U.S. Department of Justice
Office of the Attorney General

FY 2013
AGENCY FINANCIAL REPORT

U.S. DEPARTMENT OF JUSTICE

DEPARTMENT OVERVIEW

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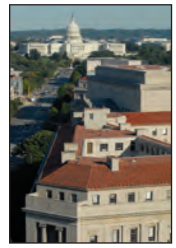

History and Enabling Legislation

The Department of Justice, often referred to as the largest law office in the world, began in 1789 with a staff of two: the Attorney General and a clerk. The Judiciary Act of 1789 created the Office of the Attorney General, providing for the appointment of "a person, learned in the law, to act as attorney-general for the United States." By 1870, the duties of the Office of the Attorney General had expanded so much that Congress adopted "An Act to establish the Department of Justice." As its head, the Attorney General is the chief litigator and the chief law enforcement officer of the United States.

Strategic Goals

Goal I: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law

Goal II: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law

Goal III: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels

Mission

The Department of Justice serves to enforce the law and defend the interests of the United States according to the law; to ensure public safety against threats foreign and domestic; to provide federal leadership in preventing and controlling crime; to seek just punishment for those guilty of unlawful behavior; and to ensure fair and impartial administration of justice for all Americans.

Location

The Department is headquartered in Washington, DC, at the Robert F. Kennedy Building, occupying a city block bounded by 9th and 10th Streets and Pennsylvania and Constitution Avenues, NW. The Department also has field offices in all states and territories and maintains offices in over 100 countries worldwide.

Component Organizations

Attorney General
Deputy Attorney General
Associate Attorney General
Antitrust Division (ATR)
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
Bureau of Prisons (BOP)
Civil Division (CIV)
Civil Rights Division (CRT)
Community Oriented Policing Services (COPS)
Community Relations Service (CRS)
Criminal Division (CRM)
Drug Enforcement Administration (DEA)
Environment & Natural Resources Division (ENRD)
Executive Office for Immigration Review (EOIR)
Executive Office for Organized Crime Drug Enforcement Task Forces (OCDETF)
Executive Office for U.S. Attorneys (EOUSA)
Executive Office for U.S. Trustees (UST)
Federal Bureau of Investigation (FBI)
Foreign Claims Settlement Commission (FCSC)
INTERPOL Washington
Justice Management Division (JMD)
National Security Division (NSD)
Office of Information Policy (OIP)
Office of Legal Counsel (OLC)
Office of Legal Policy (OLP)
Office of Legislative Affairs (OLA)
Office of the Inspector General (OIG)
Office of the Pardon Attorney (OPA)
Office of Justice Programs (OJP)
Office of Professional Responsibility (OPR)
Office of Public Affairs
Office of the Solicitor General (OSG)
Office of Tribal Justice (OTJ)
Office on Violence Against Women (OVW)
Professional Responsibility Advisory Office (PRAO)
Tax Division (TAX)
U.S. Attorneys (USAO)
U.S. Marshals Service (USMS)
U.S. Parole Commission (USPC)

U.S. DEPARTMENT OF JUSTICE

FY 2013
AGENCY FINANCIAL
REPORT

DECEMBER 2013

Office of the Attorney General
Washington, D.C. 20530

December 12, 2013

A MESSAGE FROM THE ATTORNEY GENERAL

As Attorney General, I have been privileged over the last four and a half years to lead our nation's Department of Justice in the critical work of protecting the safety, rights, and interests of the American people. Despite growing demands, evolving threats, and significant budgetary challenges, I'm proud to report that, due to the extraordinary efforts of the nearly 115,000 dedicated men and women who serve Justice Department offices around the world, we have established a remarkable record of progress over the past year. In the days ahead, we will continue to maximize our resources and improve coordination with key law enforcement partners by focusing on protecting national security; combating violent crime; fighting against financial fraud; and safeguarding the most vulnerable members of our society.

Defending the United States from terrorism and other threats to national security remains the Department's greatest responsibility and highest priority. During FY 2013, we continued to strengthen key terrorism response and intelligence-gathering capabilities, to refine our capacity to disrupt terrorist plots, and to rely on the proven strength of our Article III court system to convict and incarcerate those responsible for terrorism-related offenses. From the FBI's leadership of our highly-coordinated federal, state, and local response in the wake of the horrific Boston Marathon bombing, to the guilty plea of a former senior al-Shabaab commander and emissary to al-Qaeda in the Arabian Peninsula on terrorism charges, to the arrest and arraignment of an alleged associate of Osama bin Laden for conspiring to kill Americans – we have achieved justice in terrorism-related matters in a manner that is consistent with the rule of law as well as our most treasured values.

In service of these same values, my colleagues and I are also working tirelessly to strengthen America's criminal justice system. As part of the Department's "Smart on Crime" initiative, which I announced in August, we are implementing targeted reforms to enable the Justice Department to better promote public safety, deterrence, and rehabilitation, while making our expenditures more efficient and more productive. These efforts are helping us to become both smarter and tougher on crime, in order to ensure that precious resources are used to target the most dangerous threats to our communities. Through the Smart on Crime initiative, we are working to end the vicious cycle of poverty, crime, and incarceration that destroys too many neighborhoods and devastates far too many lives.

Beyond this work, the Department has enhanced its focus on a variety of emerging threats and persistent challenges – from drug and human trafficking, to cyber-threats and transnational organized crime. We have reinforced our commitment to combating tax fraud schemes, protecting public health, preventing gun violence, and preserving the environment. And we have achieved unprecedented gains when it comes to holding accountable those whose illegal and irresponsible alleged conduct precipitated the recent financial crisis. Our efforts in 2013 recently culminated with the Department and its partners achieving the largest settlement with any single entity in America history – a $13 billion civil settlement with JPMorgan Chase & Co. – to resolve federal and state claims arising from conduct that helped sow the seeds of the mortgage crisis.

In addition, my colleagues and I have worked tirelessly to ensure the civil rights to which everyone in this country is entitled. Under the Matthew Shepard and James Byrd, Jr. Hate Crimes Prevention Act, we have vastly improved our ability to pursue justice for those who become victims of hate crimes. And we have continued to vigorously enforce federal voting rights laws – filing significant voting rights enforcement cases in North Carolina and Texas to safeguard the right of every eligible American to cast a ballot, unencumbered by discriminatory rules, regulations, and procedures that discourage and disenfranchise American citizens.

In all of our activities and initiatives, the Department remains committed to acting as a sound steward of precious taxpayer dollars. Since its inception in 2010, the Attorney General's Advisory Council for Savings and Efficiencies (SAVE Council) has realized more than $139.8 million in savings, and has exceeded its estimated savings for FY 2013 by $9.1 million. We will continue to seek savings and find efficiencies throughout the Department, while successfully executing our diverse mission responsibilities.

Prepared pursuant to the Reports Consolidation Act of 2000 and guidance in Office of Management and Budget (OMB) Circulars A-11, A-123, and A-136, the FY 2013 Department of Justice Agency Financial Report contains: our audited consolidated financial statements, as required by the Chief Financial Officers Act and the Government Management Reform Act; and a statement of assurance regarding our internal control and financial management systems, as required by the Federal Managers' Financial Integrity Act (FMFIA).

In FY 2013, the Department again earned an unmodified, i.e. "clean" audit opinion on our consolidated financial statements. For the third straight year, the auditor's report on internal control identified no material weaknesses or significant deficiencies at the consolidated level. While we continue as a Department to demonstrate noteworthy progress, we are committed to pursuing actions to correct remaining areas where we have deficiencies. In addition, the Department continued the successful implementation of the Unified Financial Management System (UFMS) with the U.S. Marshals Service and the Assets Forfeiture Fund, with both going live in FY 2013. The Federal Bureau of Investigation also recently went live on UFMS, further reducing the number of Departmental financial systems to three. The UFMS is an integral part of the Department's strategy and commitment to ensure financial soundness and transparency.

The Department conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations and compliance with applicable laws and regulations (FMFIA Section 2) and to determine whether financial management systems conform to government-wide requirements (FMFIA Section 4). Based on the results of this assessment, I provide qualified assurance that the Department met the objectives of FMFIA. The assessment did not identify any systems non-conformances required to be reported under FMFIA Section 4; however, the assessment identified one material weakness required to be reported under FMFIA Section 2 related to prison crowding. In addition, I provide reasonable assurance that the Department's internal control over financial reporting met the objectives of OMB Circular A-123, Appendix A.

The financial and performance data presented in this report are complete and reliable, highlighting the Department's accomplishments for the American public. We will not rest on our achievements, but will continue to be unyielding in our efforts to prevent terrorism, fight violent crime, prosecute financial fraud, protect our most vulnerable citizens, and to carry out the entirety of our critical mission.

Eric H. Holder, Jr.
Attorney General

AFR

U.S. Department of Justice – FY 2013 Agency Financial Report

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AFR Introduction

This Report's Purpose and Reporting Process

The Circular No. A-136 guidance of the Office of Management and Budget (OMB) provides agencies the option to produce a consolidated Performance and Accountability Report (PAR) or a separate Agency Financial Report (AFR) and Annual Performance Report (APR)[1]. The Department of Justice (DOJ) has historically published consolidated financial and performance management reporting via the PAR. However, starting in fiscal year (FY) 2013, the Department uses an AFR and APR instead of the PAR.

The AFR is the Department's principal report conveying to the President, Congress, and the American public its commitment to sound financial management and stewardship of public funds. The AFR reports on the agency end-of-fiscal-year financial position that includes, but is not limited to, financial statements, notes to the financial statements, and reports of the independent auditors, as well as a performance summary. The AFR will be issued on December 12, 2013.

The Department's AFR is prepared under the direction of the Department's Chief Financial Officer (CFO). The financial statements contained within this report are prepared by the Department's Justice Management Division, Finance Staff, and audited by the Office of the Inspector General (OIG). This report also includes the Department's financial statements for FY 2012 and FY 2013 and reports on all accounts and associated activities of each office, bureau, and activity of the Department. The Department's FY 2013 audited financial statements have been consolidated or combined based upon the results of audits undertaken in each of the nine Departmental financial reporting entities.

The Department continues to enforce vigorously the broad spectrum of laws of the United States; notably, the fight against terrorism continues to be the highest priority of the Department. The Department's current Strategic Plan for FYs 2012-2016 is available electronically at http://www.justice.gov/jmd/strategic2012-2016/index.html). The Strategic Plan includes three strategic goals and related objectives, which are referred to throughout this report.[2]

Organization of the Report

Message from the Attorney General: This report begins with a message from the Attorney General. In it, the Attorney General provides his assessment of the completeness and reliability of the performance and financial data, as required by OMB Circulars A-11 and A-136.

Section I – Management's Discussion and Analysis: This section includes summary information about the mission and organization of the Department; resource information; an analysis of the Department's financial statements; an analysis of performance information for the Department's key performance measures; and assurances and information related to internal control and financial management systems conformance with government-wide requirements, as required by the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123.

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[1] The APR, which includes performance information and metrics, will be issued together with the President's Budget in early 2014.
[2] The Department is currently completing a new Strategic Plan for FYs 2014-2018 that will be made available to the public in early 2014.

Section II – Financial Section: This section begins with a message from the Department's CFO and is followed by the OIG's Commentary and Summary on the Department's FY 2013 Annual Financial Statements. This section also includes the reports of the Independent Auditors and the Department's consolidated financial statements and related notes.

Section III – Management Section: This section includes the OIG-identified Top Management and Performance Challenges Facing the Department of Justice, the Department of Justice Management response to those challenges, and the corrective action plans required by the FMFIA for the internal control weaknesses.

Appendices (A) Improper Payments Information Act Reporting Details; (B) Acronyms; and (C) Department Websites.

This report is available at http://www.justice.gov/ag/annualreports/afr2013/TableofContents.htm.

Compliance with Legislated Reporting Requirements

This report meets the following legislated reporting requirements:

Inspector General (IG) Act of 1978, as Amended – Requires information on management actions in response to Inspector General audits

Federal Managers' Financial Integrity Act of 1982 (FMFIA) – Requires a report on agency internal controls that protect the integrity of federal programs and whether agency financial systems conform with related requirements

Government Performance and Results Act of 1993 (GPRA) and GPRA Modernization Act of 2010 (GPRAMA) – Requires performance reporting against all established agency goals outlined in current strategic planning documents

Government Management Reform Act of 1994 (GMRA) – Requires an audit of agency financial statements

Federal Financial Management Improvement Act of 1996 (FFMIA) – Requires an assessment of agency financial systems for adherence to government-wide requirements and standards

Reports Consolidation Act of 2000 (RCA) – Authorizes the consolidation of certain financial and performance management reports of federal agencies in an annual Performance and Accountability Report

Improper Payments Information Act of 2002 (IPIA), as Amended – Requires reporting on agency efforts to identify and reduce improper payments

SECTION I

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

Section I Management's Discussion and Analysis (Unaudited)

Established July 1, 1870 (28 U.S.C. § 501 and 503), the Department of Justice (DOJ or the Department) is headed by the Attorney General of the United States. The Department was created to control federal law enforcement, and all criminal prosecutions and civil suits in which the United States has an interest. The structure of the Department has changed over the years, with the addition of a Deputy Attorney General, Associate Attorney General, Assistant Attorneys General, and the formation of Divisions and components; however, unchanged is the commitment and response to securing equal justice for all, enhancing respect for the rule of law, and making America a safer and more secure Nation.

Mission

The mission of the Department of Justice, as reflected in the Strategic Plan for fiscal years (FY) 2012-2016, is as follows:

> *To enforce the law and defend the interests of the United States according to the law, to ensure public safety against threats foreign and domestic, to provide federal leadership in preventing and controlling crime, to seek just punishment for those guilty of unlawful behavior, and to ensure fair and impartial administration of justice for all Americans.*

In carrying out the Department's mission, we are guided by the following core values:

Equal Justice Under the Law. Upholding the laws of the United States is the solemn responsibility entrusted to us by the American people. We enforce these laws fairly and uniformly to ensure that all Americans receive equal protection and justice under the law.

Honesty and Integrity. We adhere to the highest standards of ethical behavior.

Commitment to Excellence. We seek to provide the highest levels of service to the American people. We are effective and responsible stewards of the taxpayers' dollars.

Respect for the Worth and Dignity of Each Human Being. We treat each other and those we serve with fairness, dignity, and compassion. We value differences in people and ideas. We are committed to the well-being of our employees and to providing opportunities for individual growth and development.

Strategic Goals and Objectives

From our mission and core values stem the Department's strategic and annual planning processes. The Department embraces the concepts of performance-based management. At the heart of these concepts is the understanding that improved performance is realized through greater focus on mission, agreement on goals and objectives, and timely reporting of results. In the Department, strategic planning is the first step in an iterative planning and implementation cycle. This cycle, which is the center of the Department's efforts to implement performance-based management, involves setting long-term goals and objectives, translating these goals and objectives into budgets and program plans, implementing programs, monitoring performance, and evaluating results. In this cycle, the Department's FY 2012 – 2016 Strategic Plan provides the overarching framework for component and function-specific plans as well as annual performance plans, budgets, and reports. The Strategic Plan is available electronically on the Department's website at: http://www.justice.gov/jmd/strategic2012-2016/index.html.

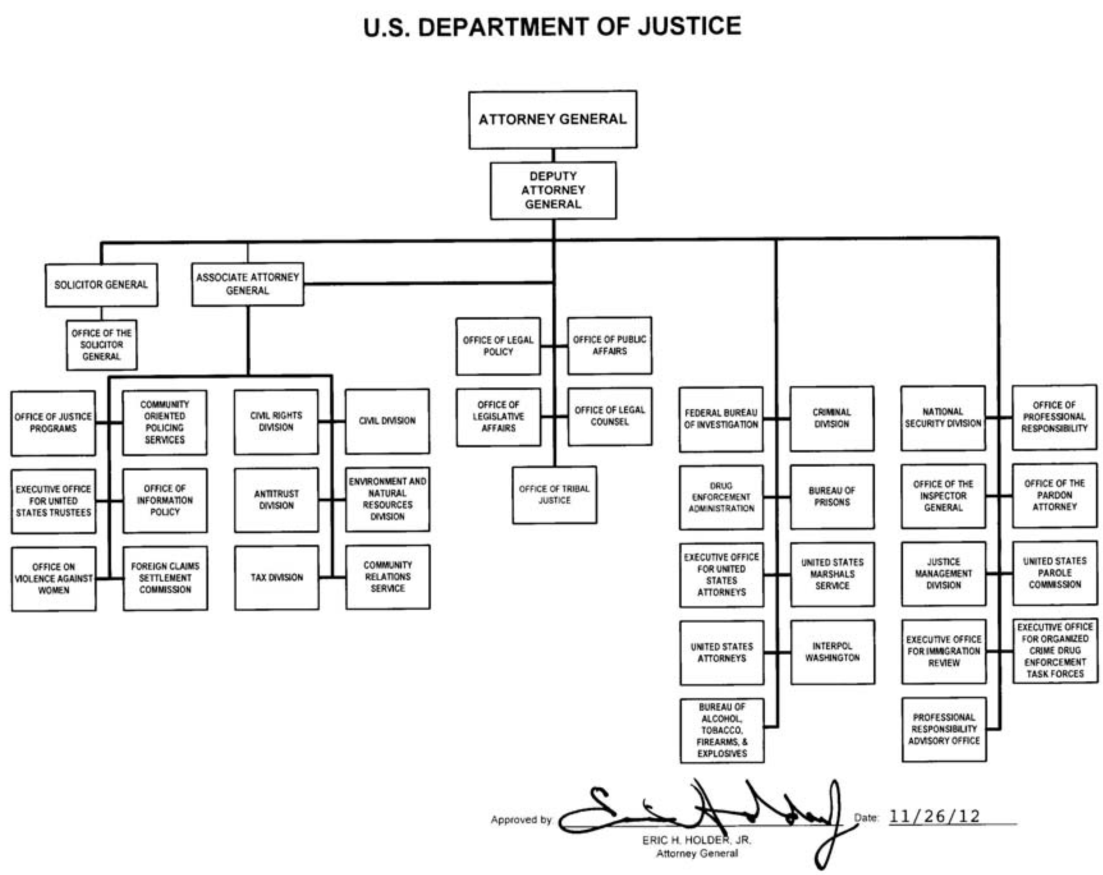
The table below provides an overview of the Department's FY 2012 - 2016 strategic goals and objectives.

Strategic Goal		Strategic Objectives
1	Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law	**1.1** Prevent, disrupt, and defeat terrorist operations before they occur **1.2** Prosecute those involved in terrorists acts **1.3** Combat espionage against the United States
2	Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law	**2.1** Combat the threat, incidence, and prevalence of violent crime **2.2** Prevent and intervene in crimes against vulnerable populations; uphold the rights of, and improve services to, America's crime victims **2.3** Combat the threat, trafficking, and use of illegal drugs and the diversion of licit drugs **2.4** Combat corruption, economic crimes, and international organized crime **2.5** Promote and protect Americans' civil rights **2.6** Protect the federal fisc and defend the interests of the United States
3	Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels	**3.1** Promote and strengthen relationships and strategies for the administration of justice with state, local, tribal, and international law enforcement **3.2** Protect judges, witnesses, and other participants in federal proceedings; apprehend fugitives; and ensure the appearance of criminal defendants for judicial proceedings or confinement **3.3** Provide for the safe, secure, humane, and cost-effective confinement of detainees awaiting trial and/or sentencing, and those in the custody of the federal prison system **3.4** Adjudicate all immigration cases promptly and impartially in accordance with due process

Organizational Structure

Led by the Attorney General, the Department is comprised of forty separate component organizations. These include the U.S. Attorneys (USAs) who prosecute offenders and represent the United States government in court; the major investigative agencies – the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), which deter and investigate crimes and arrest criminal suspects; the U.S. Marshals Service (USMS), which protects the federal judiciary, apprehends fugitives, and detains persons in federal custody; the Bureau of Prisons (BOP), which confines convicted offenders; and the National Security Division (NSD), which brings together national security, counterterrorism, counterintelligence, and foreign intelligence surveillance operations under a single authority.

The Department's litigating divisions represent the rights and interests of the American people and enforce federal criminal and civil laws. The litigating divisions are comprised of the Antitrust (ATR), Civil (CIV), Civil Rights (CRT), Criminal (CRM), Environment and Natural Resources (ENRD), and Tax (TAX) Divisions. The Office of Justice Programs (OJP), the Office on Violence Against Women (OVW), and the Office of Community Oriented Policing Services (COPS) provide leadership and assistance to state, local, and tribal governments. Other major Departmental components include the Executive Office for U.S. Trustees (UST), the Justice Management Division (JMD), the Executive Office for Immigration Review (EOIR), the Community Relations Service (CRS), the Office of the Inspector General (OIG), and several offices that advise the Attorney General on policy, law, legislation, tribal justice matters, external affairs, and oversight. Headquartered in Washington, D.C., the Department conducts its work in offices located throughout the country and overseas.



Financial Structure

The Department's financial reporting structure is comprised of nine principal components.

Components:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
- Bureau of Prisons (BOP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Federal Prison Industries, Inc. (FPI)
- Office of Justice Programs (OJP)
- Offices, Boards and Divisions (OBDs)*
- U.S. Marshals Service (USMS)

OBDs*:

Offices

Office of the Attorney General
Office of the Deputy Attorney General
Office of the Associate Attorney General
Community Relations Service
Executive Office for Immigration Review
Executive Office for U.S. Attorneys
Executive Office for U.S. Trustees
Executive Office for Organized Crime Drug Enforcement Task Forces
Office of Community Oriented Policing Services
Office of Information Policy
Office of Legal Counsel
Office of Legal Policy
Office of Legislative Affairs
Office of Professional Responsibility
Office of Public Affairs
Office of the Inspector General
Office of the Pardon Attorney
Office of the Solicitor General
Office of Tribal Justice
Office on Violence Against Women
Professional Responsibility Advisory Office
U.S. Attorneys
INTERPOL Washington

Boards

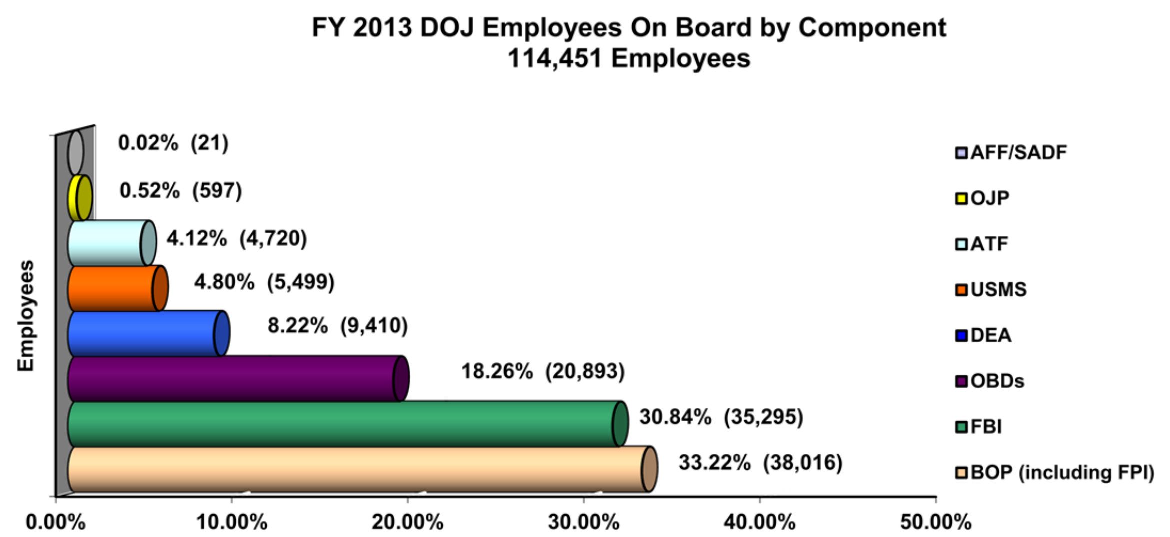
Foreign Claims Settlement Commission
U.S. Parole Commission

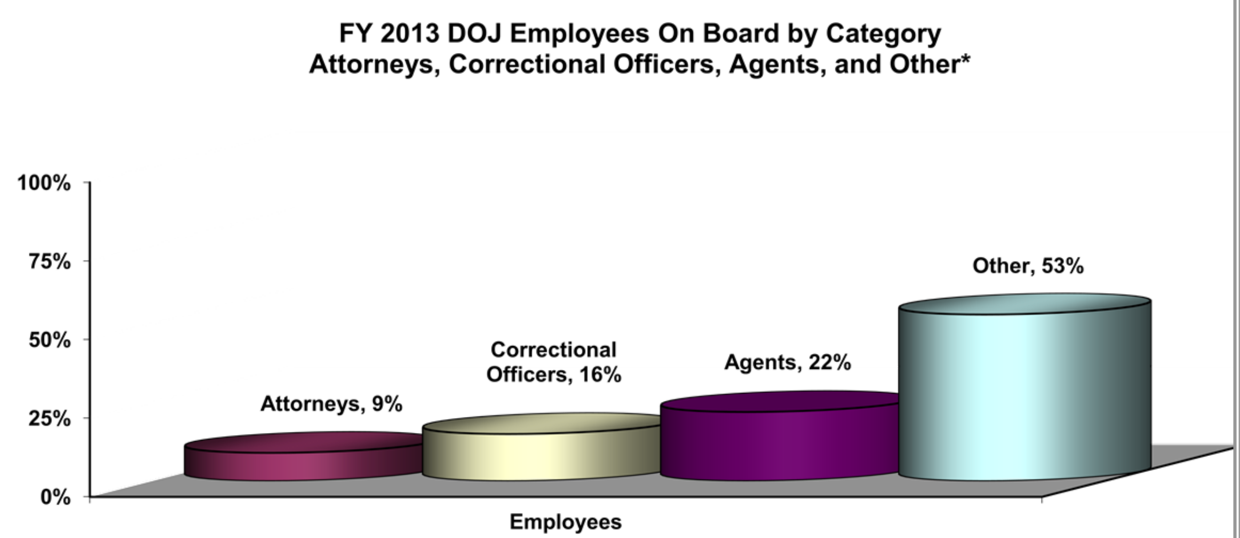
Divisions

Antitrust Division
Civil Division
Civil Rights Division
Criminal Division
Environment and Natural Resources Division
Justice Management Division
National Security Division
Tax Division

FY 2013 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2013. The charts on this page reflect employees on board as of September 21, 2013.





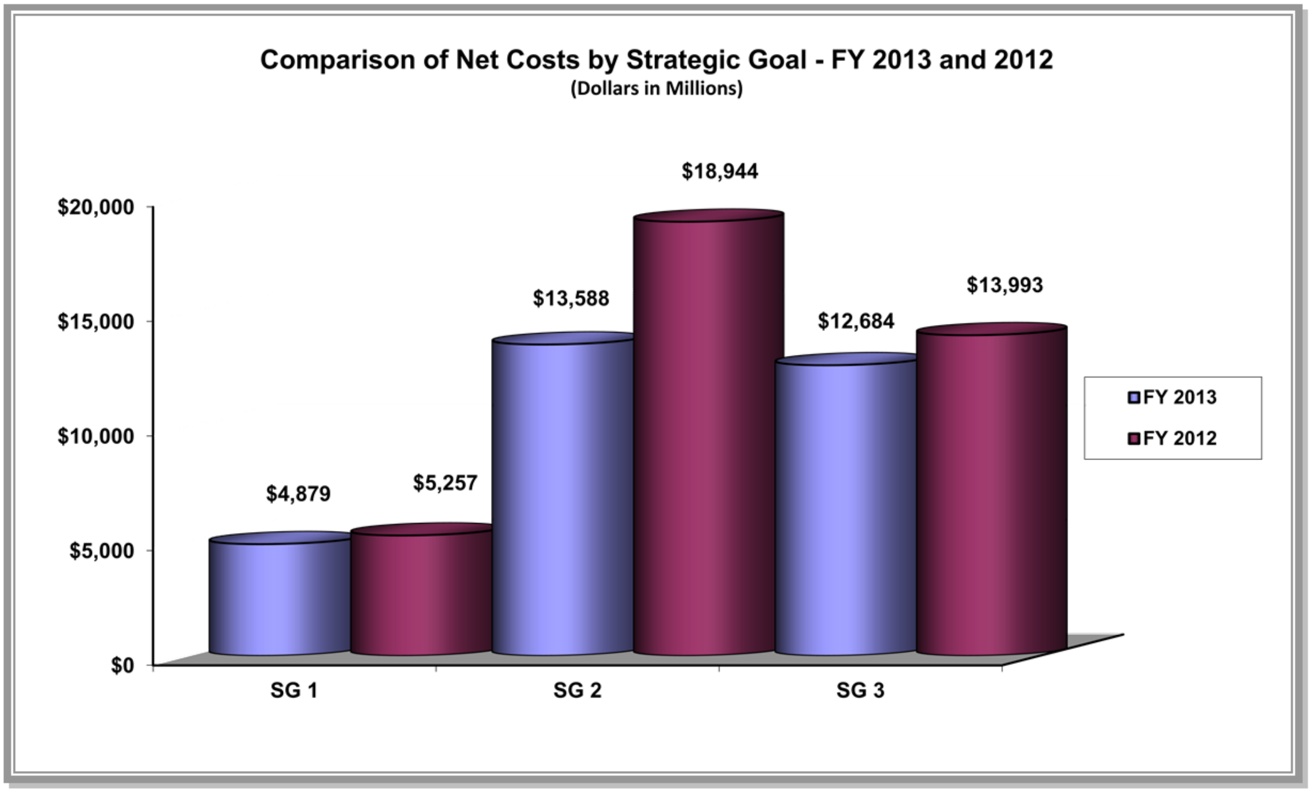
*"Other" includes pay class categories such as paralegals, intelligence analysts, financial managers, procurement officers, evidence technicians, and security specialists.

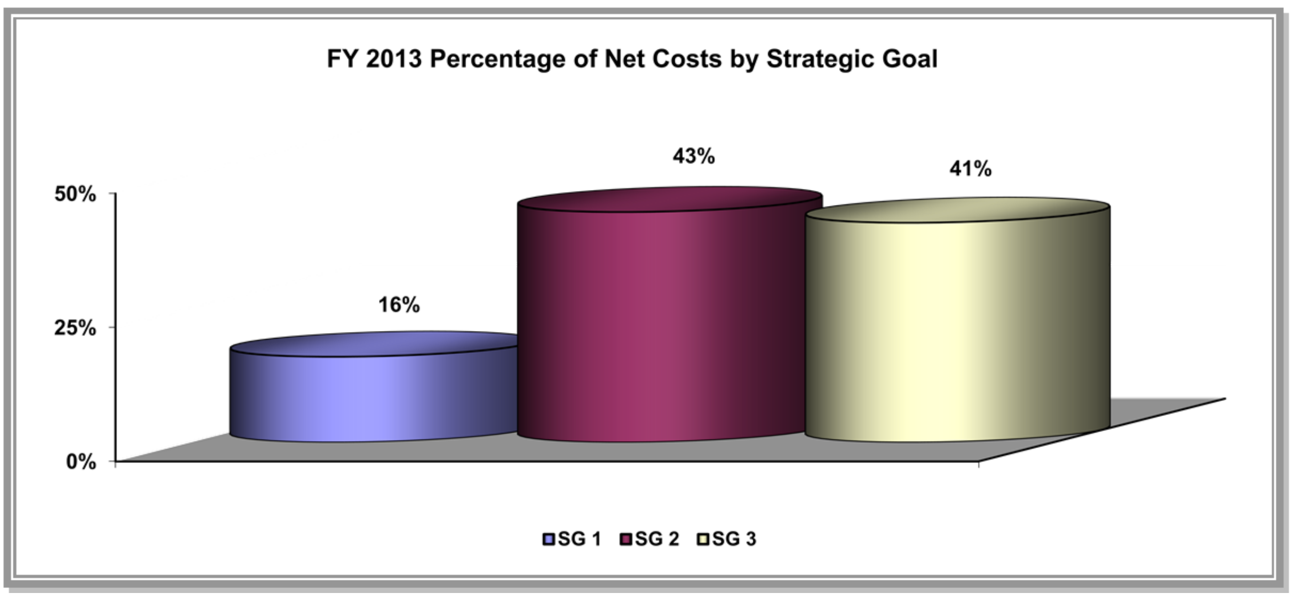
Table 1. Sources of DOJ Resources
(Dollars in Thousands)

Source	FY 2013	FY 2012	% Change
Earned Revenue:	$3,113,417	$3,115,804	**(0.1)%**
Budgetary Financing Sources:			
Appropriations Received	28,123,027	27,693,689	**1.6%**
Appropriations Transferred-In/Out	255,845	330,471	**(22.6)%**
Nonexchange Revenues	1,496,352	2,803,960	**(46.6)%**
Donations and Forfeitures of Cash and Cash Equivalents	1,826,480	4,194,465	**(56.5)%**
Transfers-In/Out Without Reimbursement	140,230	109,395	**28.2%**
Other Adjustments	(2,576,563)	(192,761)	**(1,236.7)%**
Other Financing Sources:			
Donations and Forfeitures of Property	185,772	120,275	**54.5%**
Transfers-In/Out Without Reimbursement	2,080	(12,623)	**116.5%**
Imputed Financing from Costs Absorbed by Others	801,659	878,014	**(8.7)%**
Other Financing Sources	(6,166)	(5,199)	**(18.6)%**
Total DOJ Resources	**$33,362,133**	**$39,035,490**	**(14.5)%**

Table 2. How DOJ Resources Were Spent
(Dollars in Thousands)

	Strategic Goal (SG)	FY 2013	FY 2012	% Change
1	Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
	Gross Cost	$5,294,213	$5,727,278	
	Less: Earned Revenue	415,488	470,233	
	Net Cost	4,878,725	5,257,045	**(7.2)%**
2	Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
	Gross Cost	15,020,702	20,059,682	
	Less: Earned Revenue	1,432,577	1,115,263	
	Net Cost	13,588,125	18,944,419	**(28.3)%**
3	Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
	Gross Cost	13,949,532	15,523,414	
	Less: Earned Revenue	1,265,352	1,530,308	
	Net Cost	12,684,180	13,993,106	**(9.4)%**
	Total Gross Cost	**34,264,447**	**41,310,374**	
	Less: Total Earned Revenue	**3,113,417**	**3,115,804**	
	Total Net Cost of Operations	**$31,151,030**	**$38,194,570**	**(18.4)%**


Comparison of Net Costs by Strategic Goal - FY 2013 and 2012
(Dollars in Millions)
$20,000
$15,000
$10,000
$5,000
$0
$4,879
$5,257
$13,588
$18,944
$12,684
$13,993
SG 1
SG 2
SG 3
FY 2013
FY 2012


FY 2013 Percentage of Net Costs by Strategic Goal
50%
25%
0%
16%
43%
41%
SG 1
SG 2
SG 3

Analysis of Financial Statements

The Department's financial statements, which are provided in Section II of this document, received an unmodified audit opinion for the fiscal years ended September 13, 2013 and 2012. These statements were prepared from the accounting records of the Department in accordance with the accounting principles generally accepted in the United States and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. These principles are the standards promulgated by the Federal Accounting Standards Advisory Board (FASAB).

The following information highlights the Department's financial position and results of operations in FY 2013. The complete set of financial statements, related notes, and the opinion of the Department's auditors are provided in Section II of this document.

Assets: The Department's Consolidated Balance Sheet as of September 30, 2013, shows $41.4 billion in total assets, a decrease of $1.8 billion over the previous year's total assets of $43.2 billion. Fund Balance with U.S. Treasury (FBWT) was $23.2 billion, which represented 56 percent of total assets.

Liabilities: Total Department liabilities were $15.3 billion as of September 30, 2013, a decrease of $595 million from the previous year's total liabilities of $15.9 billion. This decrease is primarily due to reduction in the estimation in grant liabilities and accruals related to payroll activities.

Net Cost of Operations: The Consolidated Statement of Net Cost presents the Department's gross and net cost by strategic goal. The net cost of the Department's operations totaled $31.2 billion for the fiscal year ended September 30, 2013, a decrease of $7.0 billion from the previous year's net cost of operations of $38.2 billion. This decrease is related to the full recognition of the expense associated with the September 11th Victim Compensation Fund liability in FY 2012 and the effects of sequestration in FY 2013.

Brief descriptions of some of the major costs for each Strategic Goal are as follows:

Strategic Goal	Description of Major Costs
1	Includes resources dedicated to counterterrorism initiatives for ATF, CRM, DEA, FBI, NSD, USAs, and USMS
2	Includes resources for the AFF/SADF, ATF, BOP, COPS, CRS, DEA, FBI, Foreign Claims Settlement Commission (FCSC), Organized Crime Drug Enforcement Task Forces (OCDETF), OJP, Office of Legal Counsel, Office of the Pardon Attorney (OPA), Office of the Solicitor General (OSG), OVW, USAs, USMS, INTERPOL Washington, UST, ATR, CIV, CRT, CRM, ENRD,TAX and services to America's crime victims
3	Includes resources for BOP, EOIR, Fees and Expenses of Witnesses, FBI, FPI, OJP, Justice Prisoner Alien Transportation System, USMS, and U.S. Parole Commission

Management and administrative costs, including the costs for the Department's leadership offices, JMD, and others, are allocated to each strategic goal based on full-time equivalent (FTE) employment.[1]

[1] FTE employment means the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees, divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off, and other approved leave categories are considered "hours worked" for purposes of defining FTE employment.

Budgetary Resources: The Department's FY 2013 Combined Statement of Budgetary Resources shows $39.5 billion in total budgetary resources, a decrease of $5.8 billion from the previous year's total budgetary resources of $45.3 billion. The decrease shown on the Other Adjustment line in Table 1 is primarily attributed to effects of the sequestration in FY 2013 which significantly decreased appropriations and mandated rescissions.

Net Outlays: The Department's FY 2013 Combined Statement of Budgetary Resources shows $30.2 billion in net outlays, a decrease of $1.4 billion from the previous year's total net outlays of $31.6 billion. This decrease is related to budget reductions and spending authority.

Summary of Performance Information

The Government Performance and Results Act Modernization Act (GPRAMA) requires an agency's Strategic Plan to be updated every four years and cover a period of not less than four years forward from the fiscal year in which it is submitted.

The Department's FY 2012-2016 Strategic Plan, which contains three strategic goals, is used for this report. The Department's Plan also includes 12 key performance measures addressing DOJ's priorities toward achieving its long-term outcome goals. The performance measures are included in the Department's annual *Budget and Performance Summary* and summarized in this document. The Department's full Performance Report for these measures, including an update on our progress toward meeting the FY 2016 long-term outcome goals, will be reported in the Department's Annual Performance Report and submitted with the President's Budget in early 2014. The Department strives to present the highest-level outcome-oriented measures available.

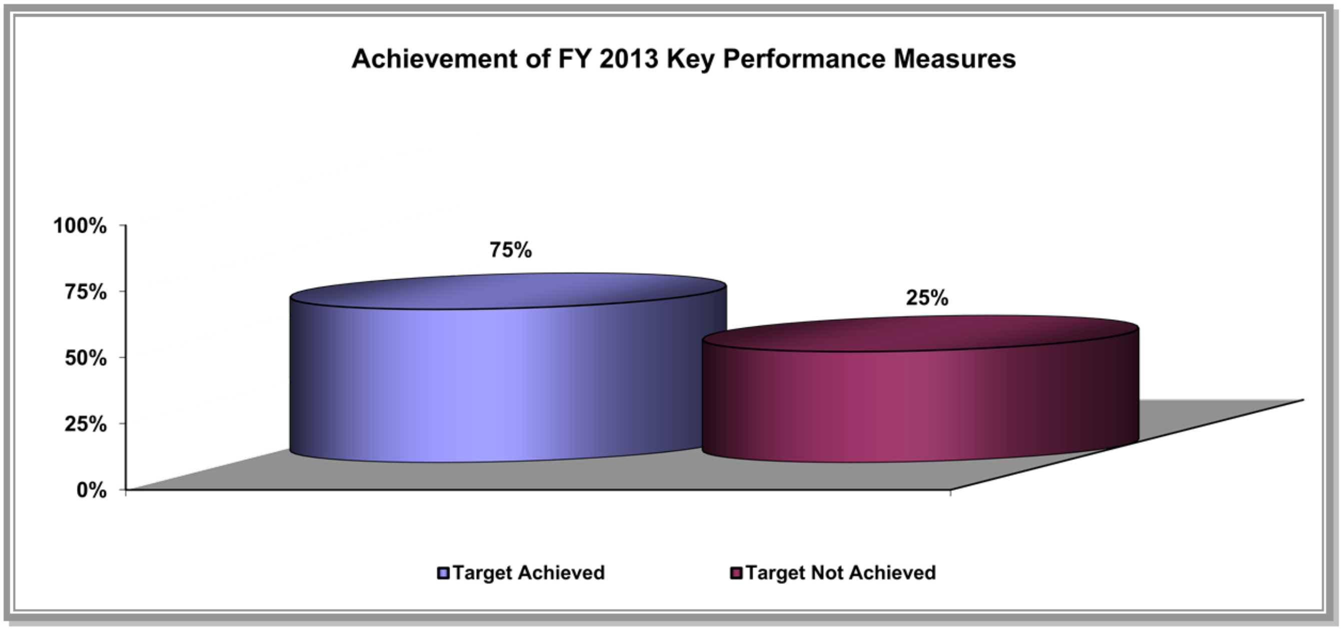
During FY 2013, Departmental leadership continued to display a clear commitment to performance management through the reliance on formal quarterly status reviews. Additionally, Departmental components have worked to improve the quality and timeliness of financial and performance information that inform quarterly status reporting and operating plans.

For this summary report, 100 percent of the performance measures have actual data for FY 2013. The Department achieved 75 percent of its key measures in FY 2013. In certain cases, FY 2013 data have yet to be finalized and could change the final outcome. The Department continues to emphasize long-term and annual performance measure development, placement of key performance indicators on cascading employee work plans, and Department-wide quarterly status reporting.

In FY 2013, the Department continued to collect and report its performance information through its web-based performance management system. The Department will continue to examine its performance management system and implement improvements where necessary. Additional improvement areas include developing trend reports, continuing to improve the quality and utility of performance information and continuing to work with OMB and other federal agencies to develop mechanisms to target and measure efficiency of law enforcement and regulatory programs.

Beginning in FY 2014, the Department will implement its new Strategic Plan for FY 2014-2018. Similar to our existing Plan, the new Plan will include specific long-term outcome goals and annual reporting measures, which fully align with current priorities, goals, and strategic objectives. The Department's annual Budget and Performance Summary will report on the targeted long-term outcome goals and in addition, the targeted long term outcome goals will be reported fully in the Department's Annual Performance Report and summarized in the Agency Financial Report.

The chart below and the table that follows summarize the Department's achievement of its FY 2013 key performance measures.



