

Department of the Treasury  
Treasury Executive Office of  
Asset Forfeiture

Congressional Budget  
Justification and Annual  
Performance Report and Plan

FY 2021

# Table of Contents

<b>Section I – Purpose.....</b>	<b>3</b>
A – Mission Statement.....	3
B – Summary of the Request .....	3
1.1 – Appropriations Detail Table.....	7
1.2 – Obligations Detail Table .....	8
1.3 – Operating Levels Table .....	9
E – Legislative Proposals.....	9
<b>Section II – Annual Performance Plan and Report.....</b>	<b>10</b>
A – Strategic Alignment .....	10
B – Budget and Performance by Budget Activity .....	10
2.1.1 Treasury Forfeiture Fund Resources and Measures.....	10
C – Changes in Performance Measures .....	11
D – Evidence-Building Activity .....	11
<b>Section III – Additional Information .....</b>	<b>11</b>
A – Summary of Capital Investments.....	11

## **Section I – Purpose**

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### **A – Mission Statement**

To affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus that participate in the Treasury Forfeiture Fund (TFF or the Fund) to disrupt and dismantle criminal enterprises.

### **B – Summary of the Request**

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Fund, which is the receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security (DHS) bureaus. Principal revenue-producing bureaus include U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement (ICE), the Internal Revenue Service (IRS), the U.S. Secret Service (USSS), the U.S. Coast Guard (USCG), and Alcohol and Tobacco Tax and Trade Bureau (TTB), among others. The Fund is a special fund, defined as a Federal fund account for receipts earmarked for specific purposes and the expenditure of those receipts. The law (31 U.S.C. 9705) allows TEOAF to use the funds for payment of all proper expenses of seizure or the proceedings of forfeiture and sale.

**Revenues** deposited in the Fund can be allocated and used as the result of a permanent indefinite appropriation provided by Congress. A forfeiture process begins once currency or property is seized. Seized currency is deposited into a suspense account (holding account) until forfeited. At that time, the forfeited amount is transferred (deposited) to the Fund as revenue. Forfeited properties are usually sold, and the proceeds are also deposited into the Fund as revenue. This revenue represents budget authority for meeting obligations and expenses of the program.

**Expenses** of the Fund are set in a relative priority so that operating costs are met first and may not exceed revenues.

- **Mandatory** expenses represent operating costs of the Fund, including storing and maintaining seized and forfeited assets, valid liens and mortgages, investigative expenses incurred in pursuing a seizure, information and inventory systems, remissions, victim restoration, and certain costs of local police agencies incurred in joint law enforcement operations. Following seizure, equitable shares may be paid to state and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement.
- **Secretary’s Enforcement Fund (SEF)** expenses are funded from revenue from equitable shares received from Department of Justice (DOJ) or U.S. Postal Service (USPS) forfeitures. These shares are proportionate to Treasury’s participation in the overall investigative effort that led to a DOJ or USPS forfeiture. SEF revenue is available for federal law enforcement-related purposes of any bureau participating in the Fund.
- **Strategic Support** authority, established by Congress in 31 U.S.C. 9705(g)(4)(B), allows TEOAF to fund priority federal law enforcement initiatives with remaining unobligated balances at the close of the fiscal year, after an amount is reserved for the next fiscal year’s operations.

**FY 2019 Case Highlights:** The following case highlights are intended to provide examples of the types of investigative cases worked by the Fund's law enforcement bureaus during FY 2019 that resulted in the seizure and forfeiture of assets. Such cases as those profiled below are consistent with the strategic mission and vision of the Fund, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

