	Number	—	936	1,578	61	88	—	2,663
	Value	$ —	$ 507	$ 42,206	$ 1,587	$ 1,996	$ —	$ 46,296
Non-Valued Firearms	Number	—	19,003	—	437	650	—	20,090
Total	Number	969	19,951	1,974	498	756	2	24,150
	Value	$ 532,062	$ 544	$ 361,509	$ 1,587	$ 7,262	$ —	$ 902,964

(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 20, 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 20, Donations and Forfeitures, represents the proceeds realized upon disposition.

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

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

Analysis of Changes in Forfeited Property - For the Fiscal Year Ended September 30, 2025

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	223	384	596	(973)	230	—	230
	Value	$ 14,124	$ 1,703	$ 235,307	$ (109,927)	$ 141,207	$ —	$ 141,207
Digital Assets	Number	225	(40)	439	(259)	365	—	365
	Value	$ 184,733	$ (6,283)	$ 323,800	$ (284,828)	$ 217,422	$ (822)	$ 216,600
Real Property	Number	85	(3)	174	(168)	88	—	88
	Value	$ 82,768	$ (14,060)	$ 96,793	$ (108,367)	$ 57,134	$ (58)	$ 57,076
Personal Property	Number	4,660	(377)	3,052	(2,630)	4,705	—	4,705
	Value	$ 51,465	$ (8,557)	$ 64,833	$ (62,865)	$ 44,876	$ (150)	$ 44,726
Non-Valued Firearms	Number	65,044	(226)	18,594	(23,187)	60,225	—	60,225
Total	Number	70,237	(262)	22,855	(27,217)	65,613	—	65,613
	Value	$ 333,090	$ (27,197)	$ 720,733	$ (565,987)	$ 460,639	$ (1,030)	$ 459,609

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

Methods of Disposition of Forfeited Property - For the Fiscal Year Ended September 30, 2025

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	914	17	35	—	3	4	973
	Value	$ 101,402	$ 10	$ 8,447	$ —	$ 68	$ —	$ 109,927
Digital Assets	Number	—	—	231	—	28	—	259
	Value	$ —	$ —	$ 253,464	$ —	$ 31,364	$ —	$ 284,828
Real Property	Number	—	—	160	—	8	—	168
	Value	$ —	$ —	$ 102,464	$ —	$ 5,903	$ —	$ 108,367
Personal Property	Number	—	872	1,568	74	116	—	2,630
	Value	$ —	$ 730	$ 44,358	$ 1,567	$ 16,210	$ —	$ 62,865
Non-Valued Firearms	Number	—	22,642	—	48	497	—	23,187
Total	Number	914	23,531	1,994	122	652	4	27,217
	Value	$ 101,402	$ 740	$ 408,733	$ 1,567	$ 53,545	$ —	$ 565,987

(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 20, 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 20, Donations and Forfeitures, represents the proceeds realized upon disposition.

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

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

B. Seized Property

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

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

The following tables show the analysis of changes in and methods of disposition of property seized for forfeiture during the fiscal years ended September 30, 2026 and 2025. 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.

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

Analysis of Changes in Seized Property - For the Fiscal Year Ended September 30, 2026

Seized Property Category		Beginning Balance	Adjustments (1)(2)	Seizures (2)	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized Cash and Monetary Instruments	Number	19,100	259	6,558	(9,831)	16,086	—	16,086
	Value	$4,564,044	$ 200,347	$ 1,660,591	$ (727,294)	$ 5,697,688	$(2,090,748)	$ 3,606,940
Financial Instruments	Number	480	(44)	484	(355)	565	—	565
	Value	$ 523,688	$ 53,243	$ 266,021	$ (470,612)	$ 372,340	$ (55,812)	$ 316,528
Digital Assets	Number	1,661	(24)	793	(343)	2,087	—	2,087
	Value	$1,872,153	$ 16,268	$ 8,392,344	$ (244,360)	$10,036,405	$(3,012,583)	$ 7,023,822
Real Property	Number	43	(11)	44	(29)	47	—	47
	Value	$ 58,601	$ (12,784)	$ 54,820	$ (49,958)	$ 50,679	$ (23,456)	$ 27,223
Personal Property	Number	7,342	591	3,650	(3,568)	8,015	—	8,015
	Value	$ 327,060	$ (127,860)	$ 208,709	$ (69,924)	$ 337,985	$ (83,431)	$ 254,554
Non-Valued Firearms	Number	50,135	2,302	25,664	(27,657)	50,444	—	50,444
Total	Number	78,761	3,073	37,193	(41,783)	77,244	—	77,244
	Value	$7,345,546	$ 129,214	$10,582,485	$(1,562,148)	$16,495,097	$(5,266,030)	$11,229,067