FY 2013 Key Performance Measures

No.	[ ] Designates the reporting entity	FY 2013 Target	FY 2013 Actual	Target Achieved/ Not Achieved
	Strategic Goal I: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
1	Number of counterterrorism intelligence products shared with the U.S. Intelligence Community, state and local Law Enforcement Community partners, and foreign government agencies [FBI]	10,000	13,111	Achieved
	Strategic Goal II: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
2	Number of criminal enterprises engaging in white-collar crimes dismantled [FBI]	385	493	Achieved
3	Percent increase in gang arrests resulting from coordination of gang investigations [FBI, ATF, DEA]	2%	-19%	Not Achieved[1]
	[1] This measure represents collective data from FBI, ATF, and DEA. FY 2013 actual numbers for FBI, ATF, and DEA were lower than their FY 2011 baseline numbers. Thus FY 2013 collective target was not met.			
4	Number of intelligence products to support federal, state, and local law enforcement [FBI]	47	132	Achieved
5	Number of matters/investigations of child sexual exploitation and human trafficking resolved [CRT, CRM, USAs]	5057	5172	Achieved
	Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data - OCDETF)]			
6	Dismantled	145	219	Achieved
7	Disrupted	340	500	Achieved
	Percent of cases favorably resolved: [ENRD, ATR, CRM, USA, TAX, CIV, CRT (Consolidated data - JMD/Budget Staff)]			
8	Criminal Cases	90%	92%	Achieved
9	Civil Cases	80%	85%	Achieved
	Strategic Goal III: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
10	Percent of system-wide crowding in federal prisons [BOP]	38%	36%	Achieved
11	Number of inmate participants in the Residential Drug Abuse Program [BOP]	16,044	15,891	Not Achieved[2]
	[2] Fiscal year end results are 153 less than projected. This slightly lower result was due to brief delays in implementing 4 of the 18 new RDAPs in FY 2013.			
12	Number and percent of primary felony fugitives apprehended or cleared [USMS]	34,765	34,470	Not Achieved[3]
	[3] Target was not met due to lower number of arrests and fugitives received in FY 2013.			

FY 2012 – 2013 Priority Goals

The FY 2012 OMB Budget and Performance Plan guidance memorandum required federal agencies to identify a limited number of Priority Goals that are considered priorities for both the Administration and the agency, have high relevance to the public or reflect the achievement of key agency missions, and would produce significant results over a 12 to 24 month timeframe. The Priority Goals should also represent critical elements of a federal agency's strategic plan.

The following comprise the Department's four Priority Goals for FY 2012–2013 and are linked to the larger DOJ policy framework and strategic plan goals.

<u>Priority Goal 1, National Security</u>: Better inform the Intelligence Community, thereby increasing the ability to protect Americans from terrorism or other threats to national security - both at home and abroad:

- **By the end of 2013, increase the number of intelligence products shared with the U.S. Intelligence Community and state and local Law Enforcement Community partners**
- **By the end of 2013, increase the number of intelligence products shared with foreign government agencies**

Terrorism is the most significant national security threat the country faces. Accordingly, the number one priority of the Department is, and will continue to be, protecting the security of this Nation's citizens. The Administration has recognized that terrorism cannot be defeated by military means alone and the Department is at the forefront of the fight against terrorism. DOJ provides a broad spectrum of tools and skills to combat terrorists. Specifically, DOJ's agents, analysts, and prosecutors will use every available resource and appropriate tool to detect, deter, and disrupt terrorist plots, investigate and prosecute terrorists, and aid in developing rule of law programs in post-conflict countries to help prevent terrorism abroad. The Department will aggressively pursue emerging threats around the world and at home, enhance the ability to gather and analyze actionable intelligence, and engage in outreach efforts to all communities in order to prevent terrorism before it occurs.

<u>Status</u>: The Department of Justice made significant achievements in its National Security Priority Goal for FY 2012-FY 2013. The Department surpassed its FY 2013 targets for both of its intelligence-sharing performance measures, and also improved the average response time for responding to terrorism-related tips received from the American public over the FY 2011 baseline. The Department has also fully deployed the Foreign Dissemination Database for use by all of the FBI's National Security Branch Headquarter Divisions and Legal Attachés.

The actual number of intelligence products shared with the U.S. Intelligence Community (USIC) and state and local Law Enforcement (LE) Community partners for the fourth quarter surpassed the target by 48% (3,693 vs. 2,500). The Department also surpassed its revised FY 2013 target by 31% (13,111 vs. 10,000). The FBI Counterterrorism Division (CTD) remains fully committed to coordination and collaboration with Other Government Agency, USIC, and domestic LE partners in mitigating the domestic and international threat.

The actual number of intelligence products shared with foreign government agencies greatly surpassed its fourth quarter target by 149% (2,298 vs. 924). The Department also surpassed its FY 2013 target by 102% (7,464 vs. 3,693). The number of intelligence products shared in FY 2013 correlates with a continuing trend from FY 2012 where the actual metric consistently surpassed the quarterly targets. Shared CTD intelligence products include a wide variety of disseminations to foreign governments. Coordination and cooperation with foreign partners serve the interests of the FBI in identifying and deterring upcoming threats, and in disrupting terrorist organizations.

Priority Goal 2, Reduce Gang Violence: By September 30, 2013, in conjunction with state and local law enforcement agencies, reduce the number of violent crimes attributed to gangs by achieving 5 percent increases on 3 key indicators:

- **Youths who exhibited a change in targeted behaviors as a result of participation in DOJ gang prevention program**
- **Coordination on gang investigations among federal, state, and local law enforcement resulting in gang arrests**
- **Intelligence products produced in support of federal, state, and local investigations that are focused on gangs posing a significant threat to communities**

Gangs and gun violence pose a serious threat to public safety in many communities throughout the United States. Too many youth are exposed to violence and gangs. Too many families continue to face substantial challenges in keeping their children safe and free from the conditions that can lead to violence. While data shows that overall violent crime in the United States is decreasing, many communities continue to experience high levels of gun violence and gang-related crimes. Gang members are increasingly migrating from urban to suburban, rural, and tribal communities and are responsible for a growing percentage of crime and violence in many communities. The Department's efforts to protect our citizens from violence will be carried out through collaboration with our state, local, and tribal partners. Through the United States Attorneys and our violent crime task forces, the Department will work with individual jurisdictions to address the impact of gang-related crimes on communities. The federal, state, local, and tribal efforts will be enhanced through increased coordinated enforcement efforts and intelligence sharing. Additionally, prevention of gang violence and gang membership is a necessary element of our strategy to address violent crime. The Department will utilize a number of evidence-based programs to assist state, local, and tribal governments in their efforts to deter youths from participation in gangs through these data-driven prevention programs, which are designed to prevent increases in gang membership and to deter youth violence.

Status: The Department met or exceeded its FY 2012 and FY 2013 targets for the three performance measures for the Violent Crime Priority Goal. The percentage of program youth who exhibited a change in targeted behaviors while participating in DOJ prevention programs to reduce youth crime and violence exceeded its FY 2012 target and met its FY 2013 target. For the measure concerning number of intelligence products produced, the Department met the FY 2012 target and exceeded the FY 2013 target. A total of 132 separate intelligence products were produced in support of Federal, State, and local investigations that were focused on gangs posing a significant threat to communities, exceeding the FY 2013 target of 47 products by 85 products or 281%. For the performance measure the number of cases supported by the National Gang Targeting, Enforcement and Coordination Center (GangTECC), the Department exceeded the FY 2012 and FY 2013 targets. A total of 918 cases were supported in FY 2013.

During FY 2012 – 2013, the Violent Crime Priority Goal conducted targeted marketing and liaison activities to state and local law enforcement agencies in order to increase the number of registered users and queries of National Gang Intelligence Center (NGIC) Online. NGIC partnered with the National Alliance of Gang Investigators Association, which is composed of 22 state and regional gang investigator associations. Through this partnership, NGIC is able to reach over 20,000 individuals directly involved in gang investigations across the country. These combined outreach and education efforts have been essential to relaying NGIC's message to state and local law enforcement officials who are currently combating gang violence. These efforts have also aided in the expanded use of NGIC Online. In the fourth quarter FY 2013, NGIC Online usage increased 14% from 57,838 queries as compared to the fourth quarter FY 2012 50,679 queries. NGIC Online queries exceeded its FY 2013 target (180,834) by 44,619 queries or 25%.

Priority Goal 3, Protect the American people from Financial and Healthcare fraud: In order to efficiently and effectively address financial fraud and healthcare fraud, by the end of FY 2013, increase by 5 percent over FY 2011 levels, the number of investigations completed per Department of Justice attorney working on financial fraud and healthcare fraud cases

The recent financial crisis, which has impacted every American, has resulted in fraud and deception in the finance and housing markets as well as fraudulent schemes that misuse the public's unprecedented investment in economic recovery. Criminals who commit mortgage fraud, securities and commodities fraud, and other types of fraud relating to the response to the economic crisis, including the funds disbursed through the American Recovery and Reinvestment Act and the Troubled Asset Relief Program, victimize the American public as a whole. Similarly, those who defraud Medicare, Medicaid, and other government health care programs defraud every American. Fraudsters take critical resources out of our health care system—thus contributing to the rising cost of health care for all Americans and endangering the short-term and long-term solvency of these essential health care programs. The Department will continue to address these critical problems by vigorously investigating and prosecuting both health care fraud and financial fraud, in order to protect American businesses, consumers, and taxpayers.

Status: Over the past two years, the Department's focus for the Financial and Healthcare Priority Goal had been to increase by 5 percent the number of investigations completed per DOJ attorney working on financial fraud and healthcare fraud cases. While the Department made progress during FY 2012-2013, it fell short of the FY 2013 target of 12.21 investigations completed per DOJ attorney attaining an actual of 11.49 investigations per attorney. Several factors contributed to this result. Over the last several years, including the FY 2011 baseline year, the number of health care fraud and financial fraud cases reached all-time highs. Given the outstanding results of FY 2011, it proved difficult to achieve further increases in the ensuing two-year timeframe. The complexity of health care fraud and financial fraud cases continued to increase, e.g., number of defendants and methods of fraud. As complexity increased, more attorney effort was expended on these complex cases, thereby reducing the overall number of investigations completed.

Supporting the Financial and Healthcare Priority Goal activity of efficiently and effectively increasing the number of health care fraud investigations completed, the Department targeted 260 Department personnel and law enforcement partners to be trained on Medicare claims data analysis. The trainings served to better triage and support existing caseloads and to evaluate pending health care fraud investigations. At the end of fourth quarter FY 2013, 401 people had been trained, exceeding its FY 2013 target by 54%. This success contributed to the increased number of investigations completed in the fourth quarter FY 2013 (2,462), a 5% increase compared to fourth quarter FY 2012 (2,336).

Overall, the Department will continue to vigorously investigate and prosecute both financial fraud and health care fraud related cases, in order to protect American businesses, consumers, and taxpayers. As an example, the Department, along with federal and state partners, came to a $13 billion settlement with JPMorgan - the largest settlement with a single entity in American history - to resolve federal and state civil claims arising out of the packaging, marketing, sale and issuance of residential mortgage-backed securities by JPMorgan, Bear Stearns and Washington Mutual prior to January 1, 2009. The settlement represents another significant step towards holding accountable those banks which exploited the residential mortgage-backed securities market and harmed numerous individuals and entities in the process.

Priority Goal 4, Protect those most in need of help: With special emphasis on child exploitation and civil rights. By September 30, 2013, working with state and local law enforcement agencies, protect potential victims from abuse and exploitation by achieving a 5 percent increase for 3 sets of key indicators:

- **open investigations concerning non-compliant sex offenders, sexual exploitation of children, and human trafficking**
- **matters/investigations resolved concerning sexual exploitation of children and human trafficking**

- **number of children depicted in child pornography that are identified by the FBI**

The abuse, neglect, exploitation, and trafficking, including sexual abuse of children, the elderly, and other vulnerable populations, causes irrevocable harm to victims and society. Ensuring that our children, seniors, and all citizens can live without being disturbed by sexual trauma, exploitation, or human trafficking are more than criminal justice issues, they are societal and moral issues. Despite efforts to date, the threat of these crimes remains very real. In the broadest terms, the goal of the Department is to prevent child sexual exploitation, elder abuse, hate crimes, and human trafficking from occurring in the first place, in order to protect every person from the physical and mental traumas associated with these crimes.

Status: The Department exceeded both its FY 2012 and FY 2013 Vulnerable People Priority Goal performance measure targets for four out of six of its performance measures. Open investigations concerning non-compliant sex offenders exceeded the FY 2012 target and the FY 2013 target (1,370) by 639 or 47%. Open investigations concerning sexual exploitation of children exceeded the FY 2012 target and the FY 2013 target (573) by 109 or 19%. Open investigations concerning human trafficking exceeded the FY 2012 target and the FY 2013 annual target (192) by 22 or 11%. A fifth measure, matters/investigations resolved concerning exploitation of children improved its performance from FY 2012 and achieved 99.8% of its FY 2013 target (4,973). The sixth measure, number of children depicted in child pornography that are identified by the FBI achieved its FY 2012 target, however only achieved 64% of its FY 2013 annual target (210). The FBI experiences a data lag which can result in quarterly figures being subsequently modified in future quarters to reflect the children identified. For the Elderly Abuse prevention milestone, the Department worked with other organizations to address the many issues that contributed to its progress. Due to the seriousness of the Elder Abuse prevention issue and the success achieved thus far, the Department will continue this milestone activity during its follow-on Vulnerable People Priority Goal for FY 2014-2015.

Analysis of Systems, Controls, and Legal Compliance

Internal Control Program in the Department of Justice

The objective of the Department of Justice's internal control program is to provide reasonable assurance that operations are effective, efficient, and comply with applicable laws and regulations; financial reporting is reliable; and assets are safeguarded against waste, loss, and unauthorized use. The Department identifies issues of concern through a strong network of oversight councils and internal review teams. These include the Department's Senior Assessment Team, the Justice Management Division's Internal Review and Evaluation Office and Quality Control and Compliance Group, and Departmental component internal review teams. In addition, the Department considers reports issued by the Office of the Inspector General (OIG) and Government Accountability Office (GAO) when assessing internal control.

The Department's internal control continues to improve through the corrective actions implemented by management. The Department's commitment to management excellence, accountability, and compliance with applicable laws and regulations is evidenced in our continuing actions to establish effective controls, make sound determinations on corrective actions, and verify and validate the results. This commitment is further evidenced by the many control improvements and actions taken by Departmental management in response to new legislation, OMB initiatives, and OIG and GAO recommendations, as discussed later in this section and in Appendix A.

Departmental management continued in FY 2013 to further strengthen and maximize the effectiveness of its annual assessment of internal control over financial reporting. Examples of such actions include:

- Refining the assessment framework,
- Enhancing the oversight process to ensure prompt implementation of corrective actions,
- Providing direct assistance to components with previously identified reportable conditions, and
- Continuing to support and commit resources to Departmental component internal review programs.

Management Assurances

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 Internal Control.* In addition to requiring 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

Department of Justice management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, the Department conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2). We also assessed whether our financial management systems conform to financial system requirements (FMFIA § 4). Based on the results of the assessments, we can provide qualified assurance that its internal controls and financial management systems meet the objectives of the FMFIA. The assessment of systems did not identify any non-conformances required to be reported under FMFIA § 4; however, the assessment of internal controls identified one programmatic material weakness required to be reported under FMFIA § 2. This weakness involves the need to reduce the Federal Bureau of Prisons (BOP) crowding rate, currently at 36 percent over the rated capacity. Details of the weakness are provided in the Summary of Material Weakness and Corrective Actions. Other than the exception noted, the internal controls were operating effectively as of September 30, 2013, and the assessment identified no other material weaknesses in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment, the Department can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2013, and the assessment identified no material weaknesses in the design or operation of the controls.

The Department of Justice is committed to maintaining strong program and financial management as we continue our mission of fighting terrorism and protecting our communities from crime. We take our program and financial accountability seriously and are dedicated to ensuring that funds we receive are used in a responsible and transparent manner. We will continue to strengthen our controls in areas identified through the Department's own internal review activities, by the Office of the Inspector General, or by the Government Accountability Office. We look forward in FY 2014 to building on our achievements as we continue the important work of the Department.

Eric H. Holder, Jr.
Attorney General
December 12, 2013

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. Guidance for implementing the FFMIA in FY 2013 was provided through OMB Circular A-127, *Financial Management Systems.*

FFMIA Compliance Determination

During FY 2013, the Department assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with the 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 issues identified during the Department's financial statement audit. A summary of the Department's compliance with the specific requirements of the FFMIA is provided at the end of this sub-section.

Financial Management Systems Strategy, Goals, and Framework

The Department's financial management systems strategy is to ultimately replace the two remaining major non-integrated legacy accounting systems in use in the Department with the single, integrated financial management system the Department is deploying – the Unified Financial Management System (UFMS). UFMS delivers standard, core accounting processes, as well as the data needed for effective financial and budget management. In FYs 2009 through 2013, the Department made measurable progress in implementing UFMS. In FY 2009, the DEA successfully migrated to UFMS and, importantly, obtained an unqualified audit opinion on its financial statements produced from UFMS that year and in every year since. As expected, the DEA project was a large, complex, and difficult migration, but one that helped to lay the foundation for the migrations of the ATF, USMS, and the Assets Forfeiture Fund, which occurred in FYs 2011 and 2013, and the migration of the FBI, which is underway and scheduled for completion in FY 2014. The migration of the USMS replaced one of the three major non-integrated legacy accounting systems, leaving two in use in the Department. The UFMS implementation goals, such as the migrations of the USMS and FBI, leverage lessons learned from previous migrations and are based on and aligned with operational risks and requirements unique to each component.

The Department's UFMS implementation has already enabled components to improve financial and budget management and realize increased efficiencies. Additional improvements and efficiencies are guaranteed to be realized as additional components fully migrate to UFMS. For example, UFMS has standardized and integrated financial processes to more effectively support accounting operations, provide accurate and timely financial information throughout the year, facilitate preparation of financial statements, and streamline audit processes.

Summary of Financial Statement Audit and Management Assurances

The two tables on the following page summarize the results of the Department's financial statement audit and management assurances regarding the effectiveness of internal control over programmatic operations and financial reporting (FMFIA § 2), conformance with financial system requirements (FMFIA § 4), and compliance with the FFMIA.

Table 3. Summary of Financial Statement Audit

Financial Statement Audit Opinion and Material Weaknesses					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
None	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

Table 4. Summary of Management Assurances

Effectiveness of Internal Control over Programmatic Operations (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Prison Crowding	1	0	0	0	0	1
Total Material Weaknesses	**1**	**0**	**0**	**0**	**0**	**1**

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform					
Non-conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	0	0	0	0	0	0
Total Non-conformances	**0**	**0**	**0**	**0**	**0**	**0**

Compliance with Federal Financial Management Improvement Act (FFMIA)		
Compliance with Specific Requirements		
Specific Requirements	**Agency**	**Auditor**
System Requirements	No Non-compliance Noted	No Non-compliance Noted
Accounting Standards	No Non-compliance Noted	No Non-compliance Noted
USSGL at Transaction Level	No Non-compliance Noted	No Non-compliance Noted

Summary of Material Weakness and Corrective Actions

A summary of the material weakness identified in the Department's FY 2013 assessment of the effectiveness of internal control over programmatic operations (FMFIA § 2) follows, along with details regarding corrective actions. The associated Corrective Action Plan is provided in Section III of this document.

Programmatic Material Weakness and Corrective Actions – Prison Crowding

As of September 30, 2013, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 36 percent. The BOP's Long Range Capacity Plan relies on multiple approaches to house the increasing federal inmate population, such as contracting with the private sector and state and local facilities for certain groups of low-security inmates; expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring, constructing, and activating new facilities as funding permits.

To address this material weakness, the BOP will continue implementing its Long Range Capacity Plan, making enhancements and modifications to the plan, as needed, commensurate with funding received through enacted budgets. The BOP's formal Corrective Action Plan includes utilizing contract facilities; expanding existing institutions; and acquiring, constructing, and activating new institutions as funding permits. The BOP will continue to validate progress on construction projects at new and existing facilities through on-site inspections or by reviewing monthly construction progress reports.

This material weakness was first reported in 2006. Remediation of the weakness through increasing prison capacity is primarily dependent on funding. Other correctional reforms and alternatives will require policy and/or statutory changes. Other initiatives notwithstanding, if the acquisition, expansion, construction, and activation plans detailed in the BOP's Long Range Capacity Plan are funded as proposed, the over-crowding rate for FY 2018 is projected to be 40 percent.

The Department's corrective action efforts are not limited to the BOP alone. The Department continues to consider and implement an array of crime prevention, sentencing, and corrections management improvements that focus on accountability and rehabilitation, while protecting public safety. The Department recognizes that the BOP's capacity management efforts must be teamed with targeted programs that are proven to reduce recidivism and promote effective re-entry. The BOP will continue to work with the Department on these programs.

Improper Payments Information Act of 2002, as Amended

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments and is committed to the continuous improvement of the overall disbursement management process. A summary of actions taken by Departmental management in FY 2013 for continuous implementation of the Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), follow.[2] Additional details, as well as the Department's submission of the required improper payments reporting, are provided in Appendix A of this document.

Risk Assessment

The IPIA, as amended, and OMB implementing guidance, OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, require agencies to review all programs and activities they administer to identify those that are susceptible to significant improper payments. OMB defines significant improper payments as gross annual improper payments (i.e., the total amount of overpayments plus underpayments) in a program exceeding (1) both 2.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million, regardless of the improper payment percentage of total program outlays. The Department's top-down approach for assessing the risk of significant improper payments allows the reporting of results by the Department's five mission-aligned programs – Law Enforcement; Litigation; Prisons and Detention; State, Local, Tribal, and Other Assistance; and Administrative, Technology, and Other.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department assessed its programs and activities for susceptibility to significant improper payments. Based on the results of the risk assessment for the period ended September 30, 2013, the Department concluded there were no programs susceptible to significant improper payments.

In FY 2013, the Department received approximately $20 million of funding under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Act). The Disaster Relief Act provides that all programs and activities receiving funds under the Act shall be deemed to be susceptible to significant improper payments for purposes of IPIA reporting, regardless of any previous improper payment risk assessment results. In accordance with the OMB implementing guidance, the Department will begin reporting on the risk-susceptible funding in the Department's IPIA reporting for FY 2014.

Payment Recapture Audits

The IPIA, as amended, and OMB implementing guidance require agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends $1 million or more annually – including contracts, grants, and benefit payments – if conducting such audits would be cost-effective. Prior to FY 2011, payment recapture audits were only required for agencies that entered into contracts with a total value in excess of $500 million in a fiscal year, and for certain other programs that were not applicable to the Department. The OMB implementing guidance also requires agencies to establish annual targets for their payment recapture audit programs – based on the rate of recovery – to drive performance. Agencies have the discretion to set their own payment recovery rate targets for review and approval by OMB, but agencies were to strive to achieve an annual recovery rate target of at least 85 percent by the end of FY 2013.

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[2] A more recent law, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), also amended the IPIA. The new reporting requirements from the IPERIA are effective beginning in FY 2014; therefore, the Department will begin addressing them in its IPIA reporting for FY 2014.

In FY 2011, as required by the IPIA, as amended, and OMB implementing guidance, the Department expanded the scope of its payment recapture audits to contracts, grants, and benefit and other payments and established annual payment recovery rate targets to drive performance. In FY 2013, the Department updated its targets through FY 2016.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department measured payment recapture performance. Based on performance through the period ended September 30, 2013, the Department achieved a payment recovery rate of 89 percent for the cumulative period of FYs 2004 through 2013. Additional details, to include the Department's annual payment recovery rate, are provided in Appendix A.

Possible Effects of Existing, Currently Known Demands, Risks, Uncertainties, Events, Conditions, and Trends

The Department's leadership is committed to ensuring its programs and activities will continue to be focused on meeting the dynamic demands of the changing legal, economic, and technological environments of the future.

Sequestration

- The Department's budget was reduced by over $1.6 billion in FY 2013 due to sequestration. The Department will face significant challenges operating in FY 2014 if it continues to be reduced by sequestration.

- The loss of DOJ staff is the biggest impact of sequestration on the Department. The Department's mission and its employees are inextricably linked: we cannot fulfill our mission without our employees. As of September 21, 2013, DOJ has lost over 3,505 staff since January 2011 due to budget constraints. The Department has fewer staff to conduct investigations, address legal matters, adjudicate immigration cases, and support state, local, and tribal partners. Sequestration affects not only the Department, but also the Courts and other key participants in the criminal justice system, resulting in delayed access to justice.

Technology

- Advances in high-speed telecommunications, computers, and other technologies are creating new opportunities for criminals, new classes of crimes, and new challenges for law enforcement.

- Growing dependence on technology is creating an increasing vulnerability to illegal acts, especially white collar crime and terrorism.

Economy

- Amount of regulation and the pace of economic growth and globalization are changing the volume and nature of anti-competitive behavior.

- The interconnected nature of the world's economy is increasing opportunities for criminal activity, including money laundering, white collar crime, and alien smuggling, as well as the complexity and scope of civil justice matters.

Government

- Changes in the fiscal posture or policies of state and local governments could have dramatic effects on their capacity to remain effective law enforcement partners, e.g., the ability and willingness of these governments to allow federal use of their jail space affects achievement of detention goals.

Globalization

- Issues of criminal and civil justice increasingly transcend national boundaries, requiring the cooperation of foreign governments and involving treaty obligations, multinational environment and trade agreements, and other foreign policy concerns.

Social-Demographic

- The numbers of adolescents and young adults, now the most crime-prone segment of the population, are expected to grow rapidly over the next several years.

Unpredictable

- Responses to unanticipated natural disasters and their aftermath require the Department to divert resources to deter, investigate, and prosecute disaster-related federal crimes, such as charity fraud, insurance fraud and other crimes.

- Changes in federal laws may affect responsibilities and workload.

- Much of the litigation caseload is defensive. The Department has little control over the number, size, and complexity of the civil lawsuits it must defend.

Other Management Information, Initiatives, and Issues

American Recovery and Reinvestment Act

- The Department received $4.0 billion in funding for programs, under the American Recovery and Reinvestment Act of 2009. In addition, $2.0 million was provided for the Department's Office of the Inspector General oversight activities related to Recovery Act funding. The Department is fully committed to ensuring that the funds received are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Act.

- Most of the Department's programs funded by the Recovery Act ended as of September 30, 2013, and undisbursed funds were returned to the General Fund of the Treasury. However, in April 2013, OMB approved the Department's waiver request ensuring long-term programs such as COPS, Tribal Prison Construction and some Edward Byrne Memorial Justice Assistance Grant (JAG) programs will be able to finish the projects they started.

- Additional information regarding the Department's Recovery Act activities can be found on: http://www.justice.gov/recovery/; government-wide Recovery Act information can also be found on: http://www.recovery.gov/Pages/home.aspx.

- The following table summarizes appropriations, obligations, and outlays by component, as of September 30, 2013:

(Dollars in Thousands)

Component	Appropriation Amount	Obligations*	Outlays
OJP	$2,761,930	$2,746,010	$2,674,326
OVW	$225,564	$220,059	$214,502
COPS	$1,002,506	$976,874	$887,422
ATF	$10,000	$10,000	$9,365
OIG	$2,000	$2,000	$2,000
DOJ Total	**$4,002,000**	**$3,954,943**	**$3,787,615**

*Reductions in obligations are due to unspent funds returned upon closeout of award.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Department of Justice, pursuant to the requirements of 31 U.S.C. § 3515(b).

While the statements have been prepared from the books and records of the Department in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by the 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 United States Government, a sovereign entity.

SECTION II
FINANCIAL SECTION

Section II

Financial Section

Overview

The Department's financial statements have been prepared to report the financial position, results of operations, net position, budgetary resources, and custodial activity of the Department pursuant to the Chief Financial Officers Act, the Government Management Reform Act of 1994, and the format requirements of OMB Circular A-136, *Financial Reporting Requirements*. This data outlines not only the costs of programs, but also the costs of achieving individual results by strategic goal. The following section provides the Statements of Net Cost by major program for the Department of Justice, and it is aligned directly with the goals and objectives in the Department's Strategic Plan and Annual Performance Plan.

Following the Chief Financial Officer's message, the Office of the Inspector General's Commentary and Summary, and the Reports of Independent Auditors, are the following statements:

Consolidated Balance Sheets – Presents resources owned or managed by the Department that are available to provide future economic benefits (assets); amounts owed by the Department that will require payments from those resources or future resources (liabilities) and residual amounts retained by the Department, comprising the difference (net position) as of September 30, 2013 and 2012.

Consolidated Statements of Net Cost – Presents the net cost of Department operations for the fiscal years ended September 30, 2013 and 2012. The Department's net cost of operations includes the gross costs incurred by the Department less any exchange revenue earned from Department activities.

Consolidated Statements of Changes in Net Position – Presents the change in the Department's net position resulting from the net cost of operations, budgetary financing sources other than exchange revenues, and other financing sources for the fiscal years ended September 30, 2013 and 2012.

Combined Statements of Budgetary Resources – Presents the budgetary resources available to the Department, the status of those resources, and the outlay of budgetary resources for the fiscal years ended September 30, 2013 and 2012.

Combined Statements of Custodial Activity – Presents the sources and disposition of non-exchange revenues collected or accrued by the Department on behalf of other recipient entities for the fiscal years ended September 30, 2013 and 2012.

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A Message from the Chief Financial Officer

December 12, 2013

I am very pleased to report that the Department has earned an unmodified financial audit opinion on its FY 2013 consolidated financial statements. For the seventh straight year, the auditor's report on internal controls over financial reporting did not identify any material weaknesses at the consolidated Department level and for the second year now no material weaknesses at the component level. The continued progress made by our financial management offices is demonstrable evidence of the Department's commitment to pursuing continual improvement in financial management practices.

The Department is fully cognizant of the economic difficulties faced by our country. We have been devoted to looking for ways to operate more efficiently in order to ensure taxpayer funds are spent wisely on the critical national security and law enforcement activities the Department performs for the nation. The Department's leadership has challenged our components to find savings across our operations, and components have responded with savings across their operations, including savings from consolidating portions of our financial audit. When we find areas where we can improve our practices, we have implemented new controls and procedures.

Among the Department's notable accomplishments this year were the successful implementation of the Department's Unified Financial Management System (UFMS) at the U.S. Marshals Service and the Assets Forfeiture Fund. Most recently, this fall the Federal Bureau of Investigation implemented UFMS, a major milestone for the Department that allowed FBI to retire a decades old legacy financial system. Building on these successful implementations provides a sound platform for continuing to improve our financial management capabilities in the future. We take our financial accountability seriously, and we take our commitment to sound agency performance and providing taxpayer value seriously. We look forward in FY 2014 to furthering our fiscal achievements as the Department continues to serve the nation and its citizens.

Lee Lofthus
Chief Financial Officer

U.S. DEPARTMENT OF JUSTICE
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2013

OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the U.S. Department of Justice (Department) for the fiscal years (FY) ended September 30, 2013, and September 30, 2012. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the Department's audit in accordance with auditing standards generally accepted in the United States of America. Effective for FY 2013, auditing standards generally accepted in the United States of America use the term "unmodified" opinion instead of "unqualified" opinion. The definition of the two terms is substantially the same. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in accordance with U.S. generally accepted accounting principles. The FY 2013 audit resulted in an unmodified opinion on the financial statements. For FY 2012, the Department received an unqualified opinion on its financial statements (OIG Audit Report No. 13-01).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors did not identify any material weaknesses, nor did they report any significant deficiencies in the FY 2013 *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. During FYs 2009 through 2013, the Department made measurable progress toward implementing the Unified Financial Management System. However, it is important to note that the Department does not yet have a unified financial management system to readily support ongoing accounting operations and preparation of financial statements. As discussed in past years, we believe the most important challenge facing the Department in its financial management is to successfully implement an integrated financial management system to replace the two remaining major non-integrated legacy accounting systems used by Department components.

No instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* were identified during the audit in the FY 2013 *Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Additionally, KPMG LLP's tests disclosed no instances in which the Department's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996*.

The Department's financial statements are comprised of nine reporting entities as described in Note 1.A. to the financial statements. Five of these entities (Assets Forfeiture Fund and Seized Asset Deposit Fund, U.S. Marshals Service, Federal Bureau of Investigation, Federal Bureau of Prisons, and Federal Prison Industries, Inc.) prepare separate audited annual financial statements which are available on the OIG's website shortly after issuance.

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 *Government Auditing Standards*, was not intended to enable us to express, and we do not express, an opinion on the Department's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the Department's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations and other matters. KPMG LLP is responsible for the attached auditors' reports dated December 12, 2013, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

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

Independent Auditors' Report on the Financial Statements

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice (Department) which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits and the reports of other auditors. We did not audit the fiscal year 2012 financial statements of the following components of the Department: the U.S. Marshals Service (USMS); the Federal Prison Industries, Inc. (FPI); and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), which statements reflect total assets of $2.0 billion, and total net costs of $2.9 billion as of and for the year ended September 30, 2012. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those components, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as w ell as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained, based on our audits and the reports of the other auditors, is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice as of September 30, 2013 and 2012, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1.V to the consolidated financial statements, the Department adopted Statement of Federal Financial Accounting Standards No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds*, effective October 1, 2012. The fiscal year 2012 consolidated financial statements have been adjusted for the retrospective application of the new accounting guidance. Our opinion is not modified with respect to this matter.

As discussed in Note 26 to the consolidated financial statements, the Department has elected to change its capitalization thresholds for real property, personal property, and internal use software, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the consolidated financial statements. Such information, although not a part of the 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 consolidated financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We and the other auditors 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information, Combined Schedule of Spending, and the information in the Introduction, Management Section and Appendices is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we and the other auditors do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our fiscal year 2013 report dated December 12, 2013 on our consideration of the Department's internal control over financial reporting, and our fiscal year 2013 report dated December 12, 2013 on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

December 12, 2013

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KPMG LLP
Suite 12000
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Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America; 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. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice (Department), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2013. We did not audit the fiscal year 2012 financial statements of the following components of the Department: the U.S. Marshals Service (USMS); the Federal Prison Industries, Inc. (FPI); and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) as of and for the year ended September 30, 2012. Those financial statements were audited by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those components, is based solely on the reports of the other auditors. As discussed in Note 1.V to the consolidated financial statements, the Department adopted Statement of Federal Financial Accounting Standards No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds*, effective October 1, 2012. The fiscal year 2012 consolidated financial statements have been adjusted for the retrospective application of the new accounting guidance. Our opinion is not modified with respect to this matter. Also, as discussed in Note 26 to the consolidated financial statements, the Department has elected to change its capitalization thresholds for real property, personal property, and internal use software, effective October 1, 2012. Our opinion is not modified with respect to this matter.

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, 2013, we considered the Department's internal control over financial reporting (internal control) to determine the 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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*.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 12, 2013

KPMG LLP
Suite 12000
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Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America; 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. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice (Department), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2013. We did not audit the fiscal year 2012 financial statements of the following components of the Department: the U.S. Marshals Service (USMS); the Federal Prison Industries, Inc. (FPI); and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) as of and for the year ended September 30, 2012. Those financial statements were audited by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those components, is based solely on the reports of the other auditors. As discussed in Note 1.V to the consolidated financial statements, the Department adopted Statement of Federal Financial Accounting Standards No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds*, effective October 1, 2012. The fiscal year 2012 consolidated financial statements have been adjusted for the retrospective application of the new accounting guidance. Our opinion is not modified with respect to this matter. Also, as discussed in Note 26 to the consolidated financial statements, the Department has elected to change its capitalization thresholds for real property, personal property, and internal use software, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements 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 determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. 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 of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

We also performed tests of its 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 of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) federal financial management system requirements, (2) applicable federal accounting standards, and (3) application of the United States Government Standard General Ledger at the transaction level.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the Department's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 12, 2013

Principal Financial Statements and Related Notes

See Independent Auditors' Report on the Financial Statements

U. S. Department of Justice
Consolidated Balance Sheets
As of September 30, 2013 and 2012

Dollars in Thousands	2013	2012
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	$ 23,226,071	$ 24,745,298
Investments, Net (Note 5)	6,650,960	6,213,903
Accounts Receivable, Net (Note 6)	452,327	324,327
Other Assets (Note 10)	92,370	266,573
Total Intragovernmental	30,421,728	31,550,101
Cash and Monetary Assets (Note 4)	174,798	260,682
Accounts Receivable, Net (Note 6)	81,892	115,612
Inventory and Related Property, Net (Note 7)	132,814	166,609
Forfeited Property, Net (Note 8)	141,354	145,111
General Property, Plant and Equipment, Net (Note 9)	10,017,323	10,186,144
Advances and Prepayments	444,174	760,870
Other Assets (Note 10)	4,677	5,585
Total Assets	**$ 41,418,760**	**$ 43,190,714**
LIABILITIES (Note 11)		
Intragovernmental		
Accounts Payable	$ 339,253	$ 302,575
Accrued Federal Employees' Compensation Act Liabilities	266,865	260,652
Custodial Liabilities (Note 21)	1,174,698	1,114,298
Other Liabilities (Note 15)	204,056	368,713
Total Intragovernmental	1,984,872	2,046,238
Accounts Payable	4,203,261	4,108,056
Accrued Grant Liabilities	387,629	604,119
Actuarial Federal Employees' Compensation Act Liabilities	1,632,616	1,474,278
Accrued Payroll and Benefits	269,621	653,909
Accrued Annual and Compensatory Leave Liabilities	826,369	838,252
Environmental and Disposal Liabilities (Note 12)	76,676	74,441
Deferred Revenue	621,440	556,464
Seized Cash and Monetary Instruments (Note 14)	1,485,687	1,587,167
Contingent Liabilities (Note 16)	26,571	28,671
Capital Lease Liabilities (Note 13)	8,763	17,096
Radiation Exposure Compensation Act Liabilities (Note 25)	660,465	731,237
September 11th Victim Compensation Fund (Note 25)	2,751,712	2,766,400
Other Liabilities (Note 15)	411,311	455,657
Total Liabilities	**$ 15,346,993**	**$ 15,941,985**
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections (Note 17)	$ 35,768	$ 25,963
Unexpended Appropriations - All Other Funds	8,649,121	10,568,815
Cumulative Results of Operations - Funds from Dedicated Collections (Note 17)	11,940,472	10,949,539
Cumulative Results of Operations - All Other Funds	5,446,406	5,704,412
Total Net Position	**$ 26,071,767**	**$ 27,248,729**
Total Liabilities and Net Position	**$ 41,418,760**	**$ 43,190,714**

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

U. S. Department of Justice
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2013 and 2012

Dollars in Thousands

	FY	Gross Costs: Intra-governmental	Gross Costs: With the Public	Gross Costs: Total	Less: Earned Revenues: Intra-governmental	Less: Earned Revenues: With the Public	Less: Earned Revenues: Total	Net Cost of Operations (Note 18)
Goal 1	**2013**	$ 1,353,549	$ 3,940,664	$ 5,294,213	$ 399,097	$ 16,391	$ 415,488	$ 4,878,725
	2012	$ 1,426,981	$ 4,300,297	$ 5,727,278	$ 439,321	$ 30,912	$ 470,233	$ 5,257,045
Goal 2	**2013**	3,649,282	11,371,420	15,020,702	712,127	720,450	1,432,577	13,588,125
	2012	3,361,356	16,698,326	20,059,682	468,597	646,666	1,115,263	18,944,419
Goal 3	**2013**	2,325,612	11,623,920	13,949,532	665,460	599,892	1,265,352	12,684,180
	2012	2,729,014	12,794,400	15,523,414	867,132	663,176	1,530,308	13,993,106
Total	**2013**	**$ 7,328,443**	**$ 26,936,004**	**$ 34,264,447**	**$ 1,776,684**	**$ 1,336,733**	**$ 3,113,417**	**$ 31,151,030**
	2012	**$ 7,517,351**	**$ 33,793,023**	**$ 41,310,374**	**$ 1,775,050**	**$ 1,340,754**	**$ 3,115,804**	**$ 38,194,570**

Goal 1 Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law
Goal 2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law
Goal 3 Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels

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

U. S. Department of Justice
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands

	2013			
	Funds from Dedicated Collections	**All Other Funds**	**Eliminations**	**Total**
Unexpended Appropriations				
Beginning Balances	**$ 25,963**	**$ 10,568,815**	**$ -**	**$ 10,594,778**
Budgetary Financing Sources				
Appropriations Received	80,267	28,042,760	-	28,123,027
Appropriations Transferred-In/Out	5,343	250,502	-	255,845
Other Adjustments	(3,419)	(2,547,144)	-	(2,550,563)
Appropriations Used	(72,386)	(27,665,812)	-	(27,738,198)
Total Budgetary Financing Sources	**9,805**	**(1,919,694)**	**-**	**(1,909,889)**
Unexpended Appropriations	**$ 35,768**	**$ 8,649,121**	**$ -**	**$ 8,684,889**
Cumulative Results of Operations				
Beginning Balances	**$ 10,949,539**	**$ 5,704,412**	**$ -**	**$ 16,653,951**
Adjustments (Note 26)				
Changes in Accounting Principles	(2,091)	(272,557)	-	**(274,648)**
Beginning Balances, as Adjusted	**10,947,448**	**5,431,855**	**-**	**16,379,303**
Budgetary Financing Sources				
Other Adjustments	-	(26,000)	-	(26,000)
Appropriations Used	72,386	27,665,812	-	27,738,198
Nonexchange Revenues	1,496,030	322	-	1,496,352
Donations and Forfeitures of Cash and Cash Equivalents	1,826,480	-	-	1,826,480
Transfers-In/Out Without Reimbursement	-	140,230	-	140,230
Other Financing Sources				
Donations and Forfeitures of Property	185,769	3	-	185,772
Transfers-In/Out Without Reimbursement	(7,280)	9,360	-	2,080
Imputed Financing from Costs Absorbed by Others (Note 19)	15,218	807,510	(21,069)	801,659
Other Financing Sources	-	(6,166)	-	(6,166)
Total Financing Sources	**3,588,603**	**28,591,071**	**(21,069)**	**32,158,605**
Net Cost of Operations	**(2,595,579)**	**(28,576,520)**	**21,069**	**(31,151,030)**
Net Change	993,024	14,551	-	1,007,575
Cumulative Results of Operations	**$ 11,940,472**	**$ 5,446,406**	**$ -**	**$ 17,386,878**
Net Position	**$ 11,976,240**	**$ 14,095,527**	**$ -**	**$ 26,071,767**