- **Swiss bank forfeits \$29.7 million for hiding U.S. taxpayers' assets**  
Swiss-based Basler Kantonalbank (BKB) has admitted in the Deferred Prosecution Agreement (DPA) that between 2002 and 2012 it conspired with its employees, external asset managers, and clients to defraud the United States with respect to taxes, commit tax evasion, and file false federal tax returns. According to the terms of the DPA, BKB agreed to cooperate with the Internal Revenue Service (IRS) and other U.S. authorities and pay a penalty of \$60.4 million consisting of \$17.2 million in restitution to the IRS for unpaid taxes, \$29.7 million forfeiture and \$13.5 million dollar fine. The investigation was conducted by IRS Criminal Investigation (CI).
- **Mobile Telesystems PJSC (MTS), Russian telecommunication company, has agreed to pay \$850 million in penalties, including \$40 million in criminal forfeiture, in a large Foreign Corrupt Practices Act (FCPA) case.**  
Gulnara Karimova, a former Uzbek government official, was charged in an indictment filed in the Southern District of New York with one count of conspiracy to commit money laundering related to a bribery scheme. Bekhzod Akhmedov, the former CEO of MTS, the largest telecommunication company in Russia, was charged in the same indictment with one count of conspiracy to violated the TCPA, two counts of violating the FCPA, and one count of conspiracy to commit money laundering. Akhmedov has facilitated the payment of bribes to Karimova to obtain lucrative business in the Uzbek telecommunications market. A substantial portion of the illicit funds were transmitted through financial institutions in the Southern District of New York before they were deposited into bank accounts controlled by Karimova in various countries. MTS has agreed to the imposition of an independent compliance monitor for three years, implementation of rigorous internal controls, and a criminal penalty of \$850 million including \$40 million in criminal forfeiture. The investigation was conducted jointly by Homeland Security Investigation and IRS-CI under the auspices of the GIFT taskforce in DC supported by TEOAF funding.
- **U.S. Secret Service recovers over \$1.6 million in a business email compromise scam**  
The USSS Miami Electronic Crimes Task Force was contacted regarding a suspected business email compromise perpetrated against Precision Pipeline LLC. The investigation determined that the perpetrators sent an email to the accounting manager at Precision impersonating one of the company's vendors, and under false pretenses caused her to transfer \$1.6 million to a fraudulent company. The investigation has revealed that the business email compromise was a part of a larger international scheme targeting U.S. businesses. The operation targeting the scheme was a collaborative effort of the USSS, the FBI, and the U.S. Postal Inspection Service, and led to 29 arrests in Nigeria and 23 in South Florida, as well as the forfeiture of over \$1.6 million.
- **Coast Guard boards narco-sub carrying 17,000 lbs of cocaine**  
On June 18, 2019, in the East Pacific Ocean, the Coast Guard initially detected the semi-submersible with an aircraft and relayed that information to two guard boats which then

intercepted the vessel. After ordering the vessel to stop, the Coast Guard members boarded the semi-submersible while it was still in motion. 17,000 pounds of cocaine worth over \$569 million dollars was retrieved from the semi-submersible.

**Priorities:** In FY 2021, TEOAF will continue to support the investigations and activities of the participating law enforcement bureaus. The bulk of TEOAF expenses include supporting seizures and forfeitures to protect the health and safety of U.S. citizens and the commercial interests of U.S. businesses from pernicious criminal activity. Funds are expended for seizure, storage, maintenance, disposition, and destruction and all costs associated with those activities.

TEOAF focuses on supporting cases and investigations that meet the mission of disrupting and dismantling criminal enterprises. To this end, TEOAF prioritizes major case<sup>1</sup> initiatives when allocating funding to member agencies, including the purchase of evidence and information, joint operations expenses, investigative expenses leading to seizure as well as software tools used for computer forensics and analysis of financial data. Major case initiatives are aligned directly to the National Money Laundering and Southwest Border strategies.

Often times, the assets identified in these investigations are proceeds of fraud schemes with multiple victims. TEOAF allocates significant resources to ensure that such investigations are adequately funded to yield successful prosecutions and forfeitures. The resulting forfeiture deposits are used to compensate the victims defrauded by the violators.