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

(2) During Fiscal Year 2026, a breach resulted in the misappropriation of fifty-one (51) virtual currency assets, all of which are contractually insured. The 42 impacted seized assets had an estimated value of $46 million as of the date of seizure. A receivable has been recorded reflecting the value of these assets the Department anticipates recovering from the vendor because these assets are contractually insured. The payment from the vendor will be entered as cash in lieu of the original asset upon receipt, with the value added to the adjustments column in the Analysis of Changes in Seized Property table for the fiscal year in which the cash payment is received. Therefore, the digital assets adjustments column includes a reduction of 28 assets with a value of $44 million to account for impacted assets seized in prior fiscal years and the seizure column has been reduced by 14 assets and $2 million account for impacted assets seized in Fiscal Year 2026.

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

Methods of Disposition of Seized Property - For the Fiscal Year Ended September 30, 2026

Seized Property Category		Converted Financial Instruments /Property	Destroyed/ Donated/ Transferred	Sold/ Liquidated	Returned Assets	Forfeited (1)	Variance (2)	Total
Seized Cash and Monetary Instruments	Number	34	47	—	746	9,004	—	9,831
	Value	$ 2,222	$ 1,617	$ —	$ 85,537	$ 637,918	$ —	$ 727,294
Financial Instruments	Number	—	2	—	22	331	—	355
	Value	$ —	$ —	$ —	$ 332,559	$ 138,053	$ —	$ 470,612
Digital Assets	Number	—	3	—	12	328	—	343
	Value	$ —	$ 213	$ —	$ 4,090	$ 240,057	$ —	$ 244,360
Real Property	Number	—	—	1	4	24	—	29
	Value	$ —	$ —	$ 7,800	$ 12,430	$ 29,728	$ —	$ 49,958
Personal Property	Number	—	58	—	621	2,889	—	3,568
	Value	$ —	$ 138	$ —	$ 25,504	$ 44,282	$ —	$ 69,924
Non-Valued Firearms	Number	—	3,046	—	1,088	23,523	—	27,657
Total	Number	34	3,156	1	2,493	36,099	—	41,783
	Value	$ 2,222	$ 1,968	$ 7,800	$ 460,120	$ 1,090,038	$ —	$ 1,562,148

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

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

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

Analysis of Changes in Seized Property - For the Fiscal Year Ended September 30, 2025

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized Cash and Monetary Instruments	Number	21,479	386	6,492	(9,257)	19,100	—	19,100
	Value	$4,820,779	$ 7,946	$1,309,784	$(1,574,465)	$4,564,044	$(2,093,487)	$ 2,470,557
Financial Instruments	Number	581	(107)	399	(393)	480	—	480
	Value	$ 302,532	$ (7,770)	$ 317,360	$ (88,434)	$ 523,688	$ (49,807)	$ 473,881
Digital Assets	Number	1,347	75	692	(453)	1,661	—	1,661
	Value	$1,170,564	$ 202,046	$ 831,055	$ (331,512)	$1,872,153	$(1,762,226)	$ 109,927
Real Property	Number	45	(5)	47	(44)	43	—	43
	Value	$ 64,635	$ (15,916)	$ 50,527	$ (40,645)	$ 58,601	$ (20,134)	$ 38,467
Personal Property	Number	7,945	101	3,065	(3,769)	7,342	—	7,342
	Value	$ 522,651	$ (179,750)	$ 68,809	$ (84,650)	$ 327,060	$ (205,359)	$ 121,701
Non-Valued Firearms	Number	44,172	5,781	21,150	(20,968)	50,135	—	50,135
Total	Number	75,569	6,231	31,845	(34,884)	78,761	—	78,761
	Value	$6,881,161	$ 6,556	$2,577,535	$(2,119,706)	$7,345,546	$(4,131,013)	$ 3,214,533

