



**ASSETS FORFEITURE FUND  
AND  
SEIZED ASSET DEPOSIT FUND  
ANNUAL FINANCIAL STATEMENTS  
FISCAL YEAR 2010**

U.S. Department of Justice  
Office of the Inspector General  
Audit Division

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**OFFICE OF THE INSPECTOR GENERAL  
COMMENTARY AND SUMMARY**

The Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF) is a reporting entity within the U.S. Department of Justice (DOJ). The AFF/SADF were created to serve as repositories for funds seized by participating agencies and the sale proceeds from forfeited property. The proceeds deposited in the AFF are used to cover certain operating costs of the DOJ Asset Forfeiture Program. These include equitable sharing payments to state, local, and foreign governments; joint law enforcement operations; contract services in support of the program; and satisfaction of innocent third party claims. Operational expenses do not include the salaries and administrative expenses of Asset Forfeiture Program participants incurred while conducting investigations leading to seizure and forfeiture, and these expenses are not reported in the AFF/SADF financial statements.

This audit report contains the Annual Financial Statements of the AFF/SADF for the fiscal years (FY) ended September 30, 2010, and September 30, 2009. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the AFF/SADF's audit in accordance with U.S. generally accepted government auditing standards. The audit resulted in an unqualified opinion on the FY 2010 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and results of the entity's operations in conformity with U.S. generally accepted accounting principles. For FY 2009, the AFF/SADF also received an unqualified opinion on its financial statements (OIG Report No. 10-10).

KPMG LLP also issued reports on internal control and on compliance and other matters. For FY 2010, the *Independent Auditors' Report on Internal Control over Financial Reporting* identified one significant deficiency related to improvements needed in the seized and forfeited property management environment, which has been reported annually since FY 2006. In the FY 2010 *Independent Auditors' Report on Compliance and Other Matters*, the auditors identified no instances of non-compliance with

applicable laws and regulations and the *Federal Financial Management Improvement Act of 1996*.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted 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 the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 5, 2010, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.