The most notable financial investigations conducted by the TFF agencies involve professional money launderers who utilize highly sophisticated money laundering methods, global trade and finance, and emerging technologies such as cryptocurrencies. These sophisticated financial crimes present a serious threat to our Nation's financial system, and targeting them requires extraordinary law enforcement efforts, manpower and resources. TEOAF prioritizes the support of such investigations, including not just their ongoing operation's needs, but also cutting edge technology capabilities required for big data analytics, dark net investigations, block chain analysis, and mobile forensics.

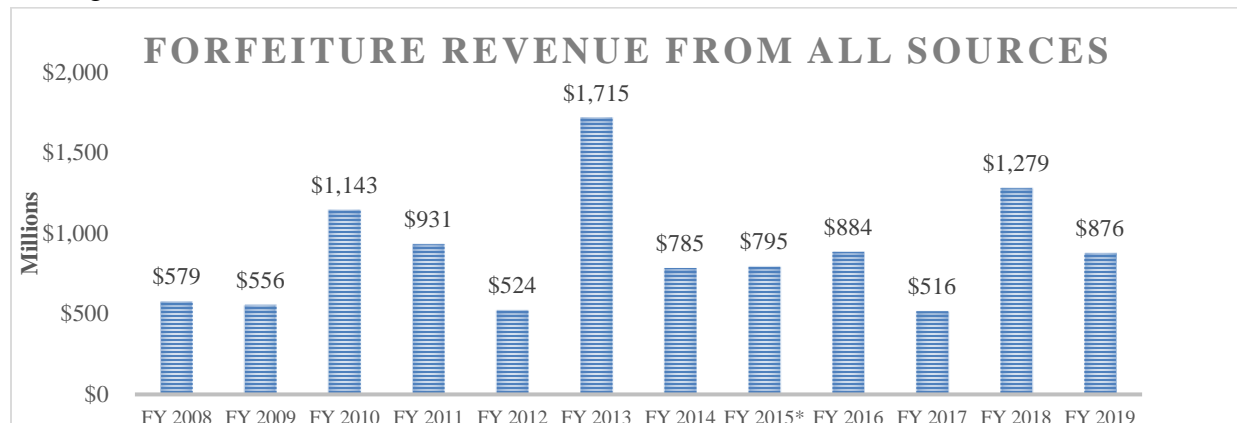
These investments buttress the anti-money laundering and countering the financing of terrorism (AML/CFT) strategy of the Departments of Homeland Security and the Treasury.

**Challenges:** Large rescissions enacted in prior years have had a severe negative impact on the participating member agencies' investigations. Insufficient and inconsistent funding support, uncertainty about future funding, investigations disrupted by cash flow problems, and inability to obtain necessary technology/infrastructure all undermine both current and future financial investigations and forfeitures. Participating agencies are seeing reluctance in the field to undertake complex major investigations due to the lack of assurance that their efforts would receive continuous support.

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<sup>1</sup> A major case refers to a case where the forfeiture results in a deposit greater than \$5 million, or a case that disrupts, dismantles, or interrupts money laundering networks or other financial activities that threaten the financial stability, financial system, or financial interests of the United States.

The table below reflects forfeiture revenue from all sources including revenue, reverse asset sharing, and interest earned.



\*FY 2015 data does not include the BNP Paribas S.A. forfeiture in the amount of \$3,839 million. Of that amount, \$3,800 million was permanently rescinded and transferred to the newly-created U.S. Victims of State Sponsored Terrorism Fund (USVSST) as directed by Congress under the Consolidated Appropriations Act of 2016, Pub. L. 114-113, Div. O, Tit. IV, §404(e) and §405(b). The remainder has been returned to the General Fund in FY 2018.

The absence or, in the best case scenario, uncertainty of Strategic Support funding is especially harmful for the most meaningful, high-impact investigations that target financial networks of major criminal enterprises. The Strategic Support is critical as a strategic investment in the agencies’ operational capabilities and infrastructure supporting major cases. It allows the law enforcement agencies to meet in real time unanticipated critical needs, such as those driven by new technology advancements or emerging criminal threats. It often serves as seed funding for innovations that need to be tested and refined in a pilot setting prior to full-scale implementation.