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

Methods of Disposition of Seized Property - For the Fiscal Year Ended September 30, 2025

Seized Property Category		Converted Financial Instruments /Property	Destroyed/ Donated/ Transferred	Sold/ Liquidated	Returned Assets	Forfeited (1)	Variance (2)	Total
Seized Cash and Monetary Instruments	Number	20	84	—	991	8,162	—	9,257
	Value	$ 1,946	$ 95,117	$ —	$ 198,634	$ 1,278,768	$ —	$1,574,465
Financial Instruments	Number	2	4	—	11	376	—	393
	Value	$ 2	$ 1	$ —	$ 378	$ 88,053	$ —	$ 88,434
Digital Assets	Number	—	1	—	14	438	—	453
	Value	$ —	$ 283	$ —	$ 8,030	$ 323,199	$ —	$ 331,512
Real Property	Number	—	—	1	8	35	—	44
	Value	$ —	$ —	$ 283	$ 5,869	$ 34,493	$ —	$ 40,645
Personal Property	Number	—	54	10	661	3,044	—	3,769
	Value	$ —	$ 200	$ 775	$ 18,996	$ 64,679	$ —	$ 84,650
Non-Valued Firearms	Number	—	3,773	—	1,912	15,283	—	20,968
Total	Number	22	3,916	11	3,597	27,338	—	34,884
	Value	$ 1,948	$ 95,601	$ 1,058	$ 231,907	$ 1,789,192	$ —	$2,119,706

(1) Forfeitures reported on the Analysis of Changes in Forfeited Property may be greater because some assets are not seized until after declared forfeited.
(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

Note 8. Property, Plant and Equipment, Net

As of September 30, 2026

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Equipment	$ —	$ —	$ —	5-12 years
Leasehold Improvements	2,940	(2,343)	$ 597	2-20 years
Internal Use Software in Development	12,032	$ —	12,032	N/A
Total	$ 14,972	$ (2,343)	$ 12,629	

As of September 2025

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Leasehold Improvements	2,940	(2,218)	$ 722	2-20 years
Total	$ 2,940	$ (2,218)	$ 722	

As of September 30, 2026 and 2025

	2026 Net PP&E	2025 Net PP&E
Balance beginning of year, unadjusted	$ 722	$ 848
Capitalized acquisition	$ 12,032	$ —
Depreciation expense	(125)	(126)
Balance at end of year	$ 12,629	$ 722

Note 9. Other Assets

As of September 30, 2026 and 2025

	2026	2025
Other than Intragovernmental		
Other Assets	$ 1	$ 1
Total Other Assets	$ 1	$ 1

Note 10. Liabilities not Covered by Budgetary Resources

As of September 30, 2026 and 2025

	2026	2025
Other than Intragovernmental		
Unfunded Leave and Other Employment Related	$ 2,820	$ 2,658
Total Liabilities Not Covered by Budgetary Resources	$ 2,820	$ 2,658
Total Liabilities Covered by Budgetary Resources	627,957	562,093
Total Liabilities Not Requiring Budgetary Resources	6,183,860	5,006,025
Total Liabilities	$ 6,814,637	$ 5,570,776

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. Leases

The Assets Forfeiture Fund pays for building space and vehicle leases through GSA contracts having terms ranging from 5 - 15 years. The general nature of the contracts is to provide fleet and workspace for staff and contractors in support of AFF's mission. While ATF, DEA, and USMS are the lessees; AFF pays GSA directly for their portion of total leases. As of September 30, 2026, total Intragovernmental expenses for AFF's leased building space was $14,789 thousand and vehicles was $9,635 thousand. For the same period in FY 2025, total Intragovernmental expenses for AFF's leased building space was $12,179 thousand and vehicles was $8,187 thousand.

Note 12. 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, 2026 and 2025

	2026	2025
Investments, Net (Note 5)	$ 1,580,000	$ 1,580,000
Seized Cash Deposited (Note 4)	4,104,032	2,969,488
Seized Monetary Instruments (Note 4)	13,656	14,556
Cash in Transit to (AFF)/SADF	(3,885)	(18,935)
Other	49,238	—
Total Seized Cash and Monetary Instruments	$ 5,743,041	$ 4,545,109

Other primarily represents a receivable recognized as a result of a breach that resulted in the misappropriation of virtual currency assets, all of which are contractually insured. See Note 7, *Forfeited and Seized Property, Net*, for additional information.