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

U. S. Department of Justice
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands

	2012			
	Funds from Dedicated Collections	All Other Funds	Eliminations	Total
Unexpended Appropriations				
Beginning Balances	**$ 21,727**	**$ 11,952,581**	**$ -**	**$ 11,974,308**
Budgetary Financing Sources				
Appropriations Received	72,044	27,621,645	-	27,693,689
Appropriations Transferred-In/Out	-	330,471	-	330,471
Other Adjustments	-	(152,761)	-	(152,761)
Appropriations Used	(67,808)	(29,183,121)	-	(29,250,929)
Total Budgetary Financing Sources	**4,236**	**(1,383,766)**	**-**	**(1,379,530)**
Unexpended Appropriations	**$ 25,963**	**$ 10,568,815**	**$ -**	**$ 10,594,778**
Cumulative Results of Operations				
Beginning Balances	**$ 9,066,816**	**$ 8,482,489**	**$ -**	**$ 17,549,305**
Budgetary Financing Sources				
Other Adjustments	-	(40,000)	-	(40,000)
Appropriations Used	67,808	29,183,121	-	29,250,929
Nonexchange Revenues	2,802,985	975	-	2,803,960
Donations and Forfeitures of Cash and Cash Equivalents	4,194,465	-	-	4,194,465
Transfers-In/Out Without Reimbursement	-	109,395	-	109,395
Other Financing Sources				
Donations and Forfeitures of Property	120,245	30	-	120,275
Transfers-In/Out Without Reimbursement	(149,908)	137,285	-	(12,623)
Imputed Financing from Costs Absorbed by Others (Note 19)	15,446	887,286	(24,718)	878,014
Other Financing Sources	-	(5,199)	-	(5,199)
Total Financing Sources	**7,051,041**	**30,272,893**	**(24,718)**	**37,299,216**
Net Cost of Operations	**(5,168,318)**	**(33,050,970)**	**24,718**	**(38,194,570)**
Net Change	1,882,723	(2,778,077)	-	(895,354)
Cumulative Results of Operations	**$ 10,949,539**	**$ 5,704,412**	**$ -**	**$ 16,653,951**
Net Position	**$ 10,975,502**	**$ 16,273,227**	**$ -**	**$ 27,248,729**

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

U. S. Department of Justice
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2013 and 2012

Dollars in Thousands	2013	2012
Budgetary Resources:		
Unobligated Balance, Net, Brought Forward, October 1	$ 4,036,432	$ 3,882,323
Recoveries of Prior Year Unpaid Obligations	1,029,004	877,535
Other Changes in Unobligated Balance	(18,946)	(12,383)
Unobligated Balance from Prior Year Budget Authority, Net	5,046,490	4,747,475
Appropriations (discretionary and mandatory)	29,174,293	33,346,750
Spending Authority from Offsetting Collections (discretionary and mandatory)	5,275,914	7,193,483
Total Budgetary Resources	$ 39,496,697	$ 45,287,708
Status of Budgetary Resources:		
Obligations Incurred (Note 20)	35,501,730	41,251,276
Unobligated Balance, End of Period:		
Apportioned	2,757,986	2,730,163
Exempt from Apportionment	266,607	218,191
Unapportioned	970,374	1,088,078
Total Unobligated Balance - End of Period	3,994,967	4,036,432
Total Status of Budgetary Resources	$ 39,496,697	$ 45,287,708
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, Brought Forward, October 1	$ 16,930,377	$ 16,676,653
Obligations Incurred	35,501,730	41,251,276
Outlays, Gross (-)	(36,605,083)	(40,120,017)
Recoveries of Prior Year Unpaid Obligations (-)	(1,029,004)	(877,535)
Unpaid Obligations, End of Period	14,798,020	16,930,377
Uncollected Payments:		
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(1,890,361)	(1,790,659)
Change in Uncollected Customer Payments from Federal Sources	223,456	(99,702)
Uncollected Customer Payments from Federal Sources	(1,666,905)	(1,890,361)
Memorandum (non-add) Entries:		
Obligated balance, Start of Period	$ 15,040,016	$ 14,885,994
Obligated balance, End of Period	$ 13,131,115	$ 15,040,016
Budgetary Authority and Outlays, Net:		
Budgetary Authority, Gross (discretionary and mandatory)	$ 34,450,207	$ 40,540,233
Less: Actual Offsetting Collections (discretionary and mandatory)	5,499,369	7,093,777
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	223,456	(99,702)
Budget Authority, Net (discretionary and mandatory)	$ 29,174,294	$ 33,346,754
Outlays, Gross (discretionary and mandatory)	$ 36,605,083	$ 40,120,017
Less: Actual Offsetting Collections (discretionary and mandatory)	5,499,369	7,093,777
Outlays, Net (discretionary and mandatory)	31,105,714	33,026,240
Less: Distributed Offsetting Receipts	933,877	1,425,127
Agency Outlays, Net (discretionary and mandatory)	$ 30,171,837	$ 31,601,113

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

U. S. Department of Justice
Combined Statements of Custodial Activity
For the Years Ended September 30, 2013 and 2012

Dollars in Thousands	2013	2012
Revenue Activity		
Sources of Cash Collections		
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	$ 5,595,261	$ 6,995,798
Fees and Licenses	43,392	36,710
Fines, Penalties and Restitution Payments - Civil	86,845	21,554
Fines, Penalties and Restitution Payments - Criminal	42,603	39,970
Miscellaneous	42,030	4,619
Total Cash Collections	5,810,131	7,098,651
Accrual Adjustments	(914)	(1,405)
Total Custodial Revenue	5,809,217	7,097,246
Disposition of Collections		
Transferred to Federal Agencies		
Library of Congress	(509)	-
U.S. Department of Agriculture	(136,258)	(105,670)
U.S. Department of Commerce	(6,000)	(3,746)
U.S. Department of the Interior	(36,174)	(129,015)
U.S. Department of Justice	(99,558)	(21,085)
U.S. Department of Labor	(3,897)	(9,175)
U.S. Postal Service	(26,790)	(7,675)
U.S. Department of State	(2,208)	(26,613)
U.S. Department of the Treasury	(2,025,807)	(917,662)
Office of Personnel Management	(43,447)	(157,714)
National Credit Union Administration	(1)	-
Federal Communications Commission	(757)	(310)
Social Security Administration	(699)	(921)
Smithsonian Institution	(8)	(8)
U.S. Department of Veterans Affairs	(123,179)	(125,354)
Equal Employment Opportunity Commission	(2)	-
General Services Administration	(51,966)	(130,087)
Securities and Exchange Commission	(3)	(411)
Federal Deposit Insurance Corporation	(419)	(59)
Railroad Retirement Board	(414)	(288)
Tennessee Valley Authority	(291)	(8)
Environmental Protection Agency	(185,060)	(189,137)
U.S. Department of Transportation	(5,185)	(13,674)
U.S. Department of Homeland Security	(131,067)	(66,585)
Agency for International Development	(44,212)	(511)
Small Business Administration	(14,792)	(6,371)
U.S. Department of Health and Human Services	(1,151,278)	(1,283,167)
National Aeronautics and Space Administration	(5,288)	(725)
Export-Import Bank of the United States	(13,855)	(17,264)
U.S. Department of Housing and Urban Development	(24,226)	(1,129,547)
National Archives & Records Administration	-	(29)
U.S. Department of Energy	(10,585)	(3,313)
U.S. Department of Education	(23,219)	(14,452)
Independent Agencies	(114,607)	(63,619)
Treasury General Fund	(676,060)	(705,503)
U.S. Department of Defense	(120,707)	(217,607)
Transferred to the Public	(416,166)	(508,622)
(Increase)/Decrease in Amounts Yet to be Transferred	(51,378)	(566,077)
Refunds and Other Payments	(104,834)	(513,185)
Retained by the Reporting Entity	(158,311)	(162,057)
Total Disposition of Collections	(5,809,217)	(7,097,246)
Net Custodial Activity (Note 21)	$ -	$ -

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

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Department of Justice (Department) has a wide range of responsibilities which include: detecting, apprehending, prosecuting, and incarcerating criminal offenders; operating federal prison factories; upholding the civil rights of all Americans; enforcing laws to protect the environment; ensuring healthy competition of business in the United States' free enterprise system; safeguarding the consumer from fraudulent activity; carrying out the immigration laws of the United States; and representing the American people in all legal matters involving the U.S. Government. Under the direction of the Attorney General, these responsibilities are discharged by the components of the Department.

For purposes of these consolidated/combined financial statements, the following components comprise the Department's reporting entity:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Offices, Boards and Divisions (OBDs)
- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
- Bureau of Prisons (BOP)
- Federal Prison Industries, Inc. (FPI)

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

B. Basis of Presentation

These financial statements have been prepared from the books and records of the Department 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 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 Department's budgetary resources. The accompanying financial statements include the accounts of all funds under the Department's control. To ensure that the Department financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Inventory and Related Property, Other Assets, and Other Liabilities, as defined by OMB Circular A-136, have been disaggregated on the Consolidated Balance Sheets. These include Forfeited Property, Net; Advances and Prepayments; Accrued Grant Liabilities; Accrued Federal Employees' Compensation Act (FECA) Liabilities; Custodial Liabilities; Accrued Payroll and Benefits; Accrued Annual and Compensatory Leave Liabilities; Deferred Revenue; Seized Cash and Monetary Instruments; Contingent Liabilities; Capital Lease Liabilities; Radiation Exposure Compensation Act (RECA) Liabilities; and September 11th Victim Compensation Fund Liabilities.

C. Basis of Consolidation

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, OBDs, USMS, OJP, DEA, FBI, ATF, BOP, and FPI. All significant proprietary intra-departmental transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2013 and 2012, and as such, intra-departmental transactions have not been eliminated.

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. FPI is non-appropriated and self-sustaining. While FPI performs budgetary accounting in preparing its financial statements, FPI does not record budgetary information at the transaction level.

Custodial activity reported on the Combined Statements of Custodial Activity is prepared on the modified cash basis. Civil and Criminal Debt Collections are recorded when the Department receives payment from debtors. Accrual adjustments are made related to collections of fees and licenses.

The financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

E. Non-Entity Assets

Non-entity assets are not available for use by the Department and consist primarily of restricted undisbursed civil and criminal debt collections, seized cash, accounts receivable, and other monetary assets.

F. Fund Balance with U.S. Treasury and Cash

Funds with the Department of the Treasury (Treasury) represent primarily appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases. The Treasury, as directed by authorized certifying officers, processes cash receipts and disbursements. The Department does not, for the most part, maintain cash in commercial bank accounts. Certain receipts, however, are processed by commercial banks for deposit into individual accounts maintained at the Treasury. The Department's cash and other monetary assets consist of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence, and seized cash.

G. Investments

Investments are market-based Treasury securities issued by the Bureau of Public Debt. When securities are purchased, the investment is recorded at face value (the value at maturity). The Department's intent is to hold investments to maturity, unless the invested funds are needed to sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. The market value of the investments is the current market value at the end of the reporting period. It is calculated by using the "End of Day" price listed in The FedInvest Price File which can be found on the Bureau of Public Debt website (http://www.fedinvest.gov/). Investments are reported on the Consolidated Balance Sheets at their net value, the face value plus or minus any unamortized premium or discount. Premiums and discounts are amortized over the life of the Treasury security. The interest method is used for the amortization of premium and discount of Treasury notes and the straight-line method is used for Treasury bills. Amortization is based on the straight-line method over the term of the securities.

The AFF, the U.S. Trustee System Fund, and the Federal Prison Commissary Fund are three Funds from Dedicated Collections that invest 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 these funds redeem their Treasury securities to make expenditures, the Treasury will finance the expenditures in the same manner that it finances all other expenditures.

Treasury securities are issued to the funds as evidence of fund receipts and provide the funds with the authority to draw upon the U.S. Treasury for future authorized expenditures. Treasury securities held by Funds from Dedicated Collections are an asset of the fund and a liability of the Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

H. Accounts Receivable

Net accounts receivable includes reimbursement and refund receivables due from federal agencies and the public, less the allowance for doubtful accounts. Generally, most intragovernmental accounts receivable are considered fully collectible. The allowance for doubtful accounts for public receivables is estimated based on past collection experience and analysis of outstanding receivable balances at year end.

I. Inventory and Related Property

Inventory is maintained primarily for the manufacture of goods for sale to customers. This inventory is composed of three categories: Raw Materials, Work in Process, and Finished Goods. Raw material inventory value is based upon moving average costs. Inventories are valued at the lower of average cost or market value (LCM) and include materials, labor and manufacturing overhead. Market value is calculated on the basis of the contractual or anticipated selling price, less allowance for administrative expenses. DOJ values its finished goods and sub-assembly items at a standard cost that is periodically adjusted to approximate actual cost. DOJ has established inventory allowances to account for LCM adjustments and obsolete items that may not be utilized in future periods.

Additional inventories consist of new and rehabilitated office furniture, equipment and supplies used for the repair of airplanes, administrative supplies and materials, commissary sales to inmates (sundry items), metals, plastics, electronics, graphics, and optics.

J. General Property, Plant and Equipment

DOJ Financial Management Policy Memorandum (FMPM) 13-12, *Capitalization of General Property, Plant and Equipment and Internal Use Software*, was issued in FY 2013 with an effective date for reporting periods ending after September 30, 2014. Early implementation of the policy's increased thresholds was encouraged beginning October 1, 2012. The majority of the Department's components implemented or partially implemented the increased capitalization thresholds in FY 2013. Partial implementation included Internal Use Software only. Full implementation is required for DOJ components by the beginning of FY 2015.

Department Components	FY 2013 Fully Implemented	FY 2013 Partially Implemented	FY 2014 or beyond
AFF/SADF	✓		
OBDs	✓		
USMS		✓	
OJP	✓		
DEA		✓	
FBI	✓		
ATF			✓
BOP		✓	
FPI	N/A	N/A	N/A

These notes are an integral part of the financial statements.

(Dollars in Thousands, Except as Noted)

J. General Property, Plant and Equipment (continued)

FPI, as a revolving fund, is an exception to FMPM 13-12, which states that "Revolving Funds, Working Capital Funds, and Trust Fund entities may establish their own thresholds on capitalization of general PP&E and IUS projects." These thresholds must not conflict with FMPM 13-12, but may be more restrictive, at the discretion of the entity. Appropriation funded projects must comply with the capitalization thresholds as outlined in FMPM 13-12, as listed below.

Type of Property	New Capitalization Threshold	Old Capitalization Threshold
Real Property	$250	$100
Personal Property	$50	$25
Aircraft	$100	$100
Internal Use Software	$5,000	$500

Except for land, all general PP&E will be capitalized when the cost of acquiring or improving the property meets the threshold noted in the table above and has a useful life of two or more years. Land is capitalized regardless of the acquisition cost. Except for land, all general PP&E is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset.

For FY 2012, except for BOP and FPI, Department acquisitions of personal property, excluding internal use software, costing $25 or more is capitalized if the asset has an estimated useful life of two or more years. BOP and FPI capitalize personal property acquisitions over $5 and $10, respectively. Personal property is depreciated, based on historical cost, using the straight-line method over the estimated useful life of the asset. Land is never depreciated.

K. Advances and Prepayments

Advances and prepayments, classified as assets on the Consolidated Balance Sheets, consist primarily of funds disbursed to grantees in excess of total expenditures made by those grantees to third parties, funds advanced to state and local participants in the DEA Domestic Cannabis Eradication and Suppression Program, and travel advances issued to federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by the 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.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

L. Forfeited and Seized Property

Forfeited property is property for which the title has passed to the U.S. Government. This property is recorded at the estimated fair market value at the time of forfeiture and is not adjusted for any subsequent increases and decreases in estimated fair market value. The value of the property is reduced by the estimated liens of record.

Property is seized in consequence of a violation of public law. Seized property can include monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. Most non-cash property is held by the USMS from the point of seizure until its disposition. This property is recorded at the estimated fair market value at the time of seizure and is not adjusted for any subsequent increases and decreases in estimated fair market value.

M. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 11. Accrued payroll and benefits are accrued based on the number of days in a pay period earned but not paid to employees at the end of the fiscal year.

N. Accrued Grant Liabilities

Disbursements of grant funds are recognized as expenses at the time of disbursement. However, some grant recipients incur expenditures prior to initiating a request for disbursement based on the nature of the expenditures. The OBDs and OJP accrue a liability for expenditures incurred by grantees prior to receiving grant funds for expenditures. The amount to be accrued is determined through an analysis of historic grant expenditures. These estimates are based on the most current information available at the time the financial statements are prepared.

Estimates for the grant accrual contain assumptions that have an impact on the financial statements. The key assumptions used in the grant accrual are: grantees have consistent spending patterns throughout the life of the grant, grantees will drawdown throughout the life of the grant, and the grant has a determined end date. The primary elements of these assumptions include, but are not limited to, type of grant that has been awarded, grant period, accounting basis used by the grantees, and the grant expenditure rate.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

O. Contingencies and Commitments

The Department is involved in various administrative proceedings, legal actions, and claims. The Consolidated Balance Sheets 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 16. 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".

P. Annual, Sick, and Other Leave

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the liability is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

Q. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, the Department pays interest on payments for goods or services made to business 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). For employees covered by CSRS, the Department contributes 7% of the employees' gross pay for regular and 7.5% for law enforcement officers' retirement.

2. Employees hired between January 1, 1984 and December 31, 2012, are covered by the Federal Employees Retirement System (FERS). For employees covered by FERS, the Department contributes 11.9% of the employees' gross pay for regular and 26.3% for law enforcement officers' retirement.

3. Employees hired after January 1, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) System. For employees covered by FERS-RAE, the Department contributes 9.6% of the employees' gross pay for regular and 24.0% for law enforcement officers' retirement.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

R. Retirement Plan (continued)

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS and FERS-RAE, 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 Department does not report CSRS, FERS, or FERS-RAE 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 (OPM). Statement of Federal Financial Accounting Standards (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 19, *Imputed Financing from Costs Absorbed by Others*, for additional details.

S. Federal Employee Compensation Benefits

The FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

Actuarial Liability: The Department of Labor (DOL) calculates the liability of the federal government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value. The resulting federal government liability is then distributed by agency. The Department's portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the Department employees. The Department liability is further allocated to component reporting entities on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total Department payments made over the same period.

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to the Department. The cost associated with this liability cannot be met by the Department without further appropriation action.

Accrued Liability: The accrued FECA liability is the amount owed to the DOL for the benefits paid from the FECA SBF directly to Department employees.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

T. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the federal government. Costs and earned revenues with the public represent exchange transactions made between the reporting entity and a non-federal entity. The classification of revenue or cost as "intragovernmental" or "with the public" is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the federal government to prepare consolidated financial statements, not to match public and intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

U. Revenues and Other Financing Sources

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange revenues, nonexchange revenues, and transfers-in.

Appropriations Used are recognized as budgetary financing sources at the time the related program or administrative expenses are incurred. Exchange revenues are recognized when earned, for example, when goods have been delivered or services rendered. Nonexchange revenues are resources that the Government demands or receives, for example, forfeiture revenue and fines and penalties.

The Department's exchange revenue consists of the following activities: licensing fees to manufacture and distribute controlled substances; services rendered for legal activities; space management; data processing services; sale of merchandise and telephone services to inmates; sale of manufactured goods and services to other federal agencies; and other services. Fees are set by law and are periodically evaluated in accordance with OMB guidance.

The Department's nonexchange revenue consists of forfeiture income resulting from the sale of forfeited property, penalties in lieu of forfeiture, recovery of returned asset management cost, judgment collections, and other miscellaneous income. Other nonexchange revenue includes the OJP Crime Victims Fund receipts, ATF fees from firearms and ammunition industries, and AFF/SADF interest on investments with the Treasury.

The Department's deferred revenue includes licenses with DEA that are valid for multiple years. These monies are recorded as liabilities in the financial statements. Deferred revenue also includes forfeited property held for sale. When the property is sold, deferred revenue is reversed and forfeiture revenue in the amount of the gross proceeds of the sale is recorded.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

V. Funds from Dedicated Collections

SFFAS No. 27*, Identifying and Reporting Earmarked Funds, as amended by SFFAS 43 Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds* (SFFAS No. 27, as amended), 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. 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 following funds meet the definition of a fund from dedicated collections: AFF, U.S. Trustee System Fund, Antitrust Division, Crime Victims Fund, Diversion Control Fee Account, and Federal Prison Commissary Fund.

W. Allocation Transfer of Appropriation

The Department is a party to allocation transfers with other federal agencies as a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Two exceptions to this general rule affecting the Department include the funds transferred from the Judicial Branch to the USMS, and funds transferred from the Executive Office of the President to OJP. Per OMB's guidance, USMS and OJP report all activity relative to these allocation transfers in the respective financial statements.

The activity related to these transfers, included as part of these financial statements, is highlighted below:

OJP, as the parent, transfers funds from the Crime Victims Fund to the Department of Health and Human Services (HHS). This transfer is required by 42 U.S.C. §10603a {Sec. 14-4A} for *Child Abuse Prevention and Treatment Grants.* Amounts made available by section §10601(d) (2) of this title, for the purposes of this section, are to be obligated and expended by the Secretary of HHS for grants under section §5106c of this title.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

W. Allocation Transfer of Appropriation (continued)

OJP receives, as a child entity, allocation transfers of appropriations from the Executive Office of the President. This transfer is authorized by P.L. 111-117 and P.L. 112-74. Per OMB guidance OJP reports all budgetary and proprietary activity for *Do Right by Youth Pilot* transferred from the Executive Office of the President to OJP.

The Department also allocated funds from BOP, as the parent, to the Public Health Service (PHS), a primary division of the Department of Health and Human Services. PHS provides a portion of medical treatment for federal inmates. The money is designated and expended for current year obligation of PHS staff salaries, benefits, and applicable relocation expenses.

USMS, as the child, receives allocation transfers of appropriation from the Administrative Office of the U.S. Courts. The allocation transfers are used for costs associated with protective guard services - Court Security Officers at United States courthouses and other facilities housing federal court operations. These costs include their salaries (paid through contracts), equipment, and supplies. This transfer is performed on an annual basis. Per OMB guidance, the USMS reports all budgetary and proprietary activity transferred from the Administrative Office of the U.S. Courts to the USMS.

X. Tax Exempt Status

As an agency of the federal government, the Department is exempt from all income taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government.

Y. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Z. Reclassifications

The FY 2012 financial statements were reclassified to conform to the FY 2013 Departmental financial statement presentation requirements. Changes to the presentation of the Combined and Combining Statements of Budgetary Resources were made, in accordance with guidance provided in OMB Circular A-136 and as such, activity and balances reported on the FY 2012 Combined and Combining Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year. Certain other prior year amounts have also been reclassified to conform with the current year presentation. The reclassifications have no material effect on total assets, liabilities, net position, change in net position or budgetary resources, as previously reported.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

AA. Subsequent Events

Subsequent events and transactions occurring after September 30, 2013 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 2. Non-Entity Assets

As of September 30, 2013 and 2012

	2013	2012
Intragovernmental		
Fund Balance with U.S. Treasury	$ 1,359,177	$ 1,294,306
Investments, Net	1,457,380	1,516,625
Total Intragovernmental	2,816,557	2,810,931
With the Public		
Cash and Monetary Assets	129,621	229,373
Accounts Receivable, Net	3,244	4,032
Total With the Public	132,865	233,405
Total Non-Entity Assets	2,949,422	3,044,336
Total Entity Assets	38,469,338	40,146,378
Total Assets	$ 41,418,760	$ 43,190,714

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 3. Fund Balance with U.S. Treasury

The Fund Balances with U.S. Treasury represent the unexpended balances on the Department's books for the entire Department's Treasury Symbols.

As of September 30, 2013 and 2012

	2013	2012
Fund Balances		
Trust Funds	$ 109,777	$ 100,106
Special Funds	10,398,592	9,564,996
Revolving Funds	623,703	572,010
General Funds	12,026,880	14,447,788
Other Fund Types	67,119	60,398
Total Fund Balances with U.S. Treasury	$ 23,226,071	$ 24,745,298
Status of Fund Balances		
Unobligated Balance - Available	$ 3,024,593	$ 2,948,354
Unobligated Balance - Unavailable	970,374	1,088,078
Obligated Balance not yet Disbursed	13,131,115	15,040,015
Other Funds (With)/Without Budgetary Resources	6,099,989	5,668,851
Total Status of Fund Balances	$ 23,226,071	$ 24,745,298

Annual and multi-year budget authority expires at the end of its period of availability. During the first through the fifth expired years, the unobligated balance is unavailable and may only be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a legitimate or bona fide need arising in the fiscal year for which the appropriation was made. The unobligated balance for no-year budget authority may be used to incur obligations indefinitely for the purpose specified by the appropriation act. No-year budget authority unobligated balances are still subject to the annual apportionment and allotment process.

Unobligated Balance - Unavailable includes amounts appropriated in prior fiscal years that are no longer available to fund new obligations, but can be used for upward and/or downward adjustments for existing obligations. Additionally, this line includes amounts received that are restricted to future use and as a result are not apportioned for current use. Other restricted funds include the collections of fees in excess of amounts budgeted for administering the Diversion Control Program. These collections may not be used until authorized by Congress.

Other Funds (With)/Without Budgetary Resources primarily represent the net of 1) investments in short-term securities with budgetary resources, 2) resources temporarily not available pursuant to public law, 3) custodial liabilities, and 4) miscellaneous receipts.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 4. Cash and Monetary Assets

As of September 30, 2013 and 2012

	2013	2012
Cash		
Undeposited Collections	$ (74)	$ 16,439
Imprest Funds	45,255	14,876
Seized Cash Deposited	40,063	82,166
Other Cash	14,994	72,557
Total Cash	100,238	186,038
Monetary Assets		
Seized Monetary Instruments	74,560	74,644
Total Monetary Assets	74,560	74,644
Total Cash and Monetary Assets	$ 174,798	$ 260,682

The majority of Other Cash consists of project-generated proceeds from undercover operations.

Note 5. Investments, Net

	Face Value	Unamortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value
As of September 30, 2013					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 6,652,198	$ (1,425)	$ 187	$ 6,650,960	$ 6,652,572
As of September 30, 2012					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 6,213,792	$ (76)	$ 187	$ 6,213,903	$ 6,214,504

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 6. Accounts Receivable, Net

As of September 30, 2013 and 2012

	2013	2012
Intragovernmental		
Accounts Receivable	$ 452,533	$ 324,425
Allowance for Uncollectible Accounts	(206)	(98)
Total Intragovernmental	452,327	324,327
With the Public		
Accounts Receivable	96,219	131,503
Allowance for Uncollectible Accounts	(14,327)	(15,891)
Total With the Public	81,892	115,612
Total Accounts Receivable, Net	$ 534,219	$ 439,939

Intragovernmental accounts receivable consists mainly of amounts due under reimbursable agreements with federal entities for services and goods provided.

The accounts receivable with the public primarily consists of OBDs U.S. Trustee Chapter 11 quarterly fees, FBI Non-Federal User Fee Program, FBI National Name Check Program, court mandated restitution, and refunds due from the public.

Note 7. Inventory and Related Property, Net

As of September 30, 2013 and 2012

	2013	2012
Inventory		
Raw Materials	$ 32,392	$ 45,078
Work in Process	24,377	26,081
Finished Goods	36,930	53,949
Inventory Purchased for Resale	18,775	19,715
Excess, Obsolete, and Unserviceable	28,325	30,562
Inventory Allowance	(26,613)	(26,416)
Operating Materials and Supplies		
Held for Current Use	18,628	17,640
Total Inventory and Related Property, Net	$ 132,814	$ 166,609

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property

Equitable Sharing Payments:

The statute governing the use of the AFF (28 U.S.C. §524(c)) permits the payment of equitable shares of forfeiture proceeds to participating foreign governments and state and local law enforcement agencies. The statute does not require such sharing and permits the Attorney General wide discretion in determining those transfers. Actual sharing is difficult to predict because many factors influence both the amount and timing of disbursement of equitable sharing payments, such as the length of time required to move an asset through the forfeiture process to disposition, the amount of net proceeds available for sharing, the elapse of time for Departmental approval of equitable sharing requests for cases with asset values exceeding $1 million, and appeal of forfeiture judgments. Because of uncertainties surrounding the timing and amount of any equitable sharing payment, an obligation and expense are recorded only when the actual disbursement of the equitable sharing payment is imminent. The anticipated equitable sharing allocation level for FY 2014 is $387 million.

Analysis of Change in Forfeited Property:

The number of items represents quantities calculated using many different units of measure. If necessary, the adjustments column includes property status and valuation changes received after, but properly credited to a prior fiscal year. The valuation changes include updates and corrections to an asset's value recorded in a prior year.

Method of Disposition of Forfeited Property:

During FYs 2013 and 2012, $115,856 and $132,710 of forfeited property were sold, $1,038 and $2,672 were destroyed or donated, $17,081 and $10,349 were returned to owners, and $55,077 and $36,542 were disposed of by other means, respectively. Other means of disposition include property transferred to other federal agencies for official use or equitable sharing, or property distributed to a state or local agency.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

For the Fiscal Year Ended September 30, 2013

Forfeited Property Category		Beginning Balance	Adjust-ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	178	-	275	(241)	212	-	212
	Value	$ 1,329	$ -	$ 45,294	$ (44,206)	$ 2,417	$ -	$ 2,417
Real Property	Number	418	(2)	445	(335)	526	-	526
	Value	$ 81,996	$ (987)	$ 86,903	$ (69,139)	$ 98,773	$ (1,072)	$ 97,701
Personal Property	Number	3,858	-	5,512	(5,948)	3,422	-	3,422
	Value	$ 63,972	$ -	$ 53,505	$ (75,707)	$ 41,770	$ (534)	$ 41,236
Non-Valued Firearms	Number	26,796	-	9,156	(11,951)	24,001	-	24,001
Total	Number	31,250	(2)	15,388	(18,475)	28,161	-	28,161
	Value	$ 147,297	$ (987)	$ 185,702	$ (189,052)	$ 142,960	$ (1,606)	$ 141,354

For the Fiscal Year Ended September 30, 2012

Forfeited Property Category		Beginning Balance	Adjust-ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	117	-	283	(222)	178	-	178
	Value	$ 1,730	$ -	$ 25,544	$ (25,945)	$ 1,329	$ (658)	$ 671
Real Property	Number	452	-	390	(424)	418	-	418
	Value	$ 98,008	$ -	$ 64,732	$ (80,744)	$ 81,996	$ (977)	$ 81,019
Personal Property	Number	3,384	-	6,156	(5,682)	3,858	-	3,858
	Value	$ 74,846	$ (16,146)	$ 80,856	$ (75,584)	$ 63,972	$ (551)	$ 63,421
Non-Valued Firearms	Number	23,593	-	17,525	(14,322)	26,796	-	26,796
Total	Number	27,546	-	24,354	(20,650)	31,250	-	31,250
	Value	$ 174,584	$ (16,146)	$ 171,132	$ (182,273)	$ 147,297	$ (2,186)	$ 145,111

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

Analysis of Change in Seized Property:

Property seized for any purpose other than forfeiture and held by the seizing agency or a custodial agency should be disclosed by the seizing agency. All property seized for forfeiture, including property with evidentiary value, will be reported by the AFF/SADF. The Department has established a reporting threshold of $1 or more for Personal Property seized for evidentiary purposes.

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. Seized evidence includes cash, financial instruments, non-monetary valuables, firearms, and drugs. The AFF/SADF reports property seized for forfeiture and the FBI, DEA, and ATF report property seized for evidence.

The number of items represents quantities calculated using may different units of measure. If necessary, the adjustments column includes property status and valuation changes received after, but properly credited to a prior fiscal year. The valuation changes include updates and corrections to an asset's value recorded in a prior year.

The DEA, FBI, and ATF have custody of drugs taken as evidence for legal proceedings. In accordance with Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*, the Department reports the total amount of seized drugs by quantity only, as drugs have no value and are destroyed upon resolution of legal proceedings.

Analyzed drug evidence includes cocaine, heroin, marijuana and methamphetamine and represents actual laboratory tested classification and weight in kilograms (KG). Since enforcing the controlled substances laws and regulations of the United States is a primary mission of the DEA, the DEA reports all analyzed drug evidence regardless of seizure weight. However, the enforcement of these laws and regulations is incidental to the missions of the FBI and ATF and therefore they only report those individual seizures exceeding 1 KG in weight.

"Other" primarily consists of substances, both controlled and non-controlled as defined per the Controlled Substances Act, other than those discussed above. "Bulk Drug Evidence" is comprised of controlled substances housed by the DEA in secured storage facilities of which only a sample is taken for laboratory analysis. The actual bulk drug weight may vary from seizure weight due to changes in moisture content over time.

Unanalyzed drug evidence is qualitatively different from analyzed and bulk drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. For these reasons, unanalyzed drug evidence is not reported by the Department. Seized drug evidence must be analyzed and confirmed through laboratory testing to be placed in one of the five categories of drug above.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

"Disposals" occur when seized property is forfeited, returned to parties with a bona fide interest, or destroyed in accordance with federal guidelines.

Method of Disposition of Seized Property:

During FYs 2013 and 2012, $1,863,985 and $4,121,701 of seized property were forfeited, $216,945 and $100,681 were returned to parties with a bonafide interest, and $24,997 and $40,896 were either released to a designated party or transferred to the appropriate federal entity under forfeiture or abandonment procedures. Non-valued property was primarily disposed of through destruction.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

For the Fiscal year Ended, September 30, 2013

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash and Monetary Instuments	Value	$ 1,536,523	$ 24,251	$ 1,738,021	$ (1,863,512)	$ 1,435,283	$ (114,622)	$ 1,320,661
Financial Instruments	Number	520	-	49	(165)	404	-	404
	Value	$ 68,368	$ -	$ 39,165	$ (61,520)	$ 46,013	$ (2,395)	$ 43,618
Real Property	Number	127	3	227	(217)	140	-	140
	Value	$ 45,084	$ (3,013)	$ 75,390	$ (53,678)	$ 63,783	$ (20,618)	$ 43,165
Personal Property	Number	8,019	-	6,224	(7,107)	7,136	-	7,136
	Value	$ 183,797	$ -	$ 59,118	$ (98,493)	$ 144,422	$ (21,356)	$ 123,066
Non-Valued Firearms	Number	33,572	-	13,496	(16,787)	30,281	-	30,281

For the Fiscal Year Ended, September 30, 2012

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash and Monetary Instruments	Value	$ 4,016,891	$ -	$ 1,587,055	$ (4,067,423)	$ 1,536,523	$(125,969)	$ 1,410,554
Financial Instruments	Number	477	(135)	328	(150)	520	-	520
	Value	$ 53,241	$ (33,852)	$ 55,920	$ (6,941)	$ 68,368	$ (4,851)	$ 63,517
Real Property	Number	146	(2)	131	(148)	127	-	127
	Value	$ 48,364	$ 365	$ 35,139	$ (38,784)	$ 45,084	$ (9,710)	$ 35,374
Personal Property	Number	7,477	-	8,264	(7,722)	8,019	-	8,019
	Value	$ 184,003	$ -	$ 107,126	$ (107,332)	$ 183,797	$ (16,667)	$ 167,130
Non-Valued Firearms	Number	36,915	-	19,716	(23,059)	33,572	-	33,572

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

For the Fiscal Year Ended September 30, 2013

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Evidence								
Seized Monetary Instruments	Value	$ 50,644	$ (5,543)	$ 25,272	$ (19,969)	$ 50,404	$ -	$ 50,404
Personal Property	Number	1,414	35	217	(460)	1,206	-	1,206
	Value	$ 30,337	$ 312	$ 6,574	$ (8,755)	$ 28,468	$ -	$ 28,468
Non-Valued								
Firearms	Number	64,331	(1,789)	12,558	(13,488)	61,612	-	61,612
Drug Evidence								
Cocaine	KG	53,584	846	36,340	(39,156)	51,614	-	51,614
Heroin	KG	3,421	(20)	934	(674)	3,661	-	3,661
Marijuana	KG	17,423	114	2,987	(4,084)	16,440	-	16,440
Bulk Drug Evidence	KG	397,644	1,587	1,085,804	(1,228,164)	256,871	-	256,871
Methamphetamine	KG	8,503	-	4,568	(2,364)	10,707	-	10,707
Other	KG	21,854	45	3,315	(2,975)	22,239	-	22,239
Total Drug Evidence	KG	502,429	2,572	1,133,948	(1,277,417)	361,532	-	361,532

For the Fiscal Year Ended September 30, 2012

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Evidence								
Seized Monetary Instruments	Value	$ 46,847	$ (2,185)	$ 33,100	$ (27,118)	$ 50,644	$ -	$ 50,644
Personal Property	Number	1,421	41	323	(371)	1,414	-	1,414
	Value	$ 36,379	$ (35)	$ 9,673	$ (15,680)	$ 30,337	$ -	$ 30,337
Non-Valued								
Firearms	Number	$ 62,595	$ (197)	$ 16,088	$ (14,155)	$ 64,331	$ -	$ 64,331
Drug Evidence								
Cocaine	KG	56,161	421	28,033	(31,031)	53,584	-	53,584
Heroin	KG	3,108	(50)	1,124	(761)	3,421	-	3,421
Marijuana	KG	17,807	(321)	4,626	(4,689)	17,423	-	17,423
Bulk Drug Evidence	KG	278,152	252	995,893	(876,653)	397,644	-	397,644
Methamphetamine	KG	6,957	10	3,413	(1,877)	8,503	-	8,503
Other Drugs	KG	24,763	(1,145)	3,923	(5,687)	21,854	-	21,854
Total Drug Evidence	KG	386,948	(833)	1,037,012	(920,698)	502,429	-	502,429

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 9. General Property, Plant and Equipment, Net

As of September 30, 2013

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 185,103	$ -	$ 185,103	N/A
Improvements to Land	5,008	(1,521)	3,487	15 yrs
Construction in Progress	474,893	-	474,893	N/A
Buildings, Improvements and Renovations	10,548,557	(4,654,564)	5,893,993	2-50 yrs
Other Structures and Facilities	902,563	(515,672)	386,891	10-50 yrs
Aircraft	478,808	(163,709)	315,099	5-30 yrs
Boats	11,138	(4,149)	6,989	5-25 yrs
Vehicles	542,048	(327,706)	214,342	2-25 yrs
Equipment	1,534,212	(970,840)	563,372	2-25 yrs
Assets Under Capital Lease	90,856	(54,955)	35,901	2-30 yrs
Leasehold Improvements	1,618,801	(927,884)	690,917	2-20 yrs
Internal Use Software	1,514,256	(540,220)	974,036	2- 10 yrs
Internal Use Software in Development	272,300	-	272,300	N/A
Total	$ 18,178,543	$ (8,161,220)	$ 10,017,323	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2013	$ 147,390	$ 793,376	$ 940,766

Based upon early implementation of DOJ Financial Management Policy Memorandum (FMPM) 13-12, *Capitalization of General Property, Plant and Equipment and Internal Use Software*, the Department revised its method for reporting the capitalization of real property, personal property, and internal use software in FY 2013 which caused a decrease in the General Property, Plant and Equipment, Net Book Value Balance by $274,648, as described in Note 26.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 9. General Property, Plant and Equipment, Net (continued)

As of September 30, 2012

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 184,622	$ -	$ 184,622	N/A
Improvements to Land	4,926	(1,187)	3,739	15 yrs
Construction in Progress	658,901	-	658,901	N/A
Buildings, Improvements and Renovations	10,075,903	(4,329,867)	5,746,036	2-50 yrs
Other Structures and Facilities	887,732	(472,971)	414,761	10-50 yrs
Aircraft	456,739	(151,139)	305,600	5-30 yrs
Boats	12,420	(7,005)	5,415	5-25 yrs
Vehicles	651,787	(397,427)	254,360	2-25 yrs
Equipment	1,743,587	(1,048,695)	694,892	2-25 yrs
Assets Under Capital Lease	93,139	(53,503)	39,636	2-30 yrs
Leasehold Improvements	1,498,657	(834,558)	664,099	2-20 yrs
Internal Use Software	1,266,385	(455,765)	810,620	3- 10 yrs
Internal Use Software in Development	403,463	-	403,463	N/A
Total	$ 17,938,261	$ (7,752,117)	$ 10,186,144	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2012	$ 230,403	$ 843,795	$ 1,074,198

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 10. Other Assets

As of September 30, 2013 and 2012

	2013	2012
Intragovernmental		
Advances and Prepayments	$ 92,355	$ 266,561
Other Intragovernmental Assets	15	12
Total Intragovernmental	92,370	266,573
Other Assets With the Public	4,677	5,585
Total Other Assets	$ 97,047	$ 272,158

The FY 2012 Advances and Prepayments include an advance to the United States District Court to initiate the condemnation proceeding for the acquisition of a prison facility in Illinois. Other Intragovernmental Assets include amounts due from Treasury General Fund related to ATF. Other Assets With the Public primarily consist of farm livestock held by the BOP.

Note 11. Liabilities not Covered by Budgetary Resources

As of September 30, 2013 and 2012

	2013	2012
Intragovernmental		
Accrued FECA Liabilities	$ 263,862	$ 257,897
Other Unfunded Employment Related Liabilities	1,542	1,584
Other	4,479	5,315
Total Intragovernmental	269,883	264,796
With the Public		
Actuarial FECA Liabilities	1,632,616	1,474,278
Accrued Annual and Compensatory Leave Liabilities	819,032	830,119
Environmental and Disposal Liabilities (Note 12)	76,676	74,441
Deferred Revenue	477,890	409,396
Contingent Liabilities (Note 16)	26,571	28,551
Capital Lease Liabilities (Note 13)	8,716	16,627
RECA Liabilities (Note 25)	660,465	731,237
September 11th Victim Compensation Fund (Note 25)	2,751,712	2,766,400
Other	113,384	99,979
Total With the Public	6,567,062	6,431,028
Total Liabilities not Covered by Budgetary Resources	6,836,945	6,695,824
Total Liabilities Covered by Budgetary Resources	8,510,048	9,246,161
Total Liabilities	$ 15,346,993	$ 15,941,985

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 11. Liabilities not Covered by Budgetary Resources (continued)

Generally, liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. However, some liabilities do not require appropriations and will be liquidated by the assets of the entities holding these liabilities. Such assets include civil and criminal debt collections, seized cash and monetary instruments, and revolving fund operations.

Other Liabilities with the Public consists primarily of future funded energy savings performance contracts and utilities.

Note 12. Environmental and Disposal Liabilities

Per SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, Technical Release No. 2 *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, Technical Release No. 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, and Technical Release No. 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*, federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

Firing Ranges

The BOP operates firing ranges on 67 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2012, BOP management determined their estimated clean-up liability to be $26,935. In FY 2013, BOP management adjusted the estimated clean-up liability by the current U.S. inflation rate as determined by the U.S. Treasury and as such determined that an estimated firing range clean-up liability of $27,820, based on an inflation rate of 1.7 percent, should be recorded.

Asbestos

BOP conducted a review of 46 institutions that were built prior to 1980; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. As of September 30, 2012, BOP management determined their estimated clean-up liability to be $37,287. As of September 30, 2013, BOP management adjusted the clean-up liability by an overall amount of $1,118. The adjustments include a decrease in the amount of $78 for the abatement of asbestos at two locations; and increases in the amounts of $538 due to additional asbestos found at three locations and $658 by the current U.S. inflation rate of 1.7 percent as determined by the U.S. Treasury. The estimated asbestos clean-up liability as of September 30, 2013 was $38,405.

