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

# FY 2014
# AGENCY FINANCIAL REPORT

U.S. DEPARTMENT OF JUSTICE

# Department Overview

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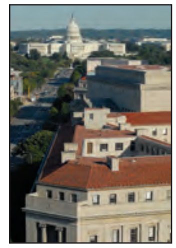


## History and Enabling Legislation

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.

## 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.

## 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

## 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 2014 AGENCY FINANCIAL REPORT

NOVEMBER 2014

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

November 12, 2014

## A MESSAGE FROM THE ATTORNEY GENERAL

As Attorney General, I have been privileged to lead our nation's Department of Justice in the critical work of protecting the American people and extending the promise of equal justice under law. Despite growing demands, evolving threats, and significant budgetary challenges, I am proud to report that the department's law enforcement and litigating components have never been more aggressive, more innovative, or more effective; and that, across the department, our commitment to integrity, accountability, and the highest standards of professionalism has never been stronger.

Defending the United States from terrorism and other threats to national security remains the department's greatest responsibility and highest priority. Last year, the Department of Justice continued to strengthen key intelligence-gathering capabilities, refine our ability to identify and disrupt potential terrorist plots, and ensure that those charged with terrorism-related offenses can be held accountable to the fullest extent of the law. And we have repeatedly proven – through convictions of individuals like Sulaiman Abu Ghayth, and hundreds of others, on terrorism-related charges – that America's Article III court system is well-positioned to achieve justice in terrorism cases.

Of course, in carrying out the department's mission to protect our national security, it is imperative that we continue to uphold – and to strengthen – the essential rights and civil liberties that have always defined our country. Over the last year, we have taken significant steps forward in this regard by allowing more detailed disclosures about the number of national security orders and requests that were issued to communications providers, the number of customer accounts targeted under those orders and requests, and the underlying legal authorities. We continued to enforce essential privacy protections and safeguards concerning data possessed by the government as well as the private sector. And we have taken seriously reports of any data breach – particularly those involving personally identifiable or financial information – and vigorously investigated all allegations that were brought to our attention.

We are also fully engaged in fighting for consumers around the country. In FY 2014, the department reached a historic settlement with Bank of America totaling over $16.6 billion in penalties and consumer relief in our ongoing effort to protect the American people from financial fraud and to hold accountable those whose conduct contributed to the worst economic crisis since the Great Depression. The historic results we've obtained in this case and others demonstrate that no company, no matter how profitable, is above the law. And these outcomes reinforce our steadfast commitment to integrity and equal justice in every case, in every circumstance, and in every community.

In recent years, this commitment has been particularly evident in the department's work to safeguard communities that have been too often overlooked and too often underserved. We have worked diligently with our federal agency partners to extend applicable benefits to legally married same-sex couples as we continue to implement the Supreme Court's ruling in *United States v. Windsor*, helping to make real the promise of equal protection under the law for all American families. And the department has vigorously enforced federal voting protections in order to help ensure that every eligible American can cast his or her ballot free from intimidation, discrimination, and obstruction.

Beyond all of this work, we have taken historic action to make fundamental, commonsense changes to the federal criminal justice system through the "Smart on Crime" initiative that I announced last year – to strengthen the system across the board; to increase our emphasis on proven diversion, rehabilitation, and reentry programs; and to reduce unnecessary collateral consequences for those seeking to rejoin their communities. These changes will make our criminal justice system more fair, more efficient, and more effective. And in the years ahead, they will continue to drive our broad-based work to reduce crime and ensure justice for everyone in this country.

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 2014 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 2014, the department earned an unmodified, i.e. "clean" audit opinion on our consolidated financial statements. For the fourth 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 Federal Bureau of Investigation going live in FY 2014. 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 remain unyielding in our efforts to prevent terrorism, fight violent crime, prosecute financial fraud, protect our most vulnerable citizens, and carry out the entirety of our critical mission.

Eric H. Holder, Jr.
Attorney General

# AFR

## U.S. Department of Justice – FY 2014 Agency Financial Report

## Table of Contents

## Section III: Management Section



## Appendices

# AFR Introduction (Unaudited)

## This Report's Purpose and Reporting Process

The Agency Financial Report (AFR) is the Department of Justice's (DOJ or the Department) 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 November 12, 2014.

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 2013 and FY 2014 and reports on all accounts and associated activities of each office, bureau, and activity of the Department. The Department's FY 2014 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 2014-2018 is available electronically at http://www.justice.gov/jmd/strategic-plan-fiscal-years-2014-2018-0). The Strategic Plan includes three strategic goals and related objectives, which are referred to throughout this report.

## 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.

**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 2014 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 plan required by the FMFIA for the internal control weakness.

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

This report is available at http://www.justice.gov/ag/fy-2014-agency-financial-report.

## 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) 2014-2018, 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 2014 – 2018 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/strategic-plan-fiscal-years-2014-2018-0.

The table below provides an overview of the Department's FY 2014 - 2018 strategic goals and objectives.

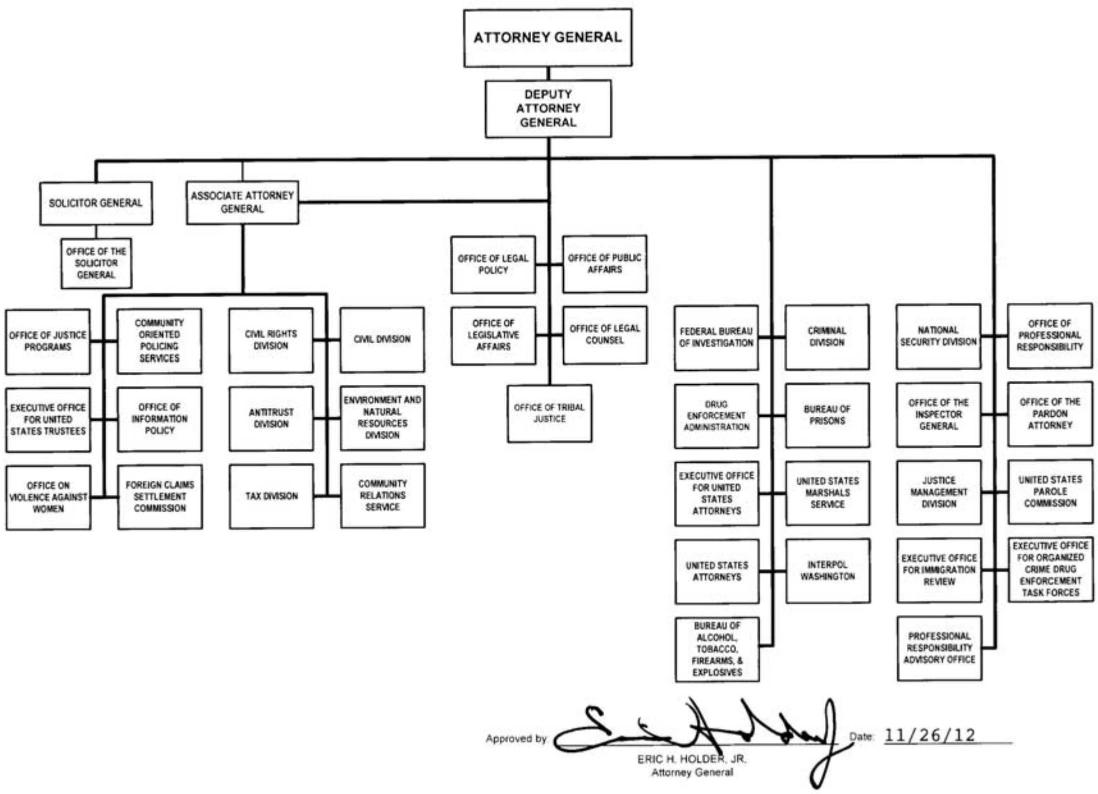
| Strategic Goal | | Strategic Objectives |
|---|---|---|
| **1** | Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law | **1.1** Prevent, disrupt, and defeat terrorist operations before they occur by integrating intelligence and law enforcement efforts to achieve a coordinated response to terrorist threats<br><br>**1.2** Prosecute those involved in terrorists acts<br><br>**1.3** Investigate and prosecute espionage activity against the United States, strengthen partnerships with potential targets of intelligence intrusions, and proactively prevent insider threats<br><br>**1.4** Combat cyber-based threats and attacks through the use of all available tools, strong public-private partnerships, and the investigation and prosecution of cyber threat actors |
| **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 by leveraging strategic partnerships to investigate, arrest, and prosecute violent offenders and illegal firearms traffickers<br><br>**2.2** Prevent and intervene in crimes against vulnerable populations and uphold the rights of, and improve services to, America's crime victims<br><br>**2.3** Disrupt and dismantle major drug trafficking organizations to combat the threat, trafficking, and use of illegal drugs and the diversion of licit drugs<br><br>**2.4** Investigate and prosecute corruption, economic crimes, and transnational organized crime<br><br>**2.5** Promote and protect American civil rights by preventing and prosecuting discriminatory practices<br><br>**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 law enforcement agencies, organizations, prosecutors, and defenders through innovative leadership and programs<br><br>**3.2** Protect judges, witnesses, and other participants in federal proceedings by anticipating, deterring, and investigating threats of violence<br><br>**3.3** Provide safe, secure, humane, and cost-effective confinement and transportation of federal detainees and inmates<br><br>**3.4** Reform and strengthen America's criminal justice system by targeting the most serious offenses for federal prosecution, expanding the use of diversion programs, and aiding inmates in reentering society<br><br>**3.5** Apprehend fugitives to ensure their appearance for federal judicial proceedings or confinement<br><br>**3.6** Prevent and respond to genocide and mass atrocities and ensure that perpetrators of such crimes are held accountable in the United States, and if appropriate, their home countries<br><br>**3.7** Adjudicate all immigration cases promptly and impartially in accordance with due process<br><br>**3.8** Strengthen the government-to-government relationship between tribes and the United States, improve public safety in Indian Country, and honor treaty and trust responsibilities through consistent, coordinated policies, activities, and litigation |

## Organizational Structure

Led by the Attorney General, the Department is comprised of forty separate component organizations. More than 112,000 employees ensure that the Department carries out the individual missions of its components. 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.

# U.S. DEPARTMENT OF JUSTICE



## 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**

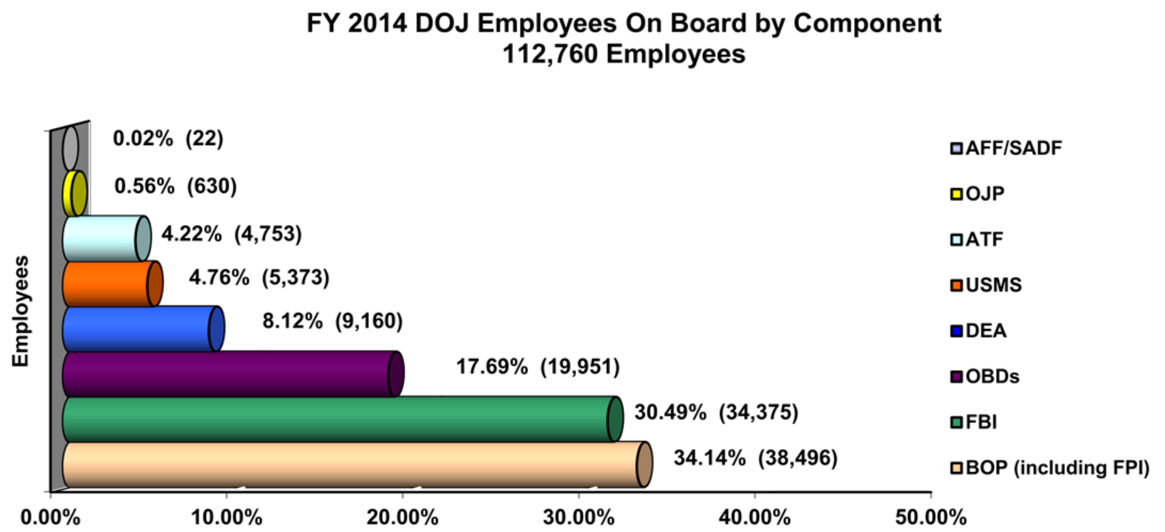
Foreign Claims Settlement Commission
U.S. Parole Commission

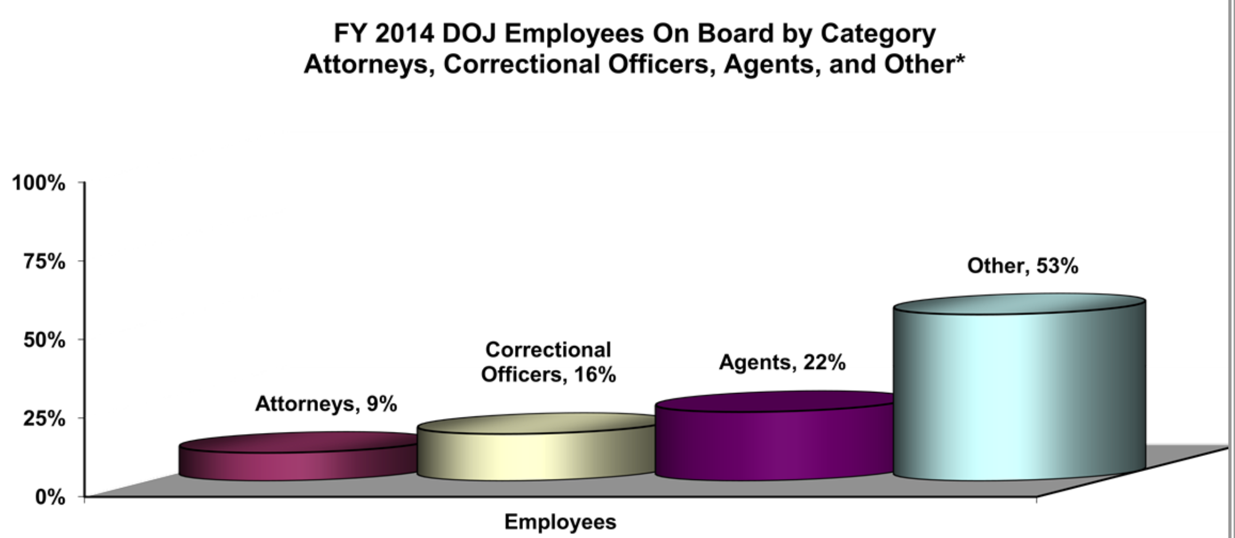
**Divisions**

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

## FY 2014 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2014. The charts on this page reflect employees on board as of September 20, 2014.



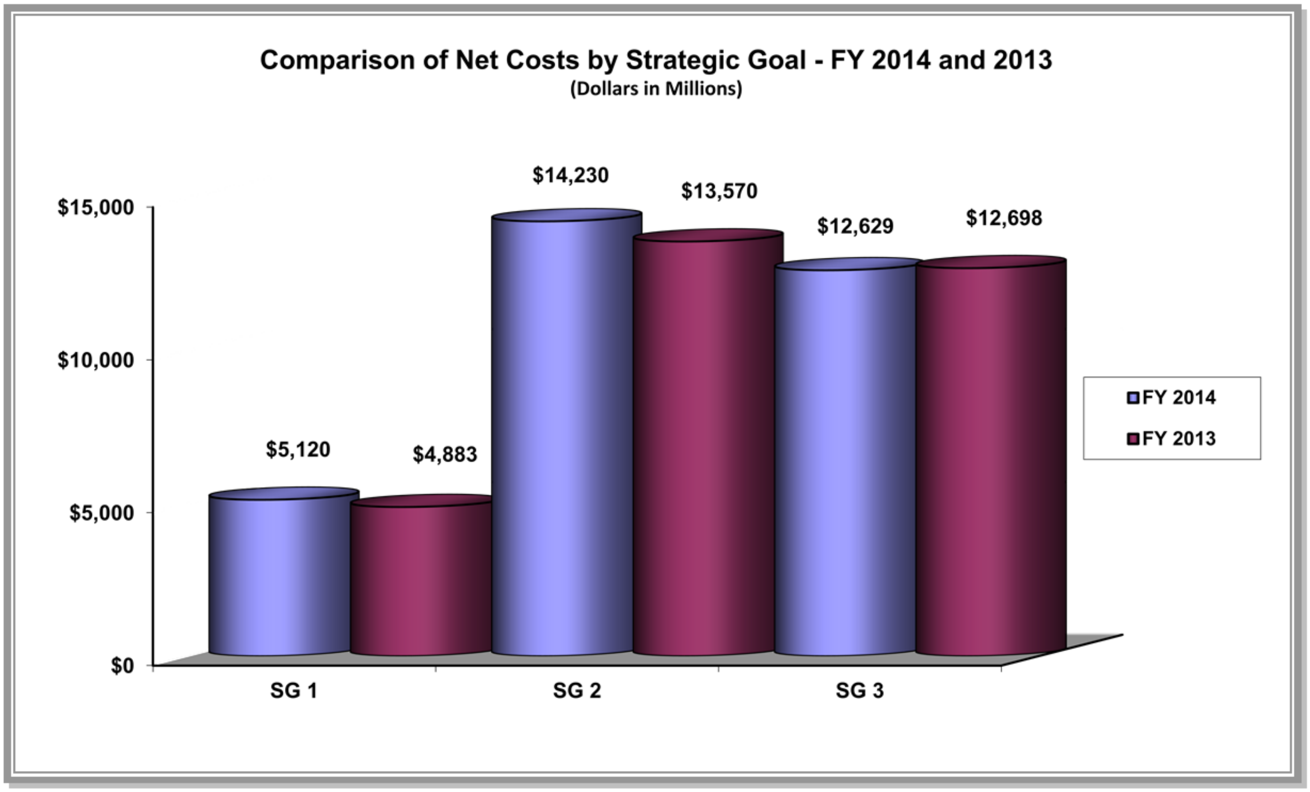

*"Other" includes pay class categories such as paralegals, intelligence analysts, financial managers, procurement officers, evidence technicians, and security specialists.

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

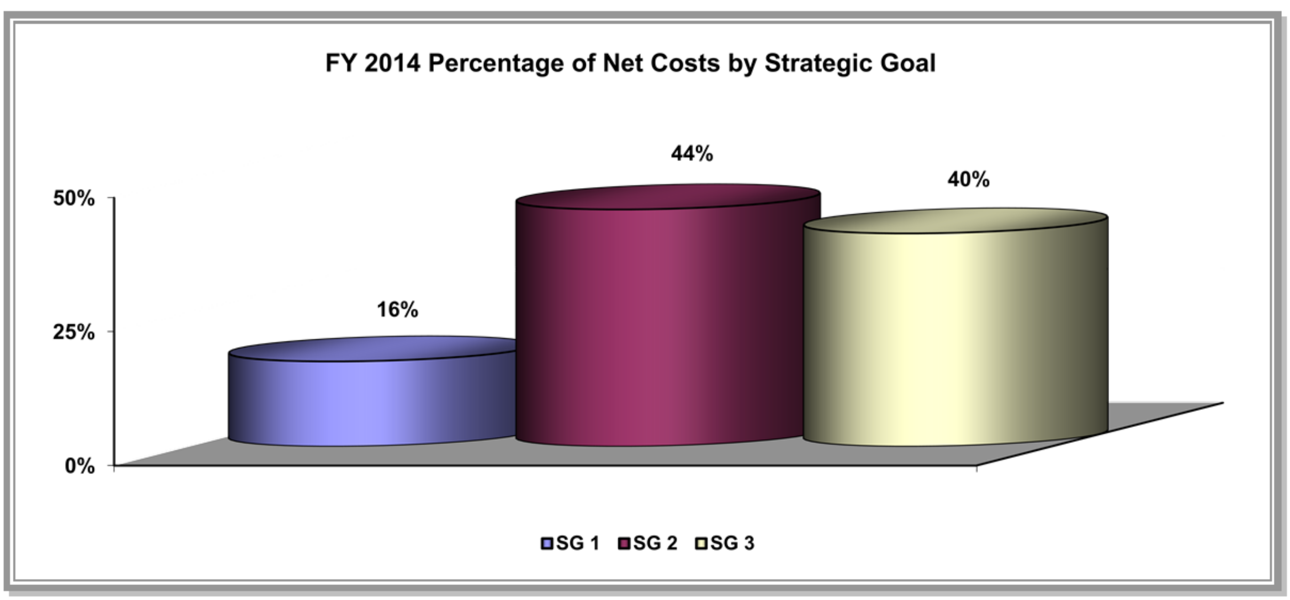
| Source | FY 2014 | FY 2013 | % Change |
|---|---|---|---|
| **Earned Revenue:** | $3,251,190 | $3,113,417 | **4.4%** |
| **Budgetary Financing Sources:** | | | |
| Appropriations Received | 27,997,724 | 28,123,027 | **(0.5)%** |
| Appropriations Transferred-In/Out | 345,106 | 255,845 | **34.9%** |
| Nonexchange Revenues | 3,598,993 | 1,496,352 | **140.5%** |
| Donations and Forfeitures of Cash and Cash Equivalents | 4,158,820 | 1,826,480 | **127.7%** |
| Transfers-In/Out Without Reimbursement | (595,090) | 140,230 | **(524.4)%** |
| Other Adjustments | (302,829) | (2,576,563) | **88.3%** |
| **Other Financing Sources:** | | | |
| Donations and Forfeitures of Property | 308,307 | 185,772 | **66.0%** |
| Transfers-In/Out Without Reimbursement | 3,635 | 2,080 | **74.8%** |
| Imputed Financing from Costs Absorbed by Others | 939,382 | 801,659 | **17.2%** |
| Other Financing Sources | (8,193) | (6,166) | **(32.9)%** |
| **Total DOJ Resources** | **$39,697,045** | **$33,362,133** | **19.0%** |

## Table 2. How DOJ Resources Are Spent
**(Dollars in Thousands)**

| | Strategic Goal (SG) | FY 2014 | FY 2013 | % Change |
|---|---|---|---|---|
| **1** | Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law | | | |
| | Gross Cost | $5,459,954 | $5,298,969 | |
| | Less: Earned Revenue | 340,166 | 415,733 | |
| | *Net Cost* | 5,119,788 | 4,883,236 | **4.84%** |
| **2** | Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law | | | |
| | Gross Cost | 15,878,744 | 14,933,060 | |
| | Less: Earned Revenue | 1,648,894 | 1,432,506 | |
| | *Net Cost* | 14,229,850 | 13,569,554 | **4.87%** |
| **3** | Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels | | | |
| | Gross Cost | 13,891,586 | 13,972,418 | |
| | Less: Earned Revenue | 1,262,130 | 1,274,178 | |
| | *Net Cost* | 12,629,456 | 12,698,240 | **(0.54)%** |
| | | | | |
| | **Total Gross Cost** | **35,230,284** | **34,264,447** | |
| | **Less: Total Earned Revenue** | **3,251,190** | **3,113,417** | |
| | ***Total Net Cost of Operations*** | **$31,979,094** | **$31,151,030** | **2.66%** |



Comparison of Net Costs by Strategic Goal - FY 2014 and 2013
(Dollars in Millions)
$15,000
$10,000
$5,000
$0
$5,120
$4,883
$14,230
$13,570
$12,629
$12,698
SG 1
SG 2
SG 3
FY 2014
FY 2013

FY 2014 Percentage of Net Costs by Strategic Goal
50%
25%
0%
16%
44%
40%
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 30, 2014 and 2013. 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 2014. 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, 2014, shows $47.0 billion in total assets, an increase of $5.6 billion over the previous year's total assets of $41.4 billion. Fund Balance with U.S. Treasury (FBWT) was $26.9 billion, which represented 57.2 percent of total assets.

**Liabilities:** Total Department liabilities were $16.6 billion as of September 30, 2014, an increase of $1.3 billion from the previous year's total liabilities of $15.3 billion. This change is primarily due to the significant increase of activities related to forfeitures of which will subsequently be paid to third parties when settlements are reached.

**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 $32 billion for the fiscal year ended September 30, 2014, an increase of $0.8 billion from the previous year's net cost of operations of $31.2 billion. This increase is related to an overall increase in victim cases related to third party payments and forfeitures.

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 (OLC), 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, 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 2014 Combined Statement of Budgetary Resources shows $44.1 billion in total budgetary resources, an increase of $4.6 billion from the previous year's total budgetary resources of $39.5 billion. The increase shown on the Other Adjustment line in Table 1 is primarily attributed to forfeitures, permanent cancellations, non- exchange revenues, and recoveries.

**Net Outlays:** The Department's FY 2014 Combined Statement of Budgetary Resources shows $29.0 billion in net outlays, a decrease of $1.2 billion from the previous year's total net outlays of $30.2 billion. This decrease is primarily related to forfeitures, permanent cancellations, and receipts.

## Summary of Performance Information

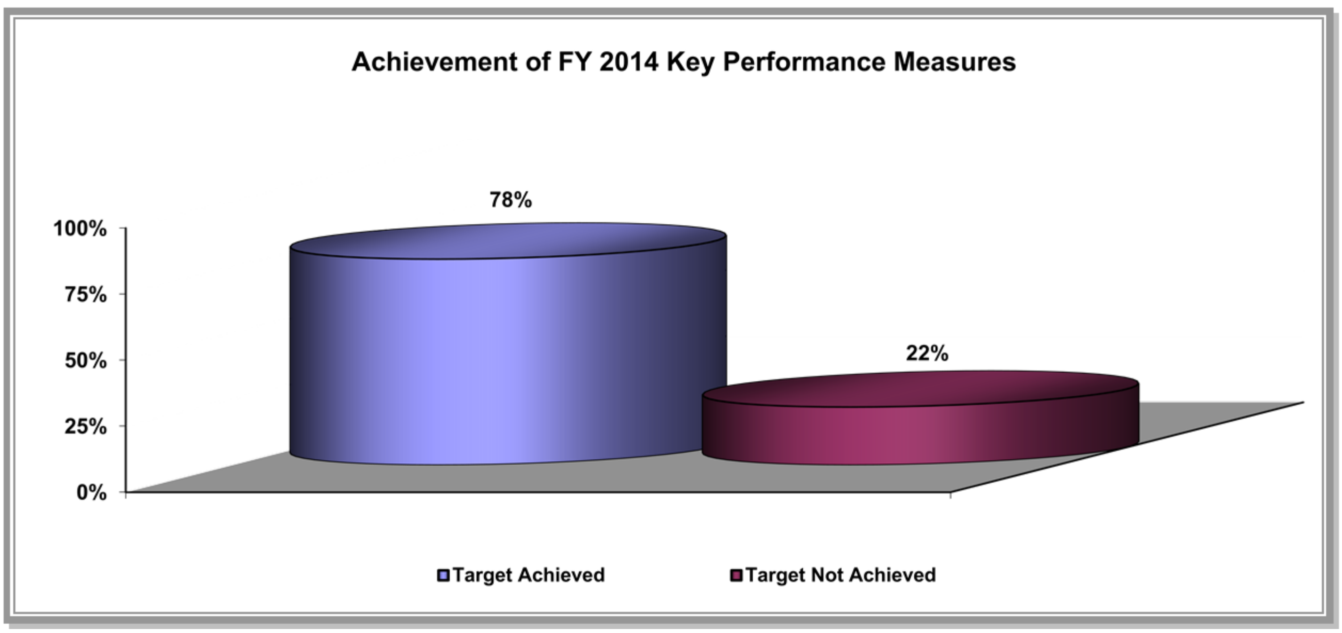
The Government Performance and Results Act Modernization Act of 2010 (GPRAMA) requires an agency's Strategic Plan to be updated every four years and cover a period of not less than four years forward from the fiscal year in which it is submitted.

