



ASSET FORFEITURE FUND
SPECIAL PURPOSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

**NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION**

June 2011

ASSET FORFEITURE FUND
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	
REPORT ON SPECIAL PURPOSE FINANCIAL STATEMENTS.....	1
PRINCIPAL SPECIAL PURPOSE FINANCIAL STATEMENTS AND RELATED NOTES	
BALANCE SHEET.....	5
SCHEDULE OF AVAILABLE FUND BALANCE.....	6
STATEMENT OF NET COSTS & CHANGES IN NET POSITION.....	7
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS.....	8

Independent Auditor's Report

To the Comptroller
National Oceanic and Atmospheric Administration
Asset Forfeiture Fund
Washington, DC

We have audited the accompanying balance sheet of the National Oceanic and Atmospheric Administration Asset Forfeiture Fund (AFF or the Fund) as of March 31, 2011, the related statement of net cost and changes in net position, and schedule of available fund balance for the year then ended (hereinafter referred to as the special-purpose financial statements). In our audit of the AFF for year ended March 31, 2011, we found:

- The AFF special-purpose financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.
- No material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations.
- One significant deficiency in internal control over financial reporting, which was not considered a material weakness.
- One instance of reportable noncompliance with the selected provisions of laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, and (2) our objectives, scope and methodology.

Opinion on Special-Purpose Financial Statements

The accompanying special-purpose financial statements and accompanying notes present only the balance sheet, statement of net cost, changes in net position, and the schedule of Available Fund Balance of the AFF, and are not intended to be a complete presentation of the AFF financial statements or the National Oceanic and Atmospheric Administration's financial statements.

In our opinion, the special-purpose financial statements including the accompanying notes, present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, the AFF's assets, liabilities and net position as of March 31, 2011, and its net costs; changes in net position; and the available fund balance for the year then ended.

Consideration of Internal Control over Financial Reporting and Compliance

In planning and performing our audit, we considered the AFF's internal control over financial reporting and compliance as a basis for designing our auditing procedures and to comply with the Office of Management and Budget audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance. Accordingly, we do not express an opinion on the effectiveness of the AFF's internal control over financial reporting and compliance.

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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we identified the following deficiency relating to the AFF's internal controls over financial reporting and compliance that we consider to be a significant deficiency. A significant deficiency is a deficiency or 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.

Inadequate quality control review of financial statements. Management incorrectly applied accounting policies designed for reimbursable funding to what is essentially a revolving/special fund. This accounting treatment is inappropriate for the AFF since it is a Special Fund. This is also the first year of preparing financial statements for the AFF and management did not have an adequate review process in place to address issues specific to the AFF. For example, forfeited and seized property were not initially recorded and/or disclosed in the special-purpose financial statements, as required by SFFAS 3, Accounting for Inventory and Related Property; accounts receivable greater than two years past due was not written off, thereby overstating gross receivables and allowance for uncollectible accounts by approximately \$3.9 million. Management subsequently recorded manual on-top journal vouchers to correct these amounts. Additionally, the posting logic in the accounting system is not set up to appropriately recognize non-exchange revenue related to fines and penalties, and should be corrected to reflect the appropriate treatment. Management should consider revising its financial reporting processes so that adequate appropriate management reviews of the AFF special-purpose financial statements and footnotes are performed, in a timely manner.

We noted other non-reportable matters involving internal control and its operation that will be communicated in a separate management letter to the AFF management.

Compliance with Laws and Regulations

Our tests of the AFF's compliance with selected provisions of laws and regulations for the year ended March 31, 2011 disclosed one instance of noncompliance noted below, that would be

reportable under United States generally accepted government audit standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Non-compliance with Debt Collection Improvement Act and Treasury guidelines.

During our internal control testing and review of accounts receivables, we noted that accounts receivables eligible for administrative cross servicing are not referred to the Treasury in accordance with the Debt Collection Improvement Act.

Objectives, Scope and Methodology

AFF management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the United States; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act (FMFIA) are met; and (3) complying with other applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit; and (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing.

In order to fulfill these responsibilities, we (1) examined on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the accounting principles used and significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of the AFF and its operations, including its internal control related to financial reporting (including safeguarding of assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority); (5) tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control; (6) considered the design of the process for evaluating and reporting on internal control and financial management systems under FMFIA; and (7) tested compliance with selected provisions of certain laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the AFF. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the AFF's financial statements for the year ended March 31, 2011. We

caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB guidance. We believe that our audits provide a reasonable basis for our opinion.

