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Treasury Forfeiture Fund

ACCOUNTABILITY REPORT

Fiscal Year 2008

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

Member of the American Institute of Certified Public Accountants

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Message from the Director

I am pleased to present the fiscal year (FY) 2008 Accountability Report for the Treasury Forfeiture Fund. While highlighting the Treasury Forfeiture Fund's (the Fund's) financial and operational performance over the past year, this report also focuses on some of the significant investigative achievements of our participating law enforcement agencies this year. FY 2008 was another milestone revenue year for the law enforcement bureaus participating in the Treasury Forfeiture Fund, with earned revenue of $386 million from all sources as compared to $366 million in FY 2007 and $257 million in FY 2006.

The continued high-impact performance of the Fund reflects the ongoing hard work of our law enforcement bureaus as well as Fund management's emphasis on major case initiatives, asset forfeiture program training and a focused approach regarding our performance measure which gauges revenue from high-impact cases. The mission of the Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by our law enforcement bureaus to disrupt and dismantle criminal enterprise. It is our view that the greatest damage to criminal enterprise can be achieved through large forfeitures; hence we have set a target level of 75 percent of our forfeitures to be high impact, i.e., currency forfeitures equal to or greater than $100,000. For FY 2008, our member bureaus exceeded the target with performance of 86.91 percent high-impact cash forfeitures.

For FY 2008, the Treasury Executive Office for Asset Forfeiture (TEOAF) continued its priority emphasis on training with conferences addressing the cutting edge of investigative and forfeiture practices of our member bureaus. We developed and funded a new curriculum for Suspicious Activity Reporting (SAR)/Title 31 Task Forces geared specifically for 11 new IRS-led Title 31 Task Forces launched in the spring of 2008. The focus of the curriculum was two-fold: investigative/forfeiture issues in Title 31 cases and existing best practices; and operational issues involved in establishing and maintaining a Title 31 Task Force. Additionally, TEOAF conducted the fourth and last seminar in the series "Investigation and Forfeiture in Cases of Illegal Alien Employment, Smuggling and Trafficking." Lastly, we developed a new curriculum for Procedural Issues of the Asset Forfeiture Program and conducted the first seminar on this subject.

The Treasury Forfeiture Fund continues in its capacity as a successful multi-Departmental Fund representing the interests of law enforcement components of the Departments of Treasury and Homeland Security. Member bureaus include the Internal Revenue Service's Criminal Investigation (IRS-CI), the U.S. Secret Service, Immigration and Customs Enforcement (ICE), and Customs and Border Protection (CBP). The U.S. Coast Guard continues its close working relationship with the legacy Customs bureaus.

We look forward to another successful year in FY 2009.

Eric Hampl, Director
Executive Office for Asset Forfeiture
U.S. Department of the Treasury:

Table of Contents

Section I: Overview

Section II: Independent Auditor's Reports

Section III: Financial Statements and Notes

Section IV:

Section V:

Profile of the Treasury Forfeiture Fund

The Treasury Forfeiture Fund (the Fund) is the receipt account for the deposit of non-tax forfeitures made pursuant to laws enforced or administered by law enforcement bureaus that participate in the Treasury Forfeiture Fund. The Fund was established in October of 1992 as the successor to the Forfeiture Fund of the United States Customs Service. The Fund is a "special receipt account." This means the Fund can provide money to other federal entities toward the accomplishment of a specific objective for which the recipient bureaus are authorized to spend money and toward other authorized expenses. The use of Fund resources is governed by law, policy and precedent as interpreted and implemented by the Department of the Treasury which manages the Fund. A key objective for management is the long-term viability of the Fund to ensure that there are ongoing resources to support member-bureau seizure and forfeiture activities well into the future. The emphasis of Fund management is on high impact cases that can do the most damage to criminal infrastructure.

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The Executive Office for Asset Forfeiture (EOAF), which provides management oversight of the Fund, falls under the auspices of the Under Secretary for Terrorism and Financial Intelligence. EOAF's organizational structure includes the Fund Director, Legal Counsel, Assistant Director for Financial Management and Assistant Director for Policy. Functional responsibilities are delegated to various team leaders. EOAF is located in Washington, D.C., and currently has 20 full time equivalent positions.

Strategic Mission

The mission of the Treasury Forfeiture Fund is to affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus that participate in the Treasury Forfeiture Fund to disrupt and dismantle criminal enterprises.

Strategic Vision

Fund management works to focus the asset forfeiture program on strategic cases and investigations that result in high-impact forfeitures. Management believes this approach incurs the greatest damage to criminal organizations while accomplishing the ultimate objective – to disrupt and dismantle criminal enterprises.

Case Highlights

The following case highlights are intended to give the reader an idea of the types of investigative cases worked by the Fund's law enforcement bureaus during FY 2008 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 Treasury Forfeiture Program, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

Internal Revenue Service, Criminal Investigations (IRS-CI)
Department of the Treasury

In Rem Forfeiture of real property in the U.S. Virgin Islands linked to LipoBan fraud

This was an *in rem*[1] forfeiture, pursuant to Title 18 United States Code, Section 981 (18 U.S.C. § 981) of a luxury property located in St. Thomas, U.S. Virgin Islands. The property was forfeited on the grounds that it represented the proceeds of mail and wire fraud in violation of 18 U.S.C. § 1341 and 1343, and/or was property involved in money laundering offenses in violation of 18 U.S.C. 1956 and 1957.

Dockside view: Luxury home including just over one acre of property, located in Little Northside Quarter, St. Thomas, U.S. Virgin Islands. Property forfeited *in rem* pursuant to the U.S. Government's Complaint for Forfeiture In Rem which alleged that the defendant property was purchased with proceeds from illegal mail and wire fraud and was property involved in money laundering.

[1] A civil forfeiture action *in rem* is against the property itself for being involved in a violation of law.

Above, view from the patio of the forfeited luxury home, St. Thomas, U.S. Virgin Islands.   Below, view of the pool-deck.

On February 19, 2008, a Final Decree of Forfeiture was signed against the defendant real property located in Little Northside Quarter, St. Thomas, U.S. Virgin Islands. The forfeited property includes a luxury home and slightly over one acre of land. In the government's Complaint for Forfeiture *In Rem* (Complaint), the United States asserted that from 2000 to 2004, George Forgione and his partner Frank Sarcona, (Forgione and Sarcona) through various entities, advertised and sold "LipoBan" to thousands of victims. LipoBan was sold by way of advertisements in various newspapers, through the LipoBan website and by direct mail solicitations.

These advertisements and correspondence used misrepresentations in order to induce victims to purchase LipoBan, including statements that LipoBan absorbs 100 times its weight in fat, that if you used LipoBan you could lose all of your excess weight without changing your diet or exercise habits, and that LipoBan had been proven effective by two clinical trials. The government's Complaint asserted that there was no evidence to support these claims.

Additionally, Forgione and Sarcona mailed correspondence and advertised statements in Florida and elsewhere alleged to be from a medical doctor, Dr. Joseph Maya. The correspondence and advertisements touted the effectiveness of LipoBan, however, the government's Complaint stated that an investigation revealed that there was no doctor by the name of Joseph Maya licensed to practice medicine in Florida.

As a result of the misrepresentations and omissions, thousands of victims were illegally induced to buy LipoBan. Forgione and Saracona obtained millions of dollars in fraud proceeds that were transferred to various accounts. According to the government's Complaint, the defendant property, pictured above, was purchased with proceeds from the LipoBan-related illegal mail and wire fraud and was property involved in money laundering in violation of Title 18, United States Code.