The FBI operates facilities in Quantico, Virginia that contain friable and non-friable ACM. The facilities have a useful life of 50 years. The estimated total liability of $11,613 is based on the square footage of the facilities that may be contaminated. This value, divided by the useful life and multiplied by the

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Asbestos (continued)

number of years in service, is the estimated cleanup liability. As of September 30, 2013 and 2012, the FBI recognized the estimated cleanup liability of $10,451 and $10,219 respectively. The estimated asbestos cleanup liability is increased each quarter by recording future expenses for the asbestos clean-up costs. During FY 2013, future funded expense for asbestos cleanup is $232. There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2013.

Note 13. Leases

Capital leases include a Federal Transfer Center (25 year lease term) in Oklahoma City, Oklahoma; and other machinery and equipment that expire over future periods.

As of September 30, 2013 and 2012

Capital Leases	2013	2012
Summary of Assets Under Capital Lease		
Land and Buildings	$ 89,625	$ 89,625
Machinery and Equipment	1,231	3,514
Accumulated Amortization	(54,955)	(53,503)
Total Assets Under Capital Lease (Note 9)	$ 35,901	$ 39,636

Future Capital Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2014	$ 9,073	$ 28	$ 9,101
2015	32	20	52
2016	32	19	51
2017	32	5	37
2018	32	3	35
After 2018	32	-	32
Total Future Capital Lease Payments	$ 9,233	$ 75	$ 9,308
Less: Imputed Interest	(517)	(7)	(524)
Less: Executory Costs	-	(21)	(21)
FY 2013 Net Capital Lease Liabilities	$ 8,716	$ 47	$ 8,763
FY 2012 Net Capital Lease Liabilities	$ 16,627	$ 469	$ 17,096

	2013	2012
Net Capital Lease Liabilities Covered by Budgetary Resources	$ 47	$ 469
Net Capital Lease Liabilities not Covered by Budgetary Resources	$ 8,716	$ 16,627

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 13. Leases (continued)

The net capital lease liability not covered by budgetary resources primarily represents the capital lease of the Federal Transfer Center for which the Department received Congressional authority to fund with annual appropriations.

Future Noncancelable Operating Lease Payments

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2014	$ 285,275	$ 23,714	$ 308,989
2015	304,218	21,507	325,725
2016	317,206	4,557	321,763
2017	314,776	4,692	319,468
2018	309,728	4,779	314,507
After 2018	2,818,361	1	2,818,362
Total Future Noncancelable Operating Lease Payments	$ 4,349,564	$ 59,250	$ 4,408,814

Note 14. Seized Cash and Monetary Instruments

The Seized Cash and Monetary Instruments represent liabilities for seized assets held by the Department pending disposition.

As of September 30, 2013 and 2012

	2013	2012
Investments, Net	$ 1,371,064	$ 1,430,357
Seized Cash Deposited	40,063	82,166
Seized Monetary Instruments	74,560	74,644
Total Seized Cash and Monetary Instruments	$ 1,485,687	$ 1,587,167

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 15. Other Liabilities

As of September 30, 2013 and 2012

	2013	2012
Intragovernmental		
Other Accrued Liabilities	$ 1	$ -
Employer Contributions and Payroll Taxes Payable	82,117	205,477
Other Post-Employment Benefits Due and Payable	866	23
Other Unfunded Employment Related Liabilities	1,542	1,584
Advances from Others	110,038	152,447
Liability for Clearing Accounts	3,981	2,474
Other Liabilities	5,511	6,708
Total Intragovernmental	204,056	368,713
With the Public		
Other Accrued Liabilities	6,035	5,945
Advances from Others	10,233	11,020
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	71,872	61,803
Liability for Clearing Accounts	35	482
Custodial Liabilities	200,744	209,775
Other Liabilities	122,392	166,632
Total With the Public	411,311	455,657
Total Other Liabilities	$ 615,367	$ 824,370

The majority of Intragovernmental Other Liabilities are composed of tenant allowances for operating leases, monies received from prisoner funds, and certain receipts of cash that are in suspense, clearing, deposit, or general fund accounts that are owed to the Treasury.

Other Liabilities with the Public are composed of future funded energy savings performance contracts and utilities. Other Liabilities with the Public also consists of project-generated proceeds from undercover operations. The proceeds not subject to forfeiture will be returned to the Department of Treasury General Fund at the conclusion of the project.

The majority of Liabilities are current with the exception of a portion that consists of capital leases and those liabilities related to future employee related expenses, such as accrued retirement contributions, life insurance, and retiree health benefits.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 16. Contingencies and Commitments

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2013			
Probable	$ 26,571	$ 26,571	$ 51,101
Reasonably Possible		83,310	117,481
As of September 30, 2012			
Probable	$ 28,671	$ 25,871	$ 41,366
Reasonably Possible		52,860	76,131

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Funds from Dedicated Collections

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, for the required criteria for Funds from Dedicated Collections.

As of September 30, 2013

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Balance Sheet							
Assets							
Fund Balance with U. S. Treasury	$ 110,344	$ 3,524	$ 37,614	$ 10,133,214	$ 149,960	$ 88,136	$ 10,522,792
Investments, Net	4,697,101	231,959	-	-	-	-	4,929,060
Other Assets	145,279	46,803	1,067	182	37,595	27,399	258,325
Total Assets	$ 4,952,724	$ 282,286	$ 38,681	$ 10,133,396	$ 187,555	$ 115,535	$ 15,710,177
Liabilities							
Accounts Payable	$ 2,952,453	$ 8,236	$ 5,712	$ 20,112	$ 7,495	$ 10,592	$ 3,004,600
Other Liabilities	144,504	15,457	10,931	55,643	491,552	11,250	729,337
Total Liabilities	$ 3,096,957	$ 23,693	$ 16,643	$ 75,755	$ 499,047	$ 21,842	$ 3,733,937
Net Position							
Unexpended Appropriations	$ -	$ 5,055	$ 30,713	$ -	$ -	$ -	$ 35,768
Cumulative Results of Operations	1,855,767	253,538	(8,675)	10,057,641	(311,492)	93,693	11,940,472
Total Net Position	$ 1,855,767	$ 258,593	$ 22,038	$ 10,057,641	$ (311,492)	$ 93,693	$ 11,976,240
Total Liabilities and Net Position	$ 4,952,724	$ 282,286	$ 38,681	$ 10,133,396	$ 187,555	$ 115,535	$ 15,710,177

For the Fiscal Year Ended September 30, 2013

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Statement of Net Cost							
Gross Cost of Operations	$ 1,787,551	$ 210,200	$ 155,191	$ 705,051	$ 309,740	$ 366,668	$ 3,534,401
Less: Earned Revenues	12,201	198,902	82,043	-	275,553	370,123	938,822
Net Cost of Operations	$ 1,775,350	$ 11,298	$ 73,148	$ 705,051	$ 34,187	$ (3,455)	$ 2,595,579
Statement of Changes in Net Position							
Net Position Beginning of Period	$ 1,619,856	$ 262,901	$ 17,693	$ 9,273,109	$ (286,360)	$ 86,212	$ 10,973,411
Budgetary Financing Sources	1,831,586	6,397	77,135	1,489,583	-	-	3,404,701
Other Financing Sources	179,675	593	358	-	9,055	4,026	193,707
Total Financing Sources	$ 2,011,261	$ 6,990	$ 77,493	$ 1,489,583	$ 9,055	$ 4,026	$ 3,598,408
Net Cost of Operations	$ (1,775,350)	$ (11,298)	$ (73,148)	$ (705,051)	$ (34,187)	$ 3,455	$ (2,595,579)
Net Change	235,911	(4,308)	4,345	784,532	(25,132)	7,481	1,002,829
Net Position End of Period	$ 1,855,767	$ 258,593	$ 22,038	$ 10,057,641	$ (311,492)	$ 93,693	$ 11,976,240

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Funds from Dedicated Collections (continued)

As of September 30, 2012

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Balance Sheet							
Assets							
Fund Balance with U. S. Treasury	$ 78,375	$ 17,623	$ 37,506	$ 9,359,797	$ 107,051	$ 86,948	$ 9,687,300
Investments, Net	4,200,767	224,210	-	-	-	-	4,424,977
Other Assets	154,634	52,124	1,587	13,666	42,699	27,298	292,008
Total Assets	$ 4,433,776	$ 293,957	$ 39,093	$ 9,373,463	$ 149,750	$ 114,246	$ 14,404,285
Liabilities							
Accounts Payable	$ 2,667,843	$ 9,020	$ 5,871	$ 19,031	$ 7,543	$ 14,775	$ 2,724,083
Other Liabilities	145,546	21,648	14,830	81,323	428,094	13,259	704,700
Total Liabilities	$ 2,813,389	$ 30,668	$ 20,701	$ 100,354	$ 435,637	$ 28,034	$ 3,428,783
Net Position							
Unexpended Appropriations	$ -	$ -	$ 25,963	$ -	$ -	$ -	$ 25,963
Cumulative Results of Operations	1,620,387	263,289	(7,571)	9,273,109	(285,887)	86,212	10,949,539
Total Net Position	$ 1,620,387	$ 263,289	$ 18,392	$ 9,273,109	$ (285,887)	$ 86,212	$ 10,975,502
Total Liabilities and Net Position	$ 4,433,776	$ 293,957	$ 39,093	$ 9,373,463	$ 149,750	$ 114,246	$ 14,404,285

For the Fiscal Year Ended September 30, 2012

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Statement of Net Cost							
Gross Cost of Operations	$ 4,319,407	$ 227,203	$ 156,773	$ 724,712	$ 307,498	$ 361,981	$ 6,097,574
Less: Earned Revenues	10,585	226,566	87,461	-	244,354	360,290	929,256
Net Cost of Operations	$ 4,308,822	$ 637	$ 69,312	$ 724,712	$ 63,144	$ 1,691	$ 5,168,318
Statement of Changes in Net Position							
Net Position Beginning of Period	$ 1,760,544	$ 259,137	$ 15,219	$ 7,202,248	$ (232,162)	$ 83,557	$ 9,088,543
Budgetary Financing Sources	4,197,792	4,085	72,044	2,795,573	-	-	7,069,494
Other Financing Sources	(29,127)	704	441	-	9,419	4,346	(14,217)
Total Financing Sources	4,168,665	4,789	72,485	2,795,573	9,419	4,346	7,055,277
Net Cost of Operations	(4,308,822)	(637)	(69,312)	(724,712)	(63,144)	(1,691)	(5,168,318)
Net Change	(140,157)	4,152	3,173	2,070,861	(53,725)	2,655	1,886,959
Net Position End of Period	$ 1,620,387	$ 263,289	$ 18,392	$ 9,273,109	$ (285,887)	$ 86,212	$ 10,975,502

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Funds from Dedicated Collections (continued)

The Comprehensive Crime Control Act of 1984 established the AFF to receive the proceeds of forfeiture and to pay the costs associated with such forfeitures, including the costs of managing and disposing of property, satisfying valid liens, mortgages, and other innocent owner claims, and costs associated with accomplishing the legal forfeiture of the property. Authorities of the fund have been amended by various public laws enacted since 1984. Under current law, authority to use the fund for certain investigative expenses shall be specified in annual appropriation acts. Expenses necessary to seize, detain, inventory, safeguard, maintain, advertise or sell property under seizure are funded through a permanent, indefinite appropriation. In addition, beginning in FY 1993, other general expenses of managing and operating the Asset Forfeiture Program are paid from the permanent, indefinite portion of the fund. Once all expenses are covered, the balance is maintained to meet ongoing expenses of the program. Excess unobligated balances may also be allocated by the Attorney General in accordance with 28 U.S.C. §524(c)(8)(E).

The United States Trustees (UST) supervises the administration of bankruptcy cases and private trustees in the Federal Bankruptcy Courts. The Bankruptcy Judges, UST, and Family Farmer Bankruptcy Act of 1986 (Public Law 99–554) expanded the pilot trustee program to a 21 region, nationwide program encompassing 88 judicial districts. The UST System Fund collects user fees assessed against debtors, which offset the annual appropriation.

The Antitrust Division administers and enforces antitrust and related statutes. This program primarily involves the investigation of suspected violations of the antitrust laws, the conduct of civil and criminal proceedings in the federal courts, and the maintenance of competitive conditions. The Antitrust Division collects filing fees for pre-merger notifications and retains these fees for expenditure in support of its programs.

The Crime Victims Fund is financed by collections of fines, penalty assessments, and bond forfeitures from defendants convicted of federal crimes. This fund supports victim assistance and compensation programs around the country and advocates, through policy development, for the fair treatment of crime victims. The Office for Victims of Crime administers formula and discretionary grants for programs designed to benefit victims, provides training for diverse professionals who work with victims, develops projects to enhance victims' rights and services, and undertakes public education and awareness activities on behalf of crime victims.

The Diversion Control Fee Account is established in the General Fund of the Treasury as a separate account. Fees charged by the DEA under the Diversion Control Program are set at a level that ensures the recovery of the full costs of operating this program. The program's purpose is to prevent, detect, and investigate the diversion of controlled substances from legitimate channels, while ensuring an adequate and uninterrupted supply of controlled substances required to meet legitimate needs.

The Federal Prison Commissary Fund was created in the early 1930s to allow inmates a means to purchase additional products and services above the necessities provided by appropriated federal funds, e.g., personal grooming products, snacks, postage stamps, and telephone services. The Trust Fund is a self-sustaining trust revolving fund account that is funded through sales of goods and services to inmates.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 18. Net Cost of Operations by Suborganization

For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost	-	175,613	80,268	-	138,056	5,011,528	4,834	-	-	(116,086)	$ 5,294,213
Less: Earned Revenues	-	13,310	-	-	44,670	473,594	-	-	-	(116,086)	415,488
Net Cost of Operations	-	162,303	80,268	-	93,386	4,537,934	4,834	-	-	-	4,878,725
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost	1,787,551	5,809,609	243,802	1,048,978	2,794,999	3,029,264	1,244,413	7,907	-	(945,821)	15,020,702
Less: Earned Revenues	12,201	1,216,551	-	11,164	720,062	343,140	75,280	-	-	(945,821)	1,432,577
Net Cost of Operations	1,775,350	4,593,058	243,802	1,037,814	2,074,937	2,686,124	1,169,133	7,907	-	-	13,588,125
Goal 3: Ensure and support the Fair, Impartial , Efficient and Transpaerent Administration of Justice at the Federal, State, Local, Tribal and International Levels											
Gross Cost	-	530,097	2,842,469	1,655,613	-	1,053,013	-	7,615,902	647,553	(395,115)	13,949,532
Less: Earned Revenues	-	6,731	57,752	27,196	-	513,384	-	419,593	614,742	(374,046)	1,265,352
Net Cost of Operations	-	523,366	2,784,717	1,628,417	-	539,629	-	7,196,309	32,811	(21,069)	12,684,180
Net Cost of Operations	$ 1,775,350	$ 5,278,727	$ 3,108,787	$ 2,666,231	$ 2,168,323	$ 7,763,687	$ 1,173,967	$ 7,204,216	$ 32,811	$ (21,069)	$ 31,151,030

For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost	-	381,836	4,794	-	111,714	5,341,870	6,419	-	-	(119,355)	$ 5,727,278
Less: Earned Revenues	-	116,119	-	-	12,630	460,839	-	-	-	(119,355)	470,233
Net Cost of Operations	-	265,717	4,794	-	99,084	4,881,031	6,419	-	-	-	5,257,045
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost	4,319,407	8,591,116	32,637	998,795	2,837,798	2,964,275	1,278,676	7,242	-	(970,264)	20,059,682
Less: Earned Revenues	10,585	924,300	-	4,839	724,373	340,061	81,369	-	-	(970,264)	1,115,263
Net Cost of Operations	4,308,822	7,666,816	32,637	993,956	2,113,425	2,624,214	1,197,307	7,242	-	-	18,944,419
Goal 3: Ensure and support the Fair, Impartial , Efficient and Transpaerent Administration of Justice at the Federal, State, Local, Tribal and International Levels											
Gross Cost	-	2,473,536	3,154,286	2,465,313	-	1,050,783	-	7,499,577	763,098	(1,883,179)	15,523,414
Less: Earned Revenues	-	225,181	1,543,645	22,458	-	485,894	-	410,305	701,286	(1,858,461)	1,530,308
Net Cost of Operations	-	2,248,355	1,610,641	2,442,855	-	564,889	-	7,089,272	61,812	(24,718)	13,993,106
Net Cost of Operations	$ 4,308,822	$ 10,180,888	$ 1,648,072	$ 3,436,811	$ 2,212,509	$ 8,070,134	$ 1,203,726	$ 7,096,514	$ 61,812	$ (24,718)	$ 38,194,570

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 19. Imputed Financing from Costs Absorbed by Others

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 Department from a providing entity that is not part of the Department. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS No.4, Managerial Cost Accounting Concepts and Standards*, the material Imputed Inter-Departmental financing sources currently recognized by the Department include the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), and the Federal Pension plans that are paid by other federal entities, and any un-reimbursed payments made from the Treasury Judgment Fund on behalf of the Department. 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 litigation outcomes are probable and the amount can be estimated and will be paid by 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 the 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. For employees covered by Civil Service Retirement System (CSRS), the cost factors are 32.3% of basic pay for regular, 54.9% law enforcement officers, 24.6% regular offset, and 48.1% law enforcement officers offset. For employees covered by Federal Employees Retirement System (FERS) and Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE), the cost factors are 14.2% of basic pay for regular and 30.7% for law enforcement officers.

The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits, which include health and life insurance that are paid by other federal entities, must also be recorded.

For the Fiscal Years Ended September 30, 2013 and 2012

	2013	2012
Imputed Inter-Departmental Financing		
U.S. Treasury Judgment Fund	$ 18,470	$ 39,181
Health Insurance	505,851	572,584
Life Insurance	2,120	2,038
Pension	275,218	264,211
Total Imputed Inter-Departmental	$ 801,659	$ 878,014

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 19. Imputed Financing from Costs Absorbed by Others (continued)

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 a Department component from a providing entity that is 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, reporting components and not specifically related to the receiving entity's output. The FPI imputed $21,069 and $24,718 for FYs 2013 and 2012, respectively of unreimbursed costs for BOP warehouse space used in the production of goods by the FPI and for managerial and operational services BOP provided to FPI. These imputed costs have been eliminated from the consolidated financial statements.

Note 20. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2013			
Obligations Apportioned Under			
Category A	$ 26,637,125	$ 4,327,099	$ 30,964,224
Category B	3,743,760	219,525	3,963,285
Exempt from Apportionment	-	574,221	574,221
Total	$ 30,380,885	$ 5,120,845	$ 35,501,730
For the Fiscal Year Ended September 30, 2012			
Obligations Apportioned Under			
Category A	$ 28,500,520	$ 5,919,576	$ 34,420,096
Category B	5,928,795	204,702	6,133,497
Exempt from Apportionment	-	697,683	697,683
Total	$ 34,429,315	$ 6,821,961	$ 41,251,276

The apportionment categories are determined in accordance with the guidance provided in Part 4 "Instructions on Budget Execution" of OMB Circular A-11, *Preparation, Submission and Execution of the Budget.* Category A obligations represent resources apportioned for calendar quarters. Category B obligations represent resources apportioned for other time periods; for activities, projects, and objectives or for a combination thereof.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 20. Information Related to the Statement of Budgetary Resources (continued)

Status of Undelivered Orders:

Undelivered Orders (UDO) 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, 2013 and 2012

	2013	2012
UDO Obligations Unpaid	$ 8,989,622	$ 10,343,834
UDO Obligations Prepaid/Advanced	605,618	1,172,884
Total UDO	$ 9,595,240	$ 11,516,718

Permanent Indefinite Appropriations:

A permanent indefinite appropriation is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount. Following are the Department's permanent indefinite appropriations.

- 28 U.S.C. §524(c)(4) authorized the Attorney General to retain AFF receipts to pay operations expenses, equitable sharing to state and local law enforcement agencies who assist in forfeiture cases, and lien holders.

- On October 5, 1990, Congress passed the Radiation Exposure Compensation Act ("RECA" or "the Act"), 42 U.S.C. §2210, providing for compassionate payments to individuals who contracted certain cancers and other serious diseases as a result of their exposure to radiation released during above-ground nuclear weapons tests or as a result of their exposure to radiation during employment in underground uranium mines. Implementing regulations were issued by the Department of Justice and published in the Federal Register on April 10, 1992. These regulations established procedures to resolve claims in a reliable, objective, and non-adversarial manner, with little administrative cost to the United States or to the person filing the claim. Revisions to the regulations, published in the Federal Register on March 22, 1999, served to greater assist claimants in establishing entitlement to an award. On July 10, 2000, P.L. 106-245, the Radiation Exposure Compensation Act Amendments of 2000 ("the 2000 Amendments") were passed. On November 2, 2002, the President signed the "21st Century Department of Justice Appropriation Authorization Act" (P.L. 107-273). Contained in the law were several provisions relating to RECA. While most of these amendments were "technical" in nature, some affected eligibility criteria and revised claims adjudication procedures. The Consolidated Appropriations Act, 2005 provides a permanent indefinite appropriation for the OBDs' Radiation Exposure Compensation Act program beginning FY 2006.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 20. Information Related to the Statement of Budgetary Resources (continued)

Permanent Indefinite Appropriations (continued):

- Congress established the Federal Prison Commissary Fund (Trust Fund) in 1932 to allow inmates a means to purchase additional products and services above the necessities provided by appropriated federal funds. The BOP Trust Fund is now a self-sustaining revolving account that is funded through the sales of goods and services, rather than annual or no-year appropriations.

- The Public Safety Officers' Benefits Act of 1976 (the "PSOB Act") is generally codified at 42 U.S.C. §46 Subchapter XII.

  OJP's PSOB appropriation supports one mandatory and two discretionary programs that provide benefits to public safety officers who are severely injured in the line of duty and to the families and survivors of public safety officers killed or mortally injured in the line of duty.
  The PSOB Program offers three types of benefits:

  1. Death Benefits, a one-time financial benefit to survivors of public safety officers whose deaths resulted from injuries sustained in the line of duty. Under the Hometown Heroes Survivors Benefit Act of 2003, survivors of public safety officers who die of a heart attack or stroke within 24 hours of stressful, non-routine public safety activities may also qualify for death benefits.

  2. Disability Benefits, a one-time financial benefit to public safety officers permanently disabled by catastrophic injuries sustained in the line of duty.

  3. Education Benefits, which provide financial support for higher education expenses (such as tuition and fees, books, supplies, and room and board) to the eligible spouses and children of public safety officers killed or permanently disabled in the line of duty.

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 under law, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, and no-year basis. Appropriated funds shall expire on the last day of availability and are no longer available for new obligations. Unobligated balances in unexpired fund symbols are available in the next fiscal year for new obligations unless some restrictions had been placed on those funds by law. Amounts in expired fund symbols are unavailable for new obligations, but may be used to adjust previously established obligations.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 20. Information Related to the Statement of Budgetary Resources (continued)

Statement of Budgetary Resources vs. Budget of the United States Government:

The reconciliation as of September 30, 2012 is presented below. The reconciliation as of September 30, 2013 is not presented, because the submission of the Budget of the United States (Budget) for FY 2015, which presents the execution of the FY 2013 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2014.

For the Fiscal Year Ended September 30, 2012 (Dollars in Millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 45,288	$ 41,251	$ 1,425	$ 31,601
Funds not Reported in the Budget				
Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP	(864)	(130)	-	-
AFF/SADF Forfeiture Activity	(106)	-	-	-
OCDETF Adjustments	(25)	(26)	-	-
USMS Court Security Funds	(438)	(425)	-	(426)
Distributed Offsetting Receipts	-	-	(818)	818
Special and Trust Fund Receipts	-	-	-	609
Other	(14)	(3)	(1)	(1)
Budget of the United States Government	$ 43,841	$ 40,667	$ 606	$ 32,601

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department SBR and the Budget of the United States Government.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 21. Net Custodial Revenue Activity

Custodial revenue activity represents those collections of non-exchange revenue on behalf of other recipient entities. These collections are not recorded as revenue by the Department but as activity on the Statements of Custodial Activity. The custodial liabilities presented on the Consolidated Balance Sheets and Note 15 represent funds held by the Department that have yet to be disbursed to the appropriate Federal agency or individual.

The primary source of the Department's Office of Debt Collection Management (DCM) collections consists of civil litigated matters, e.g., student loan defaults, and health care fraud. The DCM also processes certain payments on criminal debts as an accommodation for the BOP and the Clerks of the U.S. District Courts. The BOP aggregates collections of inmate criminal debt by correction facility, and the DCM sorts the collections by judicial district and disburses payments to the respective Clerks of the U.S. Court. The DCM also accepts wire transfers or other payments on a criminal debt if a Clerk of the U.S. Court is unable or unwilling to do so. In addition, other negligible custodial collections occur for interest, fines, and penalties.

The OBDs collect civil fines, penalties, and restitution payments that are incidental to its mission. By court order, the OBDs were given the investment authority and the settlement funds collected must be invested. The OBDs invest these funds with the Treasury Bureau of the Public Debt. As of September 30, 2013 and 2012, the custodial assets and liabilities recorded by the OBDs on the Consolidated Balance Sheets are $1,372,581 and $1,320,292, respectively. The OBDs custodial collections totaled $5,637,603 and $7,035,591 for the fiscal years ended September 30, 2013 and 2012.

For the fiscal years ended September 30, 2013 and 2012, DEA collected $101,630 and $27,595, respectively. DEA's collections include $15 million of the total fees collected for the Diversion Control Program and civil monetary penalties related to violations of the Controlled Substances Act that were incidental to DEA's mission. Since DEA has no statutory authority to use these excess funds, DEA transmits them to the Treasury General Fund. The DEA has a custodial liability for funds that have not yet been transmitted to the Treasury General Fund. As of September 30, 2013 and 2012 balances for custodial liabilities were $2,856 and $3,781, respectively.

As an agent of the federal government and as authorized by 26 U.S.C. § 6301, ATF collects fees from firearms and explosives industries, as well as import, permit and license fees. Special Occupational Taxes are collected from certain firearms businesses. Miscellaneous collections include project-generated proceeds. As ATF is unable to use these collections in its operations, ATF also has the authority to transfer these collections to the Treasury General Fund. The ATF custodial collections totaled $69,980 and $24,675 for the fiscal years ended September 30, 2013 and 2012, respectively.

The FBI collected $872 and $10,736, in September 30, 2013 and 2012, respectively, in restitution payments, seized abandoned cash, and project generated proceeds. These collections were incidental to the FBI's mission. Since the FBI does not have statutory authority to use these funds, the FBI remits these funds upon receipt to the U.S. Treasury's General Fund. The FBI reports a custodial liability when custodial revenues are held by the FBI, but have not yet been transmitted to the U.S. Treasury's General Fund. As of September 30, 2013 and 2012, balances for custodial liabilities were $5 and $0, respectively.

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 21. Net Custodial Revenue Activity (continued)

As of September 30, 2013 and 2012, the BOP collected $46 and $54, respectively, in collections of fines and penalties, confiscated funds, found money on institution grounds, inmate's funds whose whereabouts are unknown and excess meal ticket collections. These collections were incidental to the BOP's mission. Since the BOP does not have statutory authority to use these funds, the BOP remits these funds to the Treasury's General Fund. As of September 30, 2013 and 2012, the BOP did not have any custodial liabilities.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 22. OMB Circular A-136 Consolidated Balance Sheet Presentation

U.S. Department of Justice
Consolidated Balance Sheets
As of September 30, 2013 and 2012

Dollars in Thousands	2013	2012
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury	$ 23,226,071	$ 24,745,298
Investments, Net	6,650,960	6,213,903
Accounts Receivable, Net	452,327	324,327
Other Assets	92,370	266,573
Total Intragovernmental	30,421,728	31,550,101
Cash and Other Monetary Assets	174,798	260,682
Accounts Receivable, Net	81,892	115,612
Inventory and Related Property, Net	132,814	166,609
General Property, Plant and Equipment, Net	10,017,323	10,186,144
Other Assets	590,205	911,566
Total Assets	**$ 41,418,760**	**$ 43,190,714**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 339,253	$ 302,575
Other Liabilities	1,645,619	1,743,663
Total Intragovernmental	1,984,872	2,046,238
Accounts Payable	4,203,261	4,108,056
Federal Employee and Veteran Benefits	1,632,616	1,474,278
Environmental and Disposal Liabilities	76,676	74,441
Other Liabilities	7,449,568	8,238,972
Total Liabilities	**$ 15,346,993**	**$ 15,941,985**
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections	$ 35,768	$ 25,963
Unexpended Appropriations - All Other Funds	8,649,121	10,568,815
Cumulative Results of Operations - Funds from Dedicated Collections	11,940,472	10,949,539
Cumulative Results of Operations - All Other Funds	5,446,406	5,704,412
Total Net Position	**$ 26,071,767**	**$ 27,248,729**
Total Liabilities and Net Position	**$ 41,418,760**	**$ 43,190,714**

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 23. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

For the Fiscal Years Ended September 30, 2013 and 2012

	2013	2012
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 35,501,730	$ 41,251,276
Less: Spending Authority from Offsetting Collections and Recoveries	6,304,918	8,071,018
Obligations Net of Offsetting Collections and Recoveries	29,196,812	33,180,258
Less: Offsetting Receipts	933,877	1,425,127
Net Obligations	28,262,935	31,755,131
Other Resources		
Donations and Forfeitures of Property	185,772	120,275
Transfers-In/Out Without Reimbursement	2,080	(12,623)
Imputed Financing from Costs Absorbed by Others (Note 19)	801,659	878,014
Other	(6,166)	(5,199)
Net Other Resources Used to Finance Activities	983,345	980,467
Total Resources Used to Finance Activities	29,246,280	32,735,598
Resources Used to Finance Items not Part of the Net Cost of Operations		
Net Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	1,664,943	1,565,963
Resources That Fund Expenses Recognized in Prior Periods (Note 24)	(106,481)	(68,557)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	99,050	700,546
Resources That Finance the Acquisition of Assets	(905,379)	(1,069,993)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	(15,500)	24,810
Total Resources Used to Finance Items not Part of the Net Cost of Operations	736,633	1,152,769
Total Resources Used to Finance the Net Cost of Operations	$ 29,982,913	$ 33,888,367

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 23. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) (continued)

For the Fiscal Years Ended September 30, 2013 and 2012	2013	2012
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Components That will Require or Generate Resources in Future Periods (Note 24)	$ 260,293	$ 3,174,134
Depreciation and Amortization	854,143	1,059,391
Revaluation of Assets or Liabilities	(1,912)	35,468
Other	55,593	37,210
Total Components of Net Cost of Operations That will not Require or Generate Resources	907,824	1,132,069
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	1,168,117	4,306,203
Net Cost of Operations	$ 31,151,030	$ 38,194,570

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 24. Explanation of Differences Between Liabilities not Covered by Budgetary Resources and Components of Net Cost of Operations Requiring or Generating Resources in Future Periods

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $6,836,945 and $6,695,824 as of September 30, 2013 and 2012, respectively, are discussed in Note 11, *Liabilities not Covered by Budgetary Resources.* Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2013 and 2012

	2013	2012
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Accrued Annual and Compensatory Leave Liabilities	$ (11,087)	$ -
Other		
Decrease in Contingent Liabilities	(1,980)	(40,101)
Decrease in Unfunded Capital Lease Liabilities	(7,911)	(7,314)
Decrease in RECA Liabilities	(70,772)	-
Decrease in September 11th Victim Compensation Fund Liabilities	(14,688)	-
Decrease in Other Unfunded Employment Related Liabilities	(43)	(594)
Decrease in Other Liabilities	-	(20,548)
Total Other	(95,394)	(68,557)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (106,481)	$ (68,557)
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ -	$ 7,228
Increase in Environmental and Disposal Liabilities	2,235	1,732
(Increase)/Decrease in Exchange Revenue Receivable from the Public	14,119	21,078
Other		
Increase in Actuarial FECA Liabilities	158,338	114,918
Increase in Accrued FECA Liabilities	5,965	10,084
Increase in Deferred Revenue	68,494	50,654
Increase in RECA Liabilities	-	195,399
Increase in September 11th Victim Compensation Fund Liabilities	-	2,766,400
Increase in Other Liabilities	12,569	-
(Increase)/Decrease in Nonexchange Receivables from the Public	-	(96)
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	(1,427)	6,737
Total Other	243,939	3,144,096
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 260,293	$ 3,174,134

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 25. Compensation Funds

Radiation Exposure Compensation Act

On October 15, 1990, Congress passed the Radiation Exposure Compensation Act (RECA), 42 U.S.C. § 2210, providing for compassionate payments to individuals who contracted certain cancers and other serious diseases as a result of their exposure to radiation released during above-ground nuclear weapons tests or as a result of their exposure to radiation during employment in underground uranium mines. Implementing regulations were issued by the Department and published in the Federal Register on April 10, 1992, establishing procedures to resolve claims in a reliable, objective, and non-adversarial manner, with little administrative cost to the United States or to the person filing the claim. Revisions to the regulations, published in the Federal Register on March 22, 1999, served to greater assist claimants in establishing entitlement to an award.

On July 10, 2000, the Radiation Exposure Compensation Act Amendments of 2000, P.L. 106-245, was enacted. Some of the widespread changes include new claimant populations, additional compensable diseases, lower radiation exposure thresholds, modified medical documentation requirements, and removal of certain disease restrictions. Pursuant to the 2000 Amendments, the Department was directed to issue implementing regulations. The Department published two related rulemakings in the Federal Register to implement the legislation.

Subsequent action by Congress required modification to those rulemakings. Therefore, the Department published a "final" rule in the Federal Register on March 23, 2004, which went into effect on April 22, 2004.

There are now five categories of claimants: uranium miners, uranium millers, ore transporters, downwinders, and on-site participants. Each category requires similar eligibility criteria: if claimants can demonstrate that they contracted a compensable disease after working or residing in a designated location for a specified period of time, they qualify for compensation.

The enactment of two pieces of legislation changed the funding sources for RECA claimants. The National Defense Authorization Act for FY 2005 requires that RECA Section 5 claimants (uranium miners, millers, and ore transporters) be paid out of the Department of Labor's (Labor) Energy Employees Occupational Illness Compensation Fund. The RECA Section 5 liability of $316,993 as of March 30, 2004, was transferred to Labor during FY 2005. The RECA Fund began exclusively paying RECA Section 4 claimants (downwinders and on-site participants) in FY 2005. The Consolidated Appropriations Act, 2005, contains language that made funding for the RECA Trust Fund mandatory and indefinite beginning in FY 2006.

The OBDs recognized liabilities of $660,465 and $731,237 for estimated future benefits payable by the Department as of September 30, 2013 and 2012, respectively, to eligible individuals under the Act through FY 2023. The estimated liability is based on historical data. Key factors in determining future liability are trends in the number of claims filed, trends in the percentage of claims adjudicated, and trends in the percentage of claims approved. These estimates are then discounted in accordance with the discount rates set by the Office of Management and Budget.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 25. Compensation Funds (continued)

September 11th Victim Compensation Fund

Title II of The *James Zadroga 9/11 Health and Compensation Act of 2010 (Zadroga Act)* P.L. 111-347, reactivated the September 11th Victim Compensation Fund of 2001 and requires a Special Master, appointed by the Attorney General, to provide compensation to any individual (or a personal representative of a deceased individual) who suffered physical harm or was killed as a result of the terrorist-related aircraft crashes of September 11, 2001, or the debris removal efforts that took place in the immediate aftermath of those crashes. The Zadroga Act amends the Air Transportation Safety and System Stabilization Act by among other things: Expanding the geographic zone recognized as a 9/11 crash site and providing greater consistency with the World Trade Center Health Program by adding additional forms of proof that may be used to establish eligibility.

The Zadroga Act requires that the total amount of Federal funds paid including compensation with respect to claims filed on or after October 3, 2011, shall not exceed $2,775,000. Furthermore, the total amount of Federal funds expended during the period from October 3, 2011, through October 3, 2016, may not exceed $875,000. As of September 30, 2013, the Department of Justice received appropriations of $521,280, which included rescissions of $720. Based on OMB guidance DOJ is to return all apportioned unobligated funds at the end of each fiscal year via Treasury's FMS 2108, Year-End Closing Statement. Summarized financial information about appropriated funds received, donations received from the public, benefit payments disbursed and payable, and the Fund balance is presented below:

As of September 30, 2013 and 2012

		2013	2012
Appropriated Funds Received - Current Year		$ 322,000	$ -
Appropriated Funds Received - Carryforward		193,788	200,000
Rescission		(720)	-
Total Funds Received		515,068	200,000
Less:	Adjudicated Benefit Claims Disbursements	559	-
	Salaries and Expenses Disbursements	7,789	6,212
	Funds Returned to Treasury	497,992	-
	Total Disbursements	506,340	6,212
Fund Balance with Treasury		$ 8,728	$ 193,788
Federal Funds Available for September 11th Victim Compensation Fund		$ 2,766,400	$ 2,775,000
Less:	Change in Unpaid Obligations	6,340	2,388
	Adjudicated Benefit Claims Disbursements	559	-
	Salaries and Expenses Disbursements	7,789	6,212
	Total Funded Liabilities	14,688	8,600
Unfunded Liability for September 11th Victim Compensation Fund		$ 2,751,712	$ 2,766,400

These notes are an integral part of the financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

Note 26. Changes in Accounting Principles

Based upon early implementation of DOJ Financial Management Policy Memorandum, (FMPM) 13-12, *Capitalization of General Property, Plant, and Equipment and Internal Use Software*, most of the Department's components fully or partially revised their capitalization thresholds. Effective FY 2013, the AFF, OBDs, OJP, and FBI revised capitalization thresholds for real property, personal property, and internal use software; and the USMS, DEA, and BOP revised capitalization threshold for internal use software. DEA has planned to fully implement the revised capitalization thresholds in FY 2014. Full implementation of revised capitalization thresholds for components meeting the defined criteria is required by FY 2015. This policy is preferable because it increases the efficiency and cost effectiveness of DOJ property management efforts while maintaining a system of internal controls.

For financial statement purposes, DOJ recognized adjustments relating to the change in the capitalization thresholds as changes to the General PP&E's Net Book Value primarily for real property, including leasehold improvements; personal property, and internal use software. DOJ reported the offsetting change as "Changes in Accounting Principles" in the Statement of Changes in Net Position. For the fiscal year ended September 30, 2013, DOJ's management has determined the adjustment to the beginning balance in the amount of $274,648.

The adjustment by component is illustrated in the table below.

Type of Property	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	BOP	Total
Real Property	$ -	$ (9,422)	N/A	$ -	N/A	$ (28,890)	N/A	$ (38,312)
Personal Property	$ -	$ (3,838)	N/A	$ (1,199)	N/A	$ (168,859)	N/A	$ (173,896)
Internal Use Software	$ (531)	$ (1,354)	$ -	$ -	$ (12,340)	$ (39,428)	$ (8,787)	$ (62,440)
Total	**$ (531)**	**$ (14,614)**	**$ -**	**$ (1,199)**	**$ (12,340)**	**$ (237,177)**	**$ (8,787)**	**$ (274,648)**

These notes are an integral part of the financial statements.