This report is intended solely for the information and use of the AFF's management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
June 15, 2011

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
BALANCE SHEET
AS OF MARCH 31, 2011
(IN THOUSANDS)**

ASSETS

Intragovernmental

Fund balance with Treasury - non-restricted (Note 2) \$ 7,451

Non-Entity

Fund balance with Treasury - restricted (Note 3) 4,549

Total intragovernmental 12,000

Accounts receivable, net (Note 4) 423

General property, plant and equipment, net (Note 5) 1,122

Forfeited property, net (Note 6) 11

TOTAL ASSETS \$ 13,556

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable \$ 91

Deferred revenue from forfeited property (Note 6) 11

Contingent liability (Note 7) 650

Non-Entity

Liability for seized proceeds (Note 3) 4,549

Total liabilities 5,301

NET POSITION

Cumulative results of operations 8,255

TOTAL LIABILITIES AND NET POSITION \$ 13,556

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

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
SCHEDULE OF AVAILABLE FUND BALANCE - NON-RESTRICTED
FOR THE PERIOD ENDING MARCH 31, 2011
(IN THOUSANDS)

BEGINNING BALANCE, APRIL 1, 2010	\$	8,685
Inflow of Resources		
Collections from fines, penalties and forfeitures		<u>3,373</u>
Subtotal of resources		12,058
Outflow of Resources		
Payments of expenses		<u>(4,607)</u>
ENDING BALANCE, MARCH 31, 2011 (Note 2)		<u>7,451</u>
Less: obligated amounts		
Undelivered orders		2,726
Unpaid expenses		<u>741</u>
Total open obligation amounts		<u>3,467</u>
NET FUND BALANCE, MARCH 31, 2011	\$	<u>3,984</u>

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

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
STATEMENT OF NET COST
AND CHANGES IN NET POSITION
FOR THE PERIOD APRIL 1, 2010 THROUGH MARCH 31, 2011
(IN THOUSANDS)**

PROGRAM COSTS

Contractual services	\$ 2,834
Equipment (non-capitalizable)	175
Interest expense	1
Printing and reproduction	12
Rent, communications and utilities	222
Supplies, materials, and other costs	166
Travel and transportation	745
Contingent liability	<u>650</u>
Net Cost of Operations	<u>\$ 4,805</u>

CHANGES IN NET POSITION

Cumulative results of operations	
Beginning balance	\$ 8,565
Other financing sources	
Fines, penalties and forfeitures	3,373
Transfers in - property	<u>1,122</u>
Total financing sources	4,495
Less: net cost of operations	<u>4,805</u>
Net increase (decrease) for the year	<u>(310)</u>
Cumulative results of operations	<u>\$ 8,255</u>

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

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Oceanic and Atmospheric Administration (NOAA), a bureau of the Department of Commerce, has an obligation to protect marine and coastal resources through several statutes including the Magnuson-Stevens Fishery Conservation and Management Act (the Magnuson-Stevens Act), the Lacey Act, the Endangered Species Act (ESA) and others. A critical element of these statutes is enforcement to ensure sustainability of marine resources and habitat. At NOAA the regulatory system of enforcement is carried out by the Office of Law Enforcement (OLE)/National Marine Fisheries Service (NMFS) and the NOAA General Counsel for Enforcement and Litigation (GCEL). OLE enforces regulations and statutes to assure conservation and protection of the nation's marine resources. GCEL is responsible for bringing enforcement actions for violations of the statutes that NOAA administers.

Under Sec. 311(e)(1) the Magnuson-Stevens Act, 16 U.S.C. § 1861(e), the Secretary of Commerce has the authority to use monies collected as civil penalties, criminal fines and forfeitures for violations of the Magnuson-Stevens Act or any other marine resource law enforced by the Secretary to pay certain types of enforcement-related expenses. Pursuant to this authority, NOAA established the Asset Forfeiture Fund (AFF) into which all such monies are deposited. The AFF is comprised of fines, forfeitures, and penalties (civil and criminal), as the result of enforcement activities performed by NMFS's OLE and GCEL under the authority of the Magnuson-Stevens Act. Payments for various law enforcement expenses authorized in accordance with Magnuson-Stevens Act are made from this fund.

Basis of Accounting and Presentation

The accompanying special-purpose financial statements present the balance sheet, consolidating statement of net cost and changes in net position and schedule of available fund balance with the U.S. Department of the Treasury (Treasury) in conformity with U.S. generally accepted accounting principles as used by the Federal government. There are no intra-entity transactions to be eliminated. These statements are being presented as special purpose for NOAA's management to allow for the review and analysis of a full twelve-month period that does not fall within the normal fiscal year cycle.

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

This information is an integral part of the accompanying financial statements.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These financial statements have been prepared from the accounting records of the AFF in conformance with U.S. generally accepted accounting principles (GAAP). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Non-Entity Assets

Non-entity assets consist of the proceeds from the sale of seized property that are not available for use by NOAA's enforcement program.

Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of AFF funds in NOAA accounts with the Treasury. Treasury processes cash receipts and disbursements for the NOAA's domestic operations. Fund Balance with Treasury includes both an entity and a non-entity asset component. *Fund Balance with Treasury - Unrestricted* is an entity asset that consists of the proceeds from the sale of forfeited and abandoned property, as well as fines and penalties collected that is available for use by the AFF. *Fund Balance with Treasury - Restricted* is a non-entity asset that consists of the proceeds from the sale of seized property that is not available for use by the AFF.

Accounts Receivable, Net

Accounts Receivable is recognized primarily when Notice of Violation and Assessment (NOVA) and settlement agreements are billed. Accounts Receivable is reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

General Property, Plant and Equipment, Net

General Property, Plant, and Equipment, Net (General PP&E) is comprised of capitalized assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation.

Capitalization Thresholds: The Department of Commerce's general policy is to capitalize General PP&E if the initial acquisition price is \$25 thousand or more and the useful life is two years or more. NOAA is an exception to this policy, having a capitalization threshold of \$200 thousand. The AFF follows the capitalization threshold of NOAA. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of similar items, each costing less than the capitalization threshold, where the total monetary value of the one-time acquisition of those items is \$1,000 thousand or more, the amount of costs reported in a given period, the purchase is capitalized as a group.

This information is an integral part of the accompanying financial statements.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation: Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land and Construction-in-progress are not depreciated.

Forfeited and Seized Property

Forfeited property is unclaimed or abandoned property, and property for which title has passed to the U.S. Government through forfeiture proceedings. Forfeited property is recorded at its estimated fair market value at the time of forfeiture, less any known liens of record, and is not adjusted for any subsequent increases and decreases in its estimated fair market value. The amount ultimately realized from the disposition of forfeited assets could differ from the amounts initially recorded for those assets. The proceeds from the sale of forfeited property are deposited in the AFF.

The Magnuson-Stevens Act empowers NOAA to seize certain fishing-related assets that are involved in violations of the Act. Property seized for forfeiture (seized property) is recorded at its estimated fair market value at the time it is seized. Seized property is not recognized as an asset in the financial statements, as transfer of ownership to the government has not occurred as of March 31. Accordingly, seized property is disclosed only in the footnotes in accordance with SFFAS No. 3. Seized property that is subject to spoilage or other significant reduction in value is generally sold. The proceeds from the sale of seized property are deposited in a U.S. Treasury deposit fund account maintained by NOAA. The balance of this deposit fund is reported in these financial statements as Fund Balance with Treasury - Restricted.

Liabilities

A liability for Federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the Notes to the Financial Statements when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Cumulative Results of Operations. Cumulative Results of Operations is the net result of the AFF's operations since inception.

Non-exchange Revenue

Non-exchange revenue is derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable.

Use of Estimates

The preparation of financial statements requires the AFF to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

Tax Status

The AFF is not subject to Federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

Subsequent Event

In September of 2010, the Secretary of Commerce put into place a process to consider exercising his authority to modify or remit penalties assessed in specific cases identified by the Department of Commerce Inspector General (IG) in its investigation of complaints regarding the NOAA OLE and GCEL.

This information is an integral part of the accompanying financial statements.

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A September 2010 IG report identified certain cases it found would benefit from “an independent process for equitable relief or resolution of past enforcement cases meeting appropriate eligibility criteria.” The Secretary of Commerce appointed a Special Master to review certain complaints received by the IG and make recommendations as to whether he should modify or remit any of the penalties.

On April 14, 2011, the Special Master submitted a report to the Secretary of Commerce on thirty of the complaints referred to him for review. On May 17, 2011, in response to the Special Master’s recommendations, the Secretary directed NOAA to remit a total of \$650 thousand to eleven of the thirty complainants within 30 days of this decision.

NOTE 2 - FUND BALANCE WITH TREASURY NON-RESTRICTED (dollars in thousands)

Temporarily precluded from obligation	\$ -
Unobligated balance	
Available	1,948
Unavailable (due to OMB’s apportionment schedule)	<u>2,036</u>
Subtotal	3,984
Obligated balance not yet disbursed	<u>3,467</u>
Total fund balance with treasury - non-restricted	<u>\$ 7,451</u>

NOTE 3 - FUND BALANCE WITH TREASURY – RESTRICTED / LIABILITY FOR SEIZED PROCEEDS (dollars in thousands)

Seized property that is subject to spoilage or other significant reduction in value is general sold and proceeds from the sale are deposited in a U.S. Treasury deposit fund account. The proceeds within this account are not available for use by NOAA’s enforcement program and as such are recognized as *Fund Balance with Treasury – Restricted* and a corresponding *Liability for Seized Proceeds* offset in the financial statements.

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011**

NOTE 3 - FUND BALANCE WITH TREASURY – RESTRICTED / LIABILITY FOR SEIZED PROCEEDS (dollars in thousands) (CONTINUED)

The table below reflects the composition of the deposit fund account as of March 31, 2011.