The Department's FY 2014-2018 Strategic Plan, which contains three strategic goals, is used for this report. The Department's Plan also includes 30 key performance measures addressing DOJ's priorities toward achieving its long-term outcome goals. The performance measures are summarized in this document. The Department's full Performance Report for these measures will be reported in the Department's FY 2014 Annual Performance Report/FY 2016 Annual Performance Plan and submitted with the President's Budget in February 2015. The Department strives to present the highest-level outcome-oriented measures available.

During FY 2014, 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, 84 percent of the performance measures have actual data for FY 2014. The Department achieved 78 percent of its key measures that had data available as of September 30, 2014. For some of the performance measures, the actual data will not be available until early 2015. 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.

The chart below and the table that follows summarize the Department's achievement of its FY 2014 long-term outcome goals (key performance measures).



## FY 2014 Long-term Outcome Goals
## (Key Performance Measures)

| | [ ] Designates the reporting entity | FY 2013 Revised Actual | FY 2014 Target | FY 2014 Actual | Target Achieved/ Not Achieved |
|---|---|---|---|---|---|
| **Strategic Objective** | **Strategic Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law** | | | | |
| 1.1 | Number of terrorism disruptions [FBI] | N/A* | 50* | 214 | Met |
| 1.2 | Percentage of counterterrorism defendants whose cases were favorably resolved [NSD] | 90% | 90% | 92% | Met |
| 1.3 | Percentage of counterespionage actions and disruptions against national counterintelligence priorities that result from FBI outreach [FBI] | N/A* | 10%* | 7.3% | Not Met |
| | Percentage of counterespionage defendants whose cases were favorably resolved [NSD] | 100% | 90% | 98% | Met |
| 1.4 | Number of computer intrusion program disruptions and dismantlements [FBI] | N/A* | 100* | 2,492 | Met |
| | Percentage of cyber defendants whose cases were favorably resolved [NSD] | N/A* | 90%* | N/A** | N/A |

| Strategic Objective | **[ ]** Designates the reporting entity | **FY 2013 Revised Actual** | **FY 2014 Target** | **FY 2014 Actual** | **Target Achieved/ Not Achieved** |
|---|---|---|---|---|---|
| | **Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law** | | | | |
| 2.1 | Number of gangs/criminal enterprise dismantlements (non-CPOT) [FBI] | 251 | 99 | 167 | Met |
| | Percent of criminal cases favorably resolved [USA, CRM] | 92% | 90% | 93% | Met |
| 2.2 | Number of communities with improved capacity for a coordinated response to domestic violence, dating violence, sexual assault, and stalking [OVW] | 5,035 | 5,008 | TBD**** | TBD |
| | Percent of children recovered within 72 hours of an issuance of an AMBER alert [OJP] | 94.9% | 90% | 97% | Met |
| 2.3 | Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data-OCDETF)] | | | | |
| | Dismantled | 219 | 150 | 208 | Met |
| | Disrupted | 500 | 350 | 431 | Met |
| 2.4 | Number of criminal enterprises engaging in white collar crime dismantled [FBI] | 458 | 368 | 464 | Met |
| | Percentage of dollar amounts sought by the government recovered [CIV] | 85% | 85% | 85% | Met |
| 2.5 | Percent of civil rights cases favorably resolved: criminal cases [CRT] | 94% | 85% | 90% | Met |
| | Percent of civil rights cases favorably resolved: civil cases [CRT] | 84% | 85% | 99% | Met |
| 2.6 | Case resolution for DOJ litigating divisions – percent of criminal cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA] | 92% | 90% | 93% | Met |
| | Case resolution for DOJ litigating divisions – percent of civil cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA] | 85% | 80% | 83% | Met |

| Strategic Objective | [ ] Designates the reporting entity | FY 2013 Revised Actual | FY 2014 Target | FY 2014 Actual | Target Achieved/ Not Achieved |
|---|---|---|---|---|---|
| | **Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels** | | | | |
| 3.1 | Percent of grantees implementing one or more evidence-based programs [OJP/OJJDP] | 66% | 53% | TBD*** | TBD |
| 3.2 | Assaults against protected court members [USMS] | 0 | 0 | 0 | Met |
| 3.3 | Percent of system-wide crowding in federal prisons [BOP] | 36% | 33% | 30% | Met |
| 3.4 | Number of inmate participants in the Residential Drug Abuse Program [BOP] | 15,891 | 16,812 | 18,102 | Met |
| | Percent of youths who exhibit a desired change in the targeted behavior [OJP] | 71% | 71% | TBD*** | TBD |
| 3.5 | Percent and number of USMS federal fugitives apprehended or cleared [USMS] | 64%/32,811 | 58%/30,711 | 63%/30,792 | Met |
| | Number of red and green notices published on U.S. fugitives and sex offenders [IPOL] | Red-473<br>Green-769 | Red-487<br>Green-792 | Red-431<br>Green-655 | Not Met<br>Not Met |
| 3.6 | Number of training sessions or presentations given with the goal of building the capacity of foreign law enforcement, prosecutors, and judicial systems regarding the investigation and prosecution of serious criminal offenses, including genocide and mass atrocities [CRM] | N/A* | N/A* | 1,237 | Met |
| 3.7 | Percent of Institutional Hearing Program cases completed before release [EOIR] | 83% | 85% | 79% | Not Met |
| | Percent of detained cases completed within 60 days [EOIR] | 73% | 85% | 74% | Not Met |
| | Percent of detained appeals completed within 150 days [EOIR] | 97% | 90% | 93% | Met |
| 3.8 | Number of meetings conducted with the Tribal Nations Leadership Council and the OTJ to further the government-to-government relationship between tribes and the Department, obtain perspective on the Department's activities in Indian Country, and raise issues that have tribal implications [OTJ] | N/A* | 14* | 12 | Not Met |
| | Number of individuals in Indian Country that are receiving substance abuse treatment services (in-patient or out-patient), including Healing-to-Wellness Court [OJP] | N/A* | N/A* | TBD**** | TBD |

*New measure baselined in FY 2014.
**There were no cyber cases resolved during FY 2014.
***Final actual figures will be available in May 2015.
****Final actual figure will be available in December 2014.

## FY 2014 – 2015 Priority Goals

Federal agencies are required 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 represent critical elements of a federal agency's strategic plan and are linked to the larger DOJ policy framework and strategic plan goals.

The Department developed a new set of FY 2014-2015 Priority Goals to replace the FY 2012-2013 Priority Goals.  The new Priority Goals align with the FY 2014-2018 Strategic Plan, and are reported on a quarterly basis via www.performance.gov.  The FY 2014-2015 Priority Goals are:

Priority Goal 1, National Security:  Protect Americans from terrorism and other threats to National Security, including cyber security threats.
By September 30, 2015, the Department of Justice will:

- Disrupt 125 terrorist threats and groups and disrupt and dismantle 200 cyber threat actors

Terrorism is the most significant national security threat that 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.

Status:  The Department of Justice made significant achievements in its National Security Priority Goal for FY 2014.  The Department surpassed its annual FY 2014 targets for both its cyber and its counterterrorism performance measures, and also leveraged technology to effectively share intelligence with the U.S. Intelligence Community and Law Enforcement via the Guardian and eGuardian systems.  The Department's Guardian threat and incident tracking system is also now being used by all six federal Cybersecurity Centers for the purpose of coordinating and tracking cyber incidents and for all contact with victim entities.

Throughout FY 2014, the FBI executed its cyber mission by identifying, pursuing, and defeating cyber adversaries targeting global U.S. interests.  For FY 2014, the FBI had a total of 2,492 cyber disruptions and dismantlements, substantially exceeding its baseline performance target of 100 disruptions and dismantlements because of significant, coordinated operational activity.  In May 2014, the FBI New York Field Office announced the results of the largest law enforcement cyber action in U.S. history.  This takedown was of a particularly insidious computer malware known as Blackshades, which was sold and distributed to thousands of people in more than 100 countries and was used to infect more than half a million computers worldwide.

The number of terrorism disruptions effected through counterterrorism investigations greatly surpassed its annual target by 428% (214 vs. 50).  In executing the FBI's number one priority to protect the U.S. from terrorist attacks, disruptions remain a key statistic that directly speaks to its counterterrorism responsibilities. The FBI is committed to stopping terrorism of any kind at any stage as evidenced by its transformation into a proactive agency.

Priority Goal 2, Violent Crime: Protect our Communities by Reducing Gun Violence using smart prevention and investigative strategies in order to prevent violent acts from occurring.
By September 30, 2015, the Department will:

- Increase the number of records submitted to the National Instant Criminal Background Check System (NICS) Index by states and federal agencies by 10%;
- Increase the number of records entered into the National Integrated Ballistic Information Network (NIBIN) by 3%; and
- Increase the number of NIBIN "hits", that is, the linkage of two or more separate crime scene investigations, based upon comparisons of the markings made on fired ammunition recovered from crime scenes by 3%.

Gun-related violence continues to constitute a serious threat to public safety throughout the United States. While data shows that overall violent crime in the United States has decreased in the past thirty years, many communities continue to experience high levels of gun violence. The Department recognizes that the challenges confronting each community are different and require solutions tailored to each community's needs. The Department will focus its actions and resources on 1) gun-violence prevention, by effecting an increase in the number of records submitted to NICS Index, which in turn supports the Department's efforts to accurately and expeditiously identify persons who are legally prohibited from possessing firearms and 2) enhanced and more effective investigation by substantially increasing the number of records entered into NIBIN that contribute to investigative leads. Collectively, accomplishment of these goals will demonstrate and facilitate our progress in preventing and investigating gun-related violent crime.

Status: The Department exceeded its FY 2014 targets for the three performance measures for the Violent Crime Priority Goal. The number of records submitted to the NICS Index in FY 2014 exceeded the Department's annual target of 1,104,426 submitted records by 476,470 records for a total of 1,580,896 records or by 43%. As a result of this action, 87,160 persons were legally denied firearms due to the expeditious and accurate NICS background check and denial process. For the measure concerning the increase in the number of entries submitted to ATF's NIBIN system, the Department also exceeded its target of 172,826 submitted records by 33,685 records for a total of 206,511 records or 19.4%. 11,506 NIBIN "hits" or a linkage of crime scene investigations as a result of NIBIN data made in FY 2014 surpassed the Department's annual target of 5,769 hits by 5,737 hits or by 199%.

During FY 2014, the Department also conducted a vigorous outreach program with its law enforcement partners and conducted numerous training activities. 2,726 federal, state, and local users were trained in the uses of NIBIN and 2,058 investigators and analysts were trained to identify how NIBIN can assist in the investigation process. NIBIN presentations were made to task force officers, conferences such as the International Homicide Investigators Conference and the Major City Chiefs Association, and numerous meetings with its law enforcement partners.

Priority Goal 3, Financial and Healthcare Fraud: Reduce financial and healthcare fraud.
By September 30, 2015, the Department of Justice will:

- Reduce by 3%, the number of financial and healthcare fraud investigations pending longer than 2 years to efficiently and effectively drive those investigations to resolution.

Criminals who commit financial fraud, be it mortgage fraud, securities, and commodities fraud, or insider trading, victimize the American public as a whole by undermining the fairness that is critical to all who participate in our economy – from homeowners and private investors to major business leaders. 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 healthcare for all Americans and endangering the short-term and long-term solvency of these essential healthcare programs. The Department will continue to address these critical problems by vigorously investigating and prosecuting both healthcare fraud and financial fraud, in order to protect American businesses, consumers, and taxpayers.

Status: The Department made significant progress in FY 2014 in reducing the number of financial and healthcare fraud investigations pending longer than 2 years. Through the end of FY 2014, the Department had reduced the number of pending investigations to 4,753, which is 7% below the annual target of 5,075. The decrease in number is due to greater attention to and focus on financial and healthcare fraud investigations pending longer than two years ("aging matters") by United States Attorneys' Offices.

The investigation of complex health care and financial fraud schemes necessarily require a greater commitment of time and resources than typical fraud matters. Such investigations often require a mastery of the regulatory scheme governing the underlying government program at issue, the interview of a multitude of witnesses, analyses of massive amounts of documentary material, and the coordination of numerous federal and state law enforcement authorities with responsibility over such matters. Nevertheless, there are compelling reasons to move these matters in as expeditious a manner as possible.

The Department will continue to vigorously investigate and prosecute both financial fraud and healthcare fraud related cases in order to protect American businesses, consumers, and taxpayers. As an example, the Department came to a resolution with global health care giant Johnson & Johnson (J&J) and its subsidiaries to pay more than $2.2 billion to resolve criminal and civil liability arising from allegations relating to the prescription drugs Risperdal, Invega, and Natrecor, including promotion for uses not approved as safe and effective by the Food and Drug Administration and payment of kickbacks to physicians and to the nation's largest long-term care pharmacy provider. The global resolution is one of the largest health care fraud settlements in U.S. history, including criminal fines and forfeiture totaling $485 million and civil settlements with the federal government and states totaling $1.72 billion.

Priority Goal 4, Vulnerable People: Protect vulnerable populations by increasing the number of investigations and litigation matters concerning child exploitation, human trafficking, and non-compliant sex offenders; and by improving programs to prevent victimization, identify victims, and provide services. By September 30, 2015, working with federal, state, local, and tribal partners, protect potential victims from abuse and exploitation through three sets of key indicators:

- Open investigations concerning non-compliant sex offenders (4% over average of FYs 2012, 2013), sexual exploitation of children (3% over average of FYs 2011, 2012, 2013), and human trafficking (2% over FY 2013**)**
- Open litigation matters concerning sexual exploitation of children and human trafficking (5% increase over baseline)
- Percent of children recovered within 72 hours of issuance of an AMBER alert (90%)

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 its FY 2014 Vulnerable People Priority Goal annual performance measure targets for four out of six of its performance measures. Opened investigations concerning non-compliant sex offenders exceeded the annual target (1,805) by 254 or 14%. Opened litigation matters concerning the sexual exploitation of children exceeded the annual target (5,295) by 645 or 12%. Opened investigations concerning human trafficking exceeded the annual target (216) by 71 or 33%. Within 72 hours of an issuance of an AMBER alert, recover at least 90% of the children reported missing exceeded its annual target (90%) by attaining a 97% recovery rate.  The fifth measure, opened litigation matters concerning human trafficking, achieved 98% (164) of its annual target (167).  These matters are a result of referrals from the FBI and agencies outside the Department of Justice.  The number of referrals varies and is outside the Department's control.  The sixth measure, opened investigations concerning the sexual exploitation of children, achieved 99% of its FY 2014 annual target (3,006).  Productivity was negatively impacted in FY 2014 due to the fiscal climate associated with sequestration and the corresponding government shutdown in the 1st quarter.

During FY 2014, to address the mistreatment of elderly persons, the Department launched its Elder Justice website and, with the Department of Health and Human Services, released the Elder Justice Roadmap Report, a resource for combatting and preventing elder abuse.  Also in FY 2014, in its efforts to improve the federal response to the needs of American Indian and Alaska Native children, the Department reviewed systems for background checks for providers of services and identified areas for enhanced efficiency and reliability; created a chart to track health, safety, and welfare systems; and developed a training calendar for federal, tribal, and state criminal justice and social service personnel.  To serve victims of human trafficking, in FY 2014, the Department, with other agencies, developed the Federal Strategic Action Plan on Services for Victims of Trafficking in the United States; created a public service announcement on human and labor trafficking, featuring survivors of trafficking; and released two studies of labor trafficking.

# 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 of this document.

Departmental management continued in FY 2014 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). The Department also assessed whether its financial management systems conform to financial system requirements (FMFIA § 4). Based on the results of the assessments, we can provide qualified assurance that the Department's 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 30 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, 2014, 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, we can provide reasonable assurance that the Department's internal control over financial reporting was operating effectively as of June 30, 2014. The assessment did not identify any material weaknesses in the design or operation of the controls. The Department is reviewing a matter related to accounting closeout procedures for canceled appropriations with the Department of the Treasury and OMB and expects to complete the review in FY 2015.

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 the 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 internal review activities, by the Office of the Inspector General, and by the Government Accountability Office. We look forward in FY 2015 to building on our achievements as we continue the important work of the Department.

Eric H. Holder, Jr.
Attorney General
November 12, 2014

## 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. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices. Guidance for implementing the FFMIA is provided through OMB Circular A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996.*

## FFMIA Compliance Determination

During FY 2014, 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 one remaining major non-integrated legacy accounting system 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 2014, 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, AFMS, and FBI which occurred in FYs 2011 through 2014. The UFMS implementation goals 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 enabled components to improve financial and budget management and realize increased efficiencies. 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 Lack of Substantial Compliance Noted | No Lack of Substantial Compliance Noted |
| **Accounting Standards** | No Lack of Substantial Compliance Noted | No Lack of Substantial Compliance Noted |
| **USSGL at Transaction Level** | No Lack of Substantial Compliance Noted | No Lack of Substantial Compliance Noted |

## Summary of Material Weakness and Corrective Actions

A summary of the material weakness identified in the Department's FY 2014 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, 2014, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 30 percent. The BOP's Long Range Capacity Plan relies on multiple approaches to house the 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 2016 is projected to be 17 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 follows of actions taken by Departmental management in FY 2014 for continuous implementation of the Improper Payments Information Act of 2002 (IPIA), as amended.[2] Additional details, as well as the Department's submission of the required improper payments reporting, are provided in Appendix A.

## Risk Assessment

The IPIA, as amended, and OMB implementing guidance, OMB Circular A-123, Appendix C, *Requirements for Effective Estimation 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 1.5 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, 2014, 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. The OMB implementing guidance requires agencies to report on the funding received under the Act beginning in FY 2014. In accordance with the requirements, the Department's IPIA reporting in Appendix A addresses the funding received under the Disaster Relief Act as susceptible to significant improper payments.

## 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. 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.

In FY 2014, as required by the IPIA, as amended, and OMB implementing guidance, the Department measured payment recapture performance and updated its payment recovery rate targets through FY 2017. Based on performance through the period ended September 30, 2014, the Department achieved a payment

[2] The IPIA was amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

recovery rate of 86 percent for the cumulative period of FYs 2004 through 2014. Additional details, to include the Department's annual payment recovery rate, are provided in Appendix A of this document.

## 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.

### Budget Constraints and Uncertainties

- The Department's mission and its employees are inextricably linked; we cannot fulfill our mission without our employees. As of September 20, 2014, DOJ had nearly 5,200 fewer staff than in January 2011, primarily due to budget constraints and limitations. The Department has fewer staff to conduct investigations, address legal matters, adjudicate immigration cases, and support state, local, and tribal partners. Budget constraints and uncertainties affect not only the Department, but also the Courts and other key participants in the criminal justice system, resulting in delayed access to justice.

- While the Bipartisan Budget Act of 2013 enacted by Congress halted sequestration for FY 2014 and FY 2015, continued uncertainty remains for the years beyond. Budget cuts through sequestration or appropriation limitations in FY 2016 would be detrimental to the Department and would result in significant operating challenges.

### 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 (Recovery 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.

- In September 2011, OMB directed agencies to complete Recovery Act activities by September 30, 2013. For the majority of the Department's programs, funds were expended and programmatic activities came to an end by that date. However, the Department received a waiver from this directive for a few of its inherently long-term assistance efforts, such as increasing tribal prison capacity and adding to the number of officers on the streets. Recovery Act funds will continue to support these long-term programs through FY 2015.

- Unobligated balances will be rescinded and transferred to the Treasury by the end of FY 2015.

- Reporting of performance and financial activity was suspended by the Recovery Accountability and Transparency Board in January 2014.
    - Historical 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/arra/Pages/default.aspx.

- The following table summarizes appropriations, obligations, and outlays by component, as of September 30, 2014:

(Dollars in Thousands)

| Component | Appropriation Amount | Obligations* | Outlays | Expired Unobligated Balances** |
|---|---|---|---|---|
| OJP | $2,761,930 | $2,738,044 | $2,727,760 | $23,886 |
| OVW | $225,564 | $216,388 | $215,040 | $9,176 |
| COPS | $1,002,506 | $947,364 | $916,920 | $55,142 |
| ATF | $10,000 | $9,365 | $9,365 | $635 |
| OIG | $2,000 | $2,000 | $2,000 | $0 |
| **DOJ Total** | **$4,002,000** | **$3,913,161** | **$3,871,085** | **$88,839** |

*Reductions in obligations from previous year are due to unspent funds returned upon closeout of award.
**Balances reflect Recoveries.

## 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.

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# 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 Independent Auditors' Reports are the following financial 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, 2014 and 2013.

**Consolidated Statements of Net Cost** – Presents the net cost of Department operations for the fiscal years ended September 30, 2014 and 2013. 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, 2014 and 2013.

**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, 2014 and 2013.

**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, 2014 and 2013.

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A Message from the Chief Financial Officer

November 12, 2014

The unmodified "clean" financial audit opinion earned on the FY2014 Department of Justice consolidated financial statements marks the fourth straight year the auditor's report on internal control did not identify any material weaknesses or significant deficiencies at the consolidated Department level. We hope this achievement demonstrates the Department's continued commitment to sound financial practices, transparency in our spending, and the pursuit of continual improvement in our financial management operations.

The Department is committed to the wise use of its budget so that the taxpayer funds we receive are focused 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 by achieving savings through a wide array of initiatives ranging from the strategic sourcing of software to the use of discounted airfares and consolidation of email systems. The Department's SAVE Council is continuing to look for additional areas we can reduce spending in order to operate as efficiently as possible.

Notable accomplishments this fiscal year include the successful implementation by the Federal Bureau of Investigation (FBI) of the Department's Unified Financial Management System. The FBI was able to accomplish the complex transition to the new system while maintaining their clean audit opinion, with no significant internal control findings. In addition, the Department successfully met the Treasury Department's new Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) reporting requirements for the over 400 Justice appropriations, a significant first-year reporting accomplishment.

The financial management professionals at the Department of Justice take their work – their service to the nation, and their accountability to the taxpayers – seriously. Where we find internal control and reporting issues, we are committed to addressing them promptly and comprehensively. We look forward in FY 2015 to making additional financial management improvements as we continue to serve the Department of Justice, and as the Department continues to serve the nation and its citizens.

Chief Financial Officer

# U.S. DEPARTMENT OF JUSTICE
# ANNUAL FINANCIAL STATEMENTS
# FISCAL YEAR 2014

## 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, 2014, and September 30, 2013. 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. The FY 2014 audit resulted in an unmodified opinion on the financial statements. 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. For FY 2013, the Department also received an unmodified opinion on its financial statements (OIG Audit Report No. 14-04).

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 2014 *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 2014, the Department made measurable progress toward implementing the Unified Financial Management System, which replaced four of five major non-integrated legacy accounting systems. 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, and achieve the economies of scale that it originally envisioned. As discussed in past years, we believe the most important challenge facing the Department in its financial management is to fully implement an integrated financial management system to replace the remaining major non-integrated legacy accounting system used by three of the Department's nine reporting components.

No instances of non-compliance or other matters were identified during the audit that are required to be reported under Government Auditing Standards, in the FY 2014 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 November 12, 2014, 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**
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## 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, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity 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. 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 auditor considers 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 well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion on the Financial Statements***

In our opinion, 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, 2014 and 2013, 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.

***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 basic consolidated financial statements. Such information, although not a part of the basic 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 basic consolidated financial statements in an appropriate operational, economic, or historical context. We 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 basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We 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 basic consolidated financial statements as a whole. The consolidating information, Combined Schedule of Spending, Freeze the Footprint, 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 basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we 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 report dated November 12, 2014 on our consideration of the Department's internal control over financial reporting, and our report dated November 12, 2014 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

Washington, D.C.
November 12, 2014

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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, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 12, 2014.

**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, 2014, 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

Washington, D.C.
November 12, 2014

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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, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity for the years then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated November 12, 2014.

**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 and one other matter that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02, and which is described below.

Management is currently reviewing matters related to accounting closeout procedures for canceled appropriations, which management does not believe are violations of the *Anti-Deficiency Act*. As of the date of this report, the outcome of these matters, and any resulting ramifications, are not known. These matters are expected to be concluded in fiscal year 2015.