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Required Supplementary Information
Unaudited

See Independent Auditors' Report on the Financial Statements

U. S. Department of Justice
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Budgetary Resources										
Unobligated Balance, Net, Brought Forward, October 1	$ 762,009	$ 1,127,089	$ 101,959	$ 177,965	$ 167,398	$ 1,099,469	$ 46,209	$ 395,915	$ 158,419	$ 4,036,432
Recoveries of Prior Year Unpaid Obligations	76,720	281,144	42,537	109,297	124,497	358,191	21,838	14,780	-	1,029,004
Other Changes in Unobligated Balance	-	15,854	46,940	(3,468)	(386)	(16,230)	(1,570)	(60,086)	-	(18,946)
Unobligated Balance from Prior Year Budget Authority, Net	838,729	1,424,087	191,436	283,794	291,509	1,441,430	66,477	350,609	158,419	5,046,490
Appropriations (discretionary and mandatory)	1,849,037	4,838,144	3,045,350	2,168,196	2,255,829	7,419,644	1,070,888	6,527,205	-	29,174,293
Spending Authority from Offsetting Collections (discretionary and mandatory)	20,595	2,115,083	86,010	209,014	497,424	1,237,756	79,299	415,990	614,743	5,275,914
Total Budgetary Resources	$ 2,708,361	$ 8,377,314	$ 3,322,796	$ 2,661,004	$ 3,044,762	$ 10,098,830	$ 1,216,664	$ 7,293,804	$ 773,162	$ 39,496,697
Status of Budgetary Resources:										
Obligations Incurred (Note 21)	$ 1,821,623	$ 7,469,473	$ 3,166,404	$ 2,480,371	$ 2,811,950	$ 8,974,391	$ 1,183,167	$ 7,020,130	$ 574,221	$ 35,501,730
Unobligated Balance, End of Period:										
Apportioned	639,271	671,491	126,660	170,590	203,634	831,392	15,908	99,040	-	2,757,986
Exempt from Apportionment	-	-	-	-	-	-	-	67,666	198,941	266,607
Unapportioned	247,467	236,350	29,732	10,043	29,178	293,047	17,589	106,968	-	970,374
Total Unobligated Balance - End of Period	886,738	907,841	156,392	180,633	232,812	1,124,439	33,497	273,674	198,941	3,994,967
Total Status of Budgetary Resources:	**$ 2,708,361**	**$ 8,377,314**	**$ 3,322,796**	**$ 2,661,004**	**$ 3,044,762**	**$ 10,098,830**	**$ 1,216,664**	**$ 7,293,804**	**$ 773,162**	**$ 39,496,697**
Change in Obligated Balance:										
Unpaid Obligations:										
Unpaid obligations, Brought Forward, October 1	$ 2,849,380	$ 4,179,328	$ 537,767	$ 4,278,196	$ 722,184	$ 3,072,245	$ 258,628	$ 868,945	$ 163,704	$ 16,930,377
Obligations Incurred	1,821,623	7,469,473	3,166,404	2,480,371	2,811,950	8,974,391	1,183,167	7,020,130	574,221	35,501,730
Outlays, Gross (-)**	(1,462,508)	(8,031,666)	(3,202,913)	(2,734,354)	(2,903,259)	(9,262,651)	(1,225,296)	(7,162,998)	(619,438)	(36,605,083)
Recoveries of Prior Year Unpaid Obligations (-)**	(76,720)	(281,144)	(42,537)	(109,297)	(124,497)	(358,191)	(21,838)	(14,780)	-	(1,029,004)
Unpaid Obligations, End of Period	3,131,775	3,335,991	458,721	3,914,916	506,378	2,425,794	194,661	711,297	118,487	14,798,020
Uncollected Payments:										
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)**	(8,889)	(840,730)	(160,071)	(27,583)	(185,933)	(568,468)	(67,071)	(10,038)	(21,578)	(1,890,361)
Change in Uncollected Customer Payments from Federal Sources	1,712	184,867	140,402	(61,396)	5,172	(49,058)	11,032	4,530	(13,805)	223,456
Uncollected Customer Payments from Federal Sources	$ (7,177)	$ (655,863)	$ (19,669)	$ (88,979)	$ (180,761)	$ (617,526)	$ (56,039)	$ (5,508)	$ (35,383)	$ (1,666,905)
Memorandum (non-add) Entries:										
Obligated balance, Start of Period	2,840,491	3,338,598	377,696	4,250,613	536,251	2,503,777	191,557	858,907	142,126	15,040,016
Obligated balance, End of Period	3,124,598	2,680,128	439,052	3,825,937	325,617	1,808,268	138,622	705,789	83,104	13,131,115

U. S. Department of Justice
Combining Statement of Budgetary Resources - Continued
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Budgetary Authority and Outlays, Net:										
Budgetary Authority, Gross (discretionary and mandatory)	$ 1,869,632	$ 6,953,227	$ 3,131,360	$ 2,377,210	$ 2,753,253	$ 8,657,400	$ 1,150,187	$ 6,943,195	$ 614,743	$ 34,450,207
Less: Actual Offsetting Collections (discretionary and mandatory)	22,306	2,299,950	226,412	147,618	502,596	1,188,698	90,331	420,520	600,938	5,499,369
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	1,712	184,867	140,402	(61,396)	5,172	(49,058)	11,032	4,530	(13,805)	223,456
Budget Authority, Net (discretionary and mandatory)	$ 1,849,038	$ 4,838,144	$ 3,045,350	$ 2,168,196	$ 2,255,829	$ 7,419,644	$ 1,070,888	$ 6,527,205	$ -	$ 29,174,294
Outlays, Gross (discretionary and mandatory)	$ 1,462,508	$ 8,031,666	$ 3,202,913	$ 2,734,354	$ 2,903,259	$ 9,262,651	$ 1,225,296	$ 7,162,998	$ 619,438	$ 36,605,083
Less: Actual Offsetting Collections (discretionary and mandatory)	22,306	2,299,950	226,412	147,618	502,596	1,188,698	90,331	420,520	600,938	5,499,369
Outlays, Net (discretionary and mandatory)	1,440,202	5,731,716	2,976,501	2,586,736	2,400,663	8,073,953	1,134,965	6,742,478	18,500	31,105,714
Less: Distributed Offsetting Receipts	5,106	540,343	-	-	345,852	(3,938)	41,520	4,994	-	933,877
Agency Outlays, Net (discretionary and mandatory)	$ 1,435,096	$ 5,191,373	$ 2,976,501	$ 2,586,736	$ 2,054,811	$ 8,077,891	$ 1,093,445	$ 6,737,484	$ 18,500	$ 30,171,837

U. S. Department of Justice
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Budgetary Resources										
Unobligated Balance, Net, Brought Forward, October 1	$ 1,088,719	$ 814,323	$ 90,397	187,462	$ 158,292	$ 947,534	$ 60,967	$ 379,813	$ 154,816	$ 3,882,323
Recoveries of Prior Year Unpaid Obligations	84,186	224,583	54,620	53,296	114,289	290,427	32,746	23,388	-	877,535
Other Changes in Unobligated Balance	-	67,691	(7,632)	(2,409)	21	(53,259)	(14,933)	(1,862)	-	(12,383)
Unobligated Balance from Prior Year Budget Authority, Net	1,172,905	1,106,597	137,385	238,349	272,602	1,184,702	78,780	401,339	154,816	4,747,475
Appropriations (discretionary and mandatory)	4,100,446	7,142,929	1,610,644	2,286,418	2,346,455	8,110,411	1,151,866	6,597,581	-	33,346,750
Spending Authority from Offsetting Collections (discretionary and mandatory)	17,027	2,162,444	1,538,614	196,233	525,323	1,395,880	94,820	561,856	701,286	7,193,483
Total Budgetary Resources	$ 5,290,378	$ 10,411,970	$ 3,286,643	$ 2,721,000	$ 3,144,380	$ 10,690,993	$ 1,325,466	$ 7,560,776	$ 856,102	$ 45,287,708
Status of Budgetary Resources:										
Obligations Incurred (Note 21)	4,528,369	9,284,881	3,184,684	2,543,035	2,976,982	9,591,524	$ 1,279,257	7,164,861	697,683	$ 41,251,276
Unobligated Balance, End of Period:										
Apportioned	639,541	861,850	61,752	152,618	127,526	624,435	29,929	232,512	-	2,730,163
Exempt from Apportionment	-	-	-	-	-	-	-	59,772	158,419	218,191
Unapportioned	122,468	265,239	40,207	25,347	39,872	475,034	16,280	103,631	-	1,088,078
Total Unobligated Balance - End of Period	762,009	1,127,089	101,959	177,965	167,398	1,099,469	46,209	395,915	158,419	4,036,432
Total Status of Budgetary Resources:	$ 5,290,378	$ 10,411,970	$ 3,286,643	$ 2,721,000	$ 3,144,380	$ 10,690,993	$ 1,325,466	$ 7,560,776	$ 856,102	$ 45,287,708
Change in Obligated Balance:										
Unpaid Obligations:										
Unpaid obligations, Brought Forward, October 1	$ 1,092,300	$ 4,564,149	$ 648,610	$ 5,025,867	$ 712,030	$ 3,165,268	$ 245,431	$ 1,051,944	$ 171,054	$ 16,676,653
Obligations Incurred	4,528,369	9,284,881	3,184,684	2,543,035	2,976,982	9,591,524	1,279,257	7,164,861	697,683	41,251,276
Outlays, Gross (-)**	(2,687,103)	(9,445,119)	(3,240,907)	(3,237,410)	(2,852,539)	(9,394,120)	(1,233,314)	(7,324,472)	(705,033)	(40,120,017)
Recoveries of Prior Year Unpaid Obligations (-)**	(84,186)	(224,583)	(54,620)	(53,296)	(114,289)	(290,427)	(32,746)	(23,388)	-	(877,535)
Unpaid Obligations, End of Period	2,849,380	4,179,328	537,767	4,278,196	722,184	3,072,245	258,628	868,945	163,704	16,930,377
Uncollected Payments:										
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-	(4,889)	(816,547)	(188,832)	(25,236)	(157,357)	(492,704)	(59,852)	(10,882)	(34,360)	(1,790,659)
Change in Uncollected Customer Payments from Federal Sources	(4,000)	(24,183)	28,761	(2,347)	(28,576)	(75,764)	(7,219)	844	12,782	(99,702)
Uncollected Customer Payments from Federal Sources	$ (8,889)	$ (840,730)	$ (160,071)	$ (27,583)	$ (185,933)	$ (568,468)	$ (67,071)	$ (10,038)	$ (21,578)	$ (1,890,361)
Memorandum (non-add) Entries:										
Obligated balance, Start of Period	1,087,411	3,747,602	459,778	5,000,631	554,673	2,672,564	185,579	1,041,062	136,694	14,885,994
Obligated balance, End of Period	2,840,491	3,338,598	377,696	4,250,613	536,251	2,503,777	191,557	858,907	142,126	15,040,016

U. S. Department of Justice
Combining Statement of Budgetary Resources - Continued
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Budgetary Authority and Outlays, Net:										
Budgetary Authority, Gross (discretionary and mandatory)	$ 4,117,473	$ 9,305,373	$ 3,149,258	$ 2,482,651	$ 2,871,778	$ 9,506,291	$ 1,246,686	$ 7,159,437	$ 701,286	$ 40,540,233
Less: Actual Offsetting Collections (discretionary and mandatory)	13,027	2,138,261	1,567,371	193,886	496,747	1,320,116	87,601	562,700	714,068	7,093,777
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(4,000)	(24,183)	28,761	(2,347)	(28,576)	(75,764)	(7,219)	844	12,782	(99,702)
Budget Authority, Net (discretionary and mandatory)	$ 4,100,446	$ 7,142,929	$ 1,610,648	$ 2,286,418	$ 2,346,455	$ 8,110,411	$ 1,151,866	$ 6,597,581	$ -	$ 33,346,754
Outlays, Gross (discretionary and mandatory)	$ 2,687,103	$ 9,445,119	$ 3,240,907	$ 3,237,410	$ 2,852,539	$ 9,394,120	$ 1,233,314	$ 7,324,472	$ 705,033	$ 40,120,017
Less: Actual Offsetting Collections (discretionary and mandatory)	13,027	2,138,261	1,567,371	193,886	496,747	1,320,116	87,601	562,700	714,068	7,093,777
Outlays, Net (discretionary and mandatory)	2,674,076	7,306,858	1,673,536	3,043,524	2,355,792	8,074,004	1,145,713	6,761,772	(9,035)	33,026,240
Less: Distributed Offsetting Receipts	3,327	1,117,582	-	26	295,736	145	2,859	5,452	-	1,425,127
Agency Outlays, Net (discretionary and mandatory)	$ 2,670,749	$ 6,189,276	$ 1,673,536	$ 3,043,498	$ 2,060,056	$ 8,073,859	$ 1,142,854	$ 6,756,320	$ (9,035)	$ 31,601,113

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Required Supplementary Stewardship Information
Unaudited

See Independent Auditors’ Report on the Financial Statements

U.S. Department of Justice
Required Supplementary Stewardship Information
Consolidated Stewardship Investments
For the Fiscal Years Ended September 30, 2013, 2012, 2011, 2010 and 2009

The Bureau of Justice Assistance administers the Correctional Systems and Correctional Alternatives for Tribal Lands (CSCATL) and the Violent Offender Incarceration and Truth-In-Sentencing (VOI/TIS) Incentive grant programs. Both programs provide grants for the purposes of building and expanding correctional facilities and jails to increase secure confinement space for violent offenders and implementing correctional alternatives to reduce reliance on incarceration. VOI/TIS funds are available to any of the 50 United States, the District of Columbia, Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, the Northern Mariana Islands, and recognized Tribal governments; while CSCATL funds are available to tribes within the 50 states. The Tribal Law and Order Act of 2010 (Public Law 111-211) expanded the CSCATL grant program scope to include multi-purpose justice centers. The facilities built or expanded with these funds constitute non-federal physical property. Upon completion, the Bureau of Indian Affairs of the Department of Interior, and/or tribal grantees are responsible for supporting, operating, and maintaining the correctional facilities.

The CSCATL strategy broadly addresses tribal justice systems and lends support to tribes that:

− Are interested in establishing/enhancing (tribal/non-tribal) multi-agency cooperation and collaborations;

− Are committed to conducting community-wide assessment for purpose of developing a comprehensive master plan that encompasses the design, use, capacity, and cost of adult and/or juvenile justice sanctions and services;

− Wish to explore an array of detention and correctional building options, including prototypical or quasi-prototypical concepts/designs for local correctional facilities, multipurpose justice centers, and regional facilities; and

− Are interested in learning about/applying community-based alternatives to help control and prevent jail overcrowding due to growing problems involving alcohol, substance abuse, and methamphetamine.

CSCATL and VOI/TIS funds expended from fiscal years 2009 through September 30, 2013, are as follows:

Dollars in Thousands	2013	2012	2011	2010	2009
Grants to Indian Tribes	$52,980	$97,553	$52,339	$24,768	$14,320
Grants to States	-	84	(1,139)	11,389	41,561
Total	$52,980	$97,637	$51,200	$36,157	$55,881

Other Information
Unaudited

See Independent Auditors' Report on the Financial Statements

U. S. Department of Justice
Consolidating Balance Sheet
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	$ 110,344	$ 4,864,402	$ 610,946	$ 12,960,107	$ 565,885	$ 2,896,019	$ 166,940	$ 1,033,784	$ 17,644	$ -	$ 23,226,071
Investments, Net	6,068,165	318,275	-	-	-	-	-	-	264,520	-	6,650,960
Accounts Receivable, Net	3,322	273,984	15,992	4,857	47,032	319,723	26,418	4,348	35,262	(278,611)	452,327
Other Assets	-	49,978	6,052	39,907	37,257	22,779	1,021	-	-	(64,624)	92,370
Total Intragovernmental	6,181,831	5,506,639	632,990	13,004,871	650,174	3,238,521	194,379	1,038,132	317,426	(343,235)	30,421,728
Cash and Monetary Assets	64,219	46	-	-	14,983	85,326	9,681	543	-	-	174,798
Accounts Receivable, Net	-	43,992	130	225	4,295	24,088	296	5,053	3,813	-	81,892
Inventory and Related Property, Net	-	-	2,860	-	8,505	7,263	-	18,775	95,411	-	132,814
Forfeited Property, Net	141,354	-	-	-	-	-	-	-	-	-	141,354
General Property, Plant and Equipment, Net	603	143,530	281,488	7,622	352,660	2,713,644	197,183	6,239,845	80,748	-	10,017,323
Advances and Prepayments	-	1,151	-	406,686	12,387	18,423	1,163	4,315	49	-	444,174
Other Assets	-	-	184	-	-	-	28	4,189	276	-	4,677
Total Assets	**$ 6,388,007**	**$ 5,695,358**	**$ 917,652**	**$ 13,419,404**	**$ 1,043,004**	**$ 6,087,265**	**$ 402,730**	**$ 7,310,852**	**$ 497,723**	**$ (343,235)**	**$ 41,418,760**
LIABILITIES											
Intragovernmental											
Accounts Payable	$ 105,395	$ 176,035	$ 44,845	$ 21,825	$ 28,681	$ 188,580	$ 11,830	$ 36,356	$ 3,476	$ (277,770)	$ 339,253
Accrued FECA Liabilities	-	9,603	17,207	24	26,949	31,303	20,828	158,816	2,135	-	266,865
Custodial Liabilities	-	1,171,842	-	-	2,856	-	-	-	-	-	1,174,698
Other Liabilities	146	36,309	4,687	67,173	7,882	57,541	4,210	31,241	60,332	(65,465)	204,056
Total Intragovernmental	105,541	1,393,789	66,739	89,022	66,368	277,424	36,868	226,413	65,943	(343,235)	$ 1,984,872
Accounts Payable	2,847,058	292,972	213,150	20,591	80,006	323,056	38,013	347,010	41,405	-	$ 4,203,261
Accrued Grant Liabilities	-	121,574	-	266,055	-	-	-	-	-	-	387,629
Actuarial FECA Liabilities	-	60,484	103,024	327	169,801	191,516	129,310	956,439	21,715	-	1,632,616
Accrued Payroll and Benefits	1,278	53,231	20,855	5,540	25,606	84,948	13,008	61,401	3,754	-	269,621
Accrued Annual and Compensatory Leave Liabilities	1,726	178,487	42,572	5,958	96,571	273,017	49,123	171,578	7,337	-	826,369
Environmental and Disposal Liabilities	-	-	-	-	-	10,451	-	66,225	-	-	76,676
Deferred Revenue	141,354	-	-	-	477,890	-	-	2,196	-	-	621,440
Seized Cash and Monetary Instruments	1,435,283	-	-	-	470	46,371	3,563	-	-	-	1,485,687
Contingent Liabilities	-	5,000	-	-	8,466	8,420	-	4,685	-	-	26,571
Capital Lease Liabilities	-	-	-	-	-	-	-	8,716	47	-	8,763
Radiation Exposure Compensation Act Liabilities	-	660,465	-	-	-	-	-	-	-	-	660,465
9/11 Victim Compensation Fund	-	2,751,712	-	-	-	-	-	-	-	-	2,751,712
Other Liabilities	-	200,739	15,440	-	9,886	7,669	956	176,621	-	-	411,311
Total Liabilities	**$ 4,532,240**	**$ 5,718,453**	**$ 461,780**	**$ 387,493**	**$ 935,064**	**$ 1,222,872**	**$ 270,841**	**$ 2,021,284**	**$ 140,201**	**$ (343,235)**	**$ 15,346,993**
NET POSITION											
Unexpended Appropriations - Funds from Dedicated Collections	$ -	$ 35,768	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,768
Unexpended Appropriations - All Other Funds	-	2,602,197	299,299	2,969,711	386,251	1,822,476	131,994	437,193	-	-	8,649,121
Cumulative Results of Operations - Funds from Dedicated Collections	1,855,767	244,863	-	10,057,641	(311,492)	-	-	93,693	-	-	11,940,472
Cumulative Results of Operations - All Other Funds	-	(2,905,923)	156,573	4,559	33,181	3,041,917	(105)	4,758,682	357,522	-	5,446,406
Total Net Position	**$ 1,855,767**	**$ (23,095)**	**$ 455,872**	**$ 13,031,911**	**$ 107,940**	**$ 4,864,393**	**$ 131,889**	**$ 5,289,568**	**$ 357,522**	**$ -**	**$ 26,071,767**
Total Liabilities and Net Position	**$ 6,388,007**	**$ 5,695,358**	**$ 917,652**	**$ 13,419,404**	**$ 1,043,004**	**$ 6,087,265**	**$ 402,730**	**$ 7,310,852**	**$ 497,723**	**$ (343,235)**	**$ 41,418,760**

U. S. Department of Justice
Consolidating Balance Sheet
For the Fiscal Year Ended September 30, 2012

	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	$ 78,375	$ 5,702,037	$ 488,186	$ 12,614,717	$ 694,616	$ 3,601,365	$ 232,563	$ 1,305,195	$ 28,244	$ -	$ 24,745,298
Investments, Net	5,631,124	310,479	-	-	-	-	-	-	272,300	-	6,213,903
Accounts Receivable, Net	6,035	322,530	145,641	6,642	51,930	143,146	37,105	3,653	21,578	(413,933)	324,327
Other Assets	2,339	79,029	7,093	47,203	32,442	30,187	1,514	165,000	-	(98,234)	266,573
Total Intragovernmental	5,717,873	6,414,075	640,920	12,668,562	778,988	3,774,698	271,182	1,473,848	322,122	(512,167)	31,550,101
Cash and Monetary Assets	106,166	46	-	-	15,337	67,135	71,196	802	-	-	260,682
Accounts Receivable, Net	-	66,493	29	4,348	5,397	27,069	352	7,361	4,563	-	115,612
Inventory and Related Property, Net	-	106	2,742	-	7,588	7,310	-	19,609	129,254	-	166,609
Forfeited Property, Net	145,111	-	-	-	-	-	-	-	-	-	145,111
General Property, Plant and Equipment, Net	1,150	133,777	265,904	11,006	381,780	2,811,251	206,737	6,286,908	87,631	-	10,186,144
Advances and Prepayments	-	1,132	47	693,159	12,030	48,789	963	4,622	128	-	760,870
Other Assets	-	-	184	-	-	-	-	4,701	700	-	5,585
Total Assets	**$ 5,970,300**	**$ 6,615,629**	**$ 909,826**	**$ 13,377,075**	**$ 1,201,120**	**$ 6,736,252**	**$ 550,430**	**$ 7,797,851**	**$ 544,398**	**$ (512,167)**	**$ 43,190,714**
LIABILITIES											
Intragovernmental											
Accounts Payable	$ 71,352	$ 310,984	$ 25,874	$ 22,536	$ 35,216	$ 183,590	$ 13,996	$ 47,558	$ 3,538	$ (412,069)	$ 302,575
Accrued FECA Liabilities	-	9,860	16,753	69	27,152	31,101	20,852	152,884	1,981	-	260,652
Custodial Liabilities	-	1,110,517	-	-	3,781	-	-	-	-	-	1,114,298
Other Liabilities	39	51,451	12,439	107,620	20,095	99,996	10,450	69,148	97,573	(100,098)	368,713
Total Intragovernmental	71,391	1,482,812	55,066	130,225	86,244	314,687	45,298	269,590	103,092	(512,167)	2,046,238
Accounts Payable	2,596,491	306,823	244,011	33,317	85,690	462,174	42,947	291,709	44,894	-	4,108,056
Accrued Grant Liabilities	-	167,668	-	436,451	-	-	-	-	-	-	604,119
Actuarial FECA Liabilities	-	56,121	93,617	442	158,435	176,422	116,959	853,362	18,920	-	1,474,278
Accrued Payroll and Benefits	151	135,398	36,317	7,910	64,151	213,448	33,917	155,218	7,399	-	653,909
Accrued Annual and Compensatory Leave Liabilities	246	181,786	43,258	6,011	98,986	277,074	51,019	171,739	8,133	-	838,252
Environmental and Disposal Liabilities	-	-	-	-	-	10,219	-	64,222	-	-	74,441
Deferred Revenue	145,111	-	-	-	409,396	-	-	1,957	-	-	556,464
Seized Cash and Monetary Instruments	1,536,523	-	-	-	450	45,262	4,932	-	-	-	1,587,167
Contingent Liabilities	-	3,565	-	-	8,968	11,788	-	4,230	120	-	28,671
Capital Lease Liabilities	-	-	-	9	-	-	394	16,627	66	-	17,096
Radiation Exposure Compensation Act Liabilities	-	731,237	-	-	-	-	-	-	-	-	731,237
9/11 Victim Compensation Fund	-	2,766,400	-	-	-	-	-	-	-	-	2,766,400
Other Liabilities	-	209,775	8,532	-	10,555	6,342	61,073	159,380	-	-	455,657
Total Liabilities	**$ 4,349,913**	**$ 6,041,585**	**$ 480,801**	**$ 614,365**	**$ 922,875**	**$ 1,517,416**	**$ 356,539**	**$ 1,988,034**	**$ 182,624**	**$ (512,167)**	**$ 15,941,985**
NET POSITION											
Unexpended Appropriations - Funds from Dedicated Collections	$ -	$ 25,963	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,963
Unexpended Appropriations - All Other Funds	-	3,355,787	259,570	3,478,217	499,366	2,151,355	175,104	649,416	-	-	10,568,815
Cumulative Results of Operations - Funds from Dedicated Collections	1,620,387	255,718	-	9,273,109	(285,887)	-	-	86,212	-	-	10,949,539
Cumulative Results of Operations - All Other Funds	-	(3,063,424)	169,455	11,384	64,766	3,067,481	18,787	5,074,189	361,774	-	5,704,412
Total Net Position	**$ 1,620,387**	**$ 574,044**	**$ 429,025**	**$ 12,762,710**	**$ 278,245**	**$ 5,218,836**	**$ 193,891**	**$ 5,809,817**	**$ 361,774**	**$ -**	**$ 27,248,729**
Total Liabilities and Net Position	**$ 5,970,300**	**$ 6,615,629**	**$ 909,826**	**$ 13,377,075**	**$ 1,201,120**	**$ 6,736,252**	**$ 550,430**	**$ 7,797,851**	**$ 544,398**	**$ (512,167)**	**$ 43,190,714**

U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost - Intragovernmental	$ -	$ 57,140	$ 37,872	$ -	$ 12,714	$ 1,361,909	$ -	$ -	$ -	$ (116,086)	$ 1,353,549
Gross Cost - With the Public	-	118,473	42,396	-	125,342	3,649,619	4,834	-	-	-	3,940,664
Subtotal Gross Costs	-	175,613	80,268	-	138,056	5,011,528	4,834	-	-	(116,086)	5,294,213
Earned Revenues - Intragovernmental	-	13,267	-	-	44,666	457,250	-	-	-	(116,086)	399,097
Earned Revenues - With the Public	-	43	-	-	4	16,344	-	-	-	-	16,391
Subtotal Earned Revenues	-	13,310	-	-	44,670	473,594	-	-	-	(116,086)	415,488
Subtotal Net Cost of Operations	$ -	$ 162,303	$ 80,268	$ -	$ 93,386	$ 4,537,934	$ 4,834	$ -	$ -	$ -	$ 4,878,725
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost - Intragovernmental	$ 501,418	$ 1,850,572	$ 79,516	$ 59,681	$ 898,217	$ 829,830	$ 375,869	$ -	$ -	$ (945,821)	$ 3,649,282
Gross Cost - With the Public	1,286,133	3,959,037	164,286	989,297	1,896,782	2,199,434	868,544	7,907	-	-	11,371,420
Subtotal Gross Costs	1,787,551	5,809,609	243,802	1,048,978	2,794,999	3,029,264	1,244,413	7,907	-	(945,821)	15,020,702
Earned Revenues - Intragovernmental	12,201	777,941	-	11,164	439,466	342,743	74,433	-	-	(945,821)	712,127
Earned Revenues - With the Public	-	438,610	-	-	280,596	397	847	-	-	-	720,450
Subtotal Earned Revenues	12,201	1,216,551	-	11,164	720,062	343,140	75,280	-	-	(945,821)	1,432,577
Subtotal Net Cost of Operations	$ 1,775,350	$ 4,593,058	$ 243,802	$ 1,037,814	$ 2,074,937	$ 2,686,124	$ 1,169,133	$ 7,907	$ -	$ -	$ 13,588,125
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels											
Gross Cost - Intragovernmental	$ -	$ 128,592	$ 492,089	$ 77,203	$ -	$ 254,103	$ -	$ 1,671,102	$ 97,638	$ (395,115)	$ 2,325,612
Gross Cost - With the Public	-	401,505	2,350,380	1,578,410	-	798,910	-	5,944,800	549,915	-	11,623,920
Subtotal Gross Costs	-	530,097	2,842,469	1,655,613	-	1,053,013	-	7,615,902	647,553	(395,115)	13,949,532
Earned Revenues - Intragovernmental	-	6,731	52,811	26,882	-	358,899	-	20,950	573,233	(374,046)	665,460
Earned Revenues - With the Public	-	-	4,941	314	-	154,485	-	398,643	41,509	-	599,892
Subtotal Earned Revenues	-	6,731	57,752	27,196	-	513,384	-	419,593	614,742	(374,046)	1,265,352
Subtotal Net Cost of Operations	$ -	$ 523,366	$ 2,784,717	$ 1,628,417	$ -	$ 539,629	$ -	$ 7,196,309	$ 32,811	$ (21,069)	$ 12,684,180
Total Net Cost of Operations	**$ 1,775,350**	**$ 5,278,727**	**$ 3,108,787**	**$ 2,666,231**	**$ 2,168,323**	**$ 7,763,687**	**$ 1,173,967**	**$ 7,204,216**	**$ 32,811**	**$ (21,069)**	**$ 31,151,030**

U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost - Intragovernmental	$ -	$ 99,284	$ 4,794	$ -	$ 17,534	$ 1,424,724	$ -	$ -	$ -	$ (119,355)	$ 1,426,981
Gross Cost - With the Public	-	282,552	-	-	94,180	3,917,146	6,419	-	-	-	4,300,297
Subtotal Gross Costs	-	381,836	4,794	-	111,714	5,341,870	6,419	-	-	(119,355)	5,727,278
Earned Revenues - Intragovernmental	-	87,077	-	-	12,630	458,969	-	-	-	(119,355)	439,321
Earned Revenues - With the Public	-	29,042	-	-	-	1,870	-	-	-	-	30,912
Subtotal Earned Revenues	-	116,119	-	-	12,630	460,839	-	-	-	(119,355)	470,233
Subtotal Net Cost of Operations	$ -	$ 265,717	$ 4,794	$ -	$ 99,084	$ 4,881,031	$ 6,419	$ -	$ -	$ -	$ 5,257,045
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost - Intragovernmental	$ 382,840	$ 1,804,101	$ 32,637	$ 45,938	$ 892,256	$ 790,598	$ 383,250	$ -	$ -	$ (970,264)	$ 3,361,356
Gross Cost - With the Public	3,936,567	6,787,015	-	952,857	1,945,542	2,173,677	895,426	7,242	-	-	16,698,326
Subtotal Gross Costs	4,319,407	8,591,116	32,637	998,795	2,837,798	2,964,275	1,278,676	7,242	-	(970,264)	20,059,682
Earned Revenues - Intragovernmental	10,585	529,236	-	4,839	473,274	340,061	80,866	-	-	(970,264)	468,597
Earned Revenues - With the Public	-	395,064	-	-	251,099	-	503	-	-	-	646,666
Subtotal Earned Revenues	10,585	924,300	-	4,839	724,373	340,061	81,369	-	-	(970,264)	1,115,263
Subtotal Net Cost of Operations	$ 4,308,822	$ 7,666,816	$ 32,637	$ 993,956	$ 2,113,425	$ 2,624,214	$ 1,197,307	$ 7,242	$ -	$ -	$ 18,944,419
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels											
Gross Cost - Intragovernmental	$ -	$ 1,808,388	$ 544,969	$ 148,858	$ -	$ 280,253	$ -	$ 1,664,927	$ 164,798	$ (1,883,179)	$ 2,729,014
Gross Cost - With the Public	-	665,148	2,609,317	2,316,455	-	770,530	-	5,834,650	598,300	-	12,794,400
Subtotal Gross Costs	-	2,473,536	3,154,286	2,465,313	-	1,050,783	-	7,499,577	763,098	(1,883,179)	15,523,414
Earned Revenues - Intragovernmental	-	159,062	1,537,097	22,310	-	334,507	-	20,904	651,713	(1,858,461)	867,132
Earned Revenues - With the Public	-	66,119	6,548	148	-	151,387	-	389,401	49,573	-	663,176
Subtotal Earned Revenues	-	225,181	1,543,645	22,458	-	485,894	-	410,305	701,286	(1,858,461)	1,530,308
Subtotal Net Cost of Operations	$ -	$ 2,248,355	$ 1,610,641	$ 2,442,855	$ -	$ 564,889	$ -	$ 7,089,272	$ 61,812	$ (24,718)	$ 13,993,106
Total Net Cost of Operations	**$ 4,308,822**	**$ 10,180,888**	**$ 1,648,072**	**$ 3,436,811**	**$ 2,212,509**	**$ 8,070,134**	**$ 1,203,726**	**$ 7,096,514**	**$ 61,812**	**$ (24,718)**	**$ 38,194,570**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances											
Funds from Dedicated Collections	**$ -**	**$ 25,963**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 25,963**
All Other Funds	**-**	**3,355,787**	**259,570**	**3,478,217**	**499,366**	**2,151,355**	**175,104**	**649,416**	**-**	**-**	**10,568,815**
Budgetary Financing Sources											
Appropriations Received											
Funds from Dedicated Collections	-	80,267	-	-	-	-	-	-	-	-	80,267
All Other Funds	-	5,162,454	2,853,383	1,625,218	2,051,904	8,276,009	1,153,575	6,920,217	-	-	28,042,760
Appropriations Transferred-In/Out											
Funds from Dedicated Collections	-	5,343	-	-	-	-	-	-	-	-	5,343
All Other Funds	-	(148,325)	436,713	(10,533)	21,557	(134,901)	(1,223)	87,214	-	-	250,502
Other Adjustments											
Funds from Dedicated Collections	-	(3,419)	-	-	-	-	-	-	-	-	(3,419)
All Other Funds	-	(678,225)	(197,806)	(172,141)	(145,260)	(730,365)	(83,035)	(540,312)	-	-	(2,547,144)
Appropriations Used											
Funds from Dedicated Collections	-	(72,386)	-	-	-	-	-	-	-	-	(72,386)
All Other Funds	-	(5,089,494)	(3,052,561)	(1,951,050)	(2,041,316)	(7,739,622)	(1,112,427)	(6,679,342)	-	-	(27,665,812)
Total Financing Sources											
Funds from Dedicated Collections	**-**	**9,805**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,805**
All Other Funds	**-**	**(753,590)**	**39,729**	**(508,506)**	**(113,115)**	**(328,879)**	**(43,110)**	**(212,223)**	**-**	**-**	**(1,919,694)**
Net Change											
Funds from Dedicated Collections	-	9,805	-	-	-	-	-	-	-	-	9,805
All Other Funds	-	(753,590)	39,729	(508,506)	(113,115)	(328,879)	(43,110)	(212,223)	-	-	(1,919,694)
Ending Balances											
Funds from Dedicated Collections	**-**	**35,768**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,768**
All Other Funds	**-**	**2,602,197**	**299,299**	**2,969,711**	**386,251**	**1,822,476**	**131,994**	**437,193**	**-**	**-**	**8,649,121**
Total All Funds	**$ -**	**$ 2,637,965**	**$ 299,299**	**$ 2,969,711**	**$ 386,251**	**$ 1,822,476**	**$ 131,994**	**$ 437,193**	**$ -**	**$ -**	**$ 8,684,889**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position - Continued
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Cumulative Results of Operations											
Beginning Balances											
Funds from Dedicated Collections	**$ 1,620,387**	**$ 255,718**	**$ -**	**$ 9,273,109**	**$ (285,887)**	**$ -**	**$ -**	**$ 86,212**	**$ -**	**$ -**	**$ 10,949,539**
All Other Funds	**-**	**(3,063,424)**	**169,455**	**11,384**	**64,766**	**3,067,481**	**18,787**	**5,074,189**	**361,774**	**-**	**5,704,412**
Adjustments:											
Changes in Accounting Principles (Note 26)											
Funds from Dedicated Collections	(531)	(1,087)	-	-	(473)	-	-	-	-	-	(2,091)
All Other Funds	-	(13,527)	-	(1,199)	(11,867)	(237,177)	-	(8,787)	-	-	(272,557)
Beginning Balances, as Adjusted											
Funds from Dedicated Collections	**1,619,856**	**254,631**	**-**	**9,273,109**	**(286,360)**	**-**	**-**	**86,212**	**-**	**-**	**10,947,448**
All Other Funds	**-**	**(3,076,951)**	**169,455**	**10,185**	**52,899**	**2,830,304**	**18,787**	**5,065,402**	**361,774**	**-**	**5,431,855**
Budgetary Financing Sources											
Other Adjustments											
All Other Funds	-	(26,000)	-	-	-	-	-	-	-	-	(26,000)
Appropriations Used											
Funds from Dedicated Collections	-	72,386	-	-	-	-	-	-	-	-	72,386
All Other Funds	-	5,089,494	3,052,561	1,951,050	2,041,316	7,739,622	1,112,427	6,679,342	-	-	27,665,812
Nonexchange Revenues											
Funds from Dedicated Collections	5,106	1,341	-	1,489,583	-	-	-	-	-	-	1,496,030
All Other Funds	-			320	-	2				-	322
Donations and Forfeitures of Cash and Cash Equivalents											
Funds from Dedicated Collections	1,826,480	-	-	-	-	-	-	-	-	-	1,826,480
Transfers-In/Out Without Reimbursement											
All Other Funds	-	147,559	-	-	-	(7,329)	-	-	-	-	140,230
Other Financing Sources											
Donations and Forfeitures of Property											
Funds from Dedicated Collections	185,769	-	-	-	-	-	-	-	-	-	185,769
All Other Funds	-	-	-	-	-	-	-	3	-	-	3
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(7,273)	-	-	-	-	-	-	(7)	-	-	(7,280)
All Other Funds	-	4,837	1,670	110	4,762	(7,803)	5,645	139	-	-	9,360
Imputed Financing from Costs Absorbed by Others											
Funds from Dedicated Collections	1,179	951	-	-	9,055	-	-	4,033	-	-	15,218
All Other Funds	-	149,419	41,674	4,074	68,340	256,974	37,003	221,467	28,559	(21,069)	786,441
Other Financing Sources											
All Other Funds	-	-	-	-	-	(6,166)	-	-	-	-	(6,166)
Total Financing Sources											
Funds from Dedicated Collections	**2,011,261**	**74,678**	**-**	**1,489,583**	**9,055**	**-**	**-**	**4,026**	**-**	**-**	**3,588,603**
All Other Funds	**-**	**5,365,309**	**3,095,905**	**1,955,554**	**2,114,418**	**7,975,300**	**1,155,075**	**6,900,951**	**28,559**	**(21,069)**	**28,570,002**
Net Cost of Operations											
Funds from Dedicated Collections	(1,775,350)	(84,446)	-	(705,051)	(34,187)	-	-	3,455	-	-	(2,595,579)
All Other Funds	-	(5,194,281)	(3,108,787)	(1,961,180)	(2,134,136)	(7,763,687)	(1,173,967)	(7,207,671)	(32,811)	21,069	(28,555,451)
Net Change											
Funds from Dedicated Collections	235,911	(9,768)	-	784,532	(25,132)	-	-	7,481	-	-	993,024
All Other Funds	-	171,028	(12,882)	(5,626)	(19,718)	211,613	(18,892)	(306,720)	(4,252)	-	14,551
Ending Balances											
Funds from Dedicated Collections	**1,855,767**	**244,863**	**-**	**10,057,641**	**(311,492)**	**-**	**-**	**93,693**	**-**	**-**	**11,940,472**
All Other Funds	**-**	**(2,905,923)**	**156,573**	**4,559**	**33,181**	**3,041,917**	**(105)**	**4,758,682**	**357,522**	**-**	**5,446,406**
Total All Funds	**$ 1,855,767**	**$ (2,661,060)**	**$ 156,573**	**$ 10,062,200**	**$ (278,311)**	**$ 3,041,917**	**$ (105)**	**$ 4,852,375**	**$ 357,522**	**$ -**	**$ 17,386,878**
Net Position - Funds from Dedicated Collections	**1,855,767**	**280,631**	**-**	**10,057,641**	**(311,492)**	**-**	**-**	**93,693**	**-**	**-**	**11,976,240**
Net Position - All Other Funds	**-**	**(303,726)**	**455,872**	**2,974,270**	**419,432**	**4,864,393**	**131,889**	**5,195,875**	**357,522**	**-**	**14,095,527**
Net Position - Total	**$ 1,855,767**	**$ (23,095)**	**$ 455,872**	**$ 13,031,911**	**$ 107,940**	**$ 4,864,393**	**$ 131,889**	**$ 5,289,568**	**$ 357,522**	**$ -**	**$ 26,071,767**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances											
Funds from Dedicated Collections	**$ -**	**$ 21,727**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 21,727**
All Other Funds	**-**	**3,472,362**	**257,093**	**4,605,970**	**503,763**	**2,194,512**	**174,210**	**744,671**	**-**	**-**	**11,952,581**
Budgetary Financing Sources											
Appropriations Received											
Funds from Dedicated Collections	-	72,044	-	-	-	-	-	-	-	-	72,044
All Other Funds	-	6,848,091	1,189,000	1,638,300	2,035,000	8,117,973	1,152,000	6,641,281	-	-	27,621,645
Appropriations Transferred-In/Out											
All Other Funds	-	(28,074)	416,211	(8,470)	27,254	(60,821)	(15,067)	(562)	-	-	330,471
Other Adjustments											
All Other Funds	-	(40,561)	(2,200)	(55,000)	(10,000)	-	-	(45,000)	-	-	(152,761)
Appropriations Used											
Funds from Dedicated Collections	-	(67,808)	-	-	-	-	-	-	-	-	(67,808)
All Other Funds	-	(6,896,031)	(1,600,534)	(2,702,583)	(2,056,651)	(8,100,309)	(1,136,039)	(6,690,974)	-	-	(29,183,121)
Total Financing Sources											
Funds from Dedicated Collections	**-**	**4,236**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,236**
All Other Funds	**-**	**(116,575)**	**2,477**	**(1,127,753)**	**(4,397)**	**(43,157)**	**894**	**(95,255)**	**-**	**-**	**(1,383,766)**
Net Change											
Funds from Dedicated Collections	-	4,236	-	-	-	-	-	-	-	-	4,236
All Other Funds	-	(116,575)	2,477	(1,127,753)	(4,397)	(43,157)	894	(95,255)	-	-	(1,383,766)
Ending Balances											
Funds from Dedicated Collections	**-**	**25,963**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,963**
All Other Funds	**-**	**3,355,787**	**259,570**	**3,478,217**	**499,366**	**2,151,355**	**175,104**	**649,416**	**-**	**-**	**10,568,815**
Total All Funds	**$ -**	**$ 3,381,750**	**$ 259,570**	**$ 3,478,217**	**$ 499,366**	**$ 2,151,355**	**$ 175,104**	**$ 649,416**	**$ -**	**$ -**	**$ 10,594,778**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position - Continued
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Cumulative Results of Operations											
Beginning Balances											
Funds from Dedicated Collections	**$ 1,760,544**	**$ 252,629**	**$ -**	**$ 7,202,248**	**$ (232,162)**	**$ -**	**$ -**	**$ 83,557**	**$ -**	**$ -**	**$ 9,066,816**
All Other Funds	**-**	**(56,544)**	**165,165**	**13,156**	**87,367**	**2,760,450**	**30,179**	**5,092,691**	**390,025**	**-**	**8,482,489**
Budgetary Financing Sources											
Other Ajustments											
All Other Funds	-	(40,000)	-	-	-	-	-	-	-	-	(40,000)
Appropriations Used											
Funds from Dedicated Collections	-	67,808	-	-	-	-	-	-	-	-	67,808
All Other Funds	-	6,896,031	1,600,534	2,702,583	2,056,651	8,100,309	1,136,039	6,690,974	-	-	29,183,121
Nonexchange Revenues											
Funds from Dedicated Collections	3,327	4,085	-	2,795,573	-	-	-	-	-	-	2,802,985
All Other Funds	-	-	-	975	-	-	-	-	-	-	975
Donations and Forfeitures of Cash and Cash Equivalents											
Funds from Dedicated Collections	4,194,465	-	-	-	-	-	-	-	-	-	4,194,465
Transfers-In/Out Without Reimbursement											
All Other Funds	-	109,395	-	-	-	-	-	-	-	-	109,395
Other Financing Sources											
Donations and Forfeitures of Property											
Funds from Dedicated Collections	120,245	-	-	-	-	-	-	-	-	-	120,245
All Other Funds	-	-	-	-	-	-	-	30	-	-	30
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(149,908)	-	-	-	-	-	-	-	-	-	(149,908)
All Other Funds	-	(36,621)	58	2,295	(1,374)	5,333	15,949	151,645	-	-	137,285
Imputed Financing from Costs Absorbed by Others											
Funds from Dedicated Collections	536	1,145	-	-	9,419	-	-	4,346	-	-	15,446
All Other Funds	-	175,254	51,770	4,474	71,487	276,722	40,346	233,672	33,561	(24,718)	862,568
Other Financing Sources											
All Other Funds	-	-	-	-	-	(5,199)	-	-	-	-	(5,199)
Total Financing Sources											
Funds from Dedicated Collections	**4,168,665**	**73,038**	**-**	**2,795,573**	**9,419**	**-**	**-**	**4,346**	**-**	**-**	**7,051,041**
All Other Funds	**-**	**7,104,059**	**1,652,362**	**2,710,327**	**2,126,764**	**8,377,165**	**1,192,334**	**7,076,321**	**33,561**	**(24,718)**	**30,248,175**
Net Cost of Operations											
Funds from Dedicated Collections	(4,308,822)	(69,949)	-	(724,712)	(63,144)	-	-	(1,691)	-	-	(5,168,318)
All Other Funds	-	(10,110,939)	(1,648,072)	(2,712,099)	(2,149,365)	(8,070,134)	(1,203,726)	(7,094,823)	(61,812)	24,718	(33,026,252)
Net Change											
Funds from Dedicated Collections	(140,157)	3,089	-	2,070,861	(53,725)	-	-	2,655	-	-	1,882,723
All Other Funds	-	(3,006,880)	4,290	(1,772)	(22,601)	307,031	(11,392)	(18,502)	(28,251)	-	(2,778,077)
Ending Balances											
Funds from Dedicated Collections	**1,620,387**	**255,718**	**-**	**9,273,109**	**(285,887)**	**-**	**-**	**86,212**	**-**	**-**	**10,949,539**
All Other Funds	**-**	**(3,063,424)**	**169,455**	**11,384**	**64,766**	**3,067,481**	**18,787**	**5,074,189**	**361,774**	**-**	**5,704,412**
Total All Funds	**$ 1,620,387**	**$ (2,807,706)**	**$ 169,455**	**$ 9,284,493**	**$ (221,121)**	**$ 3,067,481**	**$ 18,787**	**$ 5,160,401**	**$ 361,774**	**$ -**	**$ 16,653,951**
Net Position - Funds from Dedicated Collections	**1,620,387**	**281,681**	**-**	**9,273,109**	**(285,887)**	**-**	**-**	**86,212**	**-**	**-**	**10,975,502**
Net Position - All Other Funds	**-**	**292,363**	**429,025**	**3,489,601**	**564,132**	**5,218,836**	**193,891**	**5,723,605**	**361,774**	**-**	**16,273,227**
Net Position - Total	**$ 1,620,387**	**$ 574,044**	**$ 429,025**	**$ 12,762,710**	**$ 278,245**	**$ 5,218,836**	**$ 193,891**	**$ 5,809,817**	**$ 361,774**	**$ -**	**$ 27,248,729**