Note 13. Federal Employee Benefits

Employee benefits include employer portion of payroll taxes, retirement contributions, estimated salaries, wages, and leave that has been earned but unpaid. Federal employee benefits related to current employees of the Assets Forfeiture Fund for the fiscal years ended September 30, 2026 and 2025 are summarized below.

	2026	2025
Federal Employee Salary, Leave and Benefits		
Accrued Funded Payroll and Leave	$ 1,945	$ 1,921
Employer Contributions and Payroll Taxes Payable	87	71
Unfunded Leave	2,820	2,658
Total	$ 4,852	$ 4,650

Note 14. Other Liabilities

Pursuant to SFFAS No. 1, *Accounting for Selected Assets and Liabilities,* paragraph 86, all Other Liabilities presented in the table below are covered or do not require budgetary resources.

As of September 30, 2026 and 2025

	2026	2025
Intragovernmental		
Benefit Program Contributions Payable	$ 461	$ 418
Employer Contributions and Payroll Taxes Payable	120	109
Other Liabilities	2,408	1,307
Total Intragovernmental	$ 2,989	$ 1,834
Other than Intragovernmental		
Other Liabilities	12	19
Total Other than Intragovernmental	$ 12	$ 19
Total Other Liabilities	$ 3,001	$ 1,853

Note 15. Commitments and Contingencies

As of September 30, 2026	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
Legal Contingencies:			
Probable	$ —	$ —	$ —
Reasonably Possible	$ —	$ —	$ —

As of September 30, 2025	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
Legal Contingencies:			
Probable	$ —	$ —	$ —
Reasonably Possible	$ —	$ —	$ —

Note 16. 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.

Note 16. Funds from Dedicated Collections (continued)

This revenue is presented on the Consolidated Statements 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).

As of September 30, 2026 and 2025

	2026	2025
Balance Sheet		
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasury	$ 2,708,669	$ 3,123,427
Investments, Net	1,275,171	1,171,700
Accounts Receivable, Net	7,816	11,586
Advances and Prepayments	519	564
Total Intragovernmental Assets	$ 3,992,175	$ 4,307,277
Other than Intragovernmental Assets		
Accounts Receivable, Net	$ 993	$ 9
Inventory and Related Property, Net	438,412	459,609
General Property, Plant, and Equipment, Net	12,629	722
Advances and Prepayments	8,591	2,104
Other Assets	1	1
Total Other than Intragovernmental Assets	$ 460,626	$ 462,445
Total Assets	$ 4,452,801	$ 4,769,722
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable	$ 78,747	$ 50,996
Other Liabilities	2,989	1,834
Total Intragovernmental Liabilities	$ 81,736	$ 52,830
Other than Intragovernmental Liabilities		
Accounts Payable	$ 546,584	$ 508,559
Federal Employee Salary, Leave and Benefits	4,852	4,650
Advances from Others and Deferred Revenue	438,412	459,609
Other Liabilities	(2,904)	(18,916)
Total Other than Intragovernmental Liabilities	$ 986,944	$ 953,902
Total Liabilities	$ 1,068,680	$ 1,006,732
Net Position		
Cumulative Results of Operations	$ 3,384,121	$ 3,762,990
Total Net Position	$ 3,384,121	$ 3,762,990
Total Liabilities and Net Position	$ 4,452,801	$ 4,769,722

Note 16. Funds from Dedicated Collections (continued)

As of September 30, 2026 and 2025

	2026	2025
Statement of Net Cost		
Gross Program Costs	$ 2,607,820	$ 1,664,597
Less: Earned Revenues	19,719	17,070
Net Cost of Operations	$ 2,588,101	$ 1,647,527
Statement of Changes in Net Position		
Cumulative Results of Operations		
Beginning Balance	$ 3,762,990	$ 3,325,197
Other than Intragovernmental non-exchange revenue		
Miscellaneous Fines and Fees	(13,394)	(10,701)
Intragovernmental non-exchange revenue	350,509	382,902
Donations and forfeitures of Cash and Property	2,236,354	1,956,780
Transfers in/out without reimbursement	(2,732)	(1,742)
Imputed Financing	6,696	8,081
Other	(368,201)	(250,000)
Net cost of operations	(2,588,101)	(1,647,527)
Net Change in Cumulative Results of Operations	(378,869)	437,793
Cumulative Results of Operations: Ending	$ 3,384,121	$ 3,762,990
Net Position End of Period	$ 3,384,121	$ 3,762,990

Note 17. 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.