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

Washington, D.C.
November 12, 2014

# 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, 2014 and 2013

| Dollars in Thousands | | 2014 | | 2013 |
|---|---|---|---|---|
| **ASSETS (Note 2)** | | | | |
| Intragovernmental | | | | |
| Fund Balance with U.S. Treasury (Note 3) | $ | 26,878,549 | $ | 23,226,071 |
| Investments, Net (Note 5) | | 8,940,208 | | 6,650,960 |
| Accounts Receivable, Net (Note 6) | | 507,672 | | 452,327 |
| Other Assets (Note 10) | | 74,062 | | 92,370 |
| Total Intragovernmental | | 36,400,491 | | 30,421,728 |
| Cash and Monetary Assets (Note 4) | | 190,965 | | 174,798 |
| Accounts Receivable, Net (Note 6) | | 93,326 | | 81,892 |
| Inventory and Related Property, Net (Note 7) | | 127,349 | | 132,814 |
| Forfeited Property, Net (Note 8) | | 138,265 | | 141,354 |
| General Property, Plant and Equipment, Net (Note 9) | | 9,678,390 | | 10,017,323 |
| Advances and Prepayments | | 379,236 | | 444,174 |
| Other Assets (Note 10) | | 5,138 | | 4,677 |
| **Total Assets** | **$** | **47,013,160** | **$** | **41,418,760** |
| **LIABILITIES (Note 11)** | | | | |
| Intragovernmental | | | | |
| Accounts Payable | $ | 341,756 | $ | 339,253 |
| Accrued Federal Employees' Compensation Act Liabilities | | 270,102 | | 266,865 |
| Custodial Liabilities (Note 21) | | 679,965 | | 1,174,698 |
| Other Liabilities (Note 15) | | 297,637 | | 204,056 |
| Total Intragovernmental | | 1,589,460 | | 1,984,872 |
| Accounts Payable | | 5,879,495 | | 4,203,261 |
| Accrued Grant Liabilities | | 485,533 | | 387,629 |
| Actuarial Federal Employees' Compensation Act Liabilities | | 1,679,245 | | 1,632,616 |
| Accrued Payroll and Benefits | | 310,667 | | 269,621 |
| Accrued Annual and Compensatory Leave Liabilities | | 823,263 | | 826,369 |
| Environmental and Disposal Liabilities (Note 12) | | 78,799 | | 76,676 |
| Deferred Revenue | | 662,462 | | 621,440 |
| Seized Cash and Monetary Instruments (Note 14) | | 1,410,443 | | 1,485,687 |
| Contingent Liabilities (Note 16) | | 58,125 | | 26,571 |
| Capital Lease Liabilities (Note 13) | | 191 | | 8,763 |
| Radiation Exposure Compensation Act Liabilities (Note 25) | | 561,661 | | 660,465 |
| September 11$^{th}$ Victim Compensation Fund (Note 25) | | 2,700,584 | | 2,751,712 |
| Other Liabilities (Note 15) | | 365,562 | | 411,311 |
| **Total Liabilities** | **$** | **16,605,490** | **$** | **15,346,993** |
| **NET POSITION** | | | | |
| Unexpended Appropriations - Funds from Dedicated Collections (Note 17) | $ | 32,750 | $ | 35,768 |
| Unexpended Appropriations - All Other Funds | | 9,585,702 | | 8,649,121 |
| Cumulative Results of Operations - Funds from Dedicated Collections (Note 17) | | 15,511,728 | | 11,940,472 |
| Cumulative Results of Operations - All Other Funds | | 5,277,490 | | 5,446,406 |
| **Total Net Position** | **$** | **30,407,670** | **$** | **26,071,767** |
| **Total Liabilities and Net Position** | **$** | **47,013,160** | **$** | **41,418,760** |

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, 2014 and 2013

**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** | **2014** | $ 1,684,531 | $ 3,775,423 | $ 5,459,954 | $ 332,420 | $ 7,746 | $ 340,166 | $ 5,119,788 |
| | **2013** | $ 1,357,360 | $ 3,941,609 | $ 5,298,969 | $ 399,360 | $ 16,373 | $ 415,733 | $ 4,883,236 |
| **Goal 2** | **2014** | 3,460,789 | 12,417,955 | 15,878,744 | 516,290 | 1,132,604 | 1,648,894 | 14,229,850 |
| | **2013** | 3,640,363 | 11,352,697 | 14,993,060 | 703,072 | 720,434 | 1,423,506 | 13,569,554 |
| **Goal 3** | **2014** | 2,693,150 | 11,198,436 | 13,891,586 | 656,021 | 606,109 | 1,262,130 | 12,629,456 |
| | **2013** | 2,330,720 | 11,641,698 | 13,972,418 | 674,252 | 599,926 | 1,274,178 | 12,698,240 |
| **Total** | **2014** | **$ 7,838,470** | **$ 27,391,814** | **$ 35,230,284** | **$ 1,504,731** | **$ 1,746,459** | **$ 3,251,190** | **$ 31,979,094** |
| | **2013** | **$ 7,328,443** | **$ 26,936,004** | **$ 34,264,447** | **$ 1,776,684** | **$ 1,336,733** | **$ 3,113,417** | **$ 31,151,030** |

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, 2014**

**Dollars in Thousands**

| | 2014 | | | |
|---|---|---|---|---|
| | **Funds from Dedicated Collections** | **All Other Funds** | **Eliminations** | **Total** |
| **Unexpended Appropriations** | | | | |
| **Beginning Balances** | **$ 35,768** | **$ 8,649,121** | **$ -** | **$ 8,684,889** |
| **Budgetary Financing Sources** | | | | |
| Appropriations Received | 41,680 | 27,956,044 | - | 27,997,724 |
| Appropriations Transferred-In/Out | - | 345,106 | - | 345,106 |
| Other Adjustments | 317 | (273,146) | - | (272,829) |
| Appropriations Used | (45,015) | (27,091,423) | - | (27,136,438) |
| **Total Budgetary Financing Sources** | **(3,018)** | **936,581** | **-** | **933,563** |
| **Unexpended Appropriations** | **$ 32,750** | **$ 9,585,702** | **$ -** | **$ 9,618,452** |
| **Cumulative Results of Operations** | | | | |
| **Beginning Balances** | **$ 11,940,472** | **$ 5,446,406** | **$ -** | **$ 17,386,878** |
| Adjustments (Note 26) | | | | |
| Changes in Accounting Principles | (7,673) | (123,185) | - | **(130,858)** |
| **Beginning Balances, as Adjusted** | **11,932,799** | **5,323,221** | **-** | **17,256,020** |
| **Budgetary Financing Sources** | | | | |
| Other Adjustments | - | (30,000) | - | (30,000) |
| Appropriations Used | 45,015 | 27,091,423 | - | 27,136,438 |
| Nonexchange Revenues | 3,598,671 | 322 | - | 3,598,993 |
| Donations and Forfeitures of Cash and Cash Equivalents | 4,158,820 | - | - | 4,158,820 |
| Transfers-In/Out Without Reimbursement | (693,000) | 97,910 | - | (595,090) |
| **Other Financing Sources** | | | | |
| Donations and Forfeitures of Property | 308,307 | - | - | 308,307 |
| Transfers-In/Out Without Reimbursement | (4,930) | 8,565 | - | 3,635 |
| Imputed Financing from Costs Absorbed by Others (Note 19) | 19,656 | 939,517 | (19,791) | 939,382 |
| Other Financing Sources | - | (8,193) | - | (8,193) |
| **Total Financing Sources** | **7,432,539** | **28,099,544** | **(19,791)** | **35,512,292** |
| **Net Cost of Operations** | **(3,853,610)** | **(28,145,275)** | **19,791** | **(31,979,094)** |
| **Net Change** | 3,578,929 | (45,731) | - | 3,533,198 |
| **Cumulative Results of Operations** | **$ 15,511,728** | **$ 5,277,490** | **$ -** | **$ 20,789,218** |
| **Net Position** | **$ 15,544,478** | **$ 14,863,192** | **$ -** | **$ 30,407,670** |

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** | **$ 10,947,448** | **$ 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**
**Combined Statements of Budgetary Resources**
**For the Fiscal Years Ended September 30, 2014 and 2013**

| Dollars in Thousands | 2014 | 2013 |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated Balance, Net, Brought Forward, October 1 | $ 3,994,967 | $ 4,036,432 |
| Recoveries of Prior Year Unpaid Obligations | 746,225 | 1,029,004 |
| Other Changes in Unobligated Balance | (2,421) | (18,946) |
| Unobligated Balance from Prior Year Budget Authority, Net | 4,738,771 | 5,046,490 |
| Appropriations (discretionary and mandatory) | 33,649,891 | 29,174,293 |
| Spending Authority from Offsetting Collections (discretionary and mandatory) | 5,709,511 | 5,275,914 |
| **Total Budgetary Resources** | $ 44,098,173 | $ 39,496,697 |
| **Status of Budgetary Resources:** | | |
| Obligations Incurred (Note 20) | $ 38,273,442 | $ 35,501,730 |
| Unobligated Balance, End of Year: | | |
| Apportioned | 4,712,942 | 2,757,986 |
| Exempt from Apportionment | 250,958 | 266,607 |
| Unapportioned | 860,831 | 970,374 |
| Total Unobligated Balance - End of Year | 5,824,731 | 3,994,967 |
| **Total Status of Budgetary Resources** | $ 44,098,173 | $ 39,496,697 |
| **Change in Obligated Balance:** | | |
| Unpaid Obligations: | | |
| Unpaid obligations, Brought Forward, October 1 | $ 14,798,020 | $ 16,930,377 |
| Obligations Incurred | 38,273,442 | 35,501,730 |
| Outlays, Gross (-) | (35,107,780) | (36,605,083) |
| Recoveries of Prior Year Unpaid Obligations (-) | (746,225) | (1,029,004) |
| Unpaid Obligations, End of Year | 17,217,457 | 14,798,020 |
| Uncollected Payments: | | |
| Uncollected Payments from Federal Sources, Brought Forward, October 1 (-) | (1,666,905) | (1,890,361) |
| Change in Uncollected Customer Payments from Federal Sources | (122,500) | 223,456 |
| Uncollected Customer Payments from Federal Sources, End of Year | (1,789,405) | (1,666,905) |
| Memorandum (non-add) Entries: | | |
| Obligated balance, Start of Year | $ 13,131,115 | $ 15,040,016 |
| Obligated balance, End of Year | $ 15,428,052 | $ 13,131,115 |
| **Budgetary Authority and Outlays, Net:** | | |
| Budgetary Authority, Gross (discretionary and mandatory) | $ 39,359,402 | $ 34,450,207 |
| Less: Actual Offsetting Collections (discretionary and mandatory) | 5,590,273 | 5,499,369 |
| Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory) | (122,500) | 223,456 |
| Budget Authority, Net (discretionary and mandatory) | $ 33,646,629 | $ 29,174,294 |
| Outlays, Gross (discretionary and mandatory) | $ 35,107,780 | $ 36,605,083 |
| Less: Actual Offsetting Collections (discretionary and mandatory) | 5,590,273 | 5,499,369 |
| Outlays, Net (discretionary and mandatory) | 29,517,507 | 31,105,714 |
| Less: Distributed Offsetting Receipts | 495,904 | 933,877 |
| Agency Outlays, Net (discretionary and mandatory) | $ 29,021,603 | $ 30,171,837 |

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, 2014 and 2013

| Dollars in Thousands | 2014 | 2013 |
|---|---|---|
| **Revenue Activity** | | |
| **Sources of Cash Collections** | | |
| Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986 | $ 13,833,518 | $ 5,595,261 |
| Fees and Licenses | 47,847 | 43,392 |
| Fines, Penalties and Restitution Payments - Civil | 13,304 | 86,845 |
| Fines, Penalties and Restitution Payments - Criminal | 47,403 | 42,603 |
| Miscellaneous | 6,162 | 42,030 |
| Total Cash Collections | 13,948,234 | 5,810,131 |
| **Accrual Adjustments** | 1,870 | (914) |
| **Total Custodial Revenue** | 13,950,104 | 5,809,217 |
| **Disposition of Collections** | | |
| Transferred to Federal Agencies | | |
| Library of Congress | (356) | (509) |
| U.S. Department of Agriculture | (156,297) | (136,258) |
| U.S. Department of Commerce | (731) | (6,000) |
| U.S. Department of the Interior | (35,177) | (36,174) |
| U.S. Department of Justice | (17,064) | (99,558) |
| U.S. Department of Labor | (2,245) | (3,897) |
| U.S. Postal Service | (23,457) | (26,790) |
| U.S. Department of State | (4,528) | (2,208) |
| U.S. Department of the Treasury | (7,001,974) | (2,025,807) |
| Office of Personnel Management | (48,872) | (43,447) |
| National Credit Union Administration | (1,375,000) | (1) |
| Federal Communications Commission | 6 | (757) |
| Social Security Administration | (554) | (699) |
| Smithsonian Institution | (1,277) | (8) |
| U.S. Department of Veterans Affairs | (78,350) | (123,179) |
| Equal Employment Opportunity Commission | - | (2) |
| General Services Administration | (29,173) | (51,966) |
| Securities and Exchange Commission | (3) | (3) |
| Federal Deposit Insurance Corporation | (702,050) | (419) |
| Railroad Retirement Board | (286) | (414) |
| Tennessee Valley Authority | (438) | (291) |
| Environmental Protection Agency | (265,167) | (185,060) |
| U.S. Department of Transportation | (17,363) | (5,185) |
| U.S. Department of Homeland Security | (101,451) | (131,067) |
| Agency for International Development | (4,101) | (44,212) |
| Small Business Administration | (12,163) | (14,792) |
| U.S. Department of Health and Human Services | (1,253,387) | (1,151,278) |
| National Aeronautics and Space Administration | (44) | (5,288) |
| Export-Import Bank of the United States | (1,908) | (13,855) |
| U.S. Department of Housing and Urban Development | (470,875) | (24,226) |
| U.S. Department of Energy | (6,040) | (10,585) |
| U.S. Department of Education | (22,929) | (23,219) |
| Independent Agencies | (78,277) | (114,607) |
| Treasury General Fund | (1,559,668) | (676,060) |
| U.S. Department of Defense | (88,859) | (120,707) |
| Transferred to the Public | (502,684) | (416,166) |
| (Increase)/Decrease in Amounts Yet to be Transferred | 562,801 | (51,378) |
| Refunds and Other Payments | (124,378) | (104,834) |
| Retained by the Reporting Entity | (525,785) | (158,311) |
| **Total Disposition of Collections** | (13,950,104) | (5,809,217) |
| **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 11$^{th}$ 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 2014 and 2013, 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.

## 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 capitalization thresholds were encouraged beginning October 1, 2012. The table below illustrates which portions of the new policy were implemented in FY 2014 and 2013 for the Department by component. Full implementation is required for all DOJ components by the beginning of FY 2015.

| | FY 2014 | | | | FY 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| Department Component | Real Property | Personal Property | Aircraft | Internal Use Software | Real Property | Personal Property | Aircraft | Internal Use Software |
| Assets Forfeiture Fund (AFF) | | | | | √ | √ | √ | √ |
| Offices, Boards and Divisions (OBDs) | | | | | √ | √ | √ | √ |
| United States Marshals Service (USMS) | √ | √ | √ | | | | | √ |
| Office of Justice Programs (OJP) | | | | | √ | √ | √ | √ |
| Drug Enforcement Administration (DEA) | √ | √ | √ | | | | | √ |
| Federal Bureau of Investigation (FBI) | | | | | √ | √ | √ | √ |
| Alcohol, Tobacco, and Firearms (ATF) | √ | √ | √ | √ | | | | |
| Bureau of Prisons (BOP) | | | | | | | | √ |
| Federal Prison Industries, Inc. (FPI) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

These notes are an integral part of the financial statements.

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

### J. General Property, Plant and Equipment (continued)

For FY 2014 and 2013, as depicted in the above table, certain of the Department's components early implemented the below mentioned new capitalization thresholds for property acquisitions. The remainder of the components continue to use the below mentioned old capitalized thresholds.

For financial statement purposes, the primary changes relate to the capitalization thresholds for real property, including leasehold improvements; personal property; and internal use software which results in a decrease to the overall general PP&E balance.

Federal Prison Industries, Inc., as a revolving fund, is exempt from FMPM 13-12, which states that "Revolving Funds, Working Capital Funds, and Trust Fund entities may establish their own thresholds on the 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 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. Land is never depreciated. BOP and FPI capitalize personal property acquisitions over $5 and $10, respectively

### 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.

Seized property is property that the government has taken possession of 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). The Department contributes 7% of the gross pay for regular employees and 7.5% for law enforcement officers.

2) Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).

    a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The Department contributes 11.9% of the gross pay for regular employees and 26.3% for law enforcement officers.

These notes are an integral part of the financial statements.

**R. Retirement Plan (continued)**

b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The Department contributes 9.6% of the gross pay for regular employees and 24.0% for law enforcement officers

c. Employees hired January 1, 2014 or later are covered by the Federal Employees System-Further Revised Annuity Employees (FERS-FRAE). The Department contributes 9.6% of the gross pay for regular employees and 24.0% for law enforcement officers.

**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. 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.

These notes are an integral part of the financial statements.

## 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 No. 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 2013 financial statements were reclassified to conform to the FY 2014 Departmental financial statement presentation requirements. 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, 2014 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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Intragovernmental | | |
| Fund Balance with U.S. Treasury | $ 798,033 | $ 1,359,177 |
| Investments, Net | 1,357,972 | 1,457,380 |
| Total Intragovernmental | 2,156,005 | 2,816,557 |
| With the Public | | |
| Cash and Monetary Assets | 152,693 | 129,621 |
| Accounts Receivable, Net | 5,079 | 3,244 |
| Total With the Public | 157,772 | 132,865 |
| Total Non-Entity Assets | 2,313,777 | 2,949,422 |
| Total Entity Assets | 44,699,383 | 38,469,338 |
| Total Assets | $ 47,013,160 | $ 41,418,760 |

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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Fund Balances | | |
| Trust Funds | $ 115,441 | $ 109,777 |
| Special Funds | 13,355,637 | 10,398,592 |
| Revolving Funds | 930,885 | 623,703 |
| General Funds | 12,399,905 | 12,026,880 |
| Other Fund Types | 76,681 | 67,119 |
| Total Fund Balances with U.S. Treasury | $ 26,878,549 | $ 23,226,071 |
| | | |
| Status of Fund Balances | | |
| Unobligated Balance - Available | $ 4,963,900 | $ 3,024,593 |
| Unobligated Balance - Unavailable | 860,831 | 970,374 |
| Obligated Balance not yet Disbursed | 15,428,052 | 13,131,115 |
| Other Funds (With)/Without Budgetary Resources | 5,625,766 | 6,099,989 |
| Total Status of Fund Balances | $ 26,878,549 | $ 23,226,071 |

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 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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Cash | | |
| Undeposited Collections | $ (74) | $ (74) |
| Imprest Funds | 38,335 | 45,255 |
| Seized Cash Deposited | 79,675 | 40,063 |
| Other Cash | 13,887 | 14,994 |
| Total Cash | 131,823 | 100,238 |
| | | |
| Monetary Assets | | |
| Seized Monetary Instruments | 59,142 | 74,560 |
| Total Monetary Assets | 59,142 | 74,560 |
| Total Cash and Monetary Assets | $ 190,965 | $ 174,798 |

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, 2014 | | | | | |
| Intragovernmental | | | | | |
| Non-Marketable Securities | | | | | |
| Market Based | $ 8,941,967 | $ (1,946) | $ 187 | $ 8,940,208 | $ 8,940,675 |
| | | | | | |
| As of September 30, 2013 | | | | | |
| Intragovernmental | | | | | |
| Non-Marketable Securities | | | | | |
| Market Based | $ 6,652,198 | $ (1,425) | $ 187 | $ 6,650,960 | $ 6,652,572 |

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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Intragovernmental | | |
| Accounts Receivable | $ 508,008 | $ 452,533 |
| Allowance for Uncollectible Accounts | (336) | (206) |
| Total Intragovernmental | 507,672 | 452,327 |
| | | |
| With the Public | | |
| Accounts Receivable | 109,424 | 96,219 |
| Allowance for Uncollectible Accounts | (16,098) | (14,327) |
| Total With the Public | 93,326 | 81,892 |
| Total Accounts Receivable, Net | $ 600,998 | $ 534,219 |

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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Inventory | | |
| Raw Materials | $ 23,777 | $ 32,392 |
| Work in Process | 22,673 | 24,377 |
| Finished Goods | 32,976 | 36,930 |
| Inventory Purchased for Resale | 18,410 | 18,775 |
| Excess, Obsolete, and Unserviceable | 27,006 | 28,325 |
| Inventory Allowance | (27,804) | (26,613) |
| | | |
| Operating Materials and Supplies | | |
| Held for Current Use | 30,311 | 18,628 |
| Total Inventory and Related Property, Net | $ 127,349 | $ 132,814 |

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, Net

**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 2014 and 2013, $162,038 and $115,856 of forfeited property were sold, $6,268 and $1,038 were destroyed or donated, $4,892 and $17,081 were returned to owners, and $127,091 and $55,077 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, Net (continued)

For the Fiscal Year Ended September 30, 2014

| Forfeited Property Category | | Beginning Balance | Adjust-ments | Forfeitures | Disposals | Ending Balance | Liens and Claims | Ending Balance, Net of Liens |
|---|---|---|---|---|---|---|---|---|
| Financial Instruments | Number | 212 | 278 | 444 | (650) | 284 | - | 284 |
| | Value | $ 2,417 | $ 6,389 | $ 129,203 | $ (133,102) | $ 4,907 | $ - | $ 4,907 |
| Real Property | Number | 526 | 26 | 390 | (484) | 458 | - | 458 |
| | Value | $ 98,773 | $ 6,739 | $ 81,133 | $ (97,966) | $ 88,679 | $ (2,223) | $ 86,456 |
| Personal Property | Number | 3,422 | 285 | 4,809 | (5,284) | 3,232 | - | 3,232 |
| | Value | $ 41,770 | $ 17,132 | $ 59,234 | $ (69,221) | $ 48,915 | $ (2,013) | $ 46,902 |
| Non-Valued Firearms | Number | 24,001 | (58) | 15,430 | (13,408) | 25,965 | - | 25,965 |
| Total | Number | 28,161 | 531 | 21,073 | (19,826) | 29,939 | - | 29,939 |
| | Value | $ 142,960 | $ 30,260 | $ 269,570 | $ (300,289) | $ 142,501 | $ (4,236) | $ 138,265 |

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 |

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, Net (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 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.

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, Net (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 2014 and 2013, $3,891,912 and $1,863,985 of seized property were forfeited, $84,256 and $216,945 were returned to parties with a bonafide interest, and $52,107 and $24,997 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, Net (continued)

For the Fiscal Year Ended September 30, 2014

| 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 | $1,435,283 | $ 54,898 | $3,733,392 | $(3,850,257) | $1,373,316 | $(205,829) | $ 1,167,487 |
| Financial Instruments | Number | 404 | (79) | 248 | (216) | 357 | - | 357 |
| | Value | $ 46,013 | $ (13,413) | $ 123,443 | $ (31,667) | $ 124,376 | $ (1,726) | $ 122,650 |
| Real Property | Number | 140 | 5 | 129 | (143) | 131 | - | 131 |
| | Value | $ 63,783 | $ (669) | $ 31,697 | $ (42,225) | $ 52,586 | $ (11,887) | $ 40,699 |
| Personal Property | Number | 7,136 | 246 | 6,222 | (6,311) | 7,293 | - | 7,293 |
| | Value | $ 144,422 | $ (12,623) | $ 103,667 | $ (87,661) | $ 147,805 | $ (32,364) | $ 115,441 |
| Non-Valued Firearms | Number | 30,281 | 1,122 | 12,719 | (19,728) | 24,394 | - | 24,394 |

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 Instruments | 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 |

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, Net (continued)

For the Fiscal Year Ended September 30, 2014

| 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 | $ 50,404 | $ (16,539) | $ 17,173 | $ (13,911) | $ 37,127 | $ - | $ 37,127 |
| Personal Property | Number | 1,206 | (726) | 47 | (119) | 408 | - | 408 |
| | Value | $ 28,468 | $ (19,143) | $ 1,136 | $ (2,554) | $ 7,907 | $ - | $ 7,907 |
| Non-Valued | | | | | | | | |
| Firearms | Number | 61,612 | (3,176) | 9,760 | (12,182) | 56,014 | - | 56,014 |
| Drug Evidence | | | | | | | | |
| Cocaine | KG | 51,614 | (2,777) | 26,854 | (25,427) | 50,264 | - | 50,264 |
| Heroin | KG | 3,661 | (425) | 1,394 | (781) | 3,849 | - | 3,849 |
| Marijuana | KG | 16,440 | (2,245) | 2,478 | (3,781) | 12,892 | - | 12,892 |
| Bulk Drug Evidence | KG | 256,871 | (449) | 794,697 | (903,493) | 147,626 | - | 147,626 |
| Methamphetamine | KG | 10,707 | (407) | 4,232 | (2,426) | 12,106 | - | 12,106 |
| Other | KG | 22,239 | (1,011) | 7,031 | (7,892) | 20,367 | - | 20,367 |
| Total Drug Evidence | KG | 361,532 | (7,314) | 836,686 | (943,800) | 247,104 | - | 247,104 |

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 |

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, 2014

| | Acquisition Cost | Accumulated Depreciation | Net Book Value | Useful Life |
|---|---|---|---|---|
| Land and Land Rights | $ 184,838 | $ - | $ 184,838 | N/A |
| Improvements to Land | 4,990 | (1,853) | 3,137 | 15 yrs |
| Construction in Progress | 483,475 | - | 483,475 | N/A |
| Buildings, Improvements and Renovations | 10,657,621 | (5,025,075) | 5,632,546 | 2-50 yrs |
| Other Structures and Facilities | 928,014 | (556,114) | 371,900 | 10-50 yrs |
| Aircraft | 517,753 | (184,308) | 333,445 | 5-30 yrs |
| Boats | 14,674 | (5,029) | 9,645 | 5-25 yrs |
| Vehicles | 455,384 | (300,705) | 154,679 | 2-25 yrs |
| Equipment | 1,483,753 | (931,733) | 552,020 | 2-25 yrs |
| Assets Under Capital Lease | 90,400 | (57,514) | 32,886 | 2-30 yrs |
| Leasehold Improvements | 1,583,085 | (944,162) | 638,923 | 2-20 yrs |
| Internal Use Software | 1,870,969 | (694,731) | 1,176,238 | 2-10 yrs |
| Internal Use Software in Development | 104,658 | - | 104,658 | N/A |
| Total | $ 18,379,614 | $ (8,701,224) | $ 9,678,390 | |

| | Federal | Public | Total |
|---|---|---|---|
| Sources of Capitalized Property, Plant and Equipment Purchases for FY 2014 | $ 153,443 | $ 551,444 | $ 704,887 |

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, which caused a decrease in the PP&E balance by $130,858 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, 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 |

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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Intragovernmental | | |
| Advances and Prepayments | $ 74,043 | $ 92,355 |
| Other Intragovernmental Assets | 19 | 15 |
| Total Intragovernmental | 74,062 | 92,370 |
| Other Assets With the Public | 5,138 | 4,677 |
| Total Other Assets | $ 79,200 | $ 97,047 |

### Note 11. Liabilities not Covered by Budgetary Resources

As of September 30, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Intragovernmental | | |
| Accrued FECA Liabilities | $ 267,054 | $ 263,862 |
| Other Unfunded Employment Related Liabilities | 1,350 | 1,542 |
| Other | 3,612 | 4,479 |
| Total Intragovernmental | 272,016 | 269,883 |
| With the Public | | |
| Actuarial FECA Liabilities | 1,679,245 | 1,632,616 |
| Accrued Annual and Compensatory Leave Liabilities | 816,376 | 819,032 |
| Environmental and Disposal Liabilities (Note 12) | 78,799 | 76,676 |
| Deferred Revenue | 522,045 | 477,890 |
| Contingent Liabilities (Note 16) | 58,125 | 26,571 |
| Capital Lease Liabilities (Note 13) | 161 | 8,716 |
| RECA Liabilities (Note 25) | 561,661 | 660,465 |
| September 11th Victim Compensation Fund (Note 25) | 2,700,584 | 2,751,712 |
| Other | 128,773 | 113,384 |
| Total With the Public | 6,545,769 | 6,567,062 |
| Total Liabilities not Covered by Budgetary Resources | 6,817,785 | 6,836,945 |
| Total Liabilities Covered by Budgetary Resources | 9,787,705 | 8,510,048 |
| Total Liabilities | $ 16,605,490 | $ 15,346,993 |

These notes are an integral part of the 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**

| As of September 30, 2014 and 2013 | 2014 | 2013 |
|---|---|---|
| Firing Ranges | | |
| Beginning Balance, Brought Forward | $ 27,820 | $ 26,935 |
| Future Funded Expenses | 831 | - |
| Inflation Adjustment | 585 | 885 |
| Firing Range Liability | 29,236 | 27,820 |
| Asbestos | | |
| Beginning Balance, Brought Forward | $ 48,856 | $ 47,506 |
| New Asbestos | 26 | 538 |
| Abatements | (356) | (78) |
| Inflation Adjustment | 804 | 658 |
| Future Funded Expenses | 233 | 232 |
| Asbestos Liability | $ 49,563 | $ 48,856 |
| Total Environmental and Disposal Liabilities | $ 78,799 | $ 76,676 |

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.