U. S. Department of Justice
Combining Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Revenue Activity										
Sources of Cash Collections										
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	$ -	$ 5,595,261	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,595,261
Fees and Licenses	-	-	-	-	15,000	-	28,392	-	-	43,392
Fines, Penalties and Restitution Payments - Civil	-	-	-	-	86,630	195	20	-	-	86,845
Fines, Penalties and Restitution Payments - Criminal	-	42,295	-	-	-	260	48	-	-	42,603
Miscellaneous	-	47	-	-	-	417	41,520	46	-	42,030
Total Cash Collections	**$ -**	**$ 5,637,603**	**$ -**	**$ -**	**$ 101,630**	**$ 872**	**$ 69,980**	**$ 46**	**$ -**	**$ 5,810,131**
Accrual Adjustments	-	-	-	-	(916)	5	(3)	-	-	(914)
Total Custodial Revenue	**$ -**	**$ 5,637,603**	**$ -**	**$ -**	**$ 100,714**	**$ 877**	**$ 69,977**	**$ 46**	**$ -**	**$ 5,809,217**
Disposition of Collections										
Transferred to Federal Agencies										
Library of Congress	-	(509)	-	-	-	-	-	-	-	(509)
U.S. Department of Agriculture	-	(136,258)	-	-	-	-	-	-	-	(136,258)
U.S. Department of Commerce	-	(6,000)	-	-	-	-	-	-	-	(6,000)
U.S. Department of the Interior	-	(36,174)	-	-	-	-	-	-	-	(36,174)
U.S. Department of Justice	-	(99,558)	-	-	-	-	-	-	-	(99,558)
U.S. Department of Labor	-	(3,897)	-	-	-	-	-	-	-	(3,897)
U.S. Postal Service	-	(26,790)	-	-	-	-	-	-	-	(26,790)
U.S. Department of State	-	(2,208)	-	-	-	-	-	-	-	(2,208)
U.S. Department of the Treasury	-	(2,025,807)	-	-	-	-	-	-	-	(2,025,807)
Office of Personnel Management	-	(43,447)	-	-	-	-	-	-	-	(43,447)
National Credit Union Administration	-	(1)	-	-	-	-	-	-	-	(1)
Federal Communications Commission	-	(757)	-	-	-	-	-	-	-	(757)
Social Security Administration	-	(699)	-	-	-	-	-	-	-	(699)
Smithsonian Institution	-	(8)	-	-	-	-	-	-	-	(8)
U.S. Department of Veterans Affairs	-	(123,179)	-	-	-	-	-	-	-	(123,179)
Equal Employment Opportunity Commission	-	(2)	-	-	-	-	-	-	-	(2)
General Services Administration	-	(51,966)	-	-	-	-	-	-	-	(51,966)
Securities and Exchange Commission	-	(3)	-	-	-	-	-	-	-	(3)
Federal Deposit Insurance Corporation	-	(419)	-	-	-	-	-	-	-	(419)
Railroad Retirement Board	-	(414)	-	-	-	-	-	-	-	(414)
Tennessee Valley Authority	-	(291)	-	-	-	-	-	-	-	(291)
Environmental Protection Agency	-	(185,060)	-	-	-	-	-	-	-	(185,060)
U.S. Department of Transportation	-	(5,185)	-	-	-	-	-	-	-	(5,185)
U.S. Department of Homeland Security	-	(131,067)	-	-	-	-	-	-	-	(131,067)
Agency for International Development	-	(44,212)	-	-	-	-	-	-	-	(44,212)
Small Business Administration	-	(14,792)	-	-	-	-	-	-	-	(14,792)
U.S. Department of Health and Human Services	-	(1,151,278)	-	-	-	-	-	-	-	(1,151,278)
National Aeronautics and Space Administration	-	(5,288)	-	-	-	-	-	-	-	(5,288)
Export-Import Bank of the United States	-	(13,855)	-	-	-	-	-	-	-	(13,855)
U.S. Department of Housing and Urban Development	-	(24,226)	-	-	-	-	-	-	-	(24,226)
U.S. Department of Energy	-	(10,585)	-	-	-	-	-	-	-	(10,585)
U.S. Department of Education	-	(23,219)	-	-	-	-	-	-	-	(23,219)
Independent Agencies	-	(114,607)	-	-	-	-	-	-	-	(114,607)
Treasury General Fund	-	(503,972)	-	-	(101,630)	(872)	(69,540)	(46)	-	(676,060)
U.S. Department of Defense	-	(120,707)	-	-	-	-	-	-	-	(120,707)
Transferred to the Public	-	(416,166)	-	-	-	-	-	-	-	(416,166)
(Increase)/Decrease in Amounts Yet to be Transferred	-	(52,289)	-	-	916	(5)	-	-	-	(51,378)
Refunds and Other Payments	-	(104,397)	-	-	-	-	(437)	-	-	(104,834)
Retained by the Reporting Entity	-	(158,311)	-	-	-	-	-	-	-	(158,311)
Total Disposition Of Collections	-	(5,637,603)	-	-	(100,714)	(877)	(69,977)	(46)	-	(5,809,217)
Net Custodial Activity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

U. S. Department of Justice
Combining Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Revenue Activity										
Sources of Cash Collections										
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	$ -	$ 6,995,798	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,995,798
Fees and Licenses	-	-	-	-	15,000	-	21,710	-	-	36,710
Fines, Penalties and Restitution Payments - Civil	-	-	-	-	12,595	8,941	18	-	-	21,554
Fines, Penalties and Restitution Payments - Criminal	-	39,750	-	-	-	146	74	-	-	39,970
Miscellaneous	-	43	-	-	-	1,649	2,873	54	-	4,619
Total Cash Collections	**$ -**	**$ 7,035,591**	**$ -**	**$ -**	**$ 27,595**	**$ 10,736**	**$ 24,675**	**$ 54**	**$ -**	**$ 7,098,651**
Accrual Adjustments	-	-	-	-	(1,418)	-	13	-	-	(1,405)
Total Custodial Revenue	**$ -**	**$ 7,035,591**	**$ -**	**$ -**	**$ 26,177**	**$ 10,736**	**$ 24,688**	**$ 54**	**$ -**	**$ 7,097,246**
Disposition of Collections										
Transferred to Federal Agencies										
U.S. Department of Agriculture	-	(105,670)	-	-	-	-	-	-	-	(105,670)
U.S. Department of Commerce	-	(3,746)	-	-	-	-	-	-	-	(3,746)
U.S. Department of the Interior	-	(129,015)	-	-	-	-	-	-	-	(129,015)
U.S. Department of Justice	-	(21,085)	-	-	-	-	-	-	-	(21,085)
U.S. Department of Labor	-	(9,175)	-	-	-	-	-	-	-	(9,175)
U.S. Postal Service	-	(7,675)	-	-	-	-	-	-	-	(7,675)
U.S. Department of State	-	(26,613)	-	-	-	-	-	-	-	(26,613)
U.S. Department of the Treasury	-	(917,662)	-	-	-	-	-	-	-	(917,662)
Office of Personnel Management	-	(157,714)	-	-	-	-	-	-	-	(157,714)
Federal Communications Commission	-	(310)	-	-	-	-	-	-	-	(310)
Social Security Administration	-	(921)	-	-	-	-	-	-	-	(921)
Smithsonian Institution	-	(8)	-	-	-	-	-	-	-	(8)
U.S. Department of Veterans Affairs	-	(125,354)	-	-	-	-	-	-	-	(125,354)
General Services Administration	-	(130,087)	-	-	-	-	-	-	-	(130,087)
Securities and Exchange Commission	-	(411)	-	-	-	-	-	-	-	(411)
Federal Deposit Insurance Corporation	-	(59)	-	-	-	-	-	-	-	(59)
Railroad Retirement Board	-	(288)	-	-	-	-	-	-	-	(288)
Tennessee Valley Authority	-	(8)	-	-	-	-	-	-	-	(8)
Environmental Protection Agency	-	(189,137)	-	-	-	-	-	-	-	(189,137)
U.S. Department of Transportation	-	(13,674)	-	-	-	-	-	-	-	(13,674)
U.S. Department of Homeland Security	-	(66,585)	-	-	-	-	-	-	-	(66,585)
Agency for International Development	-	(511)	-	-	-	-	-	-	-	(511)
Small Business Administration	-	(6,371)	-	-	-	-	-	-	-	(6,371)
U.S. Department of Health and Human Services	-	(1,283,167)	-	-	-	-	-	-	-	(1,283,167)
National Aeronautics and Space Administration	-	(725)	-	-	-	-	-	-	-	(725)
Export-Import Bank of the United States	-	(17,264)	-	-	-	-	-	-	-	(17,264)
U.S. Department of Housing and Urban Development	-	(1,129,547)	-	-	-	-	-	-	-	(1,129,547)
National Archives&Records Administration	-	(29)	-	-	-	-	-	-	-	(29)
U.S. Department of Energy	-	(3,313)	-	-	-	-	-	-	-	(3,313)
U.S. Department of Education	-	(14,452)	-	-	-	-	-	-	-	(14,452)
Independent Agencies	-	(63,619)	-	-	-	-	-	-	-	(63,619)
Treasury General Fund	-	(642,790)	-	-	(27,595)	(10,736)	(24,328)	(54)	-	(705,503)
U.S. Department of Defense	-	(217,607)	-	-	-	-	-	-	-	(217,607)
Transferred to the Public	-	(508,622)	-	-	-	-	-	-	-	(508,622)
(Increase)/Decrease in Amounts Yet to be Transferred	-	(567,495)	-	-	1,418	-	-	-	-	(566,077)
Refunds and Other Payments	-	(512,825)	-	-	-	-	(360)	-	-	(513,185)
Retained by the Reporting Entity	-	(162,057)	-	-	-	-	-	-	-	(162,057)
Total Disposition Of Collections	-	(7,035,591)	-	-	(26,177)	(10,736)	(24,688)	(54)	-	(7,097,246)
Net Custodial Activity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

U. S. Department of Justice
Combined Schedule of Spending
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands			2013
What Money is Available to Spend?			
Total Resources		$	39,496,697
Less: Amount Available but Not Agreed to be Spent			3,024,593
Less: Amount Not Available to be Spent			970,374
Total Amounts Agreed to be Spent		**$**	**35,501,730**
How was the Money Spent?			
Personnel Compensation and Benefits			
1100	Personnel Compensation	$	10,574,604
1200	Personnel Benefits		4,256,801
1300	Former Personnel		5,312
Other Program Related Expenses			
2100	Travel & Transportation of Persons		384,746
2200	Transportation of Things		98,202
2300	Rent, Communications, and Utilities		3,087,135
2400	Printing and Reproduction		24,125
2500	Other Contractual Services		11,998,687
2600	Supplies and Materials		1,552,974
3100	Equipment		790,361
3200	Land and Structures		163,838
4100	Grants, Subsidies, and Contributions		2,429,742
4200	Insurance Claims and Indemnities		126,354
4300	Interest and Dividends		8,849
Total Amounts Agreed to be Spent		**$**	**35,501,730**
Who did the Money go to?			
For Profit		$	13,568,632
Government			6,389,316
Employees			13,201,095
Grants			1,952,345
Other			390,342
Total Amounts Agreed to be Spent		**$**	**35,501,730**

SECTION III

MANAGEMENT SECTION

Section III Management Section (Unaudited)

Overview

Each year, the Department identifies existing and potential management challenges, weaknesses, and areas in need of improvement. Two primary sources used to identify these issues are the Department's OIG-identified Top Management and Performance Challenges and the Federal Managers' Financial Integrity Act (FMFIA) assessment process. The challenges identified by the Department's OIG are from an auditor's perspective and include areas of concern that bear significantly on how well the Department carries out its mission and meets its responsibilities as a steward of public funds. The FMFIA assessment process evaluates the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2) and whether financial management systems conform to financial system requirements (FMFIA § 4).

Presented on the following pages are the OIG-identified Top Management and Performance Challenges in the Department, Department management's response to those challenges, and the Corrective Action Plan resulting from the FMFIA assessment.

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OIG

Top Management and Performance Challenges Facing the Department of Justice

December 11, 2013

MEMORANDUM FOR THE ATTORNEY GENERAL
THE DEPUTY ATTORNEY GENERAL

FROM: MICHAEL E. HOROWITZ
INSPECTOR GENERAL

SUBJECT: Top Management and Performance Challenges Facing the Department of Justice

Attached to this memorandum is the Office of the Inspector General's (OIG) 2013 list of top management and performance challenges facing the Department of Justice (Department), which we have identified based on our oversight work, research, and judgment. We have prepared similar lists since 1998. By statute this list is required to be included in the Department's Agency Financial Report.

This year's list identifies six challenges that we believe represent the most pressing concerns for the Department. They are *Addressing the Growing Crisis in the Federal Prison System*; *Safeguarding National Security Consistent with Civil Rights and Liberties*; *Protecting Taxpayer Funds from Mismanagement and Misuse*; *Enhancing Cybersecurity*; *Ensuring Effective and Efficient Law Enforcement*; and *Restoring Confidence in the Integrity, Fairness, and Accountability of the Department*. While we do not prioritize the challenges we identify in our annual top management challenges report, we believe that one of the challenges highlighted this year, which we also identified in last year's report, represents an increasingly critical threat to the Department's ability to fulfill its mission. That challenge is *Addressing the Growing Crisis in the Federal Prison System.*

The crisis in the federal prison system is two-fold. First, the costs of the federal prison system continue to escalate, consuming an ever-larger share of the Department's budget with no relief in sight. In the current era of flat or declining budgets, the continued growth of the prison system budget poses a threat to the Department's other critical programs – including those designed to protect national security, enforce criminal laws, and defend civil rights. As I have stated in testimony to Congress during the past year, the path the Department is on is unsustainable in the current budget environment. Second, federal prisons are facing a number of important safety and security issues, including, most significantly, that they have been overcrowded for years and the problem is only getting worse. Since 2006, Department officials have acknowledged the threat overcrowding poses to the safety and security of its prisons, yet the Department has not put in place a plan that can reasonably be expected to alleviate the problem.

Meeting this challenge will require a coordinated, Department-wide approach in which all relevant Department officials – from agents, to prosecutors, to prison officials – participate in reducing the costs and crowding in our prison system. In that respect, the challenge posed by the federal prison system is reflective of all of the challenges on our list: each is truly a challenge to be addressed by the Department as a whole, not just by individual Department components.

We hope this document will assist the Department in enhancing its operations and prioritizing its efforts to improve. We look forward to continuing to work with the Department to respond to these important issues in the coming year.

Attachment

TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF JUSTICE

Office of the Inspector General
November 12, 2013
Re-issued December 23, 2013

1. Addressing the Growing Crisis in the Federal Prison System

The Department of Justice (Department) is facing two interrelated crises in the federal prison system. The first is the continually increasing cost of incarceration, which, due to the current budget environment, is already having an impact on the Department's other law enforcement priorities. The second is the safety and security of the federal prison system, which has been overcrowded for years and, absent significant action, will face even greater overcrowding in the years ahead.

Containing the Cost of the Federal Prison System

Although the Department's mission has remained substantially unchanged since 2001, the budgetary environment has changed dramatically. After enjoying an increase in its discretionary budget from $21.5 billion in fiscal year (FY) 2001 to $28.9 billion in FY 2011, the Department's discretionary budget decreased in FY 2012 to $28.3 billion, and by 10 percent in FY 2013 to $25.5 billion. During this same period, the prison population in the Federal Bureau of Prisons' (BOP) facilities grew from about 157,000 inmates in FY 2001 to about 219,000 inmates presently. As a result, the cost of the federal prison system has increased dramatically and represents an ever increasing portion of the Department's budget. For example, pre-trial detention costs, which are the responsibility of the U.S. Marshals Service (USMS), were $617 million in FY 2001, but by FY 2013 those costs had more than doubled to $1.5 billion. Similarly, the budget for the BOP, which is primarily responsible for housing sentenced defendants, was $4.3 billion in FY 2001, or about 20 percent of the Department's discretionary budget, but by the end of FY 2013 the BOP's budget had grown to $6.4 billion, or 25 percent of the Department's discretionary budget. Moreover, according to the President's most recent budget, the total cost of federal correctional activities will continue to rise through at least FY 2018. By that time, if the BOP's budget increases at the same rate projected for all federal correctional activities and the Department's budget remains flat, the BOP's budget will consume over 28 percent of the Department's discretionary budget.

The Department's leadership has noted that these rising prison costs threaten the Department's ability to fulfill its mission in other areas. For example, in a recent speech to the American Bar Association, the Deputy Attorney General remarked that the "unsustainable" cost of the prison system represents "a crisis that . . . has the potential to swallow up so many important efforts in the fight against crime," and that "[e]very dollar we spend at the Department of Justice on prisons and detention . . . is a dollar we are not spending on law enforcement efforts aimed at violent crime, drug cartels, public corruption cases, financial fraud cases, human trafficking cases, [and] child exploitation, just to name a few."

Yet each year the costs of the federal prison system continue to grow, with no evidence that the cost curve will be broken anytime soon. In August 2013, the Attorney General announced a program to limit the number of defendants that face lengthy prison sentences for drug offenses by instructing federal prosecutors not to charge defendants under statutes carrying mandatory minimum sentences if the defendants are nonviolent; do not have significant ties to large-scale drug trafficking organizations, gangs, or cartels; and do not have significant criminal histories. However, this policy change is unlikely to have a significant short-term impact on prison costs because defendants who qualify for this relief are still likely to face some period of incarceration for their crimes. Whether the policy change will have a material long-term impact on prison costs remains to be seen since many of these same defendants, if they had been subjected to a mandatory minimum charge, might have qualified for the mandatory minimum "safety valve" that Congress created in 1994. This "safety valve" is already incorporated into the federal sentencing guidelines and can result in a sentence of less time in prison than the mandatory minimum sentence specifies.

The Department also introduced in August 2013 the Smart on Crime initiative, which sets out five principles designed to identify reforms to enforce federal laws more fairly and efficiently. Some of these principles echo strategies Department officials have discussed previously, such as pursuing lower-cost alternatives to incarceration for those convicted of low-level, non-violent crimes, including drug courts and diversion programs. The initiative also directs prosecutors to pursue the most serious cases, based on the Department's priorities to protect Americans from national security threats, violent crime, and financial fraud, and to protect the most vulnerable members of society. It further encourages prosecutors to focus on significant cases rather than just the number of cases prosecuted. The Office of the Inspector General (OIG) is monitoring several issues related to the Department's implementation of the Smart on Crime initiative, including the use of pre-trial diversion and drug court programs.

The Smart on Crime initiative represents a strategy that could help contain federal prison costs depending upon the success of its implementation. The Department's policies governing prosecutorial and investigative decisions are a key driver of prison costs, and they need to reflect the real and growing impact that increasing prison costs are having on the Department's budget. Additionally, prosecutorial and investigative components should be aware that, in a flat or declining budget environment, increased spending on the prison system has the potential to impact spending on their own activities. The Smart on Crime initiative appears to be an attempt to better align the investigative and prosecutive policies that drive incarceration costs with the Department's current budget situation. However, with the President's most recent budget projecting continually increasing costs for federal correctional activities in the coming fiscal years, and with the Department's own projection that the BOP's prison facilities will suffer even greater capacity challenges in the years ahead as discussed below, it is likely additional steps still will be required in order to address this challenge.

Another growing challenge for the federal prison budget is the increasing number of elderly inmates. From FY 2010 to FY 2013, the population of inmates over the age of 65 in BOP-managed facilities increased by 31 percent, from 2,708 to 3,555, while the population of inmates 30 or younger decreased by 12 percent, from 40,570 to 35,783. This demographic trend has significant budgetary implications for the Department because older inmates have higher medical costs. The National Institute of Corrections has estimated that elderly inmates are roughly two to three times more expensive to incarcerate than their younger counterparts. For example, according to BOP data, in FY 2011, the average cost of incarcerating a prisoner in a BOP medical referral center was $57,962 compared with $28,893 for an inmate in the general population. Moreover, inmate health services costs are rising: BOP data shows that the cost for providing health services to inmates increased from $677 million in FY 2006 to $947 million in FY 2011, a 40 percent increase. The OIG is currently reviewing the trends in the BOP's aging inmate population, the impact of incarcerating a growing population of aging inmates, the effect of aging inmates on the BOP's incarceration costs, and the recidivism rate of inmates age 50 and older who were recently released.

In addressing these issues, the Department must better manage and leverage its existing programs. Recent OIG reviews have identified several such opportunities. For example, in 2011 the OIG reviewed the Department's International Prisoner Treaty Transfer Program, which permits certain foreign national inmates from treaty nations to serve the remainder of their sentences in their home countries. Foreign nationals made up as much as 26 percent of federal inmates as of August 2013, and 46 percent of federal defendants in FY 2012. However, the OIG found in our 2011 report that from FY 2005 through FY 2010, the Department rejected 97 percent of foreign national inmates' requests to transfer, and that in FY 2010, less than 1 percent of the 40,651 foreign national inmates in the BOP's custody were transferred to their home countries to complete their sentences. While some of the factors involved in this outcome were beyond the Department's control, such as the requirement that treaty nations must approve a transfer request before a transfer can be completed, the OIG found that if only 5 percent of eligible inmates who had never previously applied were transferred to their home countries, the BOP would remove 1,974 inmates from its prisons and save up to $50.6 million in annual incarceration costs. However, 2 years after the OIG's report was issued, the Department has not fully implemented the report's recommendations and, although the Department appears to have made improvements to its program, BOP data shows that the number of prisoners transferred from BOP's custody under the program has not significantly increased since our report. At a time when the Department's leadership is concerned about a prison cost crisis, the Department must continue its efforts to improve the implementation of this program that has been authorized by Congress and that could have a material impact on prison costs.

The BOP's compassionate release program, which allows the Department to release inmates under extraordinary and compelling conditions, also could provide some budgetary relief for the BOP. However, an OIG review earlier this year found that the program was badly mismanaged and that better administration of the program would inevitably result in cost savings to the BOP and help the BOP address its capacity problems. As part of the Department's Smart on Crime initiative, and in response to our review, the BOP has issued a new compassionate release policy that expands the program's medical criteria and also includes criteria for elderly inmates. Similarly, in February 2012, the Government Accountability Office (GAO) assessed the flexibility available to the BOP to reduce inmates' time in prison and found opportunities for improvement, including expanded use of the BOP's Residential Drug Abuse Treatment Program and community confinement at the end of sentences. To have a meaningful impact on its immediate budget situation, the Department needs to consider how it can move forward in all of these areas.

Finally, one of the factors contributing to the increasing number of prisoners in the federal prison system over the past 3 decades has been the trend to prosecute at the federal level many offenses that were previously handled largely or exclusively by state and local authorities. By one estimate, the number of federal criminal offenses grew by 30 percent between 1980 and 2004; indeed, there are now well over 4,000 offenses carrying criminal penalties in the United States Code. In addition, an estimated 10,000 to 100,000 federal regulations can be enforced criminally. In May 2013, the House Committee on the Judiciary passed a bipartisan resolution to create the Over-Criminalization Task Force to review federal laws and modernize the criminal code. The Department should simultaneously consider how the federalization of criminal law has affected its budget and operations, and whether rebalancing the mix of cases charged federally might help alleviate the budget crisis posed by the federal prison system without sacrificing public safety, particularly where state and local authorities have jurisdiction to prosecute the conduct.

Improving Prison Safety and Security

Ensuring the safety of staff and inmates in federal prison and detention facilities is among the Department's most important responsibilities, a fact tragically demonstrated when, in February 2013, an inmate using a homemade weapon murdered a correctional officer at a BOP high security facility. The BOP is responsible for the custody and care of approximately 219,000 federal inmates and detained persons awaiting trial or sentencing. Approximately 81 percent of these individuals are confined in BOP-operated facilities, while the rest are confined in privately managed or community-based facilities and local jails. Yet, as of November 2013, the BOP was operating with its facilities at approximately 36 percent over rated capacity, with medium security facilities operating at approximately 45 percent over rated capacity and high security facilities operating at approximately 51 percent over rated capacity. This overcrowding affects the safety and security of a large and growing number of staff and correctional officers, as well as the inmates themselves.

The Department first identified prison overcrowding as a programmatic material weakness in its FY 2006 Performance and Accountability Report and has done so again in every such report for the past 7 years. Each year, the Department has created a corrective action plan to address the issue, yet the outlook for the federal prison system has remained bleak: even under the scenario outlined in the Department's plan, which assumes it will be fully funded and implemented in each of the next 5 years, the BOP projects that its system-wide crowding will continue to rise to 44 percent over rated capacity by 2018. The costs of achieving even these results will be significant, as reflected in the Department's FY 2014 budget request, which includes $236.2 million in enhancements to maintain secure facilities, improve prisoner reentry, pay for increased detention-related costs, and fund the initial or continued activation of five facilities that will increase the BOP's rated prison capacity by about 4,600 beds. These enhancements would also cover the addition of 1,000 contracted beds at a cost of $26.2 million.

The growth of the inmate population, along with the Department's tightening budget situation, has prevented the BOP from reducing its inmate-to-correctional officer ratio, which has remained at approximately 10-to-1 for more than a decade. In comparison, the Congressional Research Service reported that among the five largest state correctional systems in 2005 – California, Texas, New York, Florida, and Georgia – the highest ratio of inmates to correctional officers was just over 6-to-1. The Department has indicated it is attempting to address this problem by, among other things, requesting funding for an additional 1,155 correctional officers in FY 2014 as compared to FY 2012 enacted staffing levels. However, in the current budget environment, more funding for the BOP to pay for additional correctional officers may simply result in less money being available for other Department priorities. As a result, the Department also needs to consider addressing the other part of the correctional officer-to-inmate equation, namely the number of federal inmates.

Overcrowding at BOP institutions has a significant financial impact on the USMS. The USMS is projected to detain an average of 62,131 individuals per day in FY 2014, a 15-percent increase since FY 2004. The USMS estimates that the BOP will only be able to house approximately 18 percent of USMS detainees. The USMS must pay to house the remainder – an average of about 50,000 detainees per day – in approximately 1,100 state, local, or private facilities.

There are several other important safety and security issues at federal prison and detention facilities that the OIG is monitoring carefully. The OIG has long been committed to addressing allegations of staff-on-inmate sexual abuse in federal prisons. The *Prison Rape Elimination Act of 2003* (PREA) expanded the Department's responsibility to prevent the sexual abuse of inmates in BOP facilities and detainees in the custody of the USMS. In response to PREA, the OIG has processed over 1,000 complaints related to allegations of sexual abuse and opened criminal cases on over 200 of those complaints. This work by the OIG, which is ongoing, has resulted in numerous criminal convictions and administrative actions by the BOP and the USMS. PREA also required the Department to issue national standards for preventing, detecting, reducing, and punishing sexual abuse in prison, which it did in May 2012. With national standards in place, the Department must ensure that those standards are being met, which will require careful oversight of BOP, USMS, and federal contract facilities, including residential reentry centers, and an extensive program for compliance auditing. The OIG intends to monitor the Department's efforts to ensure that the national standards are met.

The OIG is also conducting oversight to help ensure that the Department takes appropriate and cost-effective measures to keep contraband and weapons out of prisons. For example, as a standard part of our investigations involving the introduction of contraband to BOP facilities, the OIG has begun assessing the implementation and effectiveness of the BOP's employee search policies, which the BOP substantially revised in July 2013. In addition, the OIG is reviewing a $4 million contract the BOP awarded for X-ray scanners used to augment the BOP's efforts to inspect packages entering its facilities. This review will assess the use of the purchased equipment and its effectiveness in meeting the BOP's security needs.

Finally, the Department's efforts to ensure the safety and security of its prison and detention facilities must address the challenges relating to the mental health of its inmates and the impact of correctional approaches such as solitary confinement on inmates' mental health and recidivism rates. For example, a July 2013 GAO report recommended that the BOP improve the timeliness of its internal reviews relating to mental health services, develop a plan to evaluate treatment programs, and update its formal policies related to mental health services. In February 2013, the BOP also stated its intention to hire an independent auditor to assess its use of solitary confinement, and that review is now underway. The OIG intends to monitor the BOP's actions closely, including its responses to the GAO's recommendations and the results of the study of its use of solitary confinement, and will conduct additional work in this area as appropriate.

2. Safeguarding National Security Consistent with Civil Rights and Liberties

According to the Department's Strategic Plan for FYs 2012-2016, defending national security from both internal and external threats remains the Department's top priority, and April's bombings during the Boston Marathon tragically demonstrated the importance of this effort. However, the Department's challenge is not limited to ensuring that its efforts to safeguard American interests are effective: it must also protect civil rights and liberties. Recent disclosures concerning the government's data collection and surveillance processes have sparked public debate over mass surveillance and government secrecy, and in so doing have underscored the difficulty of operating national security programs while also respecting the public's expectations of privacy, a key civil rights and liberties concern.

The Department's national security efforts have long been a priority of the OIG's oversight work, which has consistently shown that the Department faces many persistent challenges in its efforts to protect the nation from attack. One such challenge is ensuring that national security information is appropriately shared among Department components and the intelligence community so that responsible officials have the information they need to act in a timely and effective manner. The Department has made important progress in this regard. For example, in response to OIG audits, the Federal Bureau of Investigation's (FBI) has implemented new policies and procedures to better ensure that the terrorist watchlist is complete, accurate, and current. We are conducting a follow-up audit to assess the effectiveness of the FBI's most recent efforts in this area.

Technological advances, particularly in the realm of communications technology, have vastly increased the amount of data potentially available to law enforcement agencies, thereby compounding the difficulty of ensuring that relevant information is identified and shared among law enforcement entities in a timely and actionable manner. For this reason and others, information sharing remains a persistent challenge to the Department's efforts to ensure national security. Our recent interim report on the federal Witness Security (WITSEC) Program demonstrated the continuing stakes of this challenge. That review found that the Department did not authorize the disclosure to the Terrorist Screening Center of new identities provided to known or suspected terrorists and their dependents who were admitted into the WITSEC Program. Consequently, it was possible for known or suspected terrorists to use their new government-issued identities to fly on commercial airplanes, thereby evading one of the government's primary means of identifying and tracking terrorists' movements and actions. Improved information sharing would also increase the efficacy of the FBI's Foreign Terrorist Tracking Task Force (FTTTF), which conducts in-depth analyses using government and public source datasets to identify and track terrorist and national security threats and provides intelligence on these threats to the intelligence community. An OIG review found that while the FTTTF provides significant value to the Department by proactively identifying national security threats, it would benefit from better coordination with and outreach to FBI field offices to ensure that relevant and actionable information is provided to the agents who need it in a timely manner.

The OIG will continue its efforts to conduct reviews that improve the effectiveness of the Department's national security efforts. Among other reviews, we are continuing our review of the WITSEC Program and will evaluate the Department's progress in implementing corrective measures in response to the recommendations contained in our interim report. We are also working with the Inspectors General of the Intelligence Community, the Central Intelligence Agency, and the Department of Homeland Security to conduct a coordinated and independent review into the U.S. government's handling of intelligence information leading up to the Boston Marathon bombings. The review is examining the information available to the U.S. government before the Boston Marathon bombings and the information sharing protocols and procedures followed between and among the intelligence and law enforcement agencies. In addition, a recent OIG review of the Department's compliance with certain classification requirements found that the Department had not effectively administered its classification policies and procedures to ensure that information is classified and disseminated in compliance with national security information guidelines. We intend to monitor closely the Department's efforts to implement the 14 recommendations we made in that report to help improve the Department's classification management program and its implementation of classification procedures.

While remaining effective in its national security efforts, the Department must simultaneously remain committed to the principles of compliance with law, transparency, and oversight in its management of classified surveillance and data-collection programs. The importance of these principles was demonstrated by prior OIG reviews assessing the FBI's use of national security letters (NSL), which allow the government to obtain information such as telephone and financial records from third parties without a court order. These reviews found that the FBI had misused this authority by failing to comply with important legal requirements designed to protect civil liberties and privacy interests, and we therefore made recommendations to help remedy these failures. We are now conducting a third review of NSL use to assess the FBI's and the Department's progress in responding to the recommendations made in our past NSL reports and evaluate the FBI's compliance with NSL requirements following its implementation of corrective measures. The OIG's ongoing reviews also include our third review of the Department's requests for business records under Section 215 of the *Foreign Intelligence Surveillance Act* (FISA), as well as our first review of the Department's use of pen register and trap-and-trace devices under FISA. Although the full versions of our prior reports on NSLs and Section 215 all remain classified, we have released unclassified versions of these reports, and we have requested that the Department and the Office of the Director of National Intelligence (ODNI) conduct declassification reviews of the full classified versions. The results of any declassification review may also affect how much information we will be able to publish regarding our pending reviews when they are complete.

The OIG has also conducted oversight of other programs designed to acquire national security and foreign intelligence information, including the FBI's use of Section 702 of the *FISA Amendments Act* (FAA), which authorizes the targeting of non-U.S. persons reasonably believed to be located outside the United States to acquire foreign intelligence information. The OIG's 2012 review culminated in a classified report released to the Department and to Congress that assessed, among other things, the number of disseminated FBI intelligence reports containing a reference to a U.S. person identity and the FBI's compliance with the targeting and minimization procedures required under the FAA. Especially in light of the fact that Congress reauthorized the FAA for another 5 years last session, we believe the findings and recommendations in our report will be of continuing benefit to the Department as it seeks to ensure the responsible use of this foreign intelligence tool. This report also was included in our request to the Department and ODNI for a declassification review, as was the full, classified version of our 2009 report on the President's Surveillance Program, which described certain intelligence-gathering activities that took place prior to the enactment of the FAA.

Additional concerns about civil rights and liberties are likely to arise in the future. For example, significant public attention has been paid to programs authorizing the acquisition of national security information, but relatively less has been paid to the storing, handling, and use of that information. Yet after information has been lawfully collected for one investigation, crucial questions arise about whether and how that information may be stored, shared, and used in support of subsequent investigations. Similar questions arise about the impact on civil rights and liberties of conducting electronic searches of national security information and about whether and how information obtained in a national security context can be used for criminal law enforcement. As the Department continues to acquire, store, and use national security information, these issues will arise more and more frequently, and the Department must ensure that civil rights and liberties are not transgressed.

3. Protecting Taxpayer Funds from Mismanagement and Misuse

Avoiding wasteful and ineffective spending is a fundamental responsibility of federal agencies in any budgetary environment, but in the current climate of budget constraints the Department needs to take particular care to ensure that it is operating as efficiently and effectively as possible. The OIG's recent oversight work has demonstrated the challenges facing the Department. In FY 2013 alone, the OIG's reports, including those related to audits performed by independent auditors pursuant to the *Single Audit Act*, identified more than $35 million in questioned costs and more than $4 million in taxpayer funds that could be put to better use. These figures are in addition to the numerous OIG recommendations for program improvements that have not been quantified in dollars, many of which remain open.

The OIG's reports have identified numerous opportunities for improved efficiency at the Department. For example, in a review of Department airfares and booking fees, the OIG found that the Department has not configured its travel booking system to ensure that employees on official travel select the most cost-effective airfare available, and that it can continue to reduce travel contractor fees by maximizing the use of its online booking system. Other recent OIG audits have identified problems with USMS procurement policies and practices. An OIG audit found significant deficiencies in how the USMS Office in the Superior Court of the District of Columbia (SCDC) accounts for overtime and supplemental pay for law enforcement officers; identified over $275,000 in total unsupported costs associated with district-level salaries, fleet cards, and purchase cards; and concluded that the USMS SCDC needs to take multiple actions to strengthen its internal controls to ensure that it is adequately preventing waste, fraud, and abuse. A separate OIG audit of USMS procurement actions found that a substantial portion of the actions we reviewed lacked appropriate and necessary documentation, such as evidence of advance approvals, required certifications of fund availability, receiving documents, or justifications for sole source awards or limited competition. Problems such as these have the potential to undermine the Department's reputation as a trusted custodian of public safety and taxpayer funds.

The Department must remain particularly vigilant when taxpayer funds are distributed to third parties, such as grantees and contractors. In part due to the sheer volume of money and the large number of recipients involved, grant funds present a particular risk for mismanagement and misuse: according to the Administration's USASpending.gov website, from FY 2009 through FY 2013 the Department awarded approximately $17 billion in grants to thousands of governmental and non-governmental recipients. These risks were evident in a recent OIG audit which questioned nearly all of the more than $23 million in grant funds awarded by the Department to Big Brothers Big Sisters of America (BBBSA), which resulted in the Department's Office of Justice Programs (OJP) deciding to freeze the disbursement of all grant funds to BBBSA.

The Department has reported taking important steps toward improving its management of this vast and diverse grantmaking effort. For example, the Associate Attorney General's Office established a Grants Management Challenges Workgroup that is responsible for developing consistent practices and procedures in a wide variety of grant administration and management areas. In January 2012, the Department issued policy and procedures developed by the workgroup to implement the Department-wide high risk grantee designation program, which allows the Department to place additional restrictions on the use of funds it provides to grantees who, for example, are deemed financially unstable or have failed to conform to the terms and conditions of previous awards.

The Department should continue to be aggressive in identifying high risk grantees and placing appropriate restrictions on their funds – or halting their funding altogether. But the Department also has other tools at its disposal to mitigate the risk of releasing funds to grantees, such as ensuring that pass-through agencies that receive block grants have robust subrecipient monitoring systems, ensuring that grantees have adequate accounting procedures in place to track their use of Department funds, attaching special conditions to grants where grantees may have difficulty complying with Department grant requirements, actively seeking suspension and debarment of grantees in appropriate cases, and making use of tools designed to deter smaller-dollar fraud, such the *Program Fraud Civil Remedies Act*, which can be used for false claims where the alleged liability is less than $150,000.

The Department's grantmaking components must also ensure that their own operations are streamlined to ensure maximum value for the taxpayer. Specifically, recent OIG and GAO reports have found that improvements could be realized by reducing duplication and improving coordination among the Department's three grantmaking components, the Office of Community Oriented Policing Services, the Office on Violence Against Women, and OJP. The Department reported in FY 2012 that it would conduct an assessment to better understand the extent to which the Department's grant programs overlap with one another and to determine if grant programs may be consolidated to mitigate the risk of unnecessary duplication. We have not yet been provided with the results of that planned assessment. The Department should take prompt action to address these concerns, and the OIG will continue to closely monitor the Department's actions in addressing duplicative functions in order to ensure that these grantmaking components are optimally coordinating with each other to ensure the maximum effectiveness of each grant dollar spent.

The Department also plays an important role in protecting taxpayer funds through its efforts to enforce laws against financial offenses and fraud. For example, in FY 2012, the Department reported recoveries of approximately $5 billion in false claims cases – the largest annual recovery in its history – with $3 billion attributable to health care fraud civil recoveries and $1.4 billion attributable to housing and mortgage fraud. The OIG is currently reviewing the Department's efforts to address mortgage fraud, including its policy guidance, coordination of component programs at the national level, and public reporting of mortgage fraud-related accomplishments.

But securing a financial judgment is not enough. The Department must also use all available tools to recover money owed to it, and it must ensure that the recovered money is wisely spent. In FY 2012, the U.S. Attorneys' Offices (USAO) collected $13.2 billion in criminal and civil actions, more than double the amount collected in FY 2011. However, at the end of FY 2012, an additional $23 billion was owed to the United States, including $18 billion in criminal fines and $5 billion in civil debts. The USAOs' efforts to collect criminal and civil debts are the subject of an ongoing OIG review. Of similar significance to the taxpayer, the balance of the Department's Assets Forfeiture Fund, which is funded by law enforcement asset forfeitures, rose from $2.9 billion in FY 2011 to $4.4 billion as of FY 2012. A portion of these funds is available to be shared with state and local law enforcement agencies for permissible law enforcement uses, and from FY 2011 to FY 2012, these "equitable sharing" payments increased from $440 million to $681 million. While this program represents an important opportunity for the Department to collaborate with state and local partners, it also creates an opportunity for abuse, as demonstrated by a recent OIG investigation of a local law enforcement entity that resulted in the recovery of $1.8 million in misused equitable sharing revenues. As a result of this investigation, the Department is revising its policies to prevent similar abuses in the future.

Finally, whistleblowers play a critical role in preventing and rooting out mismanagement, waste, and other abuses in the Department, yet retaliation against whistleblowers by Department employees remains a serious subject of concern. For example, in a report released in May 2013, the OIG found that a then-U.S. Attorney, who had resigned prior to the issuance of our report, violated Department policies by disclosing an internal memorandum to a journalist. We concluded that there was substantial evidence that the U.S. Attorney's motive for disclosing the memorandum was to retaliate against a Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) special agent who had previously testified before a congressional committee regarding his concerns about Operation Fast and Furious. The Department must redouble its efforts to aggressively respond to any attempt to retaliate against whistleblowers.

In light of the importance of whistleblowers to the effective management of the Department, in 2012 the OIG created a Whistleblower Ombudsperson position, one of the first within the federal government, to enable the OIG to continue its leadership as a strong and independent voice within the Department on whistleblower issues, and the OIG was recently certified by the U.S. Office of Special Counsel (OSC) as compliant with training and other whistleblower provisions pursuant to 5 U.S.C. § 2302(c). We believe the Department should consider having its components obtain similar certification from the OSC. The OIG also has been, and will continue to be, actively involved in developing whistleblower-related policies, procedures, and training within the Department; in ensuring that whistleblower complaints are reviewed quickly and thoroughly; and in working with other agencies and OSC to help deter retaliation against whistleblowers. The OIG has provided its staff with training on whistleblower rights and protections using a video developed in conjunction with the Department's Office of Legal Education and Justice Television Network, and we are now working with the Department to ensure that training on this important topic is expanded to other components.