Note 17. Suborganization Program Costs (continued)

For the Fiscal Year Ended September 30, 2026

	Forfeiture Operations Expenses	General Investigation Expenses	Total
Major Program 1: Law Enforcement			
Gross Cost	$ 1,963,391	$ 644,429	$ 2,607,820
Less: Earned Revenue	19,719	—	19,719
Net Cost of Operations	$ 1,943,672	$ 644,429	$ 2,588,101

For the Fiscal Year Ended September 30, 2025

	Forfeiture Operations Expenses	General Investigation Expenses	Total
Major Program 1: Law Enforcement			
Gross Cost	$ 1,400,460	$ 264,137	$ 1,664,597
Less: Earned Revenue	17,070	—	17,070
Net Cost of Operations	$ 1,383,390	$ 264,137	$ 1,647,527

Note 18. 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 No. 55, *Amending Inter-Entity Cost Provisions*, and SFFAS No. 30, *Inter-Entity Cost Implementation: Amending SFFAS No. 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental Financing Sources recognized by the AFF/SADF are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), the Federal Pension plans that are paid by other Federal entities, and any unreimbursed payments made from the Treasury Judgment Fund on behalf of the AFP. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. § 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable legal outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund. For the period ended September 30, 2026, 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	56
	Regular Employees Offset	40.7
	Law Enforcement Officers	94.7
	Law Enforcement Officers Offset	79.8
Federal Employees Retirement System (FERS)	Regular Employees	24.6
	Regular Employees - Revised Annuity Employees (RAE)	25
	Regular Employees - Further Revised Annuity Employees (FRAE)	25.3
	Law Enforcement Officers	52.8
	Law Enforcement Officers - RAE	53.4
	Law Enforcement Officers - FRAE	53.8

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.

Note 18. Imputed Financing (continued)

For the Fiscal Year Ended September 30, 2026 and 2025

	2026	2025
Imputed Inter-Departmental Financing		
Health Insurance	3,339	3,524
Life Insurance	11	11
Pension	3,346	4,546
Total Imputed Inter-Departmental	$ 6,696	$ 8,081

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 19. Information Related to the Statement of Budgetary Resources

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

During the fiscal years ended September 30, 2026 and 2025, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2025. 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, 2026 and 2025 are presented below.

As of September 30, 2026 and 2025

	2026	2025
Unobligated balance brought forward from prior year	$ 3,432,794	$ 2,984,659
Adjustments to Budgetary Resources made during current year		
Downward Adjustments of prior year undelivered orders	71,292	103,797
Downward Adjustments of prior year delivered orders	2,739	10,102
Total Adjustments	$ 74,031	$ 113,899
Unobligated balance brought forward from prior year budget authority, net (discretionary and mandatory)	$ 3,506,825	$ 3,098,558

Note 19. Information Related to the Statement of Budgetary Resources (continued)

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, 2026 and 2025

	2026	2025
Intragovernmental		
UDO Obligations Unpaid	$ 57,639	$ 56,045
Total Intragovernmental	$ 57,639	$ 56,045
Other than Intragovernmental		
UDO Obligations Unpaid	$ 317,582	$ 120,558
UDO Obligations Prepaid/Advanced	9,109	2,668
Total Other than Intragovernmental	326,691	123,226
Total UDO	$ 384,330	$ 179,271

Permanent Indefinite Appropriations:

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

Legal Arrangements Affecting Use of Unobligated Balances

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

In FY 2026, P.L. 119-74 and 119-60 enacted permanent rescissions totaling $368.2 million. In FY 2025, there was also a permanent rescission of $250.0 million. Both permanent rescissions were transferred to the Treasury by September 30, 2026 and 2025.

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

The reconciliation as of September 30, 2026 is not presented because the submission of the Budget of the U.S. Government for FY 2028, which presents the execution of the FY 2026 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 2027.