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

### Note 12. Environmental and Disposal Liabilities (Continued)

#### 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, 2013, BOP management determined their estimated clean-up liability to be $27,820. In FY 2014, 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 $28,405, based on an inflation rate of 2.1 percent, should be recorded.

The FBI-owned range facilities in Quantico and El Toro contain possible contamination. Since no remedial investigation/feasibility study (RI/FS) has been completed and there are no comparable sites, remediation costs are not considered reasonably estimable at this time. For FY 2014, the FBI estimated total firing range liability of $831 based on the estimated costs to conduct a RI/FS, site sampling, and sample analysis at both range facilities in order to determine if contamination is present and the potential future environmental impacts. The estimated firing range cleanup liability will be updated after the RI/FS has been completed.

#### Asbestos

The 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. The estimated asbestos clean-up liability as of September 30, 2013 was $38,405. In FY 2014, BOP Management decreased the clean-up liability in the amount of $246 for the abatement of asbestos at 11 locations. In addition, BOP Management increased the clean-up liability in the amount of $26 due to additional asbestos found at 2 locations and in the amount of $802 by the current U.S. inflation rate of 2.1 percent as determined by the Treasury. In FY 2014, BOP management recorded a clean-up liability in the amount of $38,987, a $582 increase in liability cost for asbestos from the previous year.

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 $11,614 is based on the square footage of the facilities that may be contaminated. This value, divided by the useful life and multiplied by the number of years in service, less current year abatements and adjusted for inflation, is the estimated cleanup liability. As of September 30, 2014 and 2013, the FBI recognized the estimated cleanup liability of $10,576 and $10,451, respectively. The estimated asbestos cleanup liability is increased each quarter by recording future funded expenses for the asbestos clean-up costs.

There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2014.

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

### 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, 2014 and 2013

| Capital Leases | 2014 | 2013 |
|---|---|---|
| Summary of Assets Under Capital Lease | | |
| Land and Buildings | $ 89,625 | $ 89,625 |
| Machinery and Equipment | 775 | 1,231 |
| Accumulated Amortization | (57,514) | (54,955) |
| Total Assets Under Capital Lease (Note 9) | $ 32,886 | $ 35,901 |

Future Capital Lease Payments Due

| Fiscal Year | Land and Buildings | Machinery and Equipment | Total |
|---|---|---|---|
| 2015 | $ 33 | $ 21 | $ 54 |
| 2016 | 32 | 19 | 51 |
| 2017 | 32 | 5 | 37 |
| 2018 | 32 | 3 | 35 |
| 2019 | 32 | - | 32 |
| Total Future Capital Lease Payments | $ 161 | $ 48 | $ 209 |
| Less: Imputed Interest | - | (3) | (3) |
| Less: Executory Costs | - | (15) | (15) |
| FY 2014 Net Capital Lease Liabilities | $ 161 | $ 30 | $ 191 |
| FY 2013 Net Capital Lease Liabilities | $ 8,716 | $ 47 | $ 8,763 |

| | 2014 | 2013 |
|---|---|---|
| Net Capital Lease Liabilities Covered by Budgetary Resources | $ 30 | $ 47 |
| Net Capital Lease Liabilities not Covered by Budgetary Resources | $ 161 | $ 8,716 |

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.

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)

Future Noncancelable Operating Lease Payments

| Fiscal Year | Land and Buildings | Machinery and Equipment | Total |
|---|---|---|---|
| 2015 | $ 277,311 | $ 21,526 | $ 298,837 |
| 2016 | 296,674 | 4,569 | 301,243 |
| 2017 | 329,132 | 4,700 | 333,832 |
| 2018 | 327,973 | 4,782 | 332,755 |
| 2019 | 320,730 | 3 | 320,733 |
| After 2019 | 2,733,987 | - | 2,733,987 |
| Total Future Noncancelable Operating Lease Payments | $ 4,285,807 | $ 35,580 | $ 4,321,387 |

### 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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Investments, Net | $ 1,271,626 | $ 1,371,064 |
| Seized Cash Deposited | 79,675 | 40,063 |
| Seized Monetary Instruments | 59,142 | 74,560 |
| Total Seized Cash and Monetary Instruments | $ 1,410,443 | $ 1,485,687 |

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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Intragovernmental | | |
| Other Accrued Liabilities | $ (119) | $ 1 |
| Employer Contributions and Payroll Taxes Payable | 97,534 | 82,117 |
| Other Post-Employment Benefits Due and Payable | 784 | 866 |
| Other Unfunded Employment Related Liabilities | 1,352 | 1,542 |
| Advances from Others | 196,582 | 110,038 |
| Liability for Clearing Accounts | (3,488) | 3,981 |
| Other Liabilities | 4,992 | 5,511 |
| Total Intragovernmental | 297,637 | 204,056 |
| With the Public | | |
| Other Accrued Liabilities | 8,013 | 6,035 |
| Advances from Others | 11,324 | 10,233 |
| Liability for Nonfiduciary Deposit Funds and Undeposited Collections | 79,152 | 71,872 |
| Liability for Clearing Accounts | 761 | 35 |
| Custodial Liabilities | 132,676 | 200,744 |
| Other Liabilities | 133,636 | 122,392 |
| Total With the Public | 365,562 | 411,311 |
| Total Other Liabilities | $ 663,199 | $ 615,367 |

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. In addition, Other Liabilities with the Public 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.

These notes are an integral part of the financial statements.

## 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, 2014 | | | |
| Probable | $ 58,125 | $ 58,125 | $ 108,530 |
| Reasonably Possible | | 94,714 | 154,658 |
| As of September 30, 2013 | | | |
| Probable | $ 26,571 | $ 26,571 | $ 51,101 |
| Reasonably Possible | | 83,310 | 117,481 |

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, 2014

| | 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 | $ 124,255 | $ 2,024 | $ 41,003 | $ 13,040,986 | $ 185,756 | $ 90,639 | $ 13,484,663 |
| Investments, Net | 7,062,680 | 207,954 | - | - | - | - | 7,270,634 |
| Other Assets | 148,175 | 41,356 | 882 | 3,616 | 25,823 | 26,105 | 245,957 |
| Total Assets | $ 7,335,110 | $ 251,334 | $ 41,885 | $ 13,044,602 | $ 211,579 | $ 116,744 | $ 21,001,254 |
| Liabilities | | | | | | | |
| Accounts Payable | $ 4,633,169 | $ 9,804 | $ 6,753 | $ 14,867 | $ 8,029 | $ 9,805 | $ 4,682,427 |
| Other Liabilities | 141,093 | 16,017 | 10,944 | 58,213 | 536,523 | 11,559 | 774,349 |
| Total Liabilities | $ 4,774,262 | $ 25,821 | $ 17,697 | $ 73,080 | $ 544,552 | $ 21,364 | $ 5,456,776 |
| Net Position | | | | | | | |
| Unexpended Appropriations | $ - | $ 288 | $ 32,462 | $ - | $ - | $ - | $ 32,750 |
| Cumulative Results of Operations | 2,560,848 | 225,225 | (8,274) | 12,971,522 | (332,973) | 95,380 | 15,511,728 |
| Total Net Position | $ 2,560,848 | $ 225,513 | $ 24,188 | $ 12,971,522 | $ (332,973) | $ 95,380 | $ 15,544,478 |
| Total Liabilities and Net Position | $ 7,335,110 | $ 251,334 | $ 41,885 | $ 13,044,602 | $ 211,579 | $ 116,744 | $ 21,001,254 |

For the Fiscal Year Ended September 30, 2014

| | 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 | $ 3,086,298 | $ 210,583 | $ 145,571 | $ 677,613 | $ 340,008 | $ 371,677 | $ 4,831,750 |
| Less: Earned Revenues | 14,065 | 175,685 | 105,690 | - | 314,357 | 368,343 | 978,140 |
| Net Cost of Operations | $ 3,072,233 | $ 34,898 | $ 39,881 | $ 677,613 | $ 25,651 | $ 3,334 | $ 3,853,610 |
| Statement of Changes in Net Position | | | | | | | |
| Net Position Beginning of Period | $ 1,855,767 | $ 258,593 | $ 22,038 | $ 10,057,641 | $ (319,165) | $ 93,693 | $ 11,968,567 |
| Budgetary Financing Sources | 3,472,100 | 1,214 | 41,680 | 3,591,494 | - | - | 7,106,488 |
| Other Financing Sources | 305,214 | 604 | 351 | - | 11,843 | 5,021 | 323,033 |
| Total Financing Sources | 3,777,314 | 1,818 | 42,031 | 3,591,494 | 11,843 | 5,021 | 7,429,521 |
| Net Cost of Operations | (3,072,233) | (34,898) | (39,881) | (677,613) | (25,651) | (3,334) | (3,853,610) |
| Net Change | 705,081 | (33,080) | 2,150 | 2,913,881 | (13,808) | 1,687 | 3,575,911 |
| Net Position End of Period | $ 2,560,848 | $ 225,513 | $ 24,188 | $ 12,971,522 | $ (332,973) | $ 95,380 | $ 15,544,478 |

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, 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)**

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, 2014

| 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 | $ - | $ 178,554 | $ 98,613 | $ - | $ 115,289 | $ 5,091,986 | $ 3,439 | $ - | $ - | $ (27,927) | $ 5,459,954 |
| Less: Earned Revenues | - | 12,979 | - | - | 44,969 | 310,145 | - | - | - | (27,927) | 340,166 |
| Net Cost of Operations | - | 165,575 | 98,613 | - | 70,320 | 4,781,841 | 3,439 | - | - | - | 5,119,788 |
| **Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law** | | | | | | | | | | | |
| Gross Cost | 3,086,298 | 5,514,519 | 295,178 | 988,704 | 2,864,381 | 3,047,534 | 1,273,483 | 8,717 | - | (1,200,070) | 15,878,744 |
| Less: Earned Revenues | 14,065 | 1,671,681 | - | 4,553 | 775,537 | 302,436 | 80,692 | - | - | (1,200,070) | 1,648,894 |
| Net Cost of Operations | 3,072,233 | 3,842,838 | 295,178 | 984,151 | 2,088,844 | 2,745,098 | 1,192,791 | 8,717 | - | - | 14,229,850 |
| **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 | - | 539,056 | 2,672,976 | 1,609,392 | - | 918,839 | - | 7,843,468 | 543,495 | (235,640) | 13,891,586 |
| Less: Earned Revenues | - | 8,951 | 57,854 | 18,865 | - | 495,701 | - | 418,509 | 478,099 | (215,849) | 1,262,130 |
| Net Cost of Operations | - | 530,105 | 2,615,122 | 1,590,527 | - | 423,138 | - | 7,424,959 | 65,396 | (19,791) | 12,629,456 |
| **Net Cost of Operations** | $ 3,072,233 | $ 4,538,518 | $ 3,008,913 | $ 2,574,678 | $ 2,159,164 | $ 7,950,077 | $ 1,196,230 | $ 7,433,676 | $ 65,396 | $ (19,791) | $ 31,979,094 |

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 | $ - | $ 180,369 | $ 80,268 | $ - | $ 138,056 | $ 5,011,528 | $ 4,834 | $ - | $ - | $ (116,086) | $ 5,298,969 |
| Less: Earned Revenues | - | 13,555 | - | - | 44,670 | 473,594 | - | - | - | (116,086) | 415,733 |
| Net Cost of Operations | - | 166,814 | 80,268 | - | 93,386 | 4,537,934 | 4,834 | - | - | - | 4,883,236 |
| **Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law** | | | | | | | | | | | |
| Gross Cost | 1,787,551 | 5,781,967 | 243,802 | 1,048,978 | 2,794,999 | 3,029,264 | 1,244,413 | 7,907 | - | (945,821) | 14,993,060 |
| Less: Earned Revenues | 12,201 | 1,207,480 | - | 11,164 | 720,062 | 343,140 | 75,280 | - | - | (945,821) | 1,423,506 |
| Net Cost of Operations | 1,775,350 | 4,574,487 | 243,802 | 1,037,814 | 2,074,937 | 2,686,124 | 1,169,133 | 7,907 | - | - | 13,569,554 |
| **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 | - | 552,983 | 2,842,469 | 1,655,613 | - | 1,053,013 | - | 7,615,902 | 647,553 | (395,115) | 13,972,418 |
| Less: Earned Revenues | - | 15,557 | 57,752 | 27,196 | - | 513,384 | - | 419,593 | 614,742 | (374,046) | 1,274,178 |
| Net Cost of Operations | - | 537,426 | 2,784,717 | 1,628,417 | - | 539,629 | - | 7,196,309 | 32,811 | (21,069) | 12,698,240 |
| **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 |

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. The cost factors are as follows:

| | Category | Cost Factor (%) |
|---|---|---|
| Civil Service Retirement System (CSRS) | Regular Employees | 32.8% |
| | Regular Employees Offset | 24.4% |
| | Law Enforcement Officers | 56.4% |
| | Law Enforcement Officers Offset | 48.8% |

| | | |
|---|---|---|
| Federal Employees Retirement System (FERS) | Regular Employees | 15.1% |
| | Regular Employees – Revised Annuity Employees (RAE) | 15.7% |
| | Regular Employees – Further Revised Annuity Employees (FRAE) | 15.7% |
| | Law Enforcement Officers | 33.3% |
| | Law Enforcement Officers – RAE | 33.9% |
| | Law Enforcement Officers – FRAE | 33.9% |

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)

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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Imputed Inter-Departmental Financing | | |
| U.S. Treasury Judgment Fund | $ 33,107 | $ 18,470 |
| Health Insurance | 499,434 | 505,851 |
| Life Insurance | 2,057 | 2,120 |
| Pension | 404,784 | 275,218 |
| Total Imputed Inter-Departmental | $ 939,382 | $ 801,659 |

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 $19,791 and $21,069 for FYs 2014 and 2013, 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.

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

**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, 2014 | | | |
| Obligations Apportioned Under | | | |
| Category A | $ 28,920,554 | $ 4,350,923 | $ 33,271,477 |
| Category B | 4,267,006 | 240,878 | 4,507,884 |
| Exempt from Apportionment | - | 494,081 | 494,081 |
| Total | $ 33,187,560 | $ 5,085,882 | $ 38,273,442 |
| For the Fiscal Year Ended September 30, 2013 | | | |
| Obligations Apportioned Under | | | |
| Category A | $ 27,275,105 | $ 4,327,099 | $ 31,602,204 |
| Category B | 3,105,780 | 219,525 | 3,325,305 |
| Exempt from Apportionment | - | 574,221 | 574,221 |
| Total | $ 30,380,885 | $ 5,120,845 | $ 35,501,730 |

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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| UDO Obligations Unpaid | $ 9,457,991 | $ 8,989,622 |
| UDO Obligations Prepaid/Advanced | 486,644 | 605,618 |
| Total UDO | $ 9,944,635 | $ 9,595,240 |

**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.

## 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, 2013 is presented below. The reconciliation as of September 30, 2014 is not presented, because the submission of the Budget of the United States (Budget) for FY 2016, which presents the execution of the FY 2014 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 2015.

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

For the Fiscal Year Ended September 30, 2013
(Dollars in Millions)

| | Budgetary Resources | Obligations Incurred | Distributed Offsetting Receipts | Net Outlays |
|---|---|---|---|---|
| Statement of Budgetary Resources (SBR) | $ 39,497 | $ 35,502 | $ 934 | $ 30,172 |
| Funds not Reported in the Budget | | | | |
| Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP | (816) | (149) | - | - |
| AFF/SADF Forfeiture Activity | (20) | - | - | - |
| OCDETF Adjustments | 3 | - | - | - |
| USMS Court Security Funds | (411) | (397) | - | (414) |
| Distributed Offsetting Receipts | - | - | (284) | 284 |
| Special and Trust Fund Receipts | - | - | - | 652 |
| Other | (9) | (3) | - | - |
| Budget of the United States Government | $ 38,244 | $ 34,953 | $ 650 | $ 30,694 |

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 USAOs collect civil fines, penalties, and restitution payments that are incidental to its mission. Specific to the "French bank Credit Lyonnais and French company Artemis settlement fund", the USAOs, by court order were given the investment authority and the settlement funds collected must be invested. The EOUSA invest these funds with the Treasury, Bureau of the Public Debt. Overall, the OBDs custodial collections totaled $13,879,953 and $5,637,603 for the fiscal years ended September 30, 2014 and 2013, respectively. As of September 30, 2014 and 2013, the custodial assets and liabilities recorded by the OBDs on the Consolidated Balance Sheets are $807,904 and $1,372,581, respectively.

For the fiscal years ended September 30, 2014 and 2013, DEA collected $28,284 and $101,630, 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, 2014 and 2013 balances for custodial liabilities were $4,737 and $2,856, 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 $34,548 and $69,980 for the fiscal years ended September 30, 2014 and 2013, respectively. As of September 30, 2014 and 2013, ATF did not have any custodial liabilities.

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)

The FBI collected $5,405 and $872, for the fiscal years ended September 30, 2014 and 2013, 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, 2014 and 2013, the FBI had custodial liabilities of $0 and $5, respectively.

For the fiscal years ended September 30, 2014 and 2013, the BOP collected $44 and $46, 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, 2014 and 2013, 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, 2014 and 2013**

| Dollars in Thousands | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| Intragovernmental | | |
| Fund Balance with U.S. Treasury | $ 26,878,549 | $ 23,226,071 |
| Investments, Net | 8,940,208 | 6,650,960 |
| Accounts Receivable, Net | 507,672 | 452,327 |
| Other Assets | 74,062 | 92,370 |
| Total Intragovernmental | 36,400,491 | 30,421,728 |
| Cash and Other Monetary Assets | 190,965 | 174,798 |
| Accounts Receivable, Net | 93,326 | 81,892 |
| Inventory and Related Property, Net | 265,614 | 274,168 |
| General Property, Plant and Equipment, Net | 9,678,390 | 10,017,323 |
| Other Assets | 384,374 | 448,851 |
| **Total Assets** | **$ 47,013,160** | **$ 41,418,760** |
| **LIABILITIES** | | |
| Intragovernmental | | |
| Accounts Payable | $ 341,756 | $ 339,253 |
| Other Liabilities | 1,247,704 | 1,645,619 |
| Total Intragovernmental | 1,589,460 | 1,984,872 |
| Accounts Payable | 5,879,495 | 4,203,261 |
| Federal Employee and Veteran Benefits | 1,679,245 | 1,632,616 |
| Environmental and Disposal Liabilities | 78,799 | 76,676 |
| Other Liabilities | 7,378,491 | 7,449,568 |
| **Total Liabilities** | **$ 16,605,490** | **$ 15,346,993** |
| **NET POSITION** | | |
| Unexpended Appropriations - Funds from Dedicated Collections | $ 32,750 | $ 35,768 |
| Unexpended Appropriations - All Other Funds | 9,585,702 | 8,649,121 |
| Cumulative Results of Operations - Funds from Dedicated Collections | 15,511,728 | 11,940,472 |
| Cumulative Results of Operations - All Other Funds | 5,277,490 | 5,446,406 |
| **Total Net Position** | **$ 30,407,670** | **$ 26,071,767** |
| **Total Liabilities and Net Position** | **$ 47,013,160** | **$ 41,418,760** |

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

For the Fiscal Years Ended September 30, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Resources Used to Finance Activities | | |
| Budgetary Resources Obligated | | |
| Obligations Incurred | $ 38,273,442 | $ 35,501,730 |
| Less: Spending Authority from Offsetting Collections and Recoveries | 6,458,998 | 6,304,918 |
| Obligations Net of Offsetting Collections and Recoveries | 31,814,444 | 29,196,812 |
| Less: Offsetting Receipts | 495,904 | 933,877 |
| Net Obligations | 31,318,540 | 28,262,935 |
| Other Resources | | |
| Donations and Forfeitures of Property | 308,307 | 185,772 |
| Transfers-In/Out Without Reimbursement | 3,635 | 2,080 |
| Imputed Financing from Costs Absorbed by Others (Note 19) | 939,382 | 801,659 |
| Other | (8,193) | (6,166) |
| Net Other Resources Used to Finance Activities | 1,243,131 | 983,345 |
| Total Resources Used to Finance Activities | 32,561,671 | 29,246,280 |
| 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 | (346,775) | 1,664,943 |
| Resources That Fund Expenses Recognized in Prior Periods (Note 24) | (161,335) | (106,481) |
| Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations | (440,426) | 99,050 |
| Resources That Finance the Acquisition of Assets | (694,913) | (939,222) |
| Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations | (31,852) | (15,500) |
| Total Resources Used to Finance Items not Part of the Net Cost of Operations | (1,675,301) | 702,790 |
| Total Resources Used to Finance the Net Cost of Operations | $ 30,886,370 | $ 29,949,070 |

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 (continued)

| For the Fiscal Years Ended September 30, 2014 and 2013 | 2014 | 2013 |
|---|---|---|
| Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period | | |
| Components That Will Require or Generate Resources in the Future Period (Note 24) | $ 139,051 | $ 260,293 |
| Depreciation and Amortization | 957,904 | 854,143 |
| Revaluation of Assets or Liabilities | 14,897 | (1,912) |
| Other | (19,128) | 89,436 |
| Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period | $ 1,092,724 | $ 1,201,960 |
| Net Cost of Operations | $ 31,979,094 | $ 31,151,030 |

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 $6,817,785 and $6,836,945 as of September 30, 2014 and 2013, 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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Resources that Fund Expenses Recognized in Prior Periods | | |
| Decrease in Accrued Annual and Compensatory Leave Liabilities | $ (2,656) | $ (11,087) |
| Other | | |
| Decrease in Contingent Liabilities | - | (1,980) |
| Decrease in Unfunded Capital Lease Liabilities | (8,555) | (7,911) |
| Decrease in RECA Liabilities | (98,804) | (70,772) |
| Decrease in September 11th Victim Compensation Fund Liabilities | (51,128) | (14,688) |
| Decrease in Other Unfunded Employment Related Liabilities | (192) | (43) |
| Total Other | (158,679) | (95,394) |
| Total Resources that Fund Expenses Recognized in Prior Periods | $ (161,335) | $ (106,481) |
| Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods | | |
| Increase in Environmental and Disposal Liabilities | $ 2,123 | $ 2,235 |
| (Increase)/Decrease in Exchange Revenue Receivable from the Public | 6,350 | 14,119 |
| Other ` | | |
| Increase in Actuarial FECA Liabilities | 46,629 | 158,338 |
| Increase in Accrued FECA Liabilities | 3,192 | 5,965 |
| Increase in Deferred Revenue | 44,155 | 68,494 |
| Increase in Contingent Liabilities | 31,554 | - |
| Increase in Other Liabilities | 14,522 | 12,569 |
| (Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies | (9,474) | (1,427) |
| Total Other | 130,578 | 243,939 |
| Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods | $ 139,051 | $ 260,293 |

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 $561,661 and $660,465 for estimated future benefits payable by the Department as of September 30, 2014 and 2013, 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 OMB.

**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 of 2001, 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. Based on OMB's guidance, DOJ should 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, 2014

| | | 2014 | 2013 |
|---|---|---|---|
| Appropriated Funds Received - Current Year | | $ 200,000 | $ 322,000 |
| Appropriated Funds Received - Carryforward | | 8,728 | 193,788 |
| Rescission | | (3,715) | (720) |
| Total Funds Received | | $ 205,013 | $ 515,068 |
| | | | |
| Less: | Adjudicated Benefit Claims Disbursements | $ 32,168 | $ 559 |
| | Salaries and Expenses Disbursements | 17,056 | 7,789 |
| | Funds Returned to Treasury | 145,157 | 497,992 |
| | Total Disbursements | 194,381 | 506,340 |
| Fund Balance with Treasury | | $ 10,632 | $ 8,728 |
| | | | |
| Federal Funds Available for September 11th Victim Compensation Fund | | $ 2,751,712 | $ 2,766,400 |
| | | | |
| Less: | Change in Unpaid Obligations | 1,904 | 6,340 |
| | Adjudicated Benefit Claims Disbursements | 32,168 | 559 |
| | Salaries and Expenses Disbursements | 17,056 | 7,789 |
| | Total Funded Liabilities | 51,128 | 14,688 |
| Unfunded Liability for September 11th Victim Compensation Fund | | $ 2,700,584 | $ 2,751,712 |

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. The USMS, DEA, and BOP revised capitalization threshold for internal use software only. For FY 2014, USMS and DEA fully implemented the policy and revised their capitalization thresholds real property and personal property. In addition ATF, fully implemented the new policy and revised their capitalization thresholds for real property, personal property and internal use software. This policy is preferable because it increases the efficiency and cost effectiveness of DOJ property management efforts while maintaining a system of internal controls.

Full implementation of revised capitalization thresholds for all components is required by FY 2015. The primary impact of the policy change was an increase in the thresholds for capitalizing and reporting real property, including leasehold improvements; personal property; and internal use software. This change in accounting principle caused a $130,858 reduction in the overall PP&E balance for FY 2014 and the pre-FY 2014 effects are recognized in the beginning balances of cumulative results of operations on the Consolidated Statements of Changes in Net Position. The effect of the new policy reduced the Department's assets for Property, Plant and Equipment as illustrated in the table below.