Undermining major financial investigations will directly impact the ability of Treasury and DHS to respond to priority threats and to protect the integrity of the U.S. financial system.

For operational support of TFF agencies’ investigations, both Mandatory and SEF are critical funding sources. The Mandatory funding supports investigative expenses only for seizure cases, but vast majority of seizure cases don’t initially start as financial cases. They grow out of other cases pursuing specified unlawful activities (SUAs) such as drug trafficking, human smuggling or cybercrime, which are all dependent on SEF funding for operational support.

In addition, TEOAF tracks future remission payments to third parties as contingent liabilities. However, these amounts are not recorded as obligations from the Fund until the Department of Justice grants the petition for remission. The third parties are predominantly victims of crimes that triggered the forfeiture (e.g., Ponzi scheme or kleptocracy victims). Amounts recorded are significant because remission payments from multiple years are recorded and carried forward. The amounts change constantly as payments are made and amounts for new remission cases are added. TEOAF considers the amounts recorded as contingent liabilities as unavailable and believes that consideration of contingent liabilities provides a more accurate representation of the financial position of the Fund.

## 1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund	FY 2019		FY 2020		FY 2021		FY 2020 to FY 2021	
Budgetary Resources	Actual		Estimated		Estimated		% Change	
<b>Revenue/Offsetting Collections</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>
Interest	0	\$70,395	0	\$50,000	0	\$50,000	NA	0%
Restored Prior Year Sequestration Reduction	0	\$84,405	0	\$54,340	0	\$35,229	NA	-35%
Restored Prior Year Sequestration of Restored Rescission	0	\$65,208	0	\$0	0	\$0	NA	NA
Forfeited Revenue	0	\$806,049	0	\$547,096	0	\$547,096	NA	0%
Recovery from Prior Years Obligation	0	\$35,427	0	\$15,000	0	\$15,000	NA	0%
Unobligated Balances from Prior Years	0	\$825,172	0	\$609,632	0	\$769,239	NA	26%
<b>Total Revenue/Offsetting Collections</b>		<b>\$1,886,656</b>		<b>\$1,276,068</b>		<b>\$1,416,564</b>	<b>NA</b>	<b>11%</b>
<b>Expenses/Obligations</b>								
Mandatory Obligations <sup>1</sup>	27	\$394,628	27	\$436,600	27	\$445,332	0%	2%
Secretary's Enforcement	0	\$24,614	0	\$35,000	0	\$35,700	NA	2%
Strategic Support <sup>2</sup>	0	\$603,442	0	TBD	0	TBD	NA	NA
<b>Total Expenses/Obligations</b>	<b>27</b>	<b>\$1,022,684</b>	<b>27</b>	<b>\$471,600</b>	<b>27</b>	<b>\$481,032</b>	<b>0%</b>	<b>2%</b>
<b>Rescissions/Cancellations</b>								
Sequestration Reduction <sup>3</sup>	0	(\$54,340)		(\$35,229)		TBD	NA	NA
Permanent Cancellation	0	(\$200,000)		\$0		\$0	NA	NA
<b>Total Rescission/Cancellations</b>		<b>(\$254,340)</b>		<b>(\$35,229)</b>		<b>\$0</b>	<b>NA</b>	<b>-100%</b>
<b>Net Results</b>		<b>\$609,632</b>		<b>\$769,239</b>		<b>\$935,532</b>	<b>NA</b>	<b>22%</b>
<b>Contingent Liabilities</b>		<b>\$473,316</b>		<b>\$385,000</b>		<b>\$385,000</b>	<b>NA</b>	<b>0%</b>

1/ The Treasury Forfeiture Fund is staffed by Departmental Offices employees and positions are funded via reimbursable agreement. The FTE are shown here for clarity, but are also reflected in the Departmental Offices chapter in the reimbursable FTE total.