Note 19. Information Related to the Statement of Budgetary Resources (continued)

For the Fiscal Year Ended September 30, 2025
(Dollars in Millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 5,174	$ 1,741	$ 374	$ 1,327
Funds not Reported in the Budget				
Distributed Offsetting Receipts	—	—	—	374
Other	—	—	—	—
Budget of the United States Government	$ 5,174	$ 1,741	$ 374	$ 1,701

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.

Note 20. 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 $2,236.4 million for the fiscal year ended September 30, 2026, and $1,956.8 million for the fiscal year ended September 30, 2025.

	2026	2025
Payments to individuals or organizations for the proceeds from assets forfeited and deposited into the AFF and subsequently returned to them through a settlement agreement or by a court order	$ 68	$ 28
Return of forfeiture income to the TFF for its participation in seizures that led to forfeiture	14,000	17,004
Return of forfeiture income to the U.S. Postal Service for its participation in seizures that led to forfeiture	2,475	29,013
Total Return of Forfeiture Income	$ 16,543	$ 46,045

Note 21. Reconciliation of Net Costs to Net Outlays

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

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

Note 21. Reconciliation of Net Costs to Net Outlays (continued)

For the Fiscal Year Ended September 30, 2026

	Intra-governmental	Other than Intra-governmental	Total FY 2026
NET COST	$ 366,896	$ 2,221,205	$ 2,588,101
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation expense	$ —	$ (126)	$ (126)
Property, plant, and equipment disposal and revaluation	—	—	—
Other	—	(29,553)	(29,553)
Increase/(decrease) in assets			
Accounts Receivable, Net	(3,771)	984	(2,787)
Other Assets	(45)	6,486	6,441
(Increase)/decrease in liabilities			
Accounts Payable	(25,035)	(40,739)	(65,774)
Federal Employee Salary, Leave and Benefits	—	(202)	(202)
Other Liabilities	(55)	7	(48)
Financing Sources			
Imputed Costs	(6,696)	—	(6,696)
Total Components of Net Operating Costs Not Part of the Budgetary Outlays:	$ (35,602)	$ (63,143)	$ (98,745)
Component of Budgetary Outlays That Are Not Part of Net Operating Costs:			
Acquisition of capital assets	$ —	12,032	12,032
Total Component of the Budget Outlays That Are Not Part of Net Operating Costs	$ —	$ 12,032	$ 12,032
Misc Items			
Distributed Offsetting Receipts	$ (354,670)	$ —	$ (354,670)
Other temporary timing differences	(55)	—	(55)
Total Other Reconciling items	$ (354,725)	$ —	$ (354,725)
Total Net Outlays	$ (23,431)	$ 2,170,094	$ 2,146,663
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 2,146,663

Note 21. Reconciliation of Net Costs to Net Outlays (continued)

For the Fiscal Year Ended September 30, 2025

	Intra-governmental	Other than Intra-governmental	Total FY 2025
NET COST	$ 225,412	$ 1,422,115	$ 1,647,527
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation expense	$ —	$ (126)	$ (126)
Property, plant, and equipment disposal and revaluation	—	—	—
Other	—	(24,267)	(24,267)
Increase/(decrease) in assets			
Accounts Receivable, Net	1,592	2	1,594
Other Assets	(317)	147	(170)
(Increase)/decrease in liabilities			
Accounts Payable	(4,371)	87,545	83,174
Federal Employee Salary, Leave and Benefits	—	1,750	1,750
Other Liabilities	(71)	(19)	(90)
Financing Sources			
Imputed Costs	(8,081)	—	(8,081)
Total Components of Net Operating Costs Not Part of the Budgetary Outlays:	$ (11,248)	$ 65,032	$ 53,784
Component of Budgetary Outlays That Are Not Part of Net Operating Costs:			
Acquisition of capital assets	$ —	$ —	$ —
Total Component of the Budget Outlays That Are Not Part of Net Operating Costs	$ —	$ —	$ —
Misc Items			
Distributed Offsetting Receipts	$ (373,969)	$ —	$ (373,969)
Other temporary timing differences	(53)	—	(53)
Total Other Reconciling items	$ (374,022)	$ —	$ (374,022)
Total Net Outlays	$ (159,858)	$ 1,487,147	$ 1,327,289
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 1,327,289

Note 22. Subsequent Events

On October 7, 2026, the United States District Court for the District of Columbia issued a Minute Order entering summary judgment for the plaintiffs in Englehardt v. Blanche (No. 24-5297) that corporate criminal recoveries tied to certain sanctions violations must be allocated to the United States Victims of State Sponsored Terrorism Fund (USVSSTF) under 34 U.S.C. § 20144, rather than retained in other federal accounts.

Management is currently evaluating the accounting and asset-transfer impacts of this decision on the custodial inventory of seized and forfeited assets. Because the administrative reallocation schedules and the precise timing of the custodial cash transfers remain under review, the total financial impact of this ruling cannot be reasonably estimated at this time. Management has determined that the preliminary impacts include the approval on November 1 of British American Tobacco's $189.5 million criminal forfeiture for transfer to the United States Victims of State Sponsored Terrorism Fund.

U.S. DEPARTMENT OF JUSTICE

Assets Forfeiture Fund and Seized Asset Deposit Fund

Appendix

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

The U.S. Department of Justice 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 findings. 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. **Perform ongoing risk assessments related to the safeguarding, existence, ownership, and accuracy of digital assets including risks associated with the private key lifecycle for assets held in self-custody or by service providers. The risk assessment should include evaluating the uninterrupted and exclusive control over private keys for the entire private key lifecycle. After performing these risk assessments, management should design and implement appropriate control activities responsive to such risks to address segregation of duties and the periodic validations of asset records to the blockchain.**

   Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that it will perform risk assessments as identified and will begin the implementation of processes and system improvements to address private key lifecycle management and digital asset inventory and valuation management. The AFMS also stated that in the near term, it will focus on implementing new manual processes to minimize the risks associated with private key management and digital asset inventory management. As a result, this recommendation is resolved.

   This recommendation can be closed when subsequent annual financial statements audit testing verifies that the AFMS has performed ongoing risk assessments related to the safeguarding, existence, ownership, and accuracy of digital assets, and designed and implemented appropriate control activities responsive to such risks.

2. **Define the agreed-upon inputs (e.g., market or exchange and time of day) used to determine and record the value of the asset in the property system of record. Then, design and implement controls to validate that the correct inputs are used to estimate the value of digital assets.**

   Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that it is in the process of issuing and implementing a consolidated digital asset valuation policy for fiscal year 2027. As a result, this recommendation is resolved.

   This recommendation can be closed when subsequent annual financial statements audit testing verifies that the AFMS has defined the agreed-upon inputs used to determine and record the value of the asset in the property system of record and designed and implemented controls to validate usage of the correct inputs.

3. **Design and implement monitoring controls to ensure compliance with existing policies and procedures. Effectively communicate such policies, procedures, and controls to all participating agencies in the process and establish mechanisms to hold participating agencies accountable.**

   Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that it will begin the implementation of processes and system improvements to address these concerns in the long term. The AFMS also stated that these processes and systems will facilitate controls and ensure compliance. In addition, the AFMS stated that it will coordinate all policies, procedures, and controls for all participating agencies to ensure consistency and establish a mechanism to hold agencies accountable. As a result, this recommendation is resolved.

   This recommendation can be closed when subsequent annual financial statements audit testing verifies that the AFMS has designed and implemented monitoring controls to ensure compliance with existing policies and procedures; communicated such policies, procedures, and controls across all participating agencies; and established mechanisms to hold participating agencies accountable.

4. **Re-evaluate risk assessments for digital assets seized in prior control environments to consider whether risks related to safeguarding, existence, ownership, and valuation have been adequately addressed considering the evolving nature of digital asset seizures and policy changes. Based on the results of the evaluation, design and implement controls to appropriately account for and maintain custody of aged digital assets and update the policies and procedures accordingly.**

   Resolved. The AFMS concurred with this recommendation. The AFMS stated in its response that it will re-evaluate the identified risks and will begin the implementation of controls, processes, and system improvements needed to address the concerns identified. As a result, this recommendation is resolved.

   This recommendation can be closed when subsequent annual financial statements audit testing verifies that the AFMS has: 1) re-evaluated risk assessments for digital assets seized in prior control environments to consider whether risks related to safeguarding, existence ownership, and valuation have been adequately addressed; and 2) designed and implemented controls to appropriately account for and maintain custody of aged digital assets and updated the policies and procedures accordingly.