**FY 2014**

| **Type of Property** | **USMS** | | **DEA** | | **ATF** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| Real Property | $ | (45,883) | $ | (2,721) | $ | (4,190) | $ | (52,794) |
| Personal Property | $ | (23,827) | $ | (36,286) | $ | (12,609) | $ | (72,722) |
| Internal Use Software | $ | - | $ | - | $ | (5,342) | $ | (5,342) |
| Total | $ | (69,710) | $ | (39,007) | $ | (22,141) | $ | (130,858) |

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, 2014**

| Dollars in Thousands | AFF/SADF | OBDs | USMS | OJP | DEA | FBI | ATF | BOP | FPI | Combined |
|---|---|---|---|---|---|---|---|---|---|---|
| **Budgetary Resources** | | | | | | | | | | |
| Unobligated Balance, Net, Brought Forward, October 1 | $ 886,738 | $ 907,841 | $ 156,392 | $ 180,633 | $ 232,812 | $ 1,124,439 | $ 33,497 | $ 273,674 | $ 198,941 | $ 3,994,967 |
| Recoveries of Prior Year Unpaid Obligations | 71,239 | 203,380 | 56,907 | 74,255 | 92,113 | 197,730 | 24,952 | 25,649 | - | 746,225 |
| Other Changes in Unobligated Balance | - | 59,185 | (383) | (6,082) | (42) | (38,515) | (752) | (15,832) | - | (2,421) |
| Unobligated Balance from Prior Year Budget Authority, Net | 957,977 | 1,170,406 | 212,916 | 248,806 | 324,883 | 1,283,654 | 57,697 | 283,491 | 198,941 | 4,738,771 |
| Appropriations (discretionary and mandatory) | 4,079,273 | 5,310,067 | 3,138,888 | 2,345,103 | 2,392,785 | 8,345,443 | 1,179,332 | 6,859,000 | - | 33,649,891 |
| Spending Authority from Offsetting Collections (discretionary and mandatory) | 14,242 | 2,724,304 | 99,771 | 206,118 | 508,288 | 1,178,873 | 81,307 | 418,509 | 478,099 | 5,709,511 |
| **Total Budgetary Resources** | $ 5,051,492 | $ 9,204,777 | $ 3,451,575 | $ 2,800,027 | $ 3,225,956 | $ 10,807,970 | $ 1,318,336 | $ 7,561,000 | $ 677,040 | $ 44,098,173 |
| **Status of Budgetary Resources:** | | | | | | | | | | |
| Obligations Incurred (Note 20) | $ 3,135,920 | $ 7,843,120 | $ 3,153,418 | $ 2,628,413 | $ 2,983,472 | $ 9,486,728 | $ 1,287,533 | $ 7,260,757 | $ 494,081 | $ 38,273,442 |
| Unobligated Balance, End of Year: | | | | | | | | | | |
| Apportioned | 1,836,188 | 1,098,150 | 253,814 | 126,569 | 169,185 | 1,110,032 | 16,466 | 102,538 | - | 4,712,942 |
| Exempt from Apportionment | - | - | - | - | - | - | - | 67,999 | 182,959 | 250,958 |
| Unapportioned | 79,384 | 263,507 | 44,343 | 45,045 | 73,299 | 211,210 | 14,337 | 129,706 | - | 860,831 |
| Total Unobligated Balance - End of Year | 1,915,572 | 1,361,657 | 298,157 | 171,614 | 242,484 | 1,321,242 | 30,803 | 300,243 | 182,959 | 5,824,731 |
| **Total Status of Budgetary Resources:** | **$ 5,051,492** | **$ 9,204,777** | **$ 3,451,575** | **$ 2,800,027** | **$ 3,225,956** | **$ 10,807,970** | **$ 1,318,336** | **$ 7,561,000** | **$ 677,040** | **$ 44,098,173** |
| **Change in Obligated Balance:** | | | | | | | | | | |
| Unpaid Obligations: | | | | | | | | | | |
| Unpaid obligations, Brought Forward, October 1 | $ 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 |
| Obligations Incurred | 3,135,920 | 7,843,120 | 3,153,418 | 2,628,413 | 2,983,472 | 9,486,728 | 1,287,533 | 7,260,757 | 494,081 | 38,273,442 |
| Outlays, Gross (-) | (1,383,256) | (7,456,101) | (3,088,085) | (2,564,377) | (2,820,121) | (8,930,952) | (1,203,304) | (7,220,477) | (441,107) | (35,107,780) |
| Recoveries of Prior Year Unpaid Obligations (-) | (71,239) | (203,380) | (56,907) | (74,255) | (92,113) | (197,730) | (24,952) | (25,649) | - | (746,225) |
| Unpaid Obligations, End of Year | 4,813,200 | 3,519,630 | 467,147 | 3,904,697 | 577,616 | 2,783,840 | 253,938 | 725,928 | 171,461 | 17,217,457 |
| Uncollected Payments: | | | | | | | | | | |
| Uncollected Payments from Federal Sources, Brought Forward, October 1 (-) | (7,177) | (655,863) | (19,669) | (88,979) | (180,761) | (617,526) | (56,039) | (5,508) | (35,383) | (1,666,905) |
| Change in Uncollected Customer Payments from Federal Sources | (4,326) | (144,713) | 1,301 | (29,592) | 31,193 | 10,911 | (673) | 501 | 12,898 | (122,500) |
| Uncollected Customer Payments from Federal Sources, End of Year | $ (11,503) | $ (800,576) | $ (18,368) | $ (118,571) | $ (149,568) | $ (606,615) | $ (56,712) | $ (5,007) | $ (22,485) | $ (1,789,405) |
| Memorandum (non-add) Entries: | | | | | | | | | | |
| Obligated balance, Start of Year | $ 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 |
| Obligated balance, End of Year | $ 4,801,697 | $ 2,719,054 | $ 448,779 | $ 3,786,126 | $ 428,048 | $ 2,177,225 | $ 197,226 | $ 720,921 | $ 148,976 | $ 15,428,052 |

**U. S. Department of Justice**
**Combining Statement of Budgetary Resources - Continued**
**For the Fiscal Year Ended September 30, 2014**

| 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) | $ 4,093,515 | $ 8,034,371 | $ 3,238,659 | $ 2,551,221 | $ 2,901,073 | $ 9,524,316 | $ 1,260,639 | $ 7,277,509 | $ 478,099 | $ 39,359,402 |
| Less: Actual Offsetting Collections (discretionary and mandatory) | 9,916 | 2,582,853 | 101,072 | 176,526 | 539,481 | 1,189,784 | 80,634 | 419,010 | 490,997 | 5,590,273 |
| Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory) | (4,326) | (144,713) | 1,301 | (29,592) | 31,193 | 10,911 | (673) | 501 | 12,898 | (122,500) |
| Budget Authority, Net (discretionary and mandatory) | $ 4,079,273 | $ 5,306,805 | $ 3,138,888 | $ 2,345,103 | $ 2,392,785 | $ 8,345,443 | $ 1,179,332 | $ 6,859,000 | $ - | $ 33,646,629 |
| Outlays, Gross (discretionary and mandatory) | $ 1,383,256 | $ 7,456,101 | $ 3,088,085 | $ 2,564,377 | $ 2,820,121 | $ 8,930,952 | $ 1,203,304 | $ 7,220,477 | $ 441,107 | $ 35,107,780 |
| Less: Actual Offsetting Collections (discretionary and mandatory) | 9,916 | 2,582,853 | 101,072 | 176,526 | 539,481 | 1,189,784 | 80,634 | 419,010 | 490,997 | 5,590,273 |
| Outlays, Net (discretionary and mandatory) | 1,373,340 | 4,873,248 | 2,987,013 | 2,387,851 | 2,280,640 | 7,741,168 | 1,122,670 | 6,801,467 | (49,890) | 29,517,507 |
| Less: Distributed Offsetting Receipts | 6,280 | 117,706 | - | - | 358,985 | 3,360 | 1,617 | 7,956 | - | 495,904 |
| Agency Outlays, Net (discretionary and mandatory) | $ 1,367,060 | $ 4,755,542 | $ 2,987,013 | $ 2,387,851 | $ 1,921,655 | $ 7,737,808 | $ 1,121,053 | $ 6,793,511 | $ (49,890) | $ 29,021,603 |

# 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 20) | $ 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 Year: | | | | | | | | | | |
| 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 Year | 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 Year | 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, End of Year | $ (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 Year | $ 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 Year | $ 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 |

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# Required Supplementary Stewardship Information
# Unaudited

See Independent Auditors' Report on the Financial Statements

## U.S. Department of Justice
## Consolidated Stewardship Investments
## For the Fiscal Years Ended September 30, 2014, 2013, 2012, 2011 and 2010

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 from fiscal years 2010 through September 30, 2014, are as follows:

| Dollars in Thousands | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Recipients of Non-Federal Physical Property: | | | | | |
| Grants to Indian Tribes | $ 39,431 | $ 52,980 | $ 97,553 | $ 52,339 | $ 24,768 |
| Grants to States | (12) | - | 84 | (1,139) | 11,389 |
| Total Non-Federal Physical Property | $ 39,419 | $ 52,980 | $ 97,637 | $ 51,200 | $ 36,157 |

## Other Information
## Unaudited

See Independent Auditors' Report on the Financial Statements

# U. S. Department of Justice
## Consolidating Balance Sheet
## As of September 30, 2014

| Dollars in Thousands | AFF/SADF | OBDs | USMS | OJP | DEA | FBI | ATF | BOP | FPI | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | |
| Intragovernmental | | | | | | | | | | | |
| Fund Balance with U.S. Treasury | $ 124,255 | $ 4,752,671 | $ 759,137 | $ 15,749,752 | $ 686,209 | $ 3,479,026 | $ 221,986 | $ 1,085,079 | $ 20,434 | $ - | $ 26,878,549 |
| Investments, Net | 8,334,306 | 294,300 | - | - | - | - | - | - | 311,602 | - | 8,940,208 |
| Accounts Receivable, Net | 9,242 | 307,552 | 10,872 | 4,446 | 36,263 | 388,269 | 28,825 | 4,130 | 22,382 | (304,309) | 507,672 |
| Other Assets | 40 | 29,742 | 1,701 | 31,855 | 25,190 | 14,489 | 1,019 | 11,089 | - | (41,063) | 74,062 |
| Total Intragovernmental | 8,467,843 | 5,384,265 | 771,710 | 15,786,053 | 747,662 | 3,881,784 | 251,830 | 1,100,298 | 354,418 | (345,372) | 36,400,491 |
| Cash and Monetary Assets | 101,690 | 46 | - | - | 21,752 | 57,551 | 9,472 | 454 | - | - | 190,965 |
| Accounts Receivable, Net | - | 38,338 | 114 | 1,729 | 6,204 | 36,498 | 228 | 5,041 | 5,174 | - | 93,326 |
| Inventory and Related Property, Net | - | - | 3,182 | - | 17,381 | 9,748 | - | 18,410 | 78,628 | - | 127,349 |
| Forfeited Property, Net | 138,265 | - | - | - | - | - | - | - | - | - | 138,265 |
| General Property, Plant and Equipment, Net | 628 | 131,950 | 214,257 | 5,087 | 282,785 | 2,852,468 | 170,426 | 5,945,633 | 75,156 | - | 9,678,390 |
| Advances and Prepayments | - | 1,306 | - | 352,125 | 8,429 | 11,887 | 1,057 | 4,352 | 80 | - | 379,236 |
| Other Assets | - | - | 184 | - | - | 42 | - | 4,412 | 500 | - | 5,138 |
| **Total Assets** | **$ 8,708,426** | **$ 5,555,905** | **$ 989,447** | **$ 16,144,994** | **$ 1,084,213** | **$ 6,849,978** | **$ 433,013** | **$ 7,078,600** | **$ 513,956** | **$ (345,372)** | **$ 47,013,160** |
| **LIABILITIES** | | | | | | | | | | | |
| Intragovernmental | | | | | | | | | | | |
| Accounts Payable | $ 108,261 | $ 186,034 | $ 59,977 | $ 18,297 | $ 37,719 | $ 172,566 | $ 18,603 | $ 40,794 | $ 3,059 | $ (303,554) | $ 341,756 |
| Accrued FECA Liabilities | - | 9,458 | 16,164 | 17 | 26,084 | 32,827 | 20,573 | 162,818 | 2,161 | - | 270,102 |
| Custodial Liabilities | - | 675,228 | - | - | 4,737 | - | - | - | - | - | 679,965 |
| Other Liabilities | 198 | 31,347 | 5,605 | 46,330 | 15,368 | 90,814 | 4,857 | 35,316 | 109,620 | (41,818) | 297,637 |
| Total Intragovernmental | 108,459 | 902,067 | 81,746 | 64,644 | 83,908 | 296,207 | 44,033 | 238,928 | 114,840 | (345,372) | 1,589,460 |
| Accounts Payable | 4,524,908 | 321,169 | 162,780 | 45,474 | 94,155 | 298,023 | 54,502 | 332,795 | 45,689 | - | 5,879,495 |
| Accrued Grant Liabilities | - | 99,372 | - | 386,161 | - | - | - | - | - | - | 485,533 |
| Actuarial FECA Liabilities | - | 59,445 | 103,274 | 168 | 167,925 | 200,670 | 128,126 | 997,135 | 22,502 | - | 1,679,245 |
| Accrued Payroll and Benefits | 864 | 60,806 | 22,156 | 2,693 | 29,487 | 101,066 | 15,330 | 74,250 | 4,015 | - | 310,667 |
| Accrued Annual and Compensatory Leave Liabilities | 1,766 | 174,729 | 43,307 | 6,248 | 97,326 | 269,900 | 47,694 | 175,406 | 6,887 | - | 823,263 |
| Environmental and Disposal Liabilities | - | - | - | - | - | 11,407 | - | 67,392 | - | - | 78,799 |
| Deferred Revenue | 138,265 | - | - | - | 522,045 | - | - | 2,152 | - | - | 662,462 |
| Seized Cash and Monetary Instruments | 1,373,316 | - | - | - | 450 | 33,616 | 3,061 | - | - | - | 1,410,443 |
| Contingent Liabilities | - | 6,440 | - | - | 28,177 | 11,147 | 1,500 | 10,861 | - | - | 58,125 |
| Capital Lease Liabilities | - | - | - | - | - | - | - | 161 | 30 | - | 191 |
| Radiation Exposure Compensation Act Liabilities | - | 561,661 | - | - | - | - | - | - | - | - | 561,661 |
| 9/11 Victim Compensation Fund | - | 2,700,584 | - | - | - | - | - | - | - | - | 2,700,584 |
| Other Liabilities | - | 130,457 | 12,203 | - | 11,508 | 7,761 | 753 | 202,880 | - | - | 365,562 |
| **Total Liabilities** | **$ 6,147,578** | **$ 5,016,730** | **$ 425,466** | **$ 505,388** | **$ 1,034,981** | **$ 1,229,797** | **$ 294,999** | **$ 2,101,960** | **$ 193,963** | **$ (345,372)** | **$ 16,605,490** |
| **NET POSITION** | | | | | | | | | | | |
| Unexpended Appropriations - Funds from Dedicated Collections | $ - | $ 32,750 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 32,750 |
| Unexpended Appropriations - All Other Funds | - | 2,743,717 | 480,555 | 2,664,388 | 416,009 | 2,640,676 | 162,725 | 477,632 | - | - | 9,585,702 |
| Cumulative Results of Operations - Funds from Dedicated Collections | 2,560,848 | 216,951 | - | 12,971,522 | (332,973) | - | - | 95,380 | - | - | 15,511,728 |
| Cumulative Results of Operations - All Other Funds | - | (2,454,243) | 83,426 | 3,696 | (33,804) | 2,979,505 | (24,711) | 4,403,628 | 319,993 | - | 5,277,490 |
| **Total Net Position** | **$ 2,560,848** | **$ 539,175** | **$ 563,981** | **$ 15,639,606** | **$ 49,232** | **$ 5,620,181** | **$ 138,014** | **$ 4,976,640** | **$ 319,993** | **$ -** | **$ 30,407,670** |
| **Total Liabilities and Net Position** | **$ 8,708,426** | **$ 5,555,905** | **$ 989,447** | **$ 16,144,994** | **$ 1,084,213** | **$ 6,849,978** | **$ 433,013** | **$ 7,078,600** | **$ 513,956** | **$ (345,372)** | **$ 47,013,160** |

# U. S. Department of Justice
## Consolidating Balance Sheet
### As of September 30, 2013

| | 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 Statement of Net Cost**
**For the Fiscal Year Ended September 30, 2014**

| 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 | $ - | $ 67,879 | $ 21,480 | $ - | $ 12,857 | $ 1,610,242 | $ - | $ - | $ - | $ (27,927) | $ 1,684,531 |
| Gross Cost - With the Public | - | 110,675 | 77,133 | - | 102,432 | 3,481,744 | 3,439 | - | - | - | 3,775,423 |
| Subtotal Gross Costs | - | 178,554 | 98,613 | - | 115,289 | 5,091,986 | 3,439 | - | - | (27,927) | 5,459,954 |
| Earned Revenues - Intragovernmental | - | 13,041 | - | - | 44,964 | 302,342 | - | - | - | (27,927) | 332,420 |
| Earned Revenues - With the Public | - | (62) | - | - | 5 | 7,803 | - | - | - | - | 7,746 |
| Subtotal Earned Revenues | - | 12,979 | - | - | 44,969 | 310,145 | - | - | - | (27,927) | 340,166 |
| Subtotal Net Cost of Operations | $ - | $ 165,575 | $ 98,613 | $ - | $ 70,320 | $ 4,781,841 | $ 3,439 | $ - | $ - | $ - | $ 5,119,788 |
| **Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law** | | | | | | | | | | | |
| Gross Cost - Intragovernmental | $ 508,771 | $ 1,935,673 | $ 65,262 | $ 38,570 | $ 950,691 | $ 751,137 | $ 410,755 | $ - | $ - | $ (1,200,070) | $ 3,460,789 |
| Gross Cost - With the Public | 2,577,527 | 3,578,846 | 229,916 | 950,134 | 1,913,690 | 2,296,397 | 862,728 | 8,717 | - | - | 12,417,955 |
| Subtotal Gross Costs | 3,086,298 | 5,514,519 | 295,178 | 988,704 | 2,864,381 | 3,047,534 | 1,273,483 | 8,717 | - | (1,200,070) | 15,878,744 |
| Earned Revenues - Intragovernmental | 14,065 | 865,136 | - | 4,520 | 455,799 | 297,393 | 79,447 | - | - | (1,200,070) | 516,290 |
| Earned Revenues - With the Public | - | 806,545 | - | 33 | 319,738 | 5,043 | 1,245 | - | - | - | 1,132,604 |
| Subtotal Earned Revenues | 14,065 | 1,671,681 | - | 4,553 | 775,537 | 302,436 | 80,692 | - | - | (1,200,070) | 1,648,894 |
| Subtotal Net Cost of Operations | $ 3,072,233 | $ 3,842,838 | $ 295,178 | $ 984,151 | $ 2,088,844 | $ 2,745,098 | $ 1,192,791 | $ 8,717 | $ - | $ - | $ 14,229,850 |
| **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 | $ - | $ 125,539 | $ 532,778 | $ 147,660 | $ - | $ 284,534 | $ - | $ 1,752,810 | $ 85,469 | $ (235,640) | $ 2,693,150 |
| Gross Cost - With the Public | - | 413,517 | 2,140,198 | 1,461,732 | - | 634,305 | - | 6,090,658 | 458,026 | - | 11,198,436 |
| Subtotal Gross Costs | - | 539,056 | 2,672,976 | 1,609,392 | - | 918,839 | - | 7,843,468 | 543,495 | (235,640) | 13,891,586 |
| Earned Revenues - Intragovernmental | - | 8,658 | 54,199 | 18,865 | - | 330,135 | - | 27,191 | 432,822 | (215,849) | 656,021 |
| Earned Revenues - With the Public | - | 293 | 3,655 | - | - | 165,566 | - | 391,318 | 45,277 | - | 606,109 |
| Subtotal Earned Revenues | - | 8,951 | 57,854 | 18,865 | - | 495,701 | - | 418,509 | 478,099 | (215,849) | 1,262,130 |
| Subtotal Net Cost of Operations | $ - | $ 530,105 | $ 2,615,122 | $ 1,590,527 | $ - | $ 423,138 | $ - | $ 7,424,959 | $ 65,396 | $ (19,791) | $ 12,629,456 |
| **Total Net Cost of Operations** | **$ 3,072,233** | **$ 4,538,518** | **$ 3,008,913** | **$ 2,574,678** | **$ 2,159,164** | **$ 7,950,077** | **$ 1,196,230** | **$ 7,433,676** | **$ 65,396** | **$ (19,791)** | **$ 31,979,094** |

## 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 | $ - | $ 60,951 | $ 37,872 | $ - | $ 12,714 | $ 1,361,909 | $ - | $ - | $ - | $ (116,086) | $ 1,357,360 |
| Gross Cost - With the Public | - | 119,418 | 42,396 | - | 125,342 | 3,649,619 | 4,834 | - | - | - | 3,941,609 |
| Subtotal Gross Costs | - | 180,369 | 80,268 | - | 138,056 | 5,011,528 | 4,834 | - | - | (116,086) | 5,298,969 |
| Earned Revenues - Intragovernmental | - | 13,530 | - | - | 44,666 | 457,250 | - | - | - | (116,086) | 399,360 |
| Earned Revenues - With the Public | - | 25 | - | - | 4 | 16,344 | - | - | - | - | 16,373 |
| Subtotal Earned Revenues | - | 13,555 | - | - | 44,670 | 473,594 | - | - | - | (116,086) | 415,733 |
| Subtotal Net Cost of Operations | $ - | $ 166,814 | $ 80,268 | $ - | $ 93,386 | $ 4,537,934 | $ 4,834 | $ - | $ - | $ - | $ 4,883,236 |
| **Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law** | | | | | | | | | | | |
| Gross Cost - Intragovernmental | $ 501,418 | $ 1,841,653 | $ 79,516 | $ 59,681 | $ 898,217 | $ 829,830 | $ 375,869 | $ - | $ - | $ (945,821) | $ 3,640,363 |
| Gross Cost - With the Public | 1,286,133 | 3,940,314 | 164,286 | 989,297 | 1,896,782 | 2,199,434 | 868,544 | 7,907 | - | - | 11,352,697 |
| Subtotal Gross Costs | 1,787,551 | 5,781,967 | 243,802 | 1,048,978 | 2,794,999 | 3,029,264 | 1,244,413 | 7,907 | - | (945,821) | 14,993,060 |
| Earned Revenues - Intragovernmental | 12,201 | 768,886 | - | 11,164 | 439,466 | 342,743 | 74,433 | - | - | (945,821) | 703,072 |
| Earned Revenues - With the Public | - | 438,594 | - | - | 280,596 | 397 | 847 | - | - | - | 720,434 |
| Subtotal Earned Revenues | 12,201 | 1,207,480 | - | 11,164 | 720,062 | 343,140 | 75,280 | - | - | (945,821) | 1,423,506 |
| Subtotal Net Cost of Operations | $ 1,775,350 | $ 4,574,487 | $ 243,802 | $ 1,037,814 | $ 2,074,937 | $ 2,686,124 | $ 1,169,133 | $ 7,907 | $ - | $ - | $ 13,569,554 |
| **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 | $ - | $ 133,700 | $ 492,089 | $ 77,203 | $ - | $ 254,103 | $ - | $ 1,671,102 | $ 97,638 | $ (395,115) | $ 2,330,720 |
| Gross Cost - With the Public | - | 419,283 | 2,350,380 | 1,578,410 | - | 798,910 | - | 5,944,800 | 549,915 | - | 11,641,698 |
| Subtotal Gross Costs | - | 552,983 | 2,842,469 | 1,655,613 | - | 1,053,013 | - | 7,615,902 | 647,553 | (395,115) | 13,972,418 |
| Earned Revenues - Intragovernmental | - | 15,523 | 52,811 | 26,882 | - | 358,899 | - | 20,950 | 573,233 | (374,046) | 674,252 |
| Earned Revenues - With the Public | - | 34 | 4,941 | 314 | - | 154,485 | - | 398,643 | 41,509 | - | 599,926 |
| Subtotal Earned Revenues | - | 15,557 | 57,752 | 27,196 | - | 513,384 | - | 419,593 | 614,742 | (374,046) | 1,274,178 |
| Subtotal Net Cost of Operations | $ - | $ 537,426 | $ 2,784,717 | $ 1,628,417 | $ - | $ 539,629 | $ - | $ 7,196,309 | $ 32,811 | $ (21,069) | $ 12,698,240 |
| **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 Changes in Net Position
## For the Fiscal Year Ended September 30, 2014

| Dollars in Thousands | AFF/SADF | OBDs | USMS | OJP | DEA | FBI | ATF | BOP | FPI | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Unexpended Appropriations** | | | | | | | | | | | |
| **Beginning 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** |
| **Budgetary Financing Sources** | | | | | | | | | | | |
| Appropriations Received | | | | | | | | | | | |
| Funds from Dedicated Collections | - | 41,680 | - | - | - | - | | - | - | - | 41,680 |
| All Other Funds | - | 5,169,742 | 2,727,800 | 1,659,218 | 2,018,000 | 8,343,284 | 1,179,000 | 6,859,000 | - | - | 27,956,044 |
| Appropriations Transferred-In/Out | | | | | | | | | | | |
| All Other Funds | - | (33,104) | 410,705 | (6,732) | 25,195 | (34,706) | (420) | (15,832) | - | - | 345,106 |
| Other Adjustments | | | | | | | | | | | |
| Funds from Dedicated Collections | - | 317 | - | - | - | - | - | - | - | - | 317 |
| All Other Funds | - | (206,664) | - | (66,482) | - | - | - | - | - | - | (273,146) |
| Appropriations Used | | | | | | | | | | | |
| Funds from Dedicated Collections | - | (45,015) | - | - | - | - | - | - | - | - | (45,015) |
| All Other Funds | - | (4,788,454) | (2,957,249) | (1,891,327) | (2,013,437) | (7,490,378) | (1,147,849) | (6,802,729) | - | - | (27,091,423) |
| **Total Financing Sources** | | | | | | | | | | | |
| **Funds from Dedicated Collections** | **-** | **(3,018)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(3,018)** |
| **All Other Funds** | **-** | **141,520** | **181,256** | **(305,323)** | **29,758** | **818,200** | **30,731** | **40,439** | **-** | **-** | **936,581** |
| **Net Change** | | | | | | | | | | | |
| Funds from Dedicated Collections | - | (3,018) | - | - | - | - | - | - | - | - | (3,018) |
| All Other Funds | - | 141,520 | 181,256 | (305,323) | 29,758 | 818,200 | 30,731 | 40,439 | - | - | 936,581 |
| **Ending Balances** | | | | | | | | | | | |
| **Funds from Dedicated Collections** | **-** | **32,750** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **32,750** |
| **All Other Funds** | **-** | **2,743,717** | **480,555** | **2,664,388** | **416,009** | **2,640,676** | **162,725** | **477,632** | **-** | **-** | **9,585,702** |
| **Total All Funds** | **$ -** | **$ 2,776,467** | **$ 480,555** | **$ 2,664,388** | **$ 416,009** | **$ 2,640,676** | **$ 162,725** | **$ 477,632** | **$ -** | **$ -** | **$ 9,618,452** |