2/ For FY 2020 and FY 2021, Treasury will revise Strategic Support based on enacted appropriations and may submit a plan to Congress if funding is available, once more is known about collections and expenses.

3/ Treasury will compute the FY 2021 sequestration reduction once the OMB Report to Congress on the Joint Committee Sequestration for Fiscal Year 2021 is released.

## 1.2 – Obligations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund Obligations	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate	% Change FY 2020 to FY 2021
<b>Mandatory</b>				
CBP	\$45,551	\$41,284	\$42,110	2.0%
ICE	\$107,218	\$120,780	\$123,195	2.0%
IRS	\$80,099	\$122,043	\$124,484	2.0%
USSS	\$50,080	\$42,969	\$43,829	2.0%
USCG	\$875	\$1,400	\$1,428	2.0%
TEOAF	\$91,003	\$89,393	\$91,180	2.0%
TTB	\$569	\$1,037	\$1,058	2.0%
DOJ	\$19,233	\$17,694	\$18,048	2.0%
Total Mandatory	\$394,628	\$436,600	\$445,332	
<b>SEF</b>				
CBP	\$4,000	\$4,400	\$4,488	2.0%
ICE	\$7,885	\$12,123	\$12,365	2.0%
IRS	\$7,339	\$12,001	\$12,241	2.0%
USSS	\$4,790	\$6,126	\$6,249	2.0%
TTB	\$600	\$350	\$357	2.0%
Total SEF	\$24,614	\$35,000	\$35,700	
<b>Strategic Support</b>				
CBP	\$601,000	TBD	TBD	NA
IRS <sup>1</sup>	\$2,442	TBD	TBD	NA
Total Strategic Support	\$603,442	\$0	\$0	
<b>Total Expenses/Obligations</b>	<b>\$1,022,684</b>	<b>\$471,600</b>	<b>\$481,032</b>	<b>2.0%</b>

1/ The \$2.4M Strategic Support for IRS was approved late in FY18, therefore was extended in FY19. The actual amount of Strategic Support that was requested and approved in FY19 was \$601M.



### 1.3 – Operating Levels Table

Dollars in Thousands

Treasury Forfeiture Fund Object Classification	FY 2019 Actual	FY 2020 Estimated	FY 2021 Estimated
25.2 - Other services	68,598	45,961	47,003
25.3 - Other purchases of goods & serv frm Govt accts	166,475	139,866	140,994
26.0 - Supplies and materials	15	15	15
41.0 - Grants, subsidies, and contributions	71,252	110,907	114,008
43.0 - Interest and dividends	50	50	50
44.0 - Refunds	88,238	139,831	142,960
94.0 - Financial Transfers	628,056	34,970	36,002
<b>Total Non-Personnel</b>	<b>1,022,684</b>	<b>471,600</b>	<b>481,032</b>
<b>New Budgetary Resources</b>	<b>\$1,022,684</b>	<b>\$471,600</b>	<b>\$481,032</b>
<b>Budget Activities:</b>			
Asset Forfeiture Fund	<b>\$1,022,684</b>	<b>\$471,600</b>	<b>\$481,032</b>
<b>FTE</b>	<b>27</b>	<b>27</b>	<b>27</b>

### E – Legislative Proposals

TEOAF has no legislative proposals.

## Section II – Annual Performance Plan and Report

### A – Strategic Alignment

The purpose of the Fund is to ensure resources are managed to cover the costs of an effective asset seizure and forfeiture program, including the costs of seizure or the proceedings of forfeiture and sale, including the expenses of detention, inventory, security, maintenance, advertisement, or disposal of the property. Additionally, the Fund is used to support law enforcement priorities, financial investigative capabilities, and the seizure of physical and financial resources to disrupt and dismantle criminal enterprises. TEOAF supports the following Department of the Treasury strategic goal and associated objectives:

- Goal 3: Enhance National Security:
  - 3.1 Strategic Threat Disruption
  - 3.2 AML/CFT Framework