4. Enhancing Cybersecurity

The United States continues to face serious, rapidly evolving national security threat posed by cyber attacks and cyber espionage against its computer systems and infrastructure. The Director of National Intelligence's March 2013 *Worldwide Threat Assessment of the U.S. Intelligence Community* emphasized this threat and noted that digital technologies evolve faster than our ability to understand the security implications and mitigate potential risks. Moreover, the increased pace of attacks is staggering: a recent report by the GAO found that the number of cybersecurity incidents federal agencies reported as having placed sensitive information at risk increased 782 percent from 2006 to 2012, averaging more than 130 incidents per day during FY 2012. These cyber attacks are in addition to the threat posed by more traditional unauthorized disclosures by government employees and contractors, disclosures that are significantly aided by the electronic storage and transmission of increasing amounts of information.

The Department's FY 2014 budget request reflects its continued recognition of cybersecurity as a top priority. The request includes $668 million specifically related to cybersecurity, an increase of $92.6 million, or 16 percent, from FY 2013. The majority of the increase, $86.6 million, is to support the FBI's Next Generation Cyber Initiative, which was launched in 2012 to enhance the FBI's ability to help address cybersecurity threats to the nation and which is the subject of a recently initiated OIG audit. The increased funding would be used in part to add 50 special agents and 50 computer scientists to increase cyber investigation capabilities and victim identification. As criminals increasingly exploit cyber vulnerabilities and use sophisticated digital technologies and computer networks in the commission of crimes, it is important for the Department and the FBI to ensure that all of its agents – not just those designated as cyber specialists – are properly trained in basic cyber investigatory techniques and provided with adequate cyber tools to conduct their investigations.

As the Department increases its cyber capabilities, coordinating its cyber efforts will become even more important. Within the Department, numerous entities and offices focus on cybersecurity and cybercrime.

Among those entities is the FBI's Cyber Division, which leads the Department's cyber investigative efforts as the component responsible for protecting against cyber-based terrorism, espionage, and computer intrusions. But there are many others, including the National Security Division's cyber unit, the Criminal Division's Computer Crime and Intellectual Property Section, and the many USAOs responsible for prosecuting cyber cases. The FBI is also responsible for leading the National Cyber Investigative Joint Task Force, which involves senior personnel from approximately six key federal agencies and which the President has directed to be the central point for all government agencies to coordinate and share information related to domestic cyber threats. This proliferation of cybersecurity efforts creates the pressing challenge of proper coordination to ensure that the Department's cyber efforts work in concert with each other and toward the same goal, and that information related to cyber threats is being properly shared and disseminated.

Importantly, a successful cybersecurity strategy will require cooperation from the private sector, and that cooperation must be reciprocal: not only must the Department conduct sufficient outreach to the private sector and offer sufficient safeguards of private sector proprietary information, it must also be willing to share information about cyber threats so that the private sector can prepare for and defend itself against cyber attacks. To this end, the President issued an Executive Order in February 2013 on Improving Critical Infrastructure Security that required the Department to implement procedures to rapidly share quality cyber threat information with private sector entities. The order stressed increased information sharing from the government to the private sector and the need to ensure that privacy, data confidentiality, and civil liberties protections are in place. The Department should move aggressively to implement the President's order and, in doing so, should ensure that it solicits the input of all key private sector constituents about what information, in what form, would be most useful to receive.

A successful cybersecurity strategy will also need to incorporate measures to combat the use of digital technologies to accomplish intellectual property theft, which the FBI and the Department have identified as a growing threat. The Department's Task Force on Intellectual Property coordinates with federal, state, and local law enforcement partners, and international counterparts, to combat intellectual property crimes, and the Department's 2013 Joint Strategic Plan on Intellectual Property Enforcement identified 26 specific online and off-line actions to protect intellectual property, increase enforcement against counterfeiting networks, and encourage multi-national cooperation to protect rights holders. The Department must take all appropriate actions to combat this threat, including those measures identified in the Administration's Strategy on Mitigating the Theft of U.S. Trade Secrets, issued in February 2013, which include providing warnings and threat assessments to the private sector on information and technology that are being targeted for theft by foreign competitors and governments.

In addition to preventing, deterring, and responding to cybersecurity incidents, the Department must establish effective internal network defenses to protect its own computer systems and data. Of particular concern are insider threats, and in March 2012 the Department established a working group to create an insider threat prevention and detection program to deter, detect, and mitigate actions by employees and contractors who may represent a threat to national security. The OIG is participating in this working group to ensure, among other things, that suspected incidents of insider threats are appropriately reported to the OIG for possible investigation.

The Department has taken other recent steps to protect its computer systems and data. For example, in August 2013, the Department's Chief Information Officer approved new incident response procedures that include a requirement for the Justice Security Operations Center to notify a subset of Department offices, including the OIG, within 72 hours of significant cybersecurity incidents. These notifications are intended to ensure that determinations regarding breach notifications are made properly and in a timely manner, and to ensure that effective oversight of the Department's response to these breaches is possible. The OIG will actively monitor these notifications to determine whether they require further inquiry or investigation. However, in other areas the Department must do more to help ensure the security of its computer systems and data. For example, the *Federal Information Security Management Act* (FISMA) requires the OIG to perform an annual independent evaluation of the Department's information security programs and practices, which includes testing the effectiveness of information security policies, procedures, and practices of a representative subset of agency systems. The OIG's FY 2012 FISMA audits provided 90 recommendations for improving implementation of the Department's information security program and practices for its computer systems. The Department must address these recommendations promptly, as well as the 42 open recommendations from previous FISMA audits.

5. <u>Ensuring Effective and Efficient Law Enforcement</u>

The Department's traditional law enforcement missions – preventing crime; protecting the American people; and administering justice at the federal, state, local, tribal, and international levels – remain of vital importance and occupy a central place in the Department's current Strategic Plan. The OIG's recent work, however, has identified numerous challenges facing the Department's law enforcement efforts.

A fundamental but persistent challenge in this area is ensuring that each Department law enforcement component has a clear mission and policies that incorporate best practices from across the law enforcement community. The OIG's reviews continue to identify instances in which this does not occur. For example, the OIG's 2012 report on Operations Fast and Furious and Wide Receiver identified significant weaknesses in ATF's ability to conduct adequate oversight of its field offices' firearms trafficking investigations, coordinate with U.S. and Mexican law enforcement entities, and implement public safety controls like those used in other Department law enforcement components. That investigation also determined that ATF and the Department had not devoted sufficient attention to ensuring that ATF's policies adhered to requirements found in the Attorney General's Guidelines and other Department policies. For example, the Department never amended the Attorney General's Guidelines Regarding the Use of Confidential Informants (the AG Guidelines) to cover ATF after ATF joined the Department in 2003, and ATF did not revise its confidential informant policies to conform to the AG Guidelines until 8 years after ATF joined the Department. In response to these findings, we made a number of recommendations to the Department and ATF, including that the Department maintain a regular working group involving leadership from its law enforcement components to ensure appropriate coordination among them on significant law enforcement policies and procedures, case deconfliction mechanisms, and law enforcement initiatives. The Office of the Deputy Attorney General and ATF have reported to the OIG that they have taken significant actions to address the concerns expressed in our report. The OIG has initiated a follow-up review to evaluate the progress and effectiveness of the measures the Department and ATF have taken to implement the recommendations in our Fast and Furious report, and will consider activities and operations ATF initiated subsequent to the new measures' implementation, including Operation Fearless in Milwaukee. The OIG is also completing two reviews of additional ATF operations along the Southwest Border, one relating to the illegal trafficking of grenade components into Mexico, and the other relating to illegally purchased weapons used at the scene where members of the Los Zetas cartel shot two Immigration and Customs Enforcement agents, one of whom subsequently died.[1]

Additionally, our September 2013 report on ATF's income-generating undercover operations found that ATF did not properly authorize, manage, or monitor these investigations. The OIG found that none of the 35 investigations that had been approved by ATF and the Department fully met ATF's policy requirements for approval. For example, none of the 35 investigations had been reviewed by ATF's Undercover Review Committee as required by ATF policy. We also identified one income-generating

[1] The original version of this report, which was released publicly on December 13, 2013, incorrectly stated that the illegally purchased weapons "were recovered at the scene of the murder of two Immigration and Customs Enforcement agents." In fact, two agents were shot, one subsequently died, and the weapons were recovered several days later and tied to the shootings using forensic and testimonial evidence.

undercover operation that did not receive the required prior approvals. Further, ATF misused the proceeds from these investigations and failed to properly account for cigarettes purchased as part of them. Among the problems we found was ATF's inability to reconcile the disposition of 2.1 million cartons of cigarettes with a retail value of more than $127 million. In our recommendations, we again advised the Department that it needed to consider implementing best practices across its law enforcement components for these undercover operations.

The Department also must address issues that affect its investigative and prosecutorial efforts in fundamental ways. One of those challenges is the need to integrate emerging and rapidly evolving technologies into law enforcement efforts even as the legal rules governing those technologies remain in flux. For example, unmanned aerial systems (UAS, or drones), global positioning system (GPS) devices, and mobile phone technologies all promise to improve the efficacy of law enforcement efforts by making locational data more available. But these technologies also raise important civil liberties considerations and as-yet unsettled legal questions about what policies are appropriate for governing their approval and use in law enforcement. A recent OIG review of the Department's domestic use of UAS illustrates the point. During our review, FBI and ATF officials stated that they did not believe there was any practical difference between how UAS and manned aircraft collect evidence through aerial surveillance. However, we found that the technological capabilities of drones – such as their ability to fly for extended periods of time and maneuver effectively yet covertly around residences – and the current, uncoordinated approach of Department components to using UAS may merit the Department developing consistent UAS policies to guide the proper use of UAS. Similarly, issuing and maintaining appropriate guidance on permissible and recommended law enforcement uses of other emerging technologies, and carefully tracking their use, will help ensure that the Department continues to respect individuals' privacy and ensure the admissibility of evidence in future court proceedings.

A staple of the Department's law enforcement approach has been to provide strong support to state, local, tribal, and international law enforcement efforts, a strategy that aims to capitalize on resources outside the Department. However, creating, coordinating, and supporting partnerships can present unique challenges in Indian Country and the U.S. territories. In Indian Country, where there are disproportionately high violent crime rates, widespread substance abuse, and high rates of domestic violence and sexual assault, and where recent FBI data show that violent crime has increased to more than 20 times the national average on some reservations, the responsibility to patrol more than 55 million acres of land must be shared and coordinated among more than 500 federally recognized tribes. The Department's August 2013 Policy Statement on Tribal Consultation established a formal process for Department components to seek tribal input on Department-initiated policies, regulations, and legislative actions that may affect Indian tribes, and in September 2013, the Department announced almost 200 new awards totaling over $40 million in grants under the Coordinated Tribal Assistance Solicitation. The crime data, however, suggest that the Department must redouble its efforts to assist Native American Tribes in reducing violent crime on reservations.

Similarly, crime rates in the U.S. territories have risen drastically in recent years. In Puerto Rico, for example, a 2011 crime report showed that the homicide rate had reached five times that of the U.S. mainland. Criminal Division data also shows that the U.S. Attorney for the District of Puerto Rico secured more federal public corruption convictions between 2002 and 2011 than any other district in the United States and its territories except for the District of New Jersey. Puerto Rico's 130 federal public corruption convictions in 2011 were more than twice the next highest number of such convictions in any other district that year. Previous OIG audits in Puerto Rico and other Territories also have identified problems with grant management and oversight of sub-recipients. The OIG is currently auditing the Puerto Rico Department of Justice's administration of grant funds, including the adequacy of its processes for meeting grant goals and objectives.

As part of its law enforcement mission, the Department must also ensure the efficacy and integrity of its regulatory compliance programs, which are crucially important to preventing crime and ensuring that weapons and hazardous materials are handled, transferred, and stored safely and securely. Recent OIG reviews of ATF's federal firearms licensee and federal explosives licensee inspection programs, however, documented needed improvements to these important efforts. Further, the OIG's recent review of ATF's actions in revoking a firearms license concluded that an ATF field division did not comply with ATF's administrative action policy or instructions it received from headquarters. The OIG will continue its close oversight of law enforcement programs, including through an ongoing review of the Drug Enforcement Administration's adjudication of registrant actions it has taken against businesses or health care practitioners found to have violated the *Controlled Substances Act of 1970*, and through a separate ongoing review of the Department's process for referring individuals denied the purchase of a firearm by the National Instant Criminal Background Check System to ATF for investigation and possible prosecution.

Finally, the Department's law enforcement components and criminal prosecutors must strive to coordinate and share information and resources as effectively as possible. Information sharing in the criminal context can raise important questions about due process and civil rights, such as when it is appropriate in a criminal investigation to use foreign intelligence information that reveals potential criminal activity of American citizens, and how the use of such information will affect a subsequent prosecution. The OIG is conducting multiple reviews relating to information sharing among law enforcement agencies, including the previously mentioned multiagency review of the U.S. government's handling of intelligence leading up to the Boston Marathon bombings and a review of the Organized Crime Drug Enforcement Task Forces Fusion Center.

6. Restoring Confidence in the Integrity, Fairness, and Accountability of the Department

Public trust in the Department, its senior officials, and its employees is essential to every aspect of the Department's operations. The Department must ensure that it strengthens and maintains its reputation for integrity, fairness, and accountability of its personnel and its operations.

The non-ideological, non-partisan enforcement of law is fundamental to the public's trust in the Department. Yet in a recent report assessing how the enforcement priorities of the Voting Section of the Civil Rights Division have changed over time and whether the voting rights laws have been enforced in a non-discriminatory fashion, the OIG identified issues in the handling of a small number of cases that the OIG believed risked undermining public confidence in the non-ideological enforcement of the voting rights laws. The investigation also revealed several incidents in which deep ideological polarization fueled disputes and mistrust that harmed the functioning of the Voting Section, including numerous examples of harassment and marginalization of employees and managers due, at least in part, to their perceived ideological or political beliefs. These incidents received substantial public attention through congressional hearings and media reporting, thereby feeding the concern that the administration of justice had become politicized. The OIG will monitor the Department's corrective actions taken in response to our report.

The OIG has identified recent instances in which Department employees made inaccurate or incomplete statements to Congress or other government entities. These inaccurate and incomplete statements generated significant attention in both Congress and the national media and resulted in an erosion of trust in the Department. For instance, in the Fast and Furious report referenced above, the OIG found that senior Department and ATF officials shared responsibility for providing inaccurate information in two letters to Congress. The OIG also raised concerns about subsequent representations to Congress by Department officials about Operation Fast and Furious.

Additionally, in September 2013, the OIG released a report finding inaccuracies among terrorism-related statistics that the Executive Office for United States Attorneys (EOUSA) reported to Congress and the public. These statistics had been used to make operational and budgetary decisions. The report further found that EOUSA had not significantly improved its reporting of terrorism-related statistics since a 2007 audit report that made similar findings. By contrast, the OIG's September 2012 report examining the reporting of terrorism-related statistics by the Department's National Security Division (NSD) found that NSD had improved on the weaknesses identified in our 2007 report but still required additional improvements to ensure the accuracy of reported statistics.

The OIG's investigations of Department employees and contractors during FY 2013 led to 77 criminal indictments or informations resulting in 63 convictions, pleas, or pre-trial diversions. These investigations also prompted 266 administrative disciplinary actions by Department components and resulted in monetary recoveries totaling more than $14.1 million, which includes civil and criminal penalties, judicial and non-judicial fines, forfeitures, and restitution. Investigations by Department components led to additional criminal charges and administrative disciplinary actions. Given that the Department has approximately 115,000 employees, these figures do not indicate widespread abuse and corruption in Department operations, but they do demonstrate the need for continued vigilance and for a robust, fair, and transparent disciplinary process.

For that reason, the OIG has conducted several reviews in recent years that assess the disciplinary systems of the Department's law enforcement components and made recommendations for improvement. Many of these recommendations were designed to ensure that discipline is imposed consistently throughout the agency. But the Department faces a broader challenge than simply ensuring that individual components maintain internally consistent and effective disciplinary systems: it must also ensure that disciplinary procedures remain consistent across components so that all of the Department's employees – attorneys and non-attorneys alike – are held to the same tough but fair standards. Accordingly, the OIG is continuing its work with a review of the disciplinary system used by the USAOs and EOUSA, and we have initiated two multi-component reviews, one of how law enforcement components handle sexual misconduct, and another of the Department's efforts to prevent misconduct by employees on official travel or assignment in foreign countries.

Finally, an issue that the OIG has consistently identified as affecting the public's confidence in the Department's efforts to address employee misconduct is the statutory limitation on the OIG's jurisdiction to handle allegations of misconduct by attorneys. Whereas the OIG is the primary oversight entity with respect to most Department employees, including all of its law enforcement agents, the Office of Professional Responsibility (OPR) is authorized by statute to investigate allegations of misconduct against Department attorneys where the allegations relate to the exercise of the attorney's authority to investigate, litigate, or provide legal advice. The OIG has long questioned this distinction between the treatment of misconduct by attorneys acting in their legal capacity and misconduct by other Department employees, including agents. We believe the institutional independence of the OIG, which is codified in the *Inspector General Act*, is critical to the effectiveness of our misconduct investigations. Unlike the OIG, OPR does not have that statutory independence, and the Attorney General appoints and can remove OPR's leader. Additionally, the OIG's strong record of transparency is vital to ensuring the Department's accountability and enhancing the public's confidence in the Department's operations. For these reasons, we continue to believe that Congress should eliminate this carve-out from the OIG's jurisdiction.

MANAGEMENT'S RESPONSE
TO THE OFFICE OF THE INSPECTOR GENERAL'S REPORT ON THE
TOP MANAGEMENT AND PERFORMANCE CHALLENGES
FACING THE DEPARTMENT OF JUSTICE

FY 2013

The Department of Justice (the Department or DOJ) is the world's largest law office and the central agency for enforcement of federal laws. The Department's mission and responsibilities extend over the broad spectrum of American life, and this obligation includes many challenges. This year's Office of the Inspector General's (OIG) report recognizes the progress the Department has made in addressing many of its challenges, and the Department appreciates this recognition.

1 Addressing the Growing Crisis in the Federal Prison System

The Department agrees that federal detention and prison spending is on an unsustainable track and has increasingly displaced other important public safety investments – including resources for investigation, prosecution, prevention, intervention, prisoner reentry, and assistance to state and local law enforcement. Additionally, to address the inmate-to-correctional officer ratio, the Department recognizes that the addition of more correctional officers, alone, is not a solution. The Department's plan to address these problems includes working with Congress to pass legislation addressing sentencing and reentry issues; reviewing and changing Department policy and practice to help reduce prison spending and improve reentry outcomes for formerly incarcerated individuals; and improving the efficiency and effectiveness of existing Department programs that have an impact on prison costs. The Department, as a whole, has taken concrete steps to implement this plan.

The Department continues to work with Congress to pass legislation that would have a direct impact on the federal prison population and the Bureau of Prisons' (BOP or Bureau) crowding levels by, for example, reforming mandatory minimum laws and incentivizing positive institutional behavior and effective reentry programming. Two Administration legislative proposals to address the latter issues were included in the 112th Congress' bipartisan Second Chance Reauthorization Act, which the Department has endorsed and which was reintroduced this Congress. That legislation provides resources and support to people reintegrating into their communities after being incarcerated. Administration proposals were also included in the recently introduced bipartisan Recidivism Reduction and Public Safety Act of 2013. We will continue to work with Congress on additional measures.

As part of the Smart on Crime initiative, components across the Department participated in working groups to review DOJ's law enforcement policies and practices and to develop proposals to improve the criminal justice system, promote reentry programs, and pursue alternatives to incarceration for low-level, non-violent offenders. Drawing on those proposals, the Attorney General announced several new policies to enhance the strategic use of resources for enforcement, prevention, and reentry programs to help reduce prison spending. The Department issued guidance directed at prioritizing prosecutions and focusing limited resources on the most critical cases. The Department encouraged the use of alternatives to incarceration for low-level, non-violent offenses and other appropriate cases. And the Department issued guidance to address charging and sentencing practices in certain drug cases in order to reserve longer sentences for the most serious defendants. Finally, to streamline, enhance, and build upon successes in prevention and reentry efforts, the Department required each U.S. Attorney's Office to designate a prevention and reentry coordinator. The Department is monitoring implementation of these and other policy changes announced through the Smart on Crime initiative and continues to evaluate existing policies and practices to see what other changes may be appropriate.

The Department believes that neither the growth in the number of federal criminal offenses, nor the fact that federal law encompasses regulatory offenses, has contributed to the increasing number of federal prisoners.

As Professors Susan Klein and Ingrid Grobey of the University of Texas School of Law recently spelled out in great detail, “the number of federal proscriptions has little effect, negative or positive, in the real world of criminal justice enforcement.” Overfederalization of Criminal Law? It’s a Myth, 28 Criminal Justice, Number 1 (Spring 2013). “Empirical data (including sentencing data, prison population data, and analysis of frequently used statutes) demonstrates that in spite of the large increase in the number of federal criminal statutes during the past several decades, this growth in the federal code has generated little impact on federal resources or on the balance of power between state and federal courts.” *Id*. The vast majority of federal criminal cases actually prosecuted fall into just a few offense categories: immigration crime, violations of the Controlled Substances Act, economic crime, and firearms offenses. This reality has been true for decades. The Attorney General has reiterated to the U.S Attorney community this year, as part of his Smart on Crime initiative, that they must prioritize prosecutions to focus on critical public safety needs.

The Department continues to take concrete steps to improve the efficiency and effectiveness of existing Department programs that have an impact on prison costs. Of particular note, the Department has taken a number of steps to improve the International Prisoner Transfer Program. However, there are a number of factors that impact whether a foreign national inmate is ultimately transferred. The transfer program is a voluntary program. The United States does not have treaty exchange agreements with every country. Not all foreign national inmates are from treaty nations and, to be eligible for transfer, foreign national inmates must satisfy a number of treaty requirements. Additionally, of utmost importance is whether the prisoner is a suitable candidate whose transfer will achieve the rehabilitative goals of the program while being consistent with law enforcement interests and any other concerns present in the individual case. Also critical is whether the foreign government approves the transfer, and many foreign governments are quite slow in reaching a transfer decision. In some cases, a decision is never made, while in other cases, the foreign government denies the transfer. For example, the United States had approved more than 550 foreign national inmates for transfer, the majority being approved from FY 2010 through November 21, 2013. Their countries have not yet made a decision on their applications. Because both the transferring and receiving country must agree to the transfer, the United States is powerless to transfer these inmates until their countries make transfer decisions and arrangements to retrieve their citizens.

Notably, the Department is pleased to report that of the 14 recommendations to improve the Program identified by the OIG in 2011, 10 recommendations have been closed and the 4 remaining recommendations are resolved.

Regarding compassionate release, BOP has taken steps to streamline the process of the Bureau’s review of compassionate release requests, by removing the Regional Director level of review. Also, in April, BOP expanded the criteria to use in considering inmates who are seeking compassionate release for medical reasons. In August, as a part of the Attorney General’s Smart on Crime initiative, BOP issued expanded criteria for elderly inmates and certain inmates who are the only possible caregiver for their dependents. Ultimately, a sentencing judge, after motion by the BOP, decides whether an inmate is released on compassionate release grounds. We believe these changes will further help enable us to use our limited resources to incarcerate those who pose the greatest threat.

The Department has also taken steps to enhance its community confinement policies and the Bureau’s Residential Drug Abuse Program (RDAP). The GAO audit mentioned by the OIG indicated potential cost savings could be achieved if BOP were to separate line items for Residential Reentry Center (RRC) contract services for in-house beds versus home confinement. BOP agreed with and implemented the recommendation, and the audit was subsequently closed. Earlier this year, the Bureau sent revised guidance to staff involved in RRC and home confinement placements to emphasize the need to use home confinement for appropriate inmates to help facilitate their reintegration into the community and maximize the use of RRC beds for inmates who have the highest need for transitional services. Additionally, the Bureau’s consolidation of reentry functions into a newly created organizational unit, the Reentry Services Division, will result in more unified oversight to ensure consistency in our strategies for RRC and home confinement placement and reentry programming offerings. Lastly, the Bureau significantly expanded RDAP in fiscal years 2013 and 2014, with the addition of 18 new programs. Through this expansion, the Bureau will increase the amount of early release credit available to eligible inmates, thereby helping to curb prison costs.

To ensure compliance with the Department's national standards for the Prison Rape Elimination Act of 2003, the U.S. Marshals Service (USMS) and BOP have instituted policies and procedures. The Department remains actively engaged on this issue.

2 Safeguarding National Security Consistent with Civil Rights and Liberties

The Department agrees that, as it discharges its top priority of protecting national security from both internal and external threats, it is critical that the Department has in place policies and procedures that safeguard individuals' civil rights and liberties.

One important component of our national security efforts involves the identification and sharing of relevant information with the Department's law enforcement and Intelligence Community partners in conformity with all information sharing protocols and procedures. Our efforts are well-illustrated with respect to information sharing between the Federal Witness Security Program (WitSec or Program) and the Terrorist Screening Center (TSC). In May 2012, the Criminal Division's Office of Enforcement Operations (OEO), the USMS, the Federal Bureau of Investigation (FBI), and the TSC, in conjunction with the Department's National Security Division and the National Joint Terrorism Task Force (NJTTF), implemented formal protocols to provide for specialized handling for known or suspected terrorists (KSTs) in the WitSec program. Recognized in the OIG Audit Report as a "significant milestone," these protocols require the robust and real-time sharing of information between all national security stakeholders. Since 2012, the FBI, TSC, and the NJTTF have had complete access to the OEO and USMS files of each Program participant who is linked to a terrorism crime. Additionally, OEO and the USMS have disclosed to the FBI, the TSC, and the NJTTF the true and new identities, known aliases, and other relevant information of all identified KSTs admitted into the WitSec Program. The TSC, in turn, has been watchlisting the identities of current or previous WitSec participants who meet the relevant criteria for watchlisting. This activity ensures that the TSC is able to continue to share complete, accurate, and current KST identity information with the appropriate entities within the U.S. Intelligence Community, the law enforcement community, and select international partners for the protection of national security. The Terrorism-Related Protocols provide the required assurances that relevant identification and other critical information pertaining to former KSTs admitted into the WitSec Program have been, and will continue to be, shared between and among critical stakeholders.

Another example of enhanced information sharing is the Department's response to an OIG review of the Foreign Terrorist Tracking Task Force (FTTTF) operations. Following OIG's review, FTTTF developed a comprehensive strategy to improve its coordination with, and outreach to, FBI field offices. FBI headquarters' operational sections are responsible for programmatic management of counterterrorism cases opened by field offices. FTTTF embedded a team of analysts in these operational sections to serve as full-time liaisons among FTTTF, field offices, and headquarters. The embedded analysts have facilitated an increase in the frequency of capability briefings to keep peers and management aware of current and emerging projects. As a result, FTTTF has improved its coordination with, and support to, its internal and external customers. FTTTF operational units attached a survey to the intelligence products it disseminated to field offices to solicit feedback to better assess the utility of the information it disseminates. Survey results will be used to improve the quality of intelligence products, as well as to improve coordination with field office personnel. Additionally, FTTTF has several projects underway to increase awareness of its capabilities and to promote use of its intelligence products, including a promotional video specifically marketed to field offices.

3 Protecting Taxpayer Funds from Mismanagement and Misuse

The Department agrees that there are numerous opportunities for improved efficiency and has followed up on the OIG's recommendations, where practicable, to save taxpayer dollars. To that end, the Department takes proactive measures to continually assess areas in which it might create efficiencies and savings. In 2010, the Attorney General established the Council for Savings and Efficiencies (the SAVE Council) to create an official body whose purpose was to find areas of savings. The on-line booking and lowest-cost airfare initiatives, discussed below, are just two of the initiatives that the SAVE Council has implemented. Also, the Council works closely with other savings-focused groups within the Department. Since its inception in 2010, the SAVE Council has realized more than $139.8 million in savings, and has exceeded its estimated savings for FY 2013 by $9.1 million. Within the Department's components are thousands of programs and hundreds of thousands of financial transactions, and the SAVE Council regularly urges the components to reevaluate their internal processes and programs to identify additional areas for savings.

In response to the OIG's feedback on the Department's travel booking system, the Department currently is working with its components to implement a default configuration to show all available airfares in the online booking engine. In addition, the Justice Management Division (JMD) issued *DOJ Financial Management Policy Memorandum 13-08*, "Air Fares," which requires travelers to choose the least costly fare that meets the requirements to accomplish their mission.

With respect to procurement policies and practices, the USMS Superior Court of the District of Columbia (SCDC) is examining questioned costs identified by the OIG and will recover them as appropriate. To track unscheduled duty hours worked by Criminal Investigators, SCDC uses a report designed by the USMS' Financial Services Division (FSD) and monitors Law Enforcement Availability Pay (LEAP) hours worked. Other changes in progress include updated time and attendance policies and procedures and enhanced recordkeeping for fleet vehicles. Since FY 2013, all purchase card holders and approving officials have been required to complete annual refresher training. Lastly, the USMS new financial system includes strict systemic segregation of duties.

The USMS Office of Procurement (OOP) is continuing its work to revise and finalize Policy Directives updates during early FY 2014. Three training modules are in development which focus on Small Business, Ratifications, and Government/Contractor Relationships. OOP has had training sessions and worked with the Management Support Division to train individuals specifically at SCDC on purchase cards, unauthorized commitments, and other related procurement topics.

The Department, like the OIG and the Government Accountability Office (GAO), has focused on the need to avoid duplication and to increase coordination among the Department's three grant-making components. To that end, the Office of Justice Programs (OJP), the Office of Community Oriented Policing Service, and the Office of Violence Against Women have taken steps to avoid the types of potential problems cited by GAO. Managers and staff from these three components regularly meet to coordinate their activities, and they pay particular attention to those areas where their (statutorily-created) programs are complementary.

Public-safety grant programs are naturally linked by the nature of the justice system; this does not mean, however, that they are inappropriately duplicative. For example, programs related to crime victims target different – but linked – purposes, such as providing direct assistance and counseling to victims and their families; providing law-enforcement training to address the needs of victims more effectively; and funding research on victim issues at academic institutions.

That said, the Department has undertaken a DOJ-wide review to gain a better understanding of the extent to which DOJ grant programs overlap and have the potential for duplication. The grant-making components will work together to develop policies and procedures, coordinate award and application processing, and identify potential duplication. In addition to these ongoing efforts, since FY 2012, all OJP grant and cooperative agreement awards have included a mandatory special condition that requires the funding recipient to report if it receives an award of federal funds that have been, are being, or will be used for identical cost items that are being provided under its current OJP award. Similarly, beginning in FY 2013, all OJP funding announcements have required the applicant to disclose whether it has pending applications for federally-funded assistance that include requests to support the same project and would cover the identical cost items.

The Department concurs with the OIG's assessment of the critical role of whistleblowers. The Department continues to train and encourage employees to pursue the appropriate avenues for reporting concerns about mismanagement, waste, and abuse. In addition, the Department's supervisors receive training regarding the rights of whistleblowers to be free from retaliation for qualified disclosures.

4 Enhancing Cybersecurity

Similar to the OIG, the Department recognizes that the United States faces serious, rapidly evolving national security threats posed by cyber attacks and cyber espionage. The Department has considered cybersecurity one of its highest priorities and has taken proactive steps to respond to these threats through numerous means, including the steady pursuit of new and ongoing initiatives to ensure the security of all computer systems and data as recommended by the OIG, as well as information sharing with partner organizations.

To help focus on and deal with issues specific to the cyber threat, FBI stood up its Cyber Division, which has primary responsibility for the FBI's efforts to counter national security-related cyber intrusions. At the same time, FBI, like OIG, has also recognized the importance of training all FBI agents in basic cyber investigatory techniques. Accordingly, to ensure that all of the Department's FBI agents are trained in these techniques, the FBI has delivered several High-Tech Environment Training (HiTET) materials to its workforce, including web-based investigative technology courses, how-to resources, podcasts, and a mobile application. Beyond traditional training, HiTET represents a collaborative series of tools, job aids, courses, and guides that raise the level of knowledge and awareness of the FBI workforce while creating a culture that embraces modern technology and its application for investigators. New FBI Special Agents and Intelligence Analysts receive cyber-related training while participating in the New Agent and New Intelligence Analyst Training Programs. The New Agent Trainee curriculum includes training in digital tools, digital analysis, computer skills, and a case study. Outreach and investigative technology training resources have also been extended to state and local partners.

Indeed, as OIG and the Department both recognize, coordinating cyber efforts is increasingly important. The FBI and the National Cyber Investigative Joint Task Force (NCIJTF) are fully integrated into the Department's efforts to address cyber threats. Additionally, the Department recently established the National Security Cyber Specialist (NSCS) Network to coordinate nationally among the relevant components of DOJ on matters involving cyber threats to the national security.

Recognizing the special importance of the private sector role as a critical partner in cyber investigations and prosecutions, the Department has convened roundtable discussions across the country with company executives to solicit feedback on the trends that companies have seen, challenges their companies have faced in addressing cyber threats, and their experiences with law enforcement. Similarly, the FBI's Cyber Division has formed the Cyber Operational Outreach Section to focus solely on information sharing partnerships with the private sector, outreach to critical infrastructure companies, and enhanced victim notification and coordination. Partnership meetings with large companies from the information technology, communications, financial services, and defense industrial base sectors have resulted in productive conversations about their need for strategic cyber threat intelligence to increase their understanding of the capabilities and intent of malicious actors targeting their networks. This information enables them to form more accurate risk assessments and ensure adequate resources are devoted to protecting critical systems and data. The Department and FBI's Cyber Division will continue to organize roundtable discussions and strategic threat briefings for the private sector and will work to formalize processes and procedures for sharing and receiving cyber threat information that ensures that information is protected to the extent permissible by law.

To enhance the ability to detect threats, the Department has collaborated with intelligence and law enforcement agencies to build upon established best-practices to ensure the confidentiality of all sensitive and classified information. JMD's Office of the Chief Information Officer (OCIO) has exceeded policy targets for improved threat awareness and reduction of attack surface and has increased the incident response capability by deploying common security tools throughout for situational awareness and enhanced monitoring. The Department also has been called upon to deliver on key White House priorities such as Continuous Monitoring, Homeland Security Presidential Directive-12 Implementation, and Trusted Internet Connection Consolidation and Monitoring, all of which enhance the Department's systems and data security.

For the implementation of continuous monitoring, DOJ has made significant progress in both asset and configuration management through the deployment of the Endpoint Lifecycle Management System (ELMS) to all DOJ components in FY 2013. The Department's ELMS solution, along with a custom-developed Security Posture Dashboard Report, provides DOJ with a central asset management capability, near real-time situational awareness, and risk posture. To address vulnerability management, the OCIO has deployed additional enterprise security solutions and upgraded tools to enhance the Department's security posture. In addition, the OCIO Vulnerability and Assessment Penetration Team works with components to identify high-risk or high-visibility systems to undergo rigorous security testing.

The Department continues to address the Notifications of Findings and Recommendations (NFRs) issued during the Federal Information Security Management Act (FISMA) audit in a timely fashion. DOJ was able to close a number of open NFRs during the FY 2013 FISMA audit that will be reflected in the final report. In addition, DOJ intends to improve upon the central tracking for all FISMA NFRs to ensure all necessary parties are aware of their status, which should improve response and remediation timeframes. DOJ also communicates with the OIG quarterly, at minimum, to ensure timely and accurate reports are submitted as required.

5 Ensuring Effective and Efficient Law Enforcement

The Department agrees with the OIG that its traditional law enforcement missions are vital. Preventing crime, protecting the American people, and administering justice at the federal, state, local, tribal, and international levels are the foundation of the Department, and it constantly strives to improve its performance in these areas. The Department incorporates best practices from the law enforcement community into its operations and adjusts its procedures whenever changes will result in more effective and efficient law enforcement.

Since the OIG's September 2013 report on income-generating operations, the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) has amended its policies and implemented procedures to ensure all investigations that involve income-generating undercover operations are properly authorized, managed, and monitored. To address deficiencies noted in the OIG's report, ATF is continuing to review past income-generating cases and is implementing corrective measures, such as (1) developing a schedule to conduct internal audits of all previously-authorized investigations that have been closed recently, and (2) revising its policies and processes to ensure that all new investigations requesting authority to operate income-generating undercover operations meet the newly established approval requirements, including review by ATF's Undercover Review Committee.

In response to a recommendation made in the OIG Interim Report on the Department's Use and Support of Unmanned Aircraft Systems (UAS), DOJ is examining the need for a separate Department-wide policy on the use of UAS in support of departmental law enforcement operations. The Department participates in an interagency process on the Domestic Use of Unmanned Aerial Vehicles, which is contemplating policies and controls for all domestic uses (government, private, public, and commercial) of UAS within the United States.

Regarding regulatory compliance programs, the ATF is committed to ensuring the efficacy of its regulatory inspection programs for Federal Firearms Licensees (FFLs) and Federal Explosives Licensees (FELs). In addressing the OIG's review of the FFL inspection program, ATF targets its inspection resources on licensees that pose the greatest risk to public safety. Additionally, ATF has modified its inspection database, N-Spect, to more efficiently track high-risk inspections and better document in-person follow-up compliance inspections for specifically designated FFLs. Additionally, ATF has improved its FEL program and Safe Explosives Act compliance through annual evaluations of storage facility inspections. With regard to FFL revocations, ATF has improved coordination and oversight through the field by revising policies, conducting training for our regional Directors of Industry Operations, and using the Monitored Case Program and executive-level Headquarters review to oversee FFL revocations.

The Department continues to focus its drug enforcement resources on the world's "Most Wanted" drug traffickers, identified by DOJ as Consolidated Priority Organization Targets (CPOTs), as well as other Priority Target Organizations identified by the Drug Enforcement Administration (DEA). Since DOJ started tracking CPOTs in FY 2003, there have been a total of 173 CPOTs identified. Cumulatively, 131 have been indicted and 98 have been arrested. This success would not have been possible without the strong working relationships the Department maintains with federal, state, local, tribal, and international law enforcement counterparts. Domestically, this is accomplished through the Organized Crime Drug Enforcement Task Force (OCDETF) program and DEA-led state and local task forces. Internationally, DEA's cooperative partnerships with foreign nations, including the use of vetted units and sensitive investigative units, help these nations develop more self-sufficient, effective drug law enforcement programs, which ultimately benefit the United States.

The Department has worked to leverage existing information sharing and de-confliction mechanisms, including DEA's Special Operations Division (SOD), the El Paso Intelligence Center, and the OCDETF Fusion Center, by encouraging other law enforcement agencies to participate in these efforts as opposed to standing up new centers. For example, the Department has integrated the coordination of gang investigations into SOD through the National Gang Targeting, Enforcement and Coordination Center and has integrated the International Organized Crime Intelligence and Operations Center's coordination of international organized crime investigations into both SOD and the OCDETF Fusion Center. Additionally, DEA has made a de-confliction tool, the DEA Internet Connectivity Endeavor, available to federal, state, and local law enforcement to further expand upon the proven de-confliction efforts already coordinated by SOD.

DEA has increased its criminal investigations related to the diversion of controlled substance pharmaceuticals through the use of Tactical Diversion Squads (TDSs) that partner DEA special agents and diversion investigators with other federal, local, and state Task Force Officers. As of the end of 2013, DEA had 58 operational TDSs, with an additional 8 planned for 2014. DEA also continues to focus Diversion Control Program staff and resources to fulfill effectively and efficiently its regulatory responsibilities, including responsibilities related to over 1.5 million registrants.

6 Restoring Confidence in the Integrity, Fairness, and Accountability of the Department

The public's trust in the Department is of paramount importance to its leadership and employees. It is for the public that the Department's law enforcement, litigating and grant-making organizations exist, and DOJ's employees are dedicated to ensuring that they provide the public with the best services possible in each of these areas.

The Department agrees that non-ideological, non-partisan law enforcement is fundamental to the public's trust, and, since Calendar Year (CY) 2009, has taken a number of steps to ensure that its Civil Rights Division (CRT) enforces the civil rights laws in an independent, even-handed fashion, and carries out its functions – enforcement, hiring, and otherwise – in a fair, legal, and effective manner. The 2013 OIG report concluded that substantive decisions since CY 2009 in the CRT's voting rights enforcement work were not motivated by improper partisan or racial factors and did not improperly favor or disfavor any particular group of voters.

Nevertheless, in response to some of the issues that arose prior to CY 2009, as described in the 2013 OIG report, the CRT's leadership has sought to promote effective and respectful decision-making by ensuring that career attorneys and professionals have every opportunity to provide their considered views and advice.

It is important to note that the vast majority of the incidents in the OIG report involving harassment or marginalization of employees and managers occurred between CY 2004 and 2007. As the 2013 OIG Report acknowledges, the CRT took a number of significant steps prior to CY 2009 to address instances of improper or unprofessional conduct and prevent such incidents from recurring. These measures include implementing annual training on anti-discrimination and anti-harassment obligations for all staff, developing and posting policies on prohibited personnel practices, and routinely reminding all employees of their obligations to conduct themselves in a professional manner at all times. The CRT has taken a number of additional steps in response to the 2013 OIG report. For example, it has revised its Equal Employment Opportunity, Anti-Harassment and Whistleblower policy. The CRT has also reminded all employees by email of their professionalism obligations and the CRT's equal employment opportunity and anti-harassment policies, including the prohibition on harassment based on perceived political ideology. The CRT will continue to remind all employees of these obligations through regularly-scheduled training sessions and in CRT-wide messages.

The 2013 OIG report also acknowledges the safeguards the CRT implemented with regard to hiring since CY 2009, following an earlier 2008 OIG report documenting the politicization of the hiring process in the CRT between CY 2003 and 2007. These earlier safeguards were designed to ensure that career attorney hiring is based on merit and that politics and ideology are not considered during the hiring process. These earlier steps included undertaking clear guidance for the hiring process through adoption of written hiring policies and training requirements for staff engaged in the hiring process. Notably, the 2013 OIG Report stated, "We did not find sufficient evidence to conclude that CRT staff considered applicants' political or ideological affiliations when hiring experienced trial attorneys for the Voting Section in 2010." Nevertheless, in response to the recommendations in the 2013 OIG report, the CRT has made several additional clarifications to its hiring guidance and hiring policy and also incorporated these revisions into the CRT's hiring training materials and in-person hiring training. The 2013 OIG report also found no substantiation of claims of ideological favoritism or political interference in the CRT's responses to records requests. The CRT nonetheless responded to OIG's recommendation for assignment of at least temporary additional assistance in responding to a backlog of records requests by devoting additional staff to help address requests for CRT records, within the constraints of the current budget situation and other workload demands.

The Department shares the OIG's interest in ensuring that investigations and casework related to terrorism and terrorist threats are reported accurately. Since the issuance of the OIG's 2012 report, the Department's National Security Division (NSD) has strengthened its controls for gathering, verifying, and reporting its terrorism-related statistics. The NSD strives for accurate reporting through improved implementation of revised procedures, including maintenance of electronic and hard copy documentation to support terrorism-related statistics reported in NSD budget, Congressional, or other documents. Among other improvements, NSD ensures that budget documents clearly and consistently identify the source of, and methodology behind, reported terrorism-related statistics.

Regarding the OIG's views on the jurisdiction of the Department's Office of Professional Responsibility (OPR), it is important to note that the OPR was created prior to the establishment of the OIG. The two offices have had a long and successful history of co-existence, and this dual office structure has served the Department well over the past decades. OPR was specifically created by law to investigate allegations of misconduct against Department attorneys that relate to their authority to litigate, investigate, or provide legal advice, and OPR accordingly has acquired considerable expertise in the state ethical and professional rules of conduct that govern the practice of law by Department attorneys. The Department is not aware of any reason why this successful model should now be changed, especially when there have been no credible allegations or assertions since its establishment in the 1970's that OPR has not exercised complete independence from the Department's leadership or that Department leadership has ever interfered, or attempted to interfere, in any OPR matter. Moreover, as it has been able to do historically, in the event the OIG wishes to take over an investigation that falls within the jurisdiction of OPR, the OIG may make such a request to the Deputy Attorney General. The Department continues to support the separate functions and portfolios for the OPR and the OIG because it has proven to be an effective allocation of authority, and we fully expect both organizations will continue to work cooperatively and in coordination.

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FMFIA Corrective Action Plan

FMFIA SECTION 2 – PROGRAMMATIC MATERIAL WEAKNESS – PRISON CROWDING

U.S. DEPARTMENT OF JUSTICE **Corrective Action Plan** **Issue and Milestone Schedule**	**Report Date** September 30, 2013	
Issue Title Prison Crowding	**Issue ID** 06BOP001	**Component Name** Bureau of Prisons

Issue Category

FMFIA, Section 2	☐	**Reportable Condition**	☒	**Material Weakness**
FMFIA, Section 4	☐	**Non-conformance**		
OMB A-123, Appendix A	☐	**Reportable Condition**	☐	**Material Weakness**

Issue Category – SAT Concurrence or Recategorization

Concur

Issue Description

As of September 30, 2013, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 36 percent. The BOP's Long Range Capacity Plan relies on multiple approaches to house the increasing federal inmate population, such as contracting with the private sector and state and local facilities for certain groups of low-security inmates; expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring, constructing, and activating new facilities as funding permits.

To address this material weakness, the BOP will continue implementing its Long Range Capacity Plan, making enhancements and modifications to the plan, as needed, commensurate with funding received through enacted budgets. The BOP's formal Corrective Action Plan includes utilizing contract facilities; expanding existing institutions; and acquiring, constructing, and activating new institutions as funding permits. The BOP will continue to validate progress on construction projects at new and existing facilities through on-site inspections or by reviewing monthly construction progress reports.

This material weakness was first reported in 2006. Remediation of the weakness through increasing prison capacity is primarily dependent on funding. Other correctional reforms and alternatives will require policy and/or statutory changes. Other initiatives notwithstanding, if the acquisition, expansion, construction, and activation plans detailed in the BOP's Long Range Capacity Plan are funded as proposed, the over-crowding rate for FY 2018 is projected to be 40 percent.

The Department's corrective action efforts are not limited to the BOP alone. The Department continues to consider and implement an array of crime prevention, sentencing, and corrections management improvements that focus on accountability and rehabilitation, while protecting public safety. The Department recognizes that the BOP's capacity management efforts must be teamed with targeted programs that are proven to reduce recidivism and promote effective re-entry. The BOP will continue to work with the Department on these programs.

Business Process Area (N/A for Section 2 and Section 4 issues)
Not Applicable

Date First Identified	**Original Target Completion Date**	**Current Target Completion Date**	**Actual Completion Date**
2006	09/30/2012	Dependent on funding	

Issue Identified By	**Source Document Title**
Bureau of Prisons	BOP Population Projections

Description of Remediation
Increase the number of federal inmate beds to keep pace with projected increases in the inmate population. Efforts to reach this goal include expanding existing institutions, acquiring surplus properties for conversion to correctional facilities, constructing new institutions, utilizing contract facilities, and exploring alternative options of confinement for appropriate cases.

Milestones	**Original Target Date**	**Current Target Date**	**Actual Completion Date**
1. As of September 30, 2006, the inmate population in BOP owned and operated institutions reached 162,514 and was housed in a capacity of 119,510, resulting in an over-crowding rate of 36 percent.	09/30/2006		09/30/2006
2. As of September 30, 2007, the inmate population in BOP owned and operated institutions reached 167,323 and was housed in a capacity of 122,189, resulting in an over-crowding rate of 37 percent, an increase of 1 percent for the year.	09/30/2007		09/30/2007
3. As of September 30, 2008, the inmate population in BOP owned and operated institutions reached 165,964 and was housed in a capacity of 122,366, resulting in an over-crowding rate of 36 percent, a decrease of 1 percent for the year.	09/30/2008		09/30/2008
4. As of September 30, 2009, the inmate population in BOP owned and operated institutions reached 172,423 and was housed in a capacity of 125,778, resulting in an over-crowding rate of 37 percent, an increase of 1 percent for the year.	09/30/2009		09/30/2009
5. As of September 30, 2010, the inmate population in BOP owned and operated institutions reached 173,289 and was housed in a capacity of 126,713, resulting in an over-crowding rate of 37 percent, the same rate as at the end of the previous year.	09/30/2010		09/30/2010
6. As of September 30, 2011, the inmate population in BOP owned and operated institutions reached 177,934 and was housed in a capacity of 127,795, resulting in an over-crowding rate of 39 percent, an increase of 2 percent for the year.	09/30/2011		09/30/2011
7. As of September 30, 2012, the inmate population in BOP owned and operated institutions reached 177,556 and was housed in a capacity of 128,359, resulting in an over-crowding rate of 38 percent, a decrease of 1 percent for the year.	09/30/2012		09/30/2012
8. As of September 30, 2013, the inmate population in BOP owned and operated institutions reached 176,849 and was housed in a capacity of 129,726, resulting in an over-crowding rate of 36 percent, a decrease of 2 percent for the year.	09/30/2013		09/30/2013
9. Planning estimates call for a rated capacity of 133,291 to be reached by the end of FY 2014. The over-crowding rate is projected to be 35 percent at that time, a decrease of 1 percent for the year.	09/30/2014		
10. Planning estimates call for a rated capacity of 134,781 to be reached by the end of FY 2015. The over-crowding rate is projected to be 35 percent at that time, the same rate as projected for the end of the previous year.	09/30/2015		

11. Planning estimates call for a rated capacity of 136,781 to be reached by the end of FY 2016. The over-crowding rate is projected to be 35 percent at that time, the same rate as projected for the end of the previous year.	09/30/2016		
12. Planning estimates call for a rated capacity of 136,781 to be reached by the end of FY 2017. The over-crowding rate is projected to be 36 percent at that time, an increase of 1 percent for the year.	09/30/2017		
13. Planning estimates call for a rated capacity of 136,781 to be reached by the end of FY 2018. The over-crowding rate is projected to be 40 percent at that time, an increase of 4 percent for the year.	09/30/2018		

Reason for Not Meeting Original Target Completion Date

Funding received through enacted budgets for additional capacity has not kept pace with the increases in the federal inmate population.

Status of Funding Available to Achieve Corrective Action

FY 2014 funding is unknown at this point because the FY 2014 budget has not been enacted. The Department of Justice's proposed FY 2015 budget for BOP is under review at the Office of Management and Budget.

Planned Measures to Prevent Recurrence

The BOP will continue to structure budget requests to address capacity needs in the most cost effective manner possible.

Validation Indicator

Results are measured as a new institution or expansion project is activated and resulting increases in rated capacity are established. A corresponding decrease in the over-crowding rate will be a tangible measurement of the results. Progress on construction projects at new and existing facilities will be validated via on-site inspections of each facility or by review of monthly construction progress reports.

Organizations Responsible for Corrective Action

BOP Administration Division and Program Review Division

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Undisbursed Balances in Expired Grant Accounts

Section 536 of the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2012 (Act) of the Consolidated Appropriations Act, 2010 (Pub. Law 112-55) requires certain departments, agencies, and instrumentalities of the United States Government receiving appropriations under the Act to track undisbursed balances in expired grant accounts for FY 2013.

Undisbursed balances in expired grant accounts include budget authority that is no longer available for new obligations but is still available for disbursement. According to Section 20.4(c) of OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget,* the expired phase "lasts five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, you may not incur new obligations against expired budget authority, but you may liquidate existing obligations by making disbursements." For FY 2013, the below information is required to be reported in the Agency Financial Reports and annual performance plans/budgets with regard to undisbursed balances in expired grant accounts: 1) details on future action the department, agency, or instrumentality will take to resolve undisbursed balances in expired grant accounts; 2) the method that the department, agency, or instrumentality uses to track undisbursed balances in expired grant accounts; 3) identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States; 4) in the preceding three fiscal years, details on the total number of expired grant accounts with undisbursed balances (on the first day of each fiscal year) for the department, agency, or instrumentality and the total finances that have not been obligated to a specific project remaining in the accounts.

Three Department of Justice grant-making agencies are required to report under this guidance: Community Oriented Policing Services (COPS), Office of Justice Programs (OJP), and the Office on Violence Against Women (OVW). Their responses are noted below:

Details on future actions that will be taken to resolve undisbursed balances in expired grant accounts:

COPS closely monitors the financial activity of all its grantees. This includes requiring all grant recipients to report the financial expenditures for all COPS awards on a quarterly basis. COPS has a group of dedicated Grant Program Specialists and Staff Accountants that offer grantees real-time technical assistance with implementing any aspect of their grant. Due to the additional reporting requirements and transparency associated with American Recovery and Reinvestment Act of 2009 (ARRA) grant recipients, COPS has implemented additional efforts to monitor COPS Hiring Recovery Program (CHRP) grantees. First, all CHRP grantees are required to complete an online grants management training, which includes a training track specifically addressing financial reporting and disbursement of funds. Second, CHRP grantees were notified in 2012 that the undisbursed balance on their grant awards would lapse on September 30, 2015 (5 years after the last unexpired year for ARRA), thus all grant program requirements should be completed by that time and all expensed funds disbursed. Third, beginning in November 2010, COPS conducts quarterly outreach efforts to a select group of CHRP grantees who appear to have either discrepancies in the financial or programmatic reporting on their awards. Finally, the COPS Director receives monthly and quarterly reports of CHRP activity, including disbursement data, and COPS management works with the Justice Management Division (JMD), OMB, and the Office of the Vice President (OVP) to ensure that ARRA funds are being disbursed and outlayed timely.

All OJP discretionary/categorical and block/formula grantees are required to submit a financial report quarterly. Grantees have 90 days after the end date of the award to drawdown funds and close out the award. If the payments to the grantee are less than the amount of the grant expenditures, then the grantee is given the opportunity to draw down these funds. OJP Customer Service Outreach staff calls the grantee to ask them to draw down their funds. The first notice will commence on the same day as the phone call to the grantee. If the grantee has not drawn down their available funds after 14 calendar days, a second contact is made by the Customer Service Outreach staff and a second notice is sent. If there is no action by the grantee, a third notice is sent to the grantee informing them that OJP will de-obligate the funds from their grant. If the grantee has not retrieved their funds after 14 additional calendar days, the funds are de-obligated. After deobligation, the grantee will receive a Grant Adjustment Notice (GAN) in the mail informing them that the funds have been de-obligated and are no longer available and the grant is closed.

OVW closely monitors the financial activity of all its grantees. All grant recipients are required to report their financial expenditures for OVW awards on a quarterly basis and their project performance activities on a semi-annual or annual basis. ARRA grantees are also required to submit special Section 1512 reports on a quarterly basis that include project and financial information. OVW reviews 100 percent of these reports for each reporting period and contacts the grantees regarding any concerns or questions. OVW Grant Program Specialists and Financial Analysts offer ARRA grantees technical assistance with implementing any aspect of their grant, including trainings, outreach, site visits and monitoring. The OVW management receives and reviews frequent reports on ARRA grant activity, including obligation and outlay data, and OVW management works with JMD, OMB, OVP, and the OIG to ensure that ARRA funds are being disbursed and outlayed timely.

Method used to track undisbursed balances in expired grant accounts:

COPS utilizes both the Financial Management Information System 2 (FMIS2) data as well as data from OJP's Grant Payment Request System (GPRS) to track CHRP undisbursed balances. OJP currently uses its Grants Management System (financial reports), FMIS2 and GPRS to track undisbursed balances. OVW utilizes both FMIS2 data as well as data from OJP's GPRS to track undisbursed balances.

Identification of undisbursed balances in expired grant accounts that may be returned to the Treasury:

The Department has the authority to transfer unobligated balances of expired appropriations to the Working Capital Fund. Specifically, Public Law 102-140 provides that at no later than the end the fifth fiscal year after the fiscal year for which funds are appropriated or otherwise made available, unobligated balances of appropriations available to the Department of Justice during such fiscal year may be transferred into the capital account of the Working Capital Fund to be available for the Department-wide acquisition of capital equipment, development and implementation of law enforcement or litigation related automated data processing systems, and for the improvement and implementation of the Department's financial management and payroll/personnel systems. Therefore, in general, unobligated and undisbursed balances in the Department’s expired grant accounts will be transferred to the Working Capital Fund for use as authorized by law, not returned to the Treasury.

The total number of expired grant accounts with undisbursed balances (on the first day of each fiscal year) and the total finances that have not been obligated to a specific project remaining in the accounts, are as follows (dollars in millions):

OJP:
FY 2009: 10 accounts; $66.0 in undisbursed and unobligated balances
FY 2010: 8 accounts; $1,638.6 in undisbursed and unobligated balances
FY 2011: 6 accounts; $859.7 in undisbursed and unobligated balances
FY 2012: 5 accounts; $485.6 in undisbursed and unobligated balances
FY 2013: 1 account; $72 in undisbursed and unobligated balances

COPS:
FY 2009: No undisbursed and unobligated balances
FY 2010: 1 account; $1,001.9 in undisbursed and unobligated balances
FY 2011: 1 account; $861.8 in undisbursed and unobligated balances
FY 2012: 1 account; $580.3 in undisbursed and unobligated balances
FY 2013: 1 account; $277.5 in undisbursed and unobligated balances

OVW:
FY 2009: No undisbursed and unobligated balances
FY 2010: 1 account; $47.1 in undisbursed and unobligated balances
FY 2011: 1 account; $46.4 in undisbursed and unobligated balances
FY 2012: 1 account; $84.1 in undisbursed and unobligated balances
FY 2013: 1 account; $31.3 in undisbursed and unobligated balances

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APPENDICES

Appendix A

Improper Payments Information Act, as Amended, Reporting Details

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires agencies to annually report certain information on improper payments to the President and Congress through their annual Agency Financial Report or Performance and Accountability Report.[1] The Department provides the following improper payments reporting details as required by the IPIA, as amended; implementing guidance in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*; and IPIA reporting requirements in OMB Circular A-136, *Financial Reporting Requirements*.

Item I. Risk Assessment. Briefly describe the risk assessment performed (including the risk factors examined, if appropriate) subsequent to completing a full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on statutory thresholds) identified by the agency risk assessment. Highlight any changes to the risk assessment methodology or results that occurred since the FY 2012 IPIA report.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department assessed its programs and activities for susceptibility to significant improper payments. The Department's top-down approach for assessing the risk of significant improper payments allows for the analysis and reporting of results by the Department's five mission-aligned programs – Law Enforcement; Litigation; Prisons and Detention; State, Local, Tribal, and Other Assistance; and Administrative, Technology, and Other. The approach promotes consistency across the Department in implementing the expanded requirements of the IPIA, as amended.

In FY 2013, the Department disseminated an updated risk assessment survey instrument for Departmental components to use in conducting the required risk assessment. The instrument examined disbursement activities against nine risk factors, such as payment volume and process complexity, and covered commercial payments, custodial payments, benefit and assistance payments, and grants and cooperative agreements.[2]

The Department's risk assessment methodology for FY 2013 did not change from FY 2012. For FY 2013, the methodology again included assessing risk against various risk factors and for various payment types. In addition, the results of the FY 2013 risk assessment did not change from FY 2012. For FY 2013, the Department-wide risk assessment again determined there were no programs susceptible to significant improper payments, i.e., improper payments exceeding the thresholds of (1) both 2.5 percent of program outlays and $10 million or (2) $100 million.

In FY 2013, the Department received approximately $20 million of funding under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Act). The Disaster Relief Act provides that all programs and activities receiving funds under the Act shall be deemed to be susceptible to significant improper payments for purposes of IPIA reporting, regardless of any previous improper payment risk assessment results. In

[1] A more recent law, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), also amended the IPIA. The new reporting requirements from the IPERIA are effective beginning in FY 2014; therefore, the Department will begin addressing them in its IPIA reporting for FY 2014.

[2] The nine risk factors examined during the risk assessment were Policies and Procedures; Results of OMB Circular A-123 Assessment, OIG Audits/Reviews, and Other External Audits/Reviews; Corrective Actions; Results of Monitoring Activities; Results of Recapture Audit Activities; Process Complexities; Volume and Dollar Amount of Payments; Control Risk; and Capability of Personnel.

accordance with the OMB implementing guidance, the Department will begin reporting on the risk-susceptible funding in the Department's IPIA reporting for FY 2014.

Item II. Statistical Sampling. Any agency that has programs or activities that are susceptible to significant improper payments shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified with a significant risk of improper payments. Highlight any changes to the statistical sampling process that have occurred since the FY 2012 IPIA report.

Not applicable. Based on the results of the FY 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2012. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, which the Act deemed to be susceptible to significant improper payments, the Department will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

Item III. Corrective Actions. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the corrective action plans for:

A. Reducing the estimated improper payment rate and amount for each type of root cause identified. Agencies shall report root cause information (including error rate and error amount) based on the following three categories: Documentation and Administrative errors, Authentication and Medical Necessity errors, and Verification errors. This discussion must include the corrective actions, planned or taken, most likely to significantly reduce future improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section and highlight current efforts, including key milestones. Agencies may also report root cause information based on additional categories, or sub-categories, of the three categories listed above, if available.

Not applicable. Based on the results of the FY 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, which the Act deemed to be susceptible to significant improper payments, the Department will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

B. Grant-making agencies with risk-susceptible grant programs shall briefly discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Discussion shall include the status of projects and results of any reviews.

Not applicable. Based on the results of the FY 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments, to include grant programs. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, none was for grant programs.

Item IV. Improper Payments Reporting.

A. Any agency that has programs or activities that are susceptible to significant improper payments must provide the following information in a table:
- **all risk-susceptible programs must be listed whether or not an error measurement is being reported;**
- **where no measurement is provided, the agency should indicate the date by which a measurement is expected;**
- **if the Current Year (CY) is the baseline measurement year, and there is no Previous Year (PY) information to report, indicate by either "Note" or "N/A" in the PY column;**
- **if any of the dollar amounts included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible;**
- **agencies are expected to report on CY activity or, if not feasible, PY activity is acceptable if approved by OMB. Agencies should include future year outlay and improper payment estimates for CY+1, +2, and +3 (future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget).**

Not applicable. Based on the results of the FY 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, which the Act deemed to be susceptible to significant improper payments, the Department will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

B. Agencies should include the gross estimate of the annual amount of improper payments (i.e., overpayments plus underpayments) and should list the total overpayments and underpayments that make up the current year amount. In addition, agencies are allowed to calculate and report a second estimate that is a net total of both overpayments and underpayments (i.e., overpayments minus underpayments). The net estimate is an additional option only and cannot be used as a substitute for the gross estimate.

Not applicable. Based on the results of the FY 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, which the Act deemed to be susceptible to significant improper payments, the Department will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

Item V. Recapture of Improper Payments Reporting.

A. An agency shall discuss payment recapture audit (or recovery audit) efforts, if applicable. The discussion should describe the agency's payment recapture audit program, the actions and methods used by the agency to recoup overpayments, a justification of any overpayments that have been determined not to be collectable, and any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). If the agency has excluded any programs or activities from review under its payment recapture audit program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency should list those programs and activities excluded from the review, as well as the justification for doing so. Include in the discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

The Department's payment recapture audit program is part of its overall program of internal control over disbursements. The program includes establishing and assessing internal controls to prevent improper payments, reviewing disbursements to identify improper payments, assessing root causes of improper payments, developing corrective action plans, and tracking the recovery of improper payments and disposition of recovered funds. The Department's top-down approach for tracking and reporting the results of recapture audit activities promotes consistency across the Department in implementing the expanded requirements of the IPIA, as amended. In FY 2013, the Department provided components an updated template to assist them in assessing root causes of improper payments and tracking the recovery of such payments and disposition of recovered funds.

The root causes for overpayments other than for grants largely fell within the OMB-defined error category of Documentation and Administrative, as most errors were user errors, to include data entry errors. Departmental components have implemented actions to address specific areas where improvements could be made. For example, to prevent improper payments, the Drug Enforcement Administration (DEA) conducts data analytics on payment data entered into the Unified Financial Management System (UFMS) prior to processing disbursements to identify payments that, if processed, would be improper, e.g., payments to ineligible recipients, payments for ineligible services, and duplicate payments. To reduce data entry errors, the Federal Bureau of Investigation (FBI) increased its use of electronic billing and consolidation of invoices.

The root causes for grant overpayments also largely fell within the Documentation and Administrative error category, as most involved payments for which grantees did not provide sufficient documentation to support the payments. To reduce the risk of these types of overpayments, the Department's components that issue grants expanded training and communications informing grantees of their responsibilities related to receiving Federal awards. For example, the Office of Justice Programs (OJP) requires all grantees responsible for improper payments to submit written policies and procedures describing the internal controls put in place to prevent similar occurrences in the future.

Departmental components also have taken actions to facilitate the recovery of improper payments. For example, the FBI produces an accounts receivable report to track the age and collection efforts for all uncollected improper payments. The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) issues demand letters to debtors notifying them of the status of the debt, the date payment is due, where to send payment, and the collection actions the ATF can pursue to recover the debt.

In FY 2013, approximately $3.76 million of overpayments were determined not to be collectable. The vast majority of this amount, $3.69 million or 98 percent, was due to lengthy resolution efforts concluding that four grantees were unable to repay the full amount of overpayments due to fiscal distress. One grantee had gone out of business, and the other three grantees have been restricted from receiving new grant awards for the period of time set forth in policy pertaining to such matters.

The Department excluded employee disbursements and intra-governmental payments from the scope of its payment recapture audit program in accordance with the IPIA, as amended, and OMB implementing guidance applicable for FY 2013. The Department also excluded payments to confidential informants because of its responsibility to protect sensitive law enforcement information.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department measured payment recapture performance. Based on performance through the period ended September 30, 2013, the Department achieved a payment recovery rate of 89 percent for the cumulative period of FYs 2004 through 2013, and an annual recovery rate of 82 percent for FY 2013. Table 1B provided later in this section provides additional detail on the approximate $62.5 million in improper payments identified in FYs 2004 through 2013 and the approximate $55.6 million of recovered funds.

B. Complete the tables below (if any of this information is not available, indicate by either "Note" or "N/A" in the relevant column or cell):

Note: To allow information to be easily viewable, the Department reformatted the table in OMB Circular A-136 into three separate tables. Table 1A provides information on the total amount of disbursements subject to review in FY 2013, as well as the total amount reviewed under the Department's payment recapture audit program. As shown in the table, the Department reviewed 100 percent of its FY 2013 disbursements, except for the payments excluded from review as discussed in Item V.A.

Table 1A
Payment Recapture Audit Reporting Scope
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Amount Subject to Review for FY 2013 Reporting	Actual Amount Reviewed and Reported in FY 2013	Percent Reviewed
Administrative, Technology, and Other	Commercial	$598,863	$598,863	100%
	Custodial	$416,166	$416,166	100%
Litigation	Commercial	$705,846	$705,846	100%
Law Enforcement	Commercial	$5,450,959	$5,450,959	100%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$137,220	$137,220	100%
	Commercial	$98,705	$98,705	100%
	Grants and Cooperative Agreements	$3,321,044	$3,321,044	100%
Prisons and Detention	Commercial	$4,593,581	$4,593,581	100%
Total		$15,322,384	$15,322,384	100%

Table 1B provides the cumulative results of payment recapture audit activities for the ten-year period of FYs 2004 through 2013. As shown in the table, as of the end of FY 2013, the Department had recovered 89 percent of the improper payments identified for recovery. The Department reported a cumulative recovery rate of 93 percent in FY 2012 and 86 percent in FY 2011. As shown in the table, the cumulative recovery rate for grants was 66 percent, while the cumulative recovery rate for all other types of payments ranged from 92 to 100 percent. The lower recovery rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. For example, some grantees have been placed on multi-year repayment programs based on ability to pay and other factors.

Table 1B
Cumulative Payment Recapture Audit Reporting
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	FYs 2004 through 2013					
		Cumulative Improper Payments Identified for Recovery[3]	Cumulative Improper Payments Determined Not to be Collectable	Cumulative Improper Payments Recovered	Recovery Rate (Percent of Cumulative Improper Payments Recovered out of Cumulative Improper Payments Identified for Recovery)	Cumulative Improper Payments Outstanding	Percent Outstanding (Percent of Cumulative Improper Payments Outstanding out of Cumulative Improper Payments Identified for Recovery)
Administrative, Technology, and Other	Commercial	$3,154	$0	$2,934	93%	$220	7%
	Custodial	$0	$0	$0	N/A	$0	N/A
Litigation	Commercial	$4,522	$10	$4,461	99%	$51	1%
Law Enforcement	Commercial	$27,495	$22	$27,077	98%	$396	1%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$10	$0	$10	100%	$0	0%
	Commercial	$363	$0	$359	99%	$4	1%
	Grants and Cooperative Agreements	$15,540	$3,686	$10,265	66%	$1,589	10%
Prisons and Detention	Commercial	$11,386	$61	$10,483	92%	$842	7%
Total		$62,470	$3,779	$55,589	89%	$3,102	5%

[3] Improper payments identified for recovery do not include all questioned costs. When questioned costs are identified in an OIG audit report or through some other means, Departmental management initiates a process to validate whether the costs in question were improper payments; e.g., the Department will request additional support from grantees for transactions that, at the time of audit, were not supported by adequate documentation. The validation process can take months, and in some cases years, to complete. Therefore, for payment recapture audit reporting purposes, improper payments identified for recovery include only the questioned costs for which Departmental management has completed the validation process and determined that the incurred costs should not have been charged to the Government.

Table 1C provides the results of payment recapture audit activities separately by current year (FY 2013) and previous years (FYs 2004 through 2012 combined). As shown in the current year section of the table, the improper payments recovered in the Litigation Program exceeded the improper payments identified for recovery due to the recovery during FY 2013 of improper payments identified in previous years. The lower recovery rate in the State, Local, Tribal, and Other Assistance Program for commercial payments is attributed to the identification of two improper payments totaling approximately $3,800 on September 25, 2013, which did not allow enough time for the collection process to be completed by year-end; the improper payments were recovered the next month.

Table 1C
Payment Recapture Audit Reporting by Current Year and Previous Years
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Current Year (FY 2013)							Previous Years (FYs 2004 through 2012)	
		Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate (Percent of Current Year Improper Payments Recovered out of Current Year Improper Payments Identified for Recovery)	Improper Payments Determined Not to be Collectable	Percent of Improper Payments Determined Not to be Collectable out of Improper Payments Identified for Recovery	Improper Payments Outstanding	Percent Outstanding (Percent of Current Year Improper Payments Outstanding out of Current Year Improper Payments Identified for Recovery)	Improper Payments Identified for Recovery	Improper Payments Recovered
Administrative, Technology, and Other	Commercial	$1,893	$1,698	90%	$0	0%	$195	10%	$1,261	$1,236
	Custodial	$0	$0	N/A	$0	N/A	$0	N/A	$0	$0
Litigation	Commercial	$1,125	$1,157	103%	$10	1%	($42)	(4%)	$3,397	$3,304
Law Enforcement	Commercial	$9,463	$9,260	98%	$0	0%	$203	2%	$18,032	$17,817
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$0	$0	N/A	$0	N/A	$0	N/A	$10	$10
	Commercial	$6	$2	33%	$0	0%	$4	67%	$357	$357
	Grants and Cooperative Agreements	$6,581	$3,189	48%	$3,686	56%	($294)	(4%)	$8,959	$7,076
Prisons and Detention	Commercial	$2,913	$2,817	97%	$61	2%	$35	1%	$8,473	$7,666
Total		$21,981	$18,123	82%	$3,757	17%	$101	1%	$40,489	$37,466

If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Agencies are expected to report current year amounts and rates, as well as recovery rate targets for three years.

Table 2 provides cumulative (FYs 2004 through 2013) payment recapture audit activities information, current year (FY 2013) information, and recovery rate targets for three years. As mentioned, the lower recovery rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. In FY 2014, the Department will continue focusing on improving the recovery rate for grants and sustaining the high recovery rates for all other types of payments.

Table 2
Improper Payments Recovery Rates and Targets
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Cumulative (FYs 2004 through 2013)			Current Year (FY 2013)			Recovery Rate Targets[4]		
		Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	FY 2014	FY 2015	FY 2016
Administrative, Technology, and Other	Commercial	$3,154	$2,934	93%	$1,893	$1,698	90%	85%	85%	85%
	Custodial	$0	$0	N/A	$0	$0	N/A	85%	85%	85%
Litigation	Commercial	$4,522	$4,461	99%	$1,125	$1,157	103%	85%	85%	85%
Law Enforcement	Commercial	$27,495	$27,077	98%	$9,463	$9,260	98%	85%	85%	85%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$10	$10	100%	$0	$0	N/A	85%	85%	85%
	Commercial	$363	$359	99%	$6	$2	33%	85%	85%	85%
	Grants and Cooperative Agreements	$15,540	$10,265	66%	$6,581	$3,189	48%	85%	85%	85%
Prisons and Detention	Commercial	$11,386	$10,483	92%	$2,913	$2,817	97%	85%	85%	85%
Total		$62,470	$55,589	89%	$21,981	$18,123	82%			

[4] Recovery rate targets were adjusted in FY 2012 to 85 percent for all programs, consistent with OMB guidance.

C. In addition, agencies shall report the following information on their payment recapture audit programs, if applicable:

i. An aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recovered). Typically, the aging of an overpayment begins at the time the overpayment is detected. Indicate with a note whenever that is not the case.

Table 3 provides the aging schedule for the Department's overpayments that were outstanding (not recovered) as of the end of FY 2013. Of the approximate $1.3 million in overpayments that were outstanding for more than a year, approximately $1.2 million (or 92 percent) have been referred to Treasury for collection.

Table 3
Aging of Cumulative Outstanding Overpayments
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Amount Outstanding (0 to 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)
Administrative, Technology, and Other	Commercial	$154	$46	$20
	Custodial	$0	$0	$0
Litigation	Commercial	$13	$1	$37
Law Enforcement	Commercial	$341	$2	$53
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$0	$0	$0
	Commercial	$4	$0	$0
	Grants and Cooperative Agreements	$946	$38	$605
Prisons and Detention	Commercial	$85	$148	$609
Total		$1,543	$235	$1,324

ii. **A summary of how recovered amounts have been disposed of (if any of this information is not available, indicate by either "Note" or "N/A" in the relevant column or cell).**

Table 4 provides the disposition information for the improper payments the Department recovered in FY 2013. As shown in the table, approximately $16.8 million of the approximate $18.1 million recovered (or approximately 93 percent) was returned to the original funds from which the payments were made.

Table 4
Disposition of FY 2013 Recovered Funds
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Improper Payments Recovered in FY 2013	Disposition						
			Returned to Original Fund	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Used for Original Purpose	Office of the Inspector General	Returned to the Treasury
Administrative, Technology, and Other	Commercial	$1,698	$1,698						
	Custodial	$0							
Litigation	Commercial	$1,157	$1,157						
Law Enforcement	Commercial	$9,260	$9,260						
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$0							
	Commercial	$2	$2						
	Grants and Cooperative Agreements	$3,189	$3,189						
Prisons and Detention	Commercial	$2,817	$1,522						$1,295
Total		$18,123	$16,828						$1,295

D. As applicable, agencies should also report on improper payments identified and recovered through sources other than payment recapture audits. For example, agencies could report on improper payments identified through statistical samples conducted under the IPIA, agency post-payment reviews or audits, Office of the Inspector General reviews, Single Audit reports, self-reported overpayments, or reports from the public. Specific information on additional required reporting for contracts is included in Section 7 of OMB memorandum M-11-04, issued in November 2010. Reporting this information is required for FY 2011 reporting and beyond. If previous year information is not available, indicate by a "Note."

The Department's payment recapture audit program leverages both internal and external efforts to identify improper payments. The reporting in Tables 1B through 5 is inclusive of all overpayments, regardless of whether they were identified through internal or external sources. Table 5 provides information on the overpayments that were identified in the current year (FY 2013), previous year (FY 2012), and cumulatively (FYs 2011 through 2013) by source, i.e., through internal efforts or by auditors, vendors, or payment recapture audit contractors. The table also provides the recovery information associated with overpayments identified by those sources. The table provides information for FYs 2011 through 2013 only, as agencies were not required to track this level of detail prior to FY 2011.

Table 5
Sources of Identifying Overpayments
(Dollars in Thousands)

	Current Year (FY 2013)		Previous Year (FY 2012)		Cumulative (FYs 2011 through 2013)	
Source	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered
Internal Efforts	$10,211	$9,376	$2,766	$3,442	$18,225	$17,126
Auditors (e.g., by the OIG or audits for OMB Circular A-133)	$6,520	$3,590	$2,017	$2,943	$14,447	$9,823
Vendors	$4,745	$4,663	$2,722	$2,671	$8,944	$8,993
Payment Recapture Audit Contractors	$505	$494	$0	$0	$505	$506
Total	$21,981	$18,123	$7,505	$9,056	$42,121	$36,448

Item VI. Accountability. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate) are held accountable for reducing and recovering improper payments. Specifically, they should be held accountable for meeting applicable improper payments reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents improper payments from being made and promptly detects and recovers any improper payments that are made.

Not applicable. Based on the results of the FY 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, which the Act deemed to be susceptible to significant improper payments, the Department will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

Item VII. Agency Information Systems and Other Infrastructure.

A. Describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

The results of the FY 2013 Department-wide risk assessment demonstrated that, overall, the Department has sufficient internal controls over disbursement activities to prevent improper payments. The assessment identified no programs susceptible to significant improper payments.

Department-wide actions to reduce improper payments are accomplished through an aggressive strategy of re-engineering and standardizing business processes, concurrent with the Department's implementation of an integrated financial management system, which is underway. As of the end of FY 2013, all Departmental components reported that they had sufficient internal controls, human capital, and the information systems and other infrastructure needed to reduce improper payments to targeted levels.

B. If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.

Not applicable. The continued implementation of the Department's integrated financial management system will complement the Department's current infrastructure and capabilities to reduce improper payments.

Item VIII. Barriers. Describe any statutory or regulatory barriers that may limit the agency's corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

The Department has not identified any statutory or regulatory barriers that limit its corrective actions in reducing improper payments.

Item IX. Additional Comments. Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified as a result of IPERA implementation.

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments and is committed to the continuous improvement of the overall disbursement management process. The Department's top-down approach for implementing the expanded requirements of the IPERA promotes consistency across the Department, both with regard to conducting the required risk assessment and for tracking and reporting payment recapture audit activities. In FY 2014, the Department will continue its efforts to further reduce improper payments, as well as improve the recovery rate for grants.

APPENDIX B

Acronyms

A

ACM	Asbestos Containing Materials
AFF	Assets Forfeiture Fund
AFF/SADF	Assets Forfeiture Fund and Seized Asset Deposit Fund
AFR	Agency Financial Report
APR	Annual Performance Report
ARRA	American Recovery and Reinvestment Act
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
ATR	Antitrust Division

B

BIA	Board of Immigration Appeals
BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BOP	Bureau of Prisons
Budget	Budget of the United States

C

CFO	Chief Financial Officer
CHRP	COPS Hiring Recovery Program (under Recovery Act)
CIV	Civil Division
COPS	Office of Community Oriented Policing Services
CPOT	Consolidated Priority Organization Target
CRM	Criminal Division
CRS	Community Relations Service
CRT	Civil Rights Division
CSCATL	Correctional Systems and Correctional Alternatives for Tribal Lands
CSRS	Civil Service Retirement System
CTD	Counterterrorism Division
CY	Calendar Year/Current Year

D

DCM	Debt Collection Management
DEA	Drug Enforcement Administration
Department, The	Department of Justice
DNA	Deoxyribonucleic Acid
DOJ	Department of Justice

DOL	Department of Labor

E

ENRD	Environment and Natural Resources Division
EOIR	Executive Office for Immigration Review
EOUSA	Executive Office for U.S. Attorneys

F

FAA	FISA Amendments Act
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FBWT	Fund Balance with U.S. Treasury
FCSC	Foreign Claims Settlement Commission
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance Program
FEHB	Federal Employees Health Benefits Program
FERS	Federal Employees Retirement System
FERS-RAE	Federal Employees Retirement System-Revised Annuity Employees System
FFMIA	Federal Financial Management Improvement Act
FISA	Foreign Intelligence Surveillance Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMPM	Financial Management Policy Memorandum
FPI	Federal Prison Industries, Inc.
FTE	Full-Time Equivalent
FTTTF	Foreign Terrorist Tracking Task Force
FY	Fiscal Year

G

GangTECC	National Gang Targeting, Enforcement, and Coordination Center
GAO	Government Accountability Office
GAN	Grant Adjustment Notice
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GPRAMA	GPRA Modernization Act of 2010
GPRS	Grant Payment Request System
GPS	Global Positioning System

I

IG	Inspector General
Integrity Act	Federal Managers' Financial Integrity Act
INTERPOL	International Criminal Police Organization
IPERA	Improper Payments Elimination and Recovery Act

IPIA	Improper Payments Information Act
IT	Information Technology

J

JMD	Justice Management Division

K

KG	Kilogram

L

LCM	Lower of average cost or market value
LLP	Limited Liability Partnership

N

N/A	Not Applicable
NGIC	National Gang Intelligence Center
NIJ	National Institute of Justice
NSD	National Security Division
NSL	National Security Letter

O

OBDs	Offices, Boards and Divisions
OCDETF	Organized Crime Drug Enforcement Task Forces
OIG	Office of the Inspector General
OIP	Office of Information Policy
OJP	Office of Justice Programs
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OLA	Office of Legislative Affairs
OLC	Office of Legal Counsel
OLP	Office of Legal Policy
OMB	Office of Management and Budget
OPA	Office of the Pardon Attorney
OPM	Office of Personnel Management
OPR	Office of Professional Responsibility
OSG	Office of the Solicitor General
OSG	Operational Section for Gangs
OTJ	Office of Tribal Justice
OVP	Office of the Vice President
OVW	Office on Violence Against Women

P

PAR	Performance and Accountability Report
PHS	Public Health Services
PRAO	Professional Responsibility Advisory Office
PREA	Prison Rape Elimination Act
PSOB Act	Public Safety Officers' Benefits Act of 1976
PY	Prior Year/Previous Year

R

RCA	Reports Consolidation Act of 2000
RECA	Radiation Exposure Compensation Act
Recovery Act	American Recovery and Reinvestment Act of 2009

S

SBF	Special Benefits Fund
SBR	Statement of Budgetary Resources
SDO	Suspending and Debarring Official
SFFAS	Statement of Federal Financial Accounting Standards
SG	Strategic Goal

T

TAX	Tax Division
Trust Fund	Federal Prison Commissary Fund
TSC	Terrorist Screening Center
TSP	Federal Thrift Savings Plan

U

UDO	Undelivered Orders
UFMS	Unified Financial Management System
USAs	United States Attorneys
USAO	United States Attorneys' Offices
USA PATRIOT	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
USIC	U.S. Intelligence Community
USMS	United States Marshals Service
USPC	United States Parole Commission
USSGL	U.S. Standard General Ledger
UST	United States Trustee

V

VOI/TIS	Violent Offender Incarceration and Truth-In Sentencing

APPENDIX C

Department Component Websites

Component	Website
American Indian and Alaska Native Affairs Desk (OJP)	www.ojp.usdoj.gov/programs/aiana.htm
Antitrust Division	www.justice.gov/atr/index.html
Bureau of Alcohol, Tobacco, Firearms and Explosives	www.atf.gov/
Bureau of Justice Assistance (OJP)	www.bja.gov/
Bureau of Justice Statistics (OJP)	www.bjs.gov/
Civil Division	www.justice.gov/civil/index.html
Civil Rights Division	www.justice.gov/crt/
Community Oriented Policing Services - COPS	www.cops.usdoj.gov/
Community Capacity Development Office (OJP)	www.ojp.usdoj.gov/ccdo/welcome_flash.html
Community Relations Service	http://www.justice.gov/crs/index.html
Criminal Division	www.justice.gov/criminal/
Diversion Control Program	www.deadiversion.usdoj.gov/
Drug Enforcement Administration	www.justice.gov/dea/
Environment and Natural Resources Division	www.justice.gov/enrd/
Executive Office for Immigration Review	www.justice.gov/eoir/
Executive Office for U.S. Attorneys	www.justice.gov/usao/eousa/
Executive Office for U.S. Trustees	www.justice.gov/ust/
Federal Bureau of Investigation	www.fbi.gov/
Federal Bureau of Prisons	www.bop.gov/
Foreign Claims Settlement Commission of the United States	www.justice.gov/fcsc/
INTERPOL Washington	www.justice.gov/interpol-washington/
Justice Management Division	www.justice.gov/jmd/
National Criminal Justice Reference Service (OJP)	www.ncjrs.gov/
National Institute of Corrections	www.nicic.gov/
National Institute of Justice (OJP)	www.ojp.usdoj.gov/nij/
National Security Division	www.justice.gov/nsd/
Office of the Associate Attorney General	www.justice.gov/asg/index.html
Office of the Attorney General	www.justice.gov/ag/
Office of the Deputy Attorney General	www.justice.gov/dag/
Office of the Federal Detention Trustee	www.justice.gov/ofdt/index.html
Office of Information Policy	www.justice.gov/oip/oip.html
Office of the Inspector General	www.justice.gov/oig/
Office of Intelligence Policy and Review	www.justice.gov/nsd/oipr-redirect.htm
Office of Justice Programs	www.ojp.usdoj.gov/
Office of Juvenile Justice and Delinquency Prevention (OJP)	www.ojjdp.gov/
Office of Legal Counsel	www.justice.gov/olc/index.html
Office of Legal Policy	www.justice.gov/olp/
Office of Legislative Affairs	www.justice.gov/ola/
Office of the Pardon Attorney	www.justice.gov/pardon/
Office of Professional Responsibility	www.justice.gov/opr/index.html
Office of Public Affairs	www.justice.gov/opa/index.html
Office of the Solicitor General	www.justice.gov/osg/
Office of Tribal Justice	www.justice.gov/otj/index.html
Office for Victims of Crime (OJP)	www.ojp.usdoj.gov/ovc/
Office on Violence Against Women	www.ovw.usdoj.gov/
Tax Division	www.justice.gov/tax/
U.S. Attorneys	www.justice.gov/usao/
U.S. Marshals Service	www.justice.gov/marshals/
U.S. Parole Commission	www.justice.gov/uspc/

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We Welcome Your Comments and Suggestions!

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