## U. S. Department of Justice
## Consolidating Statement of Changes in Net Position - Continued
## For the Fiscal Year Ended September 30, 2014

| 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** | **$ 1,855,767** | **$ 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** |
| Adjustments: | | | | | | | | | | | |
| Changes in Accounting Principles (Note 26) | | | | | | | | | | | |
| Funds from Dedicated Collections | - | - | - | - | (7,673) | - | - | - | - | - | (7,673) |
| All Other Funds | - | - | (69,710) | - | (31,334) | - | (22,141) | - | - | - | (123,185) |
| **Beginning Balances, as Adjusted** | | | | | | | | | | | |
| **Funds from Dedicated Collections** | **1,855,767** | **244,863** | **-** | **10,057,641** | **(319,165)** | **-** | **-** | **93,693** | **-** | **-** | **11,932,799** |
| **All Other Funds** | **-** | **(2,905,923)** | **86,863** | **4,559** | **1,847** | **3,041,917** | **(22,246)** | **4,758,682** | **357,522** | **-** | **5,323,221** |
| **Budgetary Financing Sources** | | | | | | | | | | | |
| Other Adjustments | | | | | | | | | | | |
| All Other Funds | - | (30,000) | - | - | - | - | - | - | - | - | (30,000) |
| Appropriations Used | | | | | | | | | | | |
| Funds from Dedicated Collections | - | 45,015 | - | - | - | - | - | - | - | - | 45,015 |
| All Other Funds | - | 4,788,454 | 2,957,249 | 1,891,327 | 2,013,437 | 7,490,378 | 1,147,849 | 6,802,729 | - | - | 27,091,423 |
| Nonexchange Revenues | | | | | | | | | | | |
| Funds from Dedicated Collections | 6,280 | 897 | - | 3,591,494 | - | - | - | - | - | - | 3,598,671 |
| All Other Funds | - | - | - | 293 | - | 29 | - | - | - | - | 322 |
| Donations and Forfeitures of Cash and Cash Equivalents | | | | | | | | | | | |
| Funds from Dedicated Collections | 4,158,820 | - | - | - | - | - | - | - | - | - | 4,158,820 |
| Transfers-In/Out Without Reimbursement | | | | | | | | | | | |
| Funds from Dedicated Collections | (693,000) | - | - | - | - | - | - | - | - | - | (693,000) |
| All Other Funds | - | 99,561 | - | - | - | (1,651) | - | - | - | - | 97,910 |
| **Other Financing Sources** | | | | | | | | | | | |
| Donations and Forfeitures of Property | | | | | | | | | | | |
| Funds from Dedicated Collections | 308,307 | - | - | - | - | - | - | - | - | - | 308,307 |
| Transfers-In/Out Without Reimbursement | | | | | | | | | | | |
| Funds from Dedicated Collections | (4,930) | - | - | - | - | - | - | - | - | - | (4,930) |
| All Other Funds | - | (111,548) | (23) | (21) | 3,900 | 112,458 | 3,169 | 630 | - | - | 8,565 |
| Imputed Financing from Costs Absorbed by Others | | | | | | | | | | | |
| Funds from Dedicated Collections | 1,837 | 955 | - | - | 11,843 | - | - | 5,021 | - | - | 19,656 |
| All Other Funds | - | 168,952 | 48,250 | 4,603 | 80,525 | 294,644 | 42,747 | 271,929 | 27,867 | (19,791) | 919,726 |
| Other Financing Sources | | | | | | | | | | | |
| All Other Funds | - | - | - | - | - | (8,193) | - | - | - | - | (8,193) |
| **Total Financing Sources** | | | | | | | | | | | |
| **Funds from Dedicated Collections** | **3,777,314** | **46,867** | **-** | **3,591,494** | **11,843** | **-** | **-** | **5,021** | **-** | **-** | **7,432,539** |
| **All Other Funds** | **-** | **4,915,419** | **3,005,476** | **1,896,202** | **2,097,862** | **7,887,665** | **1,193,765** | **7,075,288** | **27,867** | **(19,791)** | **28,079,753** |
| **Net Cost of Operations** | | | | | | | | | | | |
| Funds from Dedicated Collections | (3,072,233) | (74,779) | - | (677,613) | (25,651) | - | - | (3,334) | - | - | (3,853,610) |
| All Other Funds | - | (4,463,739) | (3,008,913) | (1,897,065) | (2,133,513) | (7,950,077) | (1,196,230) | (7,430,342) | (65,396) | 19,791 | (28,125,484) |
| **Net Change** | | | | | | | | | | | |
| Funds from Dedicated Collections | 705,081 | (27,912) | - | 2,913,881 | (13,808) | - | - | 1,687 | - | - | 3,578,929 |
| All Other Funds | - | 451,680 | (3,437) | (863) | (35,651) | (62,412) | (2,465) | (355,054) | (37,529) | - | (45,731) |
| **Ending Balances** | | | | | | | | | | | |
| **Funds from Dedicated Collections** | **2,560,848** | **216,951** | **-** | **12,971,522** | **(332,973)** | **-** | **-** | **95,380** | **-** | **-** | **15,511,728** |
| **All Other Funds** | **-** | **(2,454,243)** | **83,426** | **3,696** | **(33,804)** | **2,979,505** | **(24,711)** | **4,403,628** | **319,993** | **-** | **5,277,490** |
| **Total All Funds** | **$ 2,560,848** | **$ (2,237,292)** | **$ 83,426** | **$ 12,975,218** | **$ (366,777)** | **$ 2,979,505** | **$ (24,711)** | **$ 4,499,008** | **$ 319,993** | **$ -** | **$ 20,789,218** |
| **Net Position - Funds from Dedicated Collections** | **2,560,848** | **249,701** | **-** | **12,971,522** | **(332,973)** | **-** | **-** | **95,380** | **-** | **-** | **15,544,478** |
| **Net Position - All Other Funds** | **-** | **289,474** | **563,981** | **2,668,084** | **382,205** | **5,620,181** | **138,014** | **4,881,260** | **319,993** | **-** | **14,863,192** |
| **Net Position - Total** | **$ 2,560,848** | **$ 539,175** | **$ 563,981** | **$ 15,639,606** | **$ 49,232** | **$ 5,620,181** | **$ 138,014** | **$ 4,976,640** | **$ 319,993** | **$ -** | **$ 30,407,670** |

# 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** | **$ 1,619,856** | **$ 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
## Combining Statement of Custodial Activity
## For the Fiscal Year Ended September 30, 2014

| 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 | $ - | $ 13,833,518 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 13,833,518 |
| Fees and Licenses | - | - | - | - | 15,000 | - | 32,847 | - | - | 47,847 |
| Fines, Penalties and Restitution Payments - Civil | - | - | - | - | 13,284 | - | 20 | - | - | 13,304 |
| Fines, Penalties and Restitution Payments - Criminal | - | 46,404 | - | - | - | 935 | 64 | - | - | 47,403 |
| Miscellaneous | - | 31 | - | - | - | 4,470 | 1,617 | 44 | - | 6,162 |
| **Total Cash Collections** | **$ -** | **$ 13,879,953** | **$ -** | **$ -** | **$ 28,284** | **$ 5,405** | **$ 34,548** | **$ 44** | **$ -** | **$ 13,948,234** |
| **Accrual Adjustments** | - | - | - | - | 1,881 | (5) | (6) | - | - | 1,870 |
| **Total Custodial Revenue** | **$ -** | **$ 13,879,953** | **$ -** | **$ -** | **$ 30,165** | **$ 5,400** | **$ 34,542** | **$ 44** | **$ -** | **$ 13,950,104** |
| **Disposition of Collections** | | | | | | | | | | |
| Transferred to Federal Agencies | | | | | | | | | | |
| Library of Congress | - | (356) | - | - | - | - | - | - | - | (356) |
| U.S. Department of Agriculture | - | (156,297) | - | - | - | - | - | - | - | (156,297) |
| U.S. Department of Commerce | - | (731) | - | - | - | - | - | - | - | (731) |
| U.S. Department of the Interior | - | (35,177) | - | - | - | - | - | - | - | (35,177) |
| U.S. Department of Justice | - | (17,064) | - | - | - | - | - | - | - | (17,064) |
| U.S. Department of Labor | - | (2,245) | - | - | - | - | - | - | - | (2,245) |
| U.S. Postal Service | - | (23,457) | - | - | - | - | - | - | - | (23,457) |
| U.S. Department of State | - | (4,528) | - | - | - | - | - | - | - | (4,528) |
| U.S. Department of the Treasury | - | (7,001,974) | - | - | - | - | - | - | - | (7,001,974) |
| Office of Personnel Management | - | (48,872) | - | - | - | - | - | - | - | (48,872) |
| National Credit Union Administration | - | (1,375,000) | - | - | - | - | - | - | - | (1,375,000) |
| Federal Communications Commission | - | 6 | - | - | - | - | - | - | - | 6 |
| Social Security Administration | - | (554) | - | - | - | - | - | - | - | (554) |
| Smithsonian Institution | - | (1,277) | - | - | - | - | - | - | - | (1,277) |
| U.S. Department of Veterans Affairs | - | (78,350) | - | - | - | - | - | - | - | (78,350) |
| General Services Administration | - | (29,173) | - | - | - | - | - | - | - | (29,173) |
| Securities and Exchange Commission | - | (3) | - | - | - | - | - | - | - | (3) |
| Federal Deposit Insurance Corporation | - | (702,050) | - | - | - | - | - | - | - | (702,050) |
| Railroad Retirement Board | - | (286) | - | - | - | - | | - | - | (286) |
| Tennessee Valley Authority | - | (438) | - | - | - | | - | | - | (438) |
| Environmental Protection Agency | - | (265,167) | - | - | - | - | - | - | - | (265,167) |
| U.S. Department of Transportation | - | (17,363) | - | - | - | - | - | - | - | (17,363) |
| U.S. Department of Homeland Security | - | (101,451) | - | - | - | - | - | - | - | (101,451) |
| Agency for International Development | - | (4,101) | - | - | - | - | - | - | - | (4,101) |
| Small Business Administration | - | (12,163) | - | - | - | - | - | - | - | (12,163) |
| U.S. Department of Health and Human Services | - | (1,253,387) | - | - | - | - | - | - | - | (1,253,387) |
| National Aeronautics and Space Administration | - | (44) | - | - | - | - | - | - | - | (44) |
| Export-Import Bank of the United States | - | (1,908) | - | - | - | - | - | - | - | (1,908) |
| U.S. Department of Housing and Urban Development | - | (470,875) | - | - | - | - | - | - | - | (470,875) |
| U.S. Department of Energy | - | (6,040) | - | - | - | - | - | - | - | (6,040) |
| U.S. Department of Education | - | (22,929) | - | - | - | - | - | - | - | (22,929) |
| Independent Agencies | - | (78,277) | - | - | - | - | - | - | - | (78,277) |
| Treasury General Fund | - | (1,491,984) | - | - | (28,284) | (5,405) | (33,951) | (44) | - | (1,559,668) |
| U.S. Department of Defense | - | (88,859) | - | - | - | - | - | - | - | (88,859) |
| Transferred to the Public | - | (502,684) | - | - | - | - | - | - | - | (502,684) |
| (Increase)/Decrease in Amounts Yet to be Transferred | - | 564,677 | - | - | (1,881) | 5 | - | - | - | 562,801 |
| Refunds and Other Payments | - | (123,787) | - | - | - | - | (591) | - | - | (124,378) |
| Retained by the Reporting Entity | - | (525,785) | - | - | - | - | - | - | - | (525,785) |
| **Total Disposition Of Collections** | - | (13,879,953) | - | - | (30,165) | (5,400) | (34,542) | (44) | - | (13,950,104) |
| **Net Custodial Activity** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

## 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**
**Combined Schedules of Spending**
**For the Fiscal Years Ended September 30, 2014 and 2013**

| Dollars in Thousands | | 2014 | 2013 |
|---|---|---|---|
| **What Money is Available to Spend?** | | | |
| Total Resources | | $ 44,098,174 | $ 39,496,697 |
| Less: Amount Available but Not Agreed to be Spent | | 4,963,900 | 3,024,593 |
| Less: Amount Not Available to be Spent | | 860,832 | 970,374 |
| **Total Amounts Agreed to be Spent** | | **$ 38,273,442** | **$ 35,501,730** |
| **How was the Money Spent?** | | | |
| Personnel Compensation and Benefits | | | |
| 1100 | Personnel Compensation | $ 10,935,896 | $ 10,574,604 |
| 1200 | Personnel Benefits | 4,424,219 | 4,256,801 |
| 1300 | Former Personnel | 25,228 | 5,312 |
| Other Program Related Expenses | | | |
| 2100 | Travel & Transportation of Persons | 367,340 | 384,746 |
| 2200 | Transportation of Things | 66,872 | 98,202 |
| 2300 | Rent, Communications, and Utilities | 3,435,448 | 3,087,135 |
| 2400 | Printing and Reproduction | 20,318 | 24,125 |
| 2500 | Other Contractual Services | 13,288,564 | 11,998,687 |
| 2600 | Supplies and Materials | 1,507,066 | 1,550,916 |
| 3100 | Equipment | 1,216,303 | 792,419 |
| 3200 | Land and Structures | 149,992 | 163,838 |
| 4100 | Grants, Subsidies, and Contributions | 2,614,757 | 2,429,742 |
| 4200 | Insurance Claims and Indemnities | 221,318 | 126,354 |
| 4300 | Interest and Dividends | 2 | 8,849 |
| 4400 | Refunds for Forfeited Assets | 119 | - |
| **Total Amounts Agreed to be Spent** | | **$ 38,273,442** | **$ 35,501,730** |
| **Who did the Money go to?** | | | |
| For Profit | | 13,583,274 | 13,356,478 |
| Government | | 9,561,357 | 6,569,570 |
| Employees | | 10,908,865 | 12,685,553 |
| Grants | | 2,614,757 | 2,423,936 |
| Other | | 1,605,189 | 466,193 |
| **Total Amounts Agreed to be Spent** | | **$ 38,273,442** | **$ 35,501,730** |

**U.S. Department of Justice**
**Freeze the Footprint**
**For the Fiscal Year Ended September 30, 2014**

Under the leadership of the Attorney General, the Department continued its efforts during FY 2014 to freeze its real property footprint and monitor space utilization across the Department. The Department successfully reduced its overall square footage in FY 2013 from the FY 2012 benchmark level. While unique mission related requirements and planned construction projects already in the pipeline for organizations such as the FBI, USMS, DEA, and the EOIR are projected to increase the Department's overall real estate footprint at the end of FY 2014, the vast majority of the Department components have diligently maintained or reduced their footprint. These difficult mission related challenges come with the various law enforcement and litigation assignments of the Department to protect federal courthouses, house and secure prisoners awaiting trial, and continue to enforce drug trafficking, immigration laws, and other direct mission activities. These assignments and related activities require special space usage in buildings classified as office space by the General Services Administration.

One of the primary focuses of the Department is to monitor expiring leases for potential reductions in space as their lifecycle comes to an end. Over time, new build out standards and mobile workplace initiatives will increasingly provide the potential to reduce space. As an example, this year the Department received Congressional approval for a prospectus that will consolidate four existing lease locations into no more than two, and reduce square footage by 30% (approximately 200,000 square feet) for several litigation divisions located in Washington, DC. With adequate funding, these types of projects will further allow the Department to continue reducing the overall square footage to adhere to the Freeze the Footprint goals.

The Department continues its commitment to adhering to a no growth strategy for the majority of the Department, and where feasible, reducing its footprint.

Information for the Department is displayed below:

Freeze the Footprint Baseline Comparison

| For the Fiscal Year Ended September 30, 2014 | | | |
|---|---|---|---|
| | FY 2012 Baseline | FY 2013 | Change |
| Square Footage | 48,472,795 | 48,458,660 | -0.0292% |

Reporting of Operation and Maintenance Costs - Owned and Directly Leased

| For the Fiscal Year Ended September 30, 2014 | | | |
|---|---|---|---|
| | FY 2012 Baseline | FY 2013 | Change |
| Operation and Maintenance Costs (in whole dollars) | $ 35,224,094 | $ 36,795,414 | 4.461% |

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# SECTION III

## MANAGEMENT SECTION

(UNAUDITED)

# 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

November 10, 2014

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 2014 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 seven challenges that we believe represent the most pressing concerns for the Department. They are *Addressing the Persisting Crisis in the Federal Prison System*; *Safeguarding National Security Consistent with Civil Rights and Liberties*; *Enhancing Cybersecurity in an Era of Ever-Increasing Threats*; *Effectively Implementing Performance-Based Management; Ensuring Effective and Efficient Oversight of Law Enforcement Programs*; *Upholding the Highest Standards of Integrity and Public Service*; and *Protecting Taxpayer Funds from Mismanagement and Misuse*. While the challenges are not presented in a priority order, we believe the federal prison crisis, safeguarding national security, and enhancing cybersecurity are challenges in three critical areas that will continue to occupy much of the Department's attention and require its sustained focus for the foreseeable future.

In addition, one of the challenges, *Effectively Implementing Performance-Based Management*, offers the Department the opportunity to realize improvements and positive results across the spectrum of its programs and operations. Meeting this challenge will require the Department to use accurate and reliable data, develop results-oriented measurements, and adopt a data-driven analytical approach in its evaluation of program performance. We recognize that achieving results-oriented measurement is particularly difficult in areas such as litigation and law enforcement, but it is of critical importance if the Department is to effectively monitor whether its programs are accomplishing their intended goals. Performance-based management will enhance the Department's ability to achieve its strategic management objectives and address its most salient challenges.

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

Attachment

## TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF JUSTICE

Office of the Inspector General

### 1. Addressing the Persisting Crisis in the Federal Prison System

The Department of Justice (Department) continues to face two interrelated crises in the federal prison system. First, despite a slight decrease in the total number of federal inmates in fiscal year (FY) 2014, the Department projects that the costs of the federal prison system will continue to increase in the years ahead, consuming a large share of the Department's budget. Second, federal prisons remain significantly overcrowded and therefore face a number of important safety and security issues.

***Containing the Cost of the Federal Prison System***

The costs to operate and maintain the federal prison system continue to grow, resulting in less funding being available for the Department's other critical law enforcement missions. Although the size of the federal prison population decreased for the first time since 1980, from 219,298 inmates at the end of FY 2013 to 214,149 inmates at the end of FY 2014, and the Department now projects that the number of inmates will decrease by 10,000 in FY 2016, the downward trend has yet to result in a decrease in federal prison system costs. For example, in FY 2000, the budget for the Federal Bureau of Prisons (BOP) totaled $3.8 billion and accounted for about 18 percent of the Department's discretionary budget. In comparison, in FY 2014, the BOP's enacted budget totaled $6.9 billion and accounted for about 25 percent of the Department's discretionary budget. During this same period, the rate of growth in the BOP's budget was almost twice the rate of growth of the rest of the Department. The BOP currently has more employees than any other Department component, including the Federal Bureau of Investigation (FBI), and has the second largest budget of any Department component, trailing only the FBI. The Department's leadership has acknowledged the dangers the rising costs of the federal prison system present to the Department's ability to fulfill its mission in other areas. Nevertheless, federal prison spending continues to impact the Department's ability to make other public safety investments, as the Department's FY 2015 budget request for the BOP is a 0.5 percent increase from the enacted FY 2014 level.

Our work has identified several funding categories where rising prison costs will present particularly significant challenges in future years. For example, inmate healthcare costs constitute a rapidly growing portion of the federal prison system budget. According to BOP data, the cost for providing healthcare services to inmates increased 55 percent from FY 2006 to FY 2013. The BOP spent over $1 billion on inmate healthcare services in FY 2013, which nearly equaled the entire budget of the U.S. Marshals Service (USMS) or the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). The rapid increase in inmate healthcare costs can partly be attributed to the growth of the aging inmate population. From FY 2009 to FY 2013, the population of sentenced inmates age 50 and over in BOP-managed facilities increased 25 percent, while the population of sentenced inmates under the age of 30 decreased by 16 percent. The growth in the aging inmate population has significant budgetary implications for the Department because, according to studies cited by the National Institute of Corrections in a 2004 report, older inmates generally cost more than their younger counterparts to incarcerate. BOP data indicates that aging inmates account for about 19 percent of the total current population in BOP-managed facilities and 31 percent of inmates housed in BOP medical centers. In 2013, the average cost of incarcerating an inmate in a BOP medical center was $58,956 compared to $27,549 for inmates in the general population. The Office of the Inspector General (OIG) is completing a review of the impact of the BOP's aging inmate population on inmate and custody management, including inmate programs and activities, housing, and costs.

The cost of prescription drugs is also driving BOP's healthcare costs. New prescription drug treatments, particularly for chronic hepatitis C (HCV), could exponentially increase costs in the coming years. The BOP currently spends $6,600 per patient for a standard HCV treatment regimen. However, the treatment regimen newly approved by the Food and Drug Administration could cost an additional $20,000 to $40,000 per patient, according to BOP estimates. In 2014, the BOP estimated that at least 11,000 of its inmates have HCV, meaning that the BOP could face additional costs for these patients of approximately $220 million to $440 million. The BOP recently issued interim guidance on the implementation and management of HCV treatments. The OIG continues to monitor the effects of rising healthcare costs.

Given this crisis in the prison system, the Department needs to better utilize programs that can assist in prison population management, particularly existing programs and policies that Congress has already authorized. The OIG found in its 2013 review of the BOP's Compassionate Release Program that the program was not well-run and that an effectively managed program could assist the BOP with its prison capacity issues, which would result in cost savings for the BOP. Following our review, the BOP expanded its Compassionate Release Program to include criteria for elderly inmates with and without medical conditions. Similarly, in our 2011 review of the Department's International Prisoner Transfer Program, which permits certain foreign national inmates from treaty nations to serve the remainder of their sentences in their home countries, the OIG found that the Department rejected 97 percent of transfer requests by foreign national inmates, and that in FY 2010 few foreign inmates were transferred back to their home countries. Following our review, the BOP took steps to ensure that the treaty transfer program was communicated more effectively to inmates. According to recent BOP data, the number of inmates requesting transfer has increased significantly; however, the number of foreign inmates ultimately transferred to their home countries remains stagnant. The OIG anticipates completing its follow-up review of the treaty transfer program this fiscal year, and plans to report on whether there is additional progress that can be made to reduce prisoner numbers and costs in this area.

Separately, the Department has recently announced initiatives and changes in prosecution, sentencing, and early release policies that could reduce federal prison costs. These proposed policies target inmates sentenced for drug offenses, a group that accounts for more than half of the current federal prison population. The Department's FY 2015 budget request includes $173 million to support the Smart on Crime initiative, which the Department indicates is intended to promote prevention and reentry programs, such as drug courts and veterans courts as alternatives to incarceration, and encourages prosecutors to draft criminal charges for low-level nonviolent drug offenders in ways that will not trigger mandatory minimum sentences. Further, in April 2014, the Department announced a clemency initiative for prisoners already serving long sentences for low-level, non-violent drug offenses.

The Department also has indicated its support for programs that provide alternatives to incarceration, coupled with treatment and supervision, in an attempt to reduce recidivism. In an August 2013 speech, the Attorney General identified state-sponsored initiatives that he said served as effective alternatives to incarceration by providing offenders the treatment and supervision designed to reduce recidivism while also reducing states' prison populations. The Attorney General also instructed all U.S. Attorneys' Offices

(USAOs) to designate a Prevention and Reentry Coordinator in their respective Districts to expand on existing programs that promote the implementation of the Smart on Crime initiative. The OIG is currently conducting an audit that will evaluate the design and implementation of pre-trial diversion and drug court programs, variances in the usage of the programs among the USAOs, and costs savings associated with successful program participants.

***Improving Prison Safety and Security***

At the same time it focuses on prison costs, the Department must continue its efforts to ensure the safety and security of staff and inmates in federal prison and detention facilities. Prison overcrowding presents the most significant threat to the safety and security of BOP staff and inmates. In its FY 2013 Agency Financial Report, the Department once again identified prison overcrowding as a programmatic material weakness, as it has done in every such report since FY 2006. Yet, the federal prisons remain almost as crowded today as they were in FY 2006. As of June 2014, federal prisons operated at 33 percent overcapacity, with 42 percent overcrowding at higher security facilities and 40 percent at medium security facilities. Overcrowding in the federal prison system has prevented the BOP from reducing its inmate-to-correctional officer ratio, which according to the Congressional Research Service has remained at approximately 10-to-1 for more than a decade. The Department's FY 2014-2018 strategic plan includes an outcome goal to reduce system-wide crowding in federal prisons to 15 percent by FY 2018. However, as of June 2014, the BOP's Long Range Capacity Plan projects prison overcrowding to be 38 percent by FY 2018, higher than it is today. To reach the long-term outcome goal in the strategic plan, without expending additional funds to build more federal prison space or to contract for additional non-federal bed space, the Department would have to achieve a net reduction of about 23,400 federal prisoners from the June 2014 prison population, based on the existing bed space available within the federal prison facilities.