### B – Budget and Performance by Budget Activity

#### 2.1.1 Treasury Forfeiture Fund Resources and Measures

Dollars in Thousands

Treasury Forfeiture Fund Budget Activity Resource Level	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$4,323,908	\$508,746	\$526,228	\$1,007,426	\$1,022,684	\$471,600	\$481,032
<b>Budget Activity Total</b>	<b>\$4,323,908</b>	<b>\$508,746</b>	<b>\$526,228</b>	<b>\$1,007,426</b>	<b>\$1,022,684</b>	<b>\$471,600</b>	<b>\$481,032</b>
<b>FTE</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>27</b>	<b>27</b>

Measure	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Actual	Actual	Actual	Actual	Actual	Target	Target
Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases	89.09	81.79	80	94.19	90.8	80	80

The FY 2015 - FY 2019 columns represent realized resources for full-time equivalents, reimbursables, and user fees.

#### Treasury Forfeiture Fund Budget and Performance

*(\$481,032,000 in obligations from revenue/offsetting collections):*

The Fund continues to measure the performance of the participating law enforcement bureaus through the “percent of forfeited cash proceeds resulting from high-impact cases,” which are cases that yield a cash forfeiture deposit equal to or greater than \$100,000.

The high-impact cases are the ones that pursue major criminal targets and their financial networks, and therefore are central to the mission of disrupting and dismantling criminal enterprises. At the same time, these cases are heavily dependent on TEOAF’s funding due to their high operational costs and reliance on sophisticated technologies and analytical tools that are not adequately covered by the appropriated funds. The dominant share of high-impact forfeitures reflects TEOAF’s effectiveness in supporting such major investigations.

While the specific numbers shown in the chart fluctuate due to the unusually big forfeitures, the consistently dominant (80% or more) share of major forfeiture year after year demonstrates TEOAF’s consistent commitment to supporting high-impact cases. Member law enforcement bureaus participating in the Fund have met or exceeded the performance target since FY 2014.

For FY 2020 and FY 2021, the target will remain at 80 percent. The Fund maintains a target of 80 percent because some cases may be important to pursue, even if they are not high-impact cases and result in deposits of less than \$100,000.

### **C – Changes in Performance Measures**

TEOAF has no proposed changes to its performance measures.

### **D – Evidence-Building Activity**

In FY 2019, TEOAF has conducted various analyses related to the TFF member agencies' investigative capabilities, resource needs and funding requests for the purpose of determining the most effective ways to allocate TEOAF's funds.

During the budget formulation process, TEOAF has reviewed and analyzed a large number of TFF agencies' funding requests. Following the in-depth discussions with the agencies regarding the specific requests and the overall priorities, TEOAF has formulated the FY2020 Financial Plan designed to meet the needs of the TFF agencies' Forfeiture program as well as advance their priority law enforcement efforts. TEOAF also have been actively analyzing over 100 cases designated for TEOAF's support through the Third Party Money Laundering Program. This included analysis of deficiencies and emerging needs related to the TFF agencies' investigative capabilities and infrastructure, and possible ways to use TFF funds to facilitate improvements. For instance, TEOAF has identified a growing need for IT tools to support analyses of large volumes of email data in foreign languages, and with agency assistance formulated a plan to fund and build the required solutions. Additionally, TEOAF has been conducting outreach and exploratory discussions with TFF agencies' leadership in the field about the creation/enhancement of joint financial taskforces aimed at increasing the efficiency of TFF funding support through the shared use of TEOAF-funded resources.

In FY 2020 and FY 2021, TEOAF will continue performing in-depth review and analyses of funding requests from the TFF agencies. TEOAF is also planning to continue analyzing the agencies' investigative needs and exploring avenues to meet them using the TFF funds. One of the new efforts that has been recently launched is the upgrade of technology for scanning and analysis of financial records, to be funded by TEOAF and utilized jointly by TFF agencies.

## **Section III – Additional Information**

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### **A – Summary of Capital Investments**

A summary of capital investments, including major information technology and non-technology investments, can be accessed at:

<https://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>.