Statutory Provision of Violation	<u>Total # of Cases</u>	<u>Total Dollar Amount</u>	<u>Non-AFF Cases</u>	<u>Dollar Amount</u>	<u>AFF Cases</u>	<u>Dollar Amount</u>
Atlantic Coastal Fisheries Conservation Management Act	11	\$ 10	-	\$ -	11	\$ 10
Atlantic Tunas Conservation Act	8	32	-	-	8	32
Convention for the Conservation of Arctic Marine Living Resources	2	1,779	-	-	2	1,779
Endangered Species Act	4	32	-	-	4	32
Lacey Act	10	968	-	-	10	968
Magnuson Stevens Fishery Conservation Act	287	1,710	-	-	287	1,710
Magnuson Stevens Fishery Conservation Management Act – Commonwealth of the Northern Marinas Islands	4	207	4	207	-	-
Marine Mammals Protection Act	1	1	-	-	1	1
National Marine Sanctuaries Act	1	3	1	3	-	-
North Pacific Halibut Act	<u>10</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>17</u>
Grand Total	<u>338</u>	<u>\$ 4,759</u>	<u>5</u>	<u>\$ 210</u>	<u>333</u>	<u>\$ 4,549</u>

This information is an integral part of the accompanying financial statements.

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011**

NOTE 4 - ACCOUNTS RECEIVABLE (dollars in thousands)

	<u>Accounts Receivable, Gross</u>	<u>Allowance for Uncollectable Accounts</u>	<u>Accounts Receivable, Net</u>
With the public	\$ 1,300	\$ (877)	\$ 423

NOTE 5 - GENERAL PROPERTY, PLANT AND EQUIPMENT (dollars in thousands)

Category	<u>Useful Life (Years)</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vessels	2-30	\$ 1,475	\$ (353)	\$ 1,122

NOTE 6 - FORFEITED AND SEIZED PROPERTY

Forfeited property is unclaimed or abandoned property, and property for which title has passed to the U.S. Government through forfeiture proceedings. Seized property is not recognized as an asset in the financial statements, as transfer of ownership to the government has not occurred as of March 31 and is disclosed only in the footnotes in accordance with SFFAS No. 3.

The following tables show the analysis of change in forfeited and seized property, excluding cash, during the 12-month period ended March 31, 2011.

Forfeited Property:

	<u>Beginning Balance</u>		<u>Forfeited</u>		<u>Disposed</u>		<u>Ending Balance</u>	
	Count	Value	Count	Value	Count	Value	Count	Value
Animal remains	-	\$ -	2	\$ 22	(1)	\$ (11)	1	\$ 11
Fish	-	-	1	52	(1)	(52)	-	-
Fishing gear	-	-	1	2	(1)	(2)	-	-
Total	-	\$ -	4	\$ 76	(3)	\$ (65)	1	\$ 11

This information is an integral part of the accompanying financial statements.

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ASSET FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011**

NOTE 6 - FORFEITED AND SEIZED PROPERTY (CONTINUED)

Seized Property:

	<u>Beginning Balance</u>		<u>Seized</u>		<u>Disposed</u>		<u>Ending Balance</u>	
	Count	Value	Count	Value	Count	Value	Count	Value
Animal remains	-	\$ -	2	\$ 96	(1)	\$ (94)	1	\$ 2
Documents	1	1	1	1	-	-	2	2
Fish	3	4	8	3,953	(3)	(52)	8	3,905
Fishing gear	<u>1</u>	<u>4</u>	<u>1</u>	<u>2</u>	<u>(1)</u>	<u>(2)</u>	<u>1</u>	<u>4</u>
Total	<u>5</u>	<u>\$ 9</u>	<u>12</u>	<u>\$ 4,052</u>	<u>(5)</u>	<u>\$ (148)</u>	<u>12</u>	<u>\$ 3,913</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Legal Contingencies: The NMFS/NOAA is subject to potential liabilities in various administrative proceedings, legal actions, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the AFF.

In response to the September 2010 IG report on the investigation of complaints regarding the OLE and GCEL, the Secretary of Commerce put into place a process to consider exercising his authority to modify or remit penalties assessed in specific cases identified by the IG report in its investigation.

The IG report identified certain cases it found would benefit from "an independent process for equitable relief or resolution of past enforcement cases meeting appropriate eligibility criteria." The Secretary of Commerce appointed a Special Master to review certain complaints received by the IG and make recommendations as to whether he should modify or remit any of the penalties.

On April 14, 2011, the Special Master submitted a report to the Secretary of Commerce on thirty of the complaints referred to him for review. On May 17, 2011, in response to the Special Master's recommendations, the Secretary directed NOAA to remit a total of \$650 thousand (from the AFF) to eleven of the thirty complainants within 30 days of this decision.

This information is an integral part of the accompanying financial statements.