The safe and secure incarceration of federal inmates not only applies to BOP-managed facilities, but also extends to privately managed BOP contract facilities. Effective oversight of these facilities is critical since the proportion of inmates housed in contract facilities has increased substantially, from 2 percent of the prison population in 1980 to 19.5 percent in 2013. Riots in two privately managed BOP contract facilities, one in Texas in 2009 and the other in Mississippi in 2012, resulted in the death of a correctional officer, severe injuries to prisoners and employees, and over $60 million in property damage. The causes of both incidents have been at least partially attributed to prisoners' reactions to their perceptions of inadequate medical conditions and mistreatment at the facilities. The OIG is examining how the BOP manages its private contract prisons, whether the three contract prisons we are reviewing meet BOP and other safety and security requirements and how contract facilities compare with similar BOP facilities in terms of inmate safety and security. The use of segregated housing in private contract facilities and federal prisons also raises inmate safety and security concerns. In 2013, the BOP agreed to have an independent assessment conducted on its use of segregated housing. The OIG awaits the results of the report, and will continue to monitor the BOP's management of restrictive housing operations.

Sexual abuse in prison also remains a serious safety and security issue for the Department. In May 2014, the Department estimated that four percent of state and federal prison inmates reported experiencing one or more incidents of sexual victimization by another inmate or a facility staff member within the previous 12 months. 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. The

OIG recently completed a review of the Department's efforts to implement and comply with PREA since the Department's 2012 publication of the National Standards to Prevent, Detect, and Respond to Prison Rape (standards), which apply to all federal, state, and local confinement facilities. The OIG found that while the Department has made progress complying with the standards during the early period of implementation, significant work remains. For example, the Department does not have an effective mechanism in place to ensure compliance with the provisions of the standards that place obligations on the Department's law enforcement components that investigate sexual abuse in confinement settings. Consistent with those standards, all OIG investigators responsible for investigating sexual abuse allegations completed training earlier this year. The OIG will continue its longstanding efforts to investigate allegations of sexual abuse in federal prisons and detention facilities, work that has resulted in numerous criminal convictions and administrative actions by the BOP and the USMS.

The introduction of weapons and contraband, such as drugs, cell phones, and tobacco, into correctional facilities also presents considerable safety and security concerns. The OIG released an audit in June 2014 that assessed the usage and effectiveness of 65 x-ray machines purchased by the BOP for approximately $4 million following an attempted smuggling incident at the Federal Correctional Complex in Pollock, Louisiana. Our audit found that the machines were not effective for screening certain commodities commonly received by institution warehouses, and that prior to the audit the BOP had no policy guidance outlining the x-ray machines' limitations on effectively scanning dense items. In response to an OIG memorandum, the BOP issued guidance to ensure consistent application of all critical security and operational procedures for the use of x-ray machines at all BOP institutions that have received the equipment.

The unauthorized use of cell phones in prisons and detention facilities has proven to be a significant danger, and presents an increasing threat to the safety of the public as well as BOP staff and inmates. According to a 2011 Government Accountability Office (GAO) report, the number of cell phones BOP confiscated at federal prisons increased from 1,774 in 2008 to 3,684 in 2010. BOP officials reported that contraband cell phone use can threaten the security of prisons and expand criminal activity both inside and outside of prisons. For example, in January 2011 an inmate at a federal institution was sentenced to an additional 14 years in prison for running an identity-theft ring using a contraband cell phone, resulting in over $254,000 in fraudulent purchases. In September 2014, five correctional officers from the Baltimore City Detention Center, which is a state operated facility that also houses federal inmates under a contract with the USMS, pled guilty to participating in a 2-year racketeering conspiracy that included the smuggling of drugs and contraband, including cell phones, for further distribution by inmates who were active gang members. The OIG will continue to monitor cell phone interdiction efforts by the states and the BOP. In July 2013, the BOP released new staff entrance and search procedures, which authorized random pat searches of staff and in September 2014 the BOP announced a pilot program to use Millimeter Wave Scanners (similar to those used in airports) for contraband detection at six institutions. The OIG continues to monitor the BOP's compliance with a 2003 OIG recommendation regarding the searching of staff and their property when entering BOP institutions. In October 2014, the OIG initiated a review of the BOP's contraband interdiction efforts, including staff and visitor searches as well as physical security measures. That review will also examine state prisons' contraband interdiction practices.

Addressing the challenge of ensuring the safety and security of correctional officers and federal inmates will require the BOP to take several actions. First and foremost, the BOP must pursue strategies to reduce prison overcrowding. It must also provide effective oversight of privately managed contract prison facilities, reduce the incidence of inmate sexual abuse, and prevent the smuggling of weapons and contraband into prison.

### 2. Safeguarding National Security Consistent with Civil Rights and Liberties

The top priority in the Department's FY 2014-2018 strategic plan continues to be protecting U.S. citizens against acts of terrorism. As demonstrated by recent acts perpetrated by the Islamic State of Iraq and the Levant (ISIL) in the Middle East and last year's bombing of the Boston Marathon, the threat posed by terrorism remains serious. The proposed FY 2015 budget for the Department allocates over $4.3 billion to national security efforts to maintain counterterrorism and counterespionage programs and sustain intelligence gathering and surveillance capabilities. Given the potential magnitude of the threat posed, it is particularly important that the Department ensure that these funds are spent wisely, and that they are effective in improving national security. At the same time, however, the Department must ensure that it respects the civil liberties of American citizens. The recent debate over the government's surveillance programs has drawn significant attention to the challenge of operating critical national security programs consistent with the public's expectation of privacy.

The Department's national security efforts continue to be a focus 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 necessary information to act in a timely and effective manner. Our joint review with three other Inspectors General of the government's handling and sharing of information prior to the Boston Marathon bombings found that the FBI, Central Intelligence Agency (CIA), Department of Homeland Security, and National Counterterrorism Center generally shared information and followed procedures appropriately. Although we found that the FBI did not coordinate with the CIA in 2011 after receiving lead information about one of the alleged perpetrators of the bombings, we concluded that the CIA's involvement likely would not have been helpful to the FBI at that time. We also found that the FBI did not share this lead information with its state and local partners on the Joint Terrorism Task Force prior to the bombings, and we recommended that the FBI consider establishing a procedure for sharing threat information with state and local partners more proactively and uniformly. To identify potential gaps in information sharing that could compromise the effective targeting and disruption of international terrorist groups we intend to conduct a review of domestic information sharing among federal, state, and local law enforcement agencies.

We also continue to review the Department's use of the various investigative tools that it has available to enhance its national security efforts. For example, we are currently examining the Drug Enforcement Administration's (DEA) use of administrative subpoenas to obtain or exploit broad collections of "bulk" data or information. In particular, this review will address the legal authority for the acquisition and use of these data collections.

Various investigative methods used by the Department and the FBI to carry out their national security missions contain safeguards designed to protect the civil liberties of Americans. The importance of achieving the appropriate balance between effective national security efforts and respect for civil liberties and privacy interests was demonstrated by OIG reviews that have assessed the FBI's use of National

Security Letters (NSL), which give the government authority to obtain information such as telephone and financial records from third parties without a court order, provided certain requirements are met. The OIG's initial two NSL 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. In our most recent review of the FBI's use of NSLs published earlier this year, we found that the FBI and the Department have devoted considerable resources toward implementing the recommendations made in our past reports, and are taking additional measures to improve the FBI's compliance with NSL requirements. However, we identified additional challenges in certain areas during our compliance review, and we therefore made 10 new recommendations to the FBI and the Department to further improve the use and oversight of NSLs.

Ongoing OIG work, such as our reviews of the Department's requests for and use of business records under Section 215 of the USA PATRIOT Reauthorization Act and the Department's use of pen register and trap-and-trace devices under the Foreign Intelligence Surveillance Act (FISA), also address privacy concerns implicated by the use of national security authorities to collect data. Although the OIG completed both of these reviews months ago, and we have provided classified briefings to Congress regarding them, we have been unable to release the classified reports to Congress or non-classified reports to the public because the classification review being conducted by the intelligence community, which includes the FBI, is still ongoing. Similarly, in 2013, we requested that the Department and the Office of the Director of National Intelligence (ODNI) conduct declassification reviews for the full classified versions of our prior Section 215 reports, as well as our reports on the President's Surveillance Program and the FBI's use of Section 702 of the FISA Amendments Act, so that these reports can be released publicly. Our requests for the declassification reviews remain pending. We had made a similar request regarding our prior NSL reports and, in October 2014, we released new versions of those prior NSL reports with additional information unredacted after the information was declassified by the Department and ODNI in response to a Freedom of Information Act (FOIA) lawsuit. We believe it is important for the Department and ODNI to promptly review the remaining OIG national security reports that we identified in 2013 for declassification review.

The OIG also is currently reviewing the FBI's use of information derived from the National Security Agency's (NSA) collection of telephony metadata obtained from certain telecommunications service providers under Section 215. The review will examine the FBI's procedures for receiving, processing, and disseminating leads the NSA develops from the metadata, and any changes that have been made to these procedures over time. The review will also examine how FBI field offices respond to leads generated from this collection, and the scope and type of information field offices collect as a result of any investigative activity that is initiated. In addition, the review will examine the role the leads have had in FBI counterterrorism efforts.

The Department must couple its protection of national security with a commitment to the principles of transparency, oversight, and compliance with the law in its management of surveillance and data collection programs. Technological advances have increased the amount of data potentially available for use by law enforcement agencies, and Americans are engaged in a discussion about the value of the information collected and the appropriateness of collection techniques employed under surveillance authorities. New and emerging national security threats continue to drive the Department's work, and as the Department continues to acquire, store, and use information for its national security investigations and prosecutions, concerns about privacy rights and liberties will continue to arise.

### 3. Enhancing Cybersecurity in an Era of Ever-Increasing Threats

The United States continues to face serious, rapidly evolving economic and national security threats posed by cyber attacks and cyber espionage against its computer systems and infrastructure. In a January 2014 poll conducted by Defense News, leaders in national security policy, the military, Congress, and the defense industry identified cyber warfare as the number one threat facing the United States. In November 2013, FBI Director James B. Comey testified before the Senate Committee on Homeland Security and Governmental Affairs that in the future the resources devoted to cyber threats had the potential to eclipse resources devoted to non-cyber based terrorist threats. As recent events have shown, significant data breaches have occurred in the private sector, including at some of the nation's largest companies. These breaches have exposed to harm the personal data and financial information of millions of Americans. The federal government is also a frequent target of cyber attacks.

The Department has assigned numerous offices responsibility for meeting the cybersecurity challenge. These include the FBI's Cyber Division, which leads the Department's cyber investigative efforts; 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 Cyber Division is responsible for protecting against cyber-based terrorism, espionage, and computer intrusions, and also leads the National Cyber Investigative Joint Task Force (NCIJTF), which is the focal point for coordinating, integrating, and sharing information on cyber threat investigations across 19 U.S. agencies and foreign partners. As we stated in last year's management challenges report, this increasing proliferation of cybersecurity events creates pressing challenges for the Department to properly coordinate its cyber resources to work in concert toward the same goal, and to ensure that information related to cyber threats is shared and disseminated in an appropriate manner.

Moreover, the Department's FY 2015 budget request reflects its continued recognition of cybersecurity as a top priority. The Department requested $722 million, an increase of $7.6 million, to confront computer intrusions and cybercrimes and protect the Department's information networks. Over the last two years, the Department has requested $100.2 million to address rapidly changing cyber threats. The majority of this increase, $86.6 million (and 152 positions), is to support the FBI's Next Generation Cyber Initiative (NGC), which was launched in 2012 to enhance the FBI's ability to address cyber security threats to which the United States is vulnerable. NGC goals include increased partnering with the NCIJTF, focusing cyber security resources on computer and network intrusions instead of crimes committed with a computer, expanding the capabilities of Cyber Task Forces in each of the FBI's 56 Field Offices, and bolstering the FBI's cyber workforce and support infrastructure. The OIG is currently reviewing the NGC Initiative, determining whether the FBI is meeting its goals and assessing the FBI's progress following our 2011 report on its ability to address the national security cyber threat.

In its efforts to combat cybercrimes that impact the private sector, the Department must conduct sufficient outreach. 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. In last year's management challenges report, we stressed the need for the Department to aggressively implement the President's February 2013 Executive Order that requires the Department to implement procedures to rapidly share quality cyber threat information with private sector entities. A response from the Department came recently when the FBI established the Key Partnership Engagement Unit. The new unit aims to share "sector specific threat information" with private sector partners, and has provided classified briefings to key industries including energy and financial services. To avoid duplication, when sharing information with the private sector, the Department must coordinate with other federal agencies performing similar tasks, such as the Department of Homeland Security and the Secret Service. A successful cybersecurity strategy requires cooperation from the private sector, as well as reciprocal cooperation from law enforcement. The OIG will continue to monitor the Department's outreach to the private sector.

In protecting its own computer systems and data, the Department must establish and maintain effective internal network defenses. Of particular concern are insider threats. As recent events have shown, employees and contractors who have access to government computer systems and information in order to do their work, may pose serious security risks from within. In February 2014, the Department established an Insider Threat Prevention and Detection Program. The purpose of this program is to use counterintelligence, security, information assurance, and other functions and resources to identify and counter insider threats. The Department's Insider Threat Working Group is responsible for the development of minimum standards and guidance for implementing the program, and ensuring that civil liberties issues are adequately addressed.

Further, it is critical that the Department respond to cybersecurity incidents in a timely and meaningful manner. According to the National Institute of Standards and Technology (NIST), organizations need an incident response capability to enable them to detect incidents quickly, minimize loss and destruction, mitigate the system weaknesses that were exploited, and restore information technology services. However, an April 2014 GAO report analyzed a statistical sample of fiscal year 2012 cyber incidents across 24 federal agencies, including the Department, and estimated that the agencies did not effectively or consistently demonstrate actions taken in response to approximately 65 percent of detected incidents. Regarding Department policies and procedures, the GAO report identified several instances where the Department was in full or partial compliance, and in one instance in noncompliance, with key elements defined by the NIST. The report also found that the Department only partially defined the roles, responsibilities, and levels of authority for responding to cybersecurity incidents and did not develop and document procedures for prioritizing incidents. The GAO did, however, note that the Department was the only one of the six federal agencies selected for the audit that had established incident response performance measures.

In an era of ever-increasing cyber threats, the Department will be challenged to sustain a focused, well-coordinated cybersecurity approach for the foreseeable future. The Department must continue to emphasize protection of its own data and computer systems, while marshalling the necessary resources to combat cybercrime and effectively engaging the private sector.

### 4. Effectively Implementing Performance-Based Management

A significant management challenge for the Department is ensuring, through performance-based management, that its programs are achieving their intended purposes. In a September 2014 speech on criminal justice reforms aimed at reducing the federal prison population and its costs, the Attorney General stated, "it's time to shift away from old metrics and embrace a more contemporary, and more comprehensive, view of what constitutes success … because what gets measured is what gets funded and what gets funded is what gets done." Currently, the Department's 40 components have about 500 performance measures for programs with varied goals that include preventing terrorism and promoting national security, reducing violent crime, enforcing federal laws, and ensuring the fair and efficient administration of justice. Establishing annual and long-term performance measures with ambitious targets is a challenge for many of the Department's programs given that the programmatic outcomes are frequently not easily measured. However, the Department's ability to accomplish its strategic goals is significantly aided by how well it can gather and use data to evaluate program performance and improve management decisions; in addition, empirical evidence can assist in resource allocations and in requesting budget proposals.

Performance-based management has been a long-standing challenge not only for the Department but across the entire federal government. The Government Performance and Results (GPRA) Modernization Act of 2010 updated the federal government's performance management framework. The Act and corresponding guidance in the Office of Management and Budget's Circular No. A-11 place a heightened emphasis on priority-setting, cross-organizational collaboration to achieve shared goals, and the use and analysis of goals and measurements to improve outcomes. The Act established the website Performance.gov to serve as a single platform to communicate government-wide and agency performance. The Act also requires that federal agencies establish priority goals and cross-agency goals; conduct quarterly data-driven reviews to measure performance in achieving these goals; and use Performance.gov as a vehicle to report this information to the public. These quarterly data-driven performance reviews are modeled after successful evidence-based practices used in both the private and public sectors, such as the New York City Police Department's use of "CompStat" in the early 1990s to reduce crime and improve police performance.

The Department has taken actions to implement the tenets of performance-based management. For instance, in March 2014, the Department developed four agency priority goals to reflect the Attorney General's stated priorities and align with the Department's new strategic plan for FYs 2014-2018. The priority goals address themes concerning national security, violent crime, protecting vulnerable people, and financial and healthcare fraud, and focus on results that can be accomplished over a 12 to 24 month timeframe. Through Performance.gov, the Department has begun to report on a quarterly basis its progress in meeting these goals with performance data. Similarly, the Department developed a new set of key performance measures to track its progress in accomplishing the 30 long-term outcome goals in its new strategic plan. Also, starting in FY 2013, the Department combined its annual performance report and annual performance plan to provide a more useful and integrated picture of the Department's performance.

As the Department implements the GPRA Modernization Act requirements, it must continue its efforts to develop meaningful outcome-oriented goals and performance metrics. Some of the Department's performance goals and indicators are focused on inputs, workload, or processes rather than on outcomes and results. For example, several of the performance measures for the USAOs, such as the number of matters handled or total judgments and settlements, are output rather than outcome focused. These measures may provide information about the number of cases being handled, but they do not assess the significance and impact of those cases, nor do they address the goals of the Smart on Crime initiative. Given the significant role federal prosecutors play in combating crime, serving justice, and keeping the public safe, meaningful and outcome-based USAO performance measures can serve as powerful incentives to allocate resources and ensure focus toward achieving priorities. Achieving results-oriented measurement is particularly difficult in areas such as litigation and law enforcement, but of critical importance if the Department is to effectively monitor whether its programs are accomplishing their intended goals.

Further, Department leadership has acknowledged that the Department needs to embrace data in its evaluation of program performance, such as through advanced data analytics. Adopting a data-driven, analytical approach will be especially important for assessing the implementation of the Attorney General's Smart on Crime initiative. As noted previously, the rising cost of incarceration threatens the Department's ability to fulfill its mission in other priority areas. Much of the Smart on Crime initiative promotes the increased use of prevention and reentry programs, such as the expanded use of pre-trial diversion and drug court programs as alternatives to incarceration. A comprehensive approach to the collection and analysis of data on how well these programs are reducing incarceration costs, deterring crime, and improving public safety will help the Department to focus its resources and make strategic investments.

An essential building block to achieving performance-based management is having reliable data, an issue that has proven to be a challenge for the Department. Multiple OIG audits and reviews have identified problems with inaccurate or unreliable performance data. For example, in a 2014 review, the OIG found that the Department could not provide readily verifiable data related to its mortgage fraud efforts because of underreporting and misclassification of mortgage fraud cases in the Executive Office for U.S. Attorneys' case management system. The OIG also found there was no established methodology for obtaining and verifying the criminal mortgage fraud statistics announced during the Attorney General's October 2012 press conference regarding the Distressed Homeowner Initiative. According to an August 2013 FBI memorandum, the statistics presented at the press conference had reported approximately five times the actual number of criminal defendants charged as part of the initiative, and ten times the actual total estimated losses associated with Distressed Homeowners cases. Also, a 2014 OIG audit of the John R. Justice grant program found that the Bureau of Justice Assistance did not collect standardized, relevant baseline information on staffing rates for prosecutor and public defender positions, which resulted in limited data being available for a quantitative analysis of the impact of the grant program. In a 2012 review, the OIG found that the Executive Office for Immigration Review's performance reporting was flawed for both the immigration courts and the Board of Immigration Appeals. As a result, the Department could not accurately assess how well these bodies were processing immigration cases and appeals, or identify needed improvements.

Current and reliable data on performance measures is also critical in addressing resource allocation. Of growing importance in the current budget climate is the need to invest wisely in human capital, a fundamental prerequisite for achieving performance-based management. Between January 2011 and December 2013, the number of individuals employed by the Department declined by more than 4,000 due to sequestration and managed hiring efforts. Moreover, according to a January 2014 GAO report, by September 2017 approximately 28 percent of Department employees who were on board in September 2012 will be eligible to retire. The Department's FY 2015 budget request includes an increase of 580 positions over the FY 2014 enacted level. As the Department hires employees to fulfill its mission, it will need to rely on performance data to make strategic workforce planning and human capital decisions. The Department recently issued its human capital strategic plan for FYs 2015-2018 and plans to conduct quarterly data-driven reviews to measure its progress toward achieving the plan's goals.

In sum, effectively implementing performance-based management remains an ongoing challenge for the Department. Although the Department has taken actions to meet the requirements of the GPRA Modernization Act, it must continue to reexamine its performance measures. The use of reliable data will aid the Department in effectively measuring its programs, which in turn will enhance the Department's ability to achieve its strategic management objectives and allocation of resources.

### 5. Ensuring Effective and Efficient Oversight of Law Enforcement Programs

The Department's traditional law enforcement mission of enforcing and upholding federal law remains vitally important and occupies a central place in the Department's current strategic plan. As the nation's largest law enforcement agency, the Department possesses the unique responsibility of overseeing the coordination of its law enforcement practices while respecting civil rights. The OIG's recent work has identified several challenges facing the Department's law enforcement efforts.

A persistent challenge for the Department is to provide careful management and oversight of sensitive law enforcement programs. Such programs are not always subject to public scrutiny, heightening the importance of effective oversight. For example, our prior review on Operation Fast and Furious determined that the 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. We recommended that the Department coordinate among its law enforcement components on issues relating to significant law enforcement policies and procedures, case deconfliction mechanisms, and law enforcement initiatives. In this way, the Department can establish best practices and consistency among the investigative techniques used by its law enforcement components. The OIG is conducting a follow-up review to evaluate the progress and effectiveness of the measures the Department and the ATF have taken to implement the recommendations in our 2012 report that reviewed ATF's Operation Fast and Furious. Another key finding in our Fast and Furious report was that the ATF failed to exercise sufficient oversight of sensitive activities that posed a danger to the public or otherwise presented special risks. The ATF recognized this problem and established a Monitored Case Program to improve its oversight capabilities. The OIG is currently conducting a review to examine several ATF storefront operations that continued or began after the inception of the Monitored Case Program, and to evaluate the effectiveness of the Monitored Case Program as an oversight tool.

In addition, the OIG is reviewing the DEA's management of its confidential source program to evaluate its compliance with laws and regulations and oversight of payments to confidential sources. In particular, the OIG is determining if the DEA adhered to all requirements in the Attorney General's Guidelines regarding the use of confidential informants. This review will examine whether the Department reviews certain decisions relating to the registration and utilization of confidential sources. Concurrently, the OIG has been conducting an investigation of alleged payments for information by DEA personnel to an Amtrak employee. The OIG is also reviewing the Department's admission, handling, tracking, and monitoring of sex offenders admitted into the federal Witness Security (WITSEC) program and the Department's procedures for notifying states, local municipalities, and other law enforcement agencies regarding the relocation of the sex offenders in the WITSEC program.

Adding to the Department's oversight challenges is the need to integrate rapidly evolving technologies into law enforcement efforts while the rules governing those technologies remain in flux. The OIG is auditing the Department's use of or participation in law enforcement operations using unmanned aerial systems (UAS). Since the release of our September 2013 interim report, the Department has convened a UAS policy review working group, but has not yet finalized action towards a Department-wide policy on the use of UAS. The Department should take appropriate steps to ensure the most efficient, effective, and appropriate use of this new law enforcement technology.

The Department also must balance its critical oversight of law enforcement programs with ensuring the civil rights of American citizens. For example, passenger interdiction is a sensitive activity that requires careful management. The OIG is examining interdiction activities involving DEA-initiated cold consent encounters and searches of travelers at transportation facilities. In this review, the OIG seeks to determine how DEA's policies and practices are currently being implemented and whether they can be improved to strengthen oversight and increase protection of civil rights.

At the international level, the Department has an expansive presence in foreign countries, including over 1,200 permanent positions in over 140 countries. Department personnel establish and maintain working relationships with other nations, provide training, assist with investigations, and transport fugitives back to the United States. The Department faces numerous cooperation and oversight challenges, particularly when helping to build foreign counterparts' law enforcement capacities to address the expansion of transnational crime. When foreign partners make a commitment to law enforcement reform, the Department can provide federal resources and expertise, including the International Criminal Investigative Training Assistance Program and the Office of Overseas Prosecutorial Development, to assist with investigative, prosecutorial, and correctional services. While the Department works with foreign partners to support national security and foreign policy objectives, including combatting illegal immigration and building national defense programs to fight terrorism abroad, it must also ensure that the coordination, management, and oversight of these efforts sufficiently address international issues and align with current U.S. government and Department concerns and missions.

Furthermore, careful and effective oversight of law enforcement activities and employee conduct abroad is essential given the potential impact on U.S. foreign interests. For example, as representatives of the U.S. government, off-duty misconduct by Department employees stationed abroad can present unique concerns, particularly for law enforcement employees with security clearances. Moreover, when off-duty misconduct occurs, the impact on the U.S. government's reputation and on its law enforcement efforts can be especially damaging. The OIG is currently reviewing policies, guidance, and training that govern the off-duty conduct of Department employees on official travel or assignment in foreign countries. In addition, the OIG and the Department of State (State) OIG are conducting a joint review of post-incident responses by the DEA and State to three 2012 drug interdiction missions in Honduras involving the use of deadly force. This review will address several issues, including the rules of engagement governing the use of deadly force and information provided to Congress and the public by the Department and State about the incidents.

Coordination among law enforcement entities is critical to ensuring effective and efficient law enforcement operations. In a recent review that examined the operations of the multi-agency Organized Crime Drug Enforcement Task Forces Fusion Center (OFC), we found that a strained working relationship between the leadership of the OFC (the Director of which was a DEA employee during the OIG review) and the FBI created an uncooperative working environment that harmed the operations of the OFC. We also made several recommendations to improve the efficiency and effectiveness of OFC operations and usefulness of its analytic products, including that the Office of the Deputy Attorney General evaluate the structure of the OFC and the procedures for appointment of its management and staff to determine if modifications are appropriate to ensure efficient and cooperative operations.

Coordination is also a key tool for the Department in sharing the responsibility to patrol and manage more than 55 million acres of land with more than 500 federally recognized Native American tribes. In Indian Country, where there are high rates of violent crime, sexual assault, and substance abuse, federal law enforcement is both the first and likely only avenue of protection for victims of violent crimes. In particular, the impact and exposure to violent crime for Native American children is alarming, and it has been calculated that native youths are two-and-a-half times more likely to experience trauma compared to their non-native peers. The Department has requested $395.4 million to enhance and coordinate public safety initiatives in Indian Country. Additionally, the Department's Office of Justice Programs (OJP) awarded grants totaling over $263 million, through the Correctional Systems and Correctional Alternatives on Tribal Lands Program. The OIG is currently auditing this program to assess the OJP's management and oversight of the funding, as well as the OJP's cooperation and coordination with the Bureau of Indian Affairs to ensure efficient and effective correctional services in Indian Country.

As evidenced by the OIG's wide array of reviews relating to law enforcement issues, the Department continues to be challenged in its oversight role of the vast variety of complex and evolving law enforcement issues. It is crucial that the Department ensure proper oversight of its programs while acting consistent with the protection of civil rights for American citizens.

### 6. Upholding the Highest Standards of Integrity and Public Service

Charged with enforcing the nation's laws and defending its interests, the Department's senior officials and employees are expected to uphold the highest standards of integrity. Meeting this expectation is a key component in fulfilling the Department's crucial role in public service.

It is impossible for any organization as large and complex as the Department to maintain a perfect record of integrity, yet we have found that constant vigilance by the Department has produced positive results. For example, the FBI Laboratory (Lab) strengthened its latent fingerprint identifications by implementing major reforms, the USMS issued a promotional items policy to limit purchases of "swag," and the Civil Rights Division took steps to improve public confidence in the division's hiring practices have assisted in restoring public confidence in the Department.

Yet, the Department must ensure the fair administration of justice or public confidence may be lost. As evident from our July 2014 report describing irregularities in the FBI Lab, the OIG found serious deficiencies in the design, implementation, and overall management of the case review process conducted by a Department Task Force that responded to troubling findings about the FBI Lab in a 1997 OIG report. The deficiencies led to the Department's failure to ensure that capital cases were the Task Force's top priority and treated with urgency. For example, three defendants were executed before their cases were identified and reviewed by the Task Force. Another significant deficiency arose from the Task Force's failure to review all cases involving an FBI Lab Examiner whose misconduct was identified in the OIG's 1997 report, and whose work was known by the Task Force as early as 1999 to be consistently problematic. Additionally, the OIG's July 2014 report regarding the DEA's detention of a suspect in San Diego found that the DEA's failure to ensure that the suspect was released from custody after deciding that he would not be charged resulted in his unjustified incarceration for 5 days, and in injuries requiring significant medical treatment.

The Department should also strive to maintain the highest standards of integrity and accuracy when reporting on its efforts to the public. In our 2014 Mortgage Fraud review, referenced above, we found that the Department did not prioritize mortgage fraud at a level commensurate with its public statements about its enforcement priorities and substantially overstated its mortgage fraud enforcement efforts by providing inaccurate statistics at its October 2012 press conference. Moreover, the Department became aware soon after the press conference that the statistics were seriously flawed, but did not inform the public of the errors until August 2013 and continued to cite them during the intervening 10 months. Providing the public with inaccurate information and failing to correct such misstatements in a timely manner erodes the public's confidence and trust in the Department.

The Department must continue to work to eliminate nepotism and favoritism in its hiring decisions and to abide by merit system principles. In 2012, the OIG issued a report on its investigation of improper hiring practices in the Department's Justice Management Division (JMD). We found that multiple JMD employees had violated applicable statutes and regulations in seeking employment for their relatives within JMD. In 2014, we determined that the recommendations we made in our report could be closed because of the steps JMD had taken to improve its hiring procedures. In September 2014, the Deputy Attorney General issued a memorandum directing all Department components to adopt hiring disclosure procedures similar to those adopted by JMD in response to the OIG report. In November 2014, the OIG found violations of the federal nepotism prohibition and other personnel rules arising from the hiring of four students who were relatives of the three most senior officials in the Executive Office of Immigration Review (EOIR). However, we also found that EOIR has taken steps to adopt hiring practices consistent with those adopted by JMD, which should help prevent nepotism and favoritism in future EOIR hiring. The OIG is nearing completion of an investigation of nepotism and favoritism in another DOJ component.

Whistleblowers play a crucial role in helping to ensure that the Department is upholding the highest standards of integrity and public service. For example, the OIG first learned about the DEA's unjustified detention of the suspect in San Diego, discussed above, when concerned individuals called the OIG's hotline regarding the matter. Yet, we continue to identify instances where Department employees have sought to retaliate against whistleblowers. One recent OIG investigation found that a former high-ranking ATF official made highly inappropriate and derogatory statements about the ATF agents who reported their concerns regarding Operation Fast and Furious. Another investigation found substantial evidence that one of these ATF agents was retaliated against by a former United States Attorney for his testimony before a Congressional committee. More recently, two FBI agents detailed to the OFC told us that they had been subjected to retaliation by the OFC Director after they had raised concerns to the OIG about the OFC's operations. The OIG recently completed its review of these retaliation allegations and concluded that there were reasonable grounds to believe that actions were taken against the FBI employees in reprisal for making protected disclosures. The OIG continues to emphasize, through our OIG's Whistleblower Ombudsman Program, the vital importance of whistleblowers to ensuring the effective and efficient operations of the Department, as we seek to expand whistleblower training to all Department components. The Department's leaders must ensure that employees can come forward and report waste, fraud, abuse, and mismanagement without fear of retaliation, and that they know where and to whom they can report their concerns.

Robust oversight is critical to ensure that the Department upholds the highest standards of integrity. For any OIG to conduct effective oversight, it must have complete and timely access to all records in the agency's possession that the OIG deems relevant to its work. Prompt and complete access to information is a cornerstone of effective independent oversight by the OIG, a principle codified in the Inspector

General Act. We expect that most OIG audits and reviews will be conducted with prompt and complete cooperation from Department components, yet there have been recent occasions when we have not obtained timely or complete access to certain records due to the Department's view that access was limited by other laws. Actions that limit, condition, or delay access to information have substantial consequences that may adversely affect our ability to provide efficient and thorough oversight of the Department.

The Department continues to face challenges regarding its handling of allegations of misconduct by Department attorneys. The Office of Professional Responsibility (OPR) has jurisdiction, by statute, to investigate allegations of misconduct against Department attorneys acting in their capacity as lawyers. The OIG has long questioned the carving out of this exclusive role for OPR as it is managed as a component of the Department, has no institutional independence, and lacks transparency in that it does not regularly release its reports and conclusions to the public. The independent, non-partisan Project on Government Oversight (POGO) issued a March 2014 report that was critical of OPR's longstanding lack of transparency and recommended empowering the OIG to investigate misconduct by Department attorneys. 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. Although a federal regulation, 28 C.F.R. 0.29e(a)(6), authorizes the OIG to request that the Deputy Attorney General assign to us a matter within the investigative jurisdiction of OPR, this procedure leaves the decision entirely to the Department leadership and, in any event, requiring the OIG to seek the Department's permission before undertaking an investigation compromises our independence. For these reasons, we continue to believe that Congress should eliminate this carve-out from the OIG's jurisdiction and support S.2127, bipartisan legislation that would amend the Inspector General Act to enable the OIG to investigate allegations of attorney misconduct.

The Department is expected to uphold the highest levels of integrity to maintain the public's trust. To meet this challenge, the Department must continue to encourage its employees to report what they reasonably believe to be evidence of wrongdoing, take steps to promptly address deficiencies, and ensure that oversight of its operations promotes the fair and impartial administration of justice.

**7. Protecting Taxpayer Funds from Mismanagement and Misuse**

Avoiding wasteful and ineffective spending is a fundamental responsibility of all federal agencies, and with a FY 2014 budget of $27.3 billion, the Department needs to ensure that it operates as efficiently and effectively as possible. In FY 2014, the OIG's reports, including those related to audits performed by independent auditors pursuant to the Single Audit Act, identified about $23.7 million in questioned costs and more than $1.2 million in taxpayer funds that could be put to better use. These figures are in addition to numerous recommendations for program improvements that are not quantified in dollars.

The Department must remain particularly vigilant when taxpayer funds are distributed outside of its direct control to third parties, such as grantees and contractors. Over the past decade there has been significant growth in the Department's contract spending. According to data from the government's USASpending.gov website, Department contract outlays almost doubled from $3.4 billion in FY 2003 to $7.3 billion in FY 2013. This growth in contract spending presents a challenge to the Department to ensure contracts are being awarded competitively, that the Department actively monitors contractor performance, and that funds are spent wisely and efficiently so that the Department gets full value for its expenditure of the taxpayers' money.

Nowhere is the growth trend in contracting more apparent than in the BOP. The BOP's FY 2015 budget requested $1.1 billion for contract prisons, representing 15 percent of its total budget. Additionally, as noted above, the proportion of federal prison inmates in contract facilities has risen from 2 percent in 1980 to 19.5 percent in 2013. Moreover, according to the Federal Procurement Data System, in FY 2013, 8 of the top 10 high-dollar Department contract obligations (funds set aside for payment) were for private prison contracts. Such cost information inevitably leads to the question: are private prisons more or less cost effective than public prisons? The OIG is currently examining how the BOP manages its private prison contracts. The OIG is also auditing one of the largest BOP private prison contracts, which was awarded to a detention center in Texas, to assess the BOP's and contractor's compliance with contract terms and conditions in the areas of billings and payments, staffing requirements, and contract oversight and monitoring.

In part due to the sheer volume of money and the large number of recipients involved, grant funds present a significant risk for mismanagement and misuse. According to USASpending.gov, from FY 2009 through FY 2013 the Department awarded approximately $17 billion in grants to thousands of governmental and non-governmental recipients. For example, an OIG audit questioned nearly all of the more than $23 million in grant funds awarded by the Department to Big Brothers Big Sisters of America (BBBSA) due to the mismanagement of the grant funds. The audit also resulted in the OJP freezing disbursement of Department grant funds to BBBSA at that time. However, four months after OJP's action, BBBSA received $5 million in grant funds from the Department of Labor. Further, we understand that OJP has recently approved a partial release of funds to BBBSA under BBBSA's 2012 grant based upon OJP's approval of a 90-day budget of BBBSA's anticipated costs, and that BBBSA may request drawdowns on a reimbursement basis as expenses are incurred. Protecting taxpayer funds from mismanagement and misuse is critical, and the Department must ensure that when such actions are taken with respect to a grant recipient, it should communicate with other federal granting agencies so that they are aware of the Department of Justice actions.

Further, the OIG's recent reports have identified several opportunities for improved efficiency in how the Department spends its own funds. For example, as described above, our June 2014 audit examined the BOP's purchase and usage of x-ray machines, and found significant concerns in the effectiveness and usage of the x-ray machines. The OIG found that the machines were not effective for screening certain commodities commonly received by BOP institution warehouses. In addition, significant delays between the delivery and installation of some x-ray machines resulted in over $182,000 in expended funds for which no benefit had been realized.

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 2013, the Department reported recoveries of $3.8 billion in False Claims Act cases primarily comprised of $2.6 billion attributable to health care fraud civil recoveries and $890 million attributable to procurement fraud. The OIG's Fraud Detection Office (FDO) has opened grant fraud cases on issues including consultant payments, conflicts of interest, and embezzlement, and has provided fraud awareness training to OJP. In 2014, the FDO conducted 28 briefings focused on grant fraud indicators and common schemes, which reached approximately 2,500 participants.

The Department must also use all appropriate tools available to recover money owed to it, enforce the collection of debts owed to crime victims and the federal government, and ensure that the amounts recovered from civil debt collection activities are properly credited to the Department and spent wisely. In FY 2013, the USAOs collected $9 billion in criminal and civil debts. However, at the end of FY 2013, an additional $25.3 billion was owed to the United States, including $20.8 billion in criminal fines and restitution and $4.5 billion in civil debts. The USAOs' efforts to collect criminal and civil debts are the subject of an ongoing OIG review.

The Department must also ensure the proper stewardship of its Assets Forfeiture Fund, which has seen a significant increase from $2.9 billion in FY 2011 to $5 billion as of FY 2013. A portion of these funds constitutes the Department's Equitable Sharing Program, which distributes a share of forfeited property and proceeds to state and local law enforcement agencies that participate in a federal forfeiture. The equitable sharing payments distributed to state and local law enforcement agencies increased from nearly $440 million in FY 2011 to nearly $710 million in FY 2013. While this program offers the Department and its state and local partners a collaborative opportunity in law enforcement, if not carefully managed, the program also creates an opportunity for abuse. For example, in the past two fiscal years, OIG audits of equitable sharing payments identified over $2 million in questioned costs. The Department must maintain careful oversight of the equitable sharing payments it distributes to ensure that state and local agencies spend these funds appropriately. The Department's oversight must also ensure that state and local agencies obtain forfeited property and proceeds in an appropriate manner.

The OIG's recent oversight work has demonstrated the continued challenges the Department faces in ensuring that taxpayer funds are protected from fraud, mismanagement, and misuse. It is essential that the Department continue to manage its resources wisely and maximize the effectiveness of its programs even as the Department's current budget environment improves.

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# MANAGEMENT'S RESPONSE TO THE FY 2014 OFFICE OF THE INSPECTOR GENERAL'S REPORT ON THE TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF JUSTICE

## 1. Addressing the Persisting Crisis in the Federal Prison System

Just over a year after the August 2013 launch of the Department of Justice's (DOJ or the Department) Smart on Crime initiative – which shifted prosecutorial resources to cases with the most significant federal interests; effectively lowered sentences for low-level, nonviolent drug offenders; and encouraged the use of alternatives to incarceration in appropriate cases – the prison population has decreased for the first time since 1980. As the Report notes, the trend is projected to continue: the Department expects a decrease in prison population by approximately 1,200 in FY 2015 and approximately 10,000 in FY 2016. While the Smart on Crime initiative no doubt has made some progress, the Department is working to measure its effectiveness and impact, the full results of which are likely to be seen over a period of several years.

Despite this progress, federal detention and prison spending remains a large share of the Department's budget due to the overall size of the inmate population. In particular, and as the Report notes, medical needs are increasing prison costs and the aging population, a major user of medical services, is growing. In fact, one of the primary drivers of healthcare costs within the Bureau of Prisons (BOP) is the cost of prescription drugs. The Department and BOP have and will continue to implement all prudent mechanisms to reduce these healthcare costs without sacrificing the appropriate standard of care. For example, and as the Report recognizes, as part of the Smart on Crime initiative, the BOP has expanded its criteria for its Compassionate Release Program.

Some mechanisms identified in the Report for reducing prisons costs, however, are unlikely to have a significant impact on reducing the inmate population. The International Prisoner Transfer Program is a voluntary program requiring the consent of the prisoner, the sentencing country, and the receiving country. Although a significant number of foreign national prisoners are in BOP custody, many do not apply for transfer. Of those prisoners who apply, most are not eligible for transfer because they are not from a country having a transfer treaty relationship with the United States or because they do not meet statutory or treaty requirements. BOP is responsible for making the initial eligibility determination and then referring the small subset of eligible applicants to Criminal Division, which determines the suitability of each transfer applicant. Regardless of how many candidates are approved by the United States, the number of actual transfers will only increase if transfer treaty partners accept their nationals for transfer and do so in a timely manner. That said, even though these restrictions result in the Program's benefitting only a few prisoners, at the Office of the Inspector General's (OIG) recommendation, BOP has improved its procedures for publicizing the Program to inmates and trained staff on its implementation; the Criminal Division has also enhanced its review process.

Reductions in the population help address a second critical concern for BOP: the number of staff available to supervise and provide evidence-based programs and services to inmates. As the population goes down, the ratio of inmates to staff members also goes down, thereby increasing the safety of staff, inmates, and the general public. Last year's reduction in the inmate population decreased system-wide crowding in BOP's prisons to 30%, the lowest it has been since 1998. Despite the overall reduction, crowding remains a concern at medium and high security institutions which are operating at 39% and 52% above rated capacity, respectively.

The size of the inmate population affects prison safety and security and is a constant focus for the BOP, and the Department appreciates the Report's recognition of the numerous programs BOP has implemented and enhanced in order to increase prison security; we will not repeat those here. With regard to contract facilities, as the Report notes, the BOP is currently working to ensure that contracts continue to provide the best value for the government and that contract facilities provide safe and secure incarceration of inmates. The independent assessment on the safety and security of segregated housing in contract facilities is complete and is scheduled to be provided to the BOP by December 2014.

### 2. Safeguarding National Security Consistent with Civil Rights and Liberties

The top priority of the Department is to protect U.S. citizens against acts of terrorism. In carrying out its missions to protect national security, the Department is also firmly committed to protecting privacy rights and civil liberties and promoting transparency. This commitment to protect privacy and civil liberties is evident in the work of the Department's privacy program, which is led by the Department's Chief Privacy and Civil Liberties Officer (CPCLO) and the Office of Privacy and Civil Liberties (OPCL). The CPCLO and OPCL work with privacy officials in each of the Department's components to ensure that privacy and civil liberties protections are incorporated in its important national security work.

The Department manages the dissemination of raw and finished intelligence and establishes policies to ensure it disseminates timely, high-quality intelligence to its appropriate components and the Intelligence Community (IC). Finished intelligence is comprised of analytical products which are posted on shared community networks and disseminated to those cleared with a need to know. The Department reviews production numbers and velocity to ensure raw information and finished assessments are shared, as appropriate, in a timely manner. In FY 2014, the Department significantly increased its sharing of critical, sensitive intelligence. As an essential part of this critical intelligence sharing process, the Department has worked with IC components to review procedures to protect the collection, use, and dissemination of U.S. Person information.

Operationally, the Department uses the Federal Bureau of Investigation (FBI) led 103 Joint Terrorism Task Forces and the National Joint Terrorism Task Force, as well as daily coordination and executive briefings, to share national security information with federal, state, and local law enforcement partners. Additionally, the Department actively participates in the National Counterterrorism Center, and the FBI leads the Terrorist Screening Center, through which valuable intelligence is shared as quickly as possible with all relevant stakeholders. The Department has continued to work with its law enforcement partners to ensure that information sharing procedures and initiatives comply with applicable privacy law and policy. This includes review and assessment of privacy and civil liberties issues of information technology systems used in information sharing initiatives, as well as participating in review of specific law enforcement programs to ensure that information collected, used, and disseminated for national security and law enforcement purposes complies with applicable privacy and civil liberties requirements.

While the Department is working to protect the nation against terrorism, it is committed to the principles of transparency, oversight, and compliance. The Department appreciates the OIG's recognition of this commitment and progress with respect to the FBI's compliance with National Security Letter requirements. In addition, to promote a more transparent government, the Department continues to work with the Office of the Director of National Intelligence and other IC agencies to declassify and make public as much information as possible about certain U.S. Government surveillance programs while protecting sensitive classified intelligence and national security information.

### 3. Enhancing Cybersecurity in an Era of Ever-increasing Threats

The United States faces serious, rapidly evolving economic and national security threats from cyber attacks and cyber espionage against its computer systems and infrastructure. These attacks are against the government and the private sector, with some of the most significant data breaches occurring in the private sector, including some of the nation's largest companies, exposing to harm personal data and financial information of Americans.

DOJ's work to prevent intrusions and attacks on the nation's home computers, business systems, and government networks draws upon an array of legal tools and capabilities. It integrates DOJ's criminal investigative and national security authorities, intelligence gathering and analytic capabilities, and legal expertise in technological matters to detect, deter, and disrupt cyber threats. Because of the range of capabilities and expertise required, DOJ takes an integrated, cross-component approach to cybersecurity, including the relevant threat subject matter experts (terrorism, economic espionage, organized crime) for the most effective response. In addition, the Department uses all cybersecurity tools at its disposal to include investigations, prosecutions, intelligence collection, foreign investment review, threat information sharing, victim outreach, policy review, and strategic planning.

Because cyber threats have many dimensions, a combination of law enforcement, national security, diplomatic, economic, and military tools and authorities—wielded by DOJ and other agencies across the government—needs to be used to mount an effective, collective defense. Accordingly, DOJ collaborates with agencies across the U.S. Government to detect, deter, and disrupt cyber threats, including, among others, the Department of Homeland Security, the IC, the Department of State, and the Department of Defense, as well as state and local governments. The Department helps to develop and implement Executive Orders and other cross-government policy directives related to cybersecurity and information sharing. The Department also proposes and advocates for appropriate legislation to address cybersecurity threats, including provisions that would encourage better collaboration and information sharing between the private sector and government.

The Internet makes it easy for criminals to conduct schemes across international borders, so international outreach and training is critical to address cybercrime that victimizes U.S. citizens. The Department collaborates with international partners to identify, arrest, and extradite individuals involved in data breaches and other computer crimes committed against U.S. victims and to assist in developing the laws and expertise to address computer crime. It also handles requests for assistance from foreign authorities (e.g., Mutual Legal Assistance Treaty requests) concerning cybercrimes in other countries and is taking steps to enhance its capacity to handle such requests.

Outreach and information sharing with the private sector is vital to deter and defend against cybercrime and other cyber threats. DOJ conducts outreach to inform companies and the general public about nascent threats. When threats materialize, DOJ works with other federal departments and agencies to inform companies and individuals that they have been victimized so that they can better protect themselves. The Department collaborates with both IC and law enforcement partners to share cyber threat information with the private sector. The FBI coordinates investigative and operational responses to cyber events, and FBI messages containing intelligence and threat indicators are available to the private sector. These messages are coordinated with IC partners and disseminated when appropriate. The FBI also helps to coordinate the Government's response to computer intrusion activity and notification of victims. The U.S. Attorneys' Offices (USAO) also conduct public and industry outreach and awareness activities. For example, each USAO has one or more designated prosecutors who belong to the Computer Hacking and Intellectual Property (CHIP) Network. Among their other duties, CHIP attorneys conduct public and industry outreach and awareness activities on a continuing basis, helping the private sector to understand the criminal cyber threat and the tools and resources that may assist them if they are a victim of an intrusion. In 2012 DOJ launched the National Security Cyber Specialist (NSCS) Network. This Network specializes in legal tools and advice relating to national security cyber threats. NSCS attorneys coordinate closely with CHIP attorneys and indeed often have served as CHIP prosecutors. NSCS attorneys conduct outreach to companies who may have been – or may become – victims of national security-related cyber intrusions to share useful information and discuss relevant legal issues.

Insider threats are a significant concern across the U.S. Government. Threats are often criminal in nature, and in such cases, the Department's components, including agency OIGs, work together to deter and punish such offenders, particularly when investigations are state-sponsored or involve classified information. The Department's Insider Threat Working Group coordinates efforts in the fight against insider threats. The

Department also has continued legislative efforts to ensure that the law appropriately deters and punishes insider conduct. The Department has leveraged the FBI's robust Insider Threat prevention program to benefit the entire Department, especially within those components that handle classified information.

The Department also recognizes the importance of establishing and maintaining effective internal network defenses. The Department has a robust cybersecurity program to proactively detect and combat insider and advanced persistent threats. For example, the Department has in place defense-in-depth capabilities that provide data loss prevention and advanced malware and virus detection. It also is capable of blocking intrusion attempts and inappropriate inbound and outbound connectivity.

### 4. Effectively Implementing Performance-based Management

The Department is committed to the development of meaningful results-oriented measurement and has processes in place to constantly monitor and enhance these measures. As stated in the OIG's Report, establishing measures with ambitious targets is a challenge for many of the Department's programs given that the programmatic outcomes frequently are not easily quantified. The Department reviews and monitors components' performance, in conjunction with budget execution and financial information, quarterly. The Department adjusts measures and targets as appropriate.

The Department's Smart on Crime Initiative is focused on identifying reforms to ensure that federal laws are enforced fairly and efficiently. This initiative looks at all phases of the criminal justice system including charging, sentencing, incarceration, and reentry. Over the past year, using data from the BOP, USAOs, and the U.S. Sentencing Commission, as well as other anecdotal information, the Department has developed performance metrics with an eye toward meaningfully tracking progress on the effects of Smart on Crime policies.

Regarding the Distressed Homeowner Initiative, in August 2013, the Department released revised statistics to correct the numbers cited in the Department's October 2012, announcement regarding the initiative. When questions arose about the accuracy of the statistics, the Department determined the source of the error and corrected the data. The Department has issued corrections and modified press releases and other public statements to reflect the correct statistics. Since the issuance of the OIG Report, the Department has issued and implemented a set of best practices for ensuring that accurate statistics are collected and reported to the public.

The Department's Office of Justice Programs (OJP) recognizes that standardized data elements are an important component of state impact assessments and are necessary for a vigorous quantitative analysis of the John R. Justice program. Since FY 2010, the Bureau of Justice Assistance (BJA) has required grantees to complete local impact assessments. In response to the FY 2014 OIG audit findings, BJA plans to implement internal procedures in FY 2015 to standardize the requirements for state impact assessments in its Performance Measurement Tool and ensure that a more robust, consistent, and effective methodology is included in the grant solicitation.

The Department began two initiatives to use performance data to make strategic workforce planning and human capital decisions in FY 2014. First, the Department finalized its Human Capital Strategic Plan for FY 2015-FY 2018, "People First . . . Partnering Across DOJ to Empower its Workforce," and released human capital objectives that align to the current priorities of the Administration and the Department. Second, the Department participated in the Office of Personnel Management's HRStat3.0 initiative, completed the required reviews, and analyzed human capital management data with a focus on improving performance and reducing costs. DOJ continues to use the Federal Employee Viewpoint Survey data to develop and implement workforce planning strategies to attract, retain, and develop DOJ employees.

### 5. Ensuring Effective and Efficient Oversight of Law Enforcement Programs

As the nation's largest law enforcement agency, the Department bears a distinct responsibility to enforce federal law while maintaining respect for privacy, civil liberties, and civil rights. Indeed, these dual roles complement each other, and maintaining respect for the law requires maintaining respect for the integrity, commitment and professionalism of the agencies and individuals responsible for enforcement of the law. The Department's commitment to protecting privacy, civil liberties, and civil rights is built into the Department's guidelines for all of its law enforcement work, and the Department's CPCLO and OPCL work alongside component privacy officials to ensure that the Department's law enforcement complies with privacy requirements.

Appropriate oversight of the Department's law enforcement components is essential to ensuring the consistent enforcement of federal law. The Department has numerous mechanisms that exist to establish and maintain a consistent approach to law enforcement across all components with a focus on the Department's strategic and law enforcement priorities. The Attorney General has established guidelines that direct the law enforcement components in the development of agency policies governing particularly sensitive enforcement methods and tools.

For two years, the Office of the Deputy Attorney General (ODAG) chaired a Risk Assessment Working Group comprised of representatives of the Department's law enforcement components, members of the Attorney General's Advisory Committee, the Executive Office of United States Attorneys, the Criminal Division, and the Office of the Attorney General. This Working Group carefully reviewed the various tools and techniques utilized by the Department in pursuit of federal criminal investigations and prosecutions, to include a review of the Department's policies on assessing risk during the course of investigations, initiation and oversight of sensitive investigative activities, use of confidential informants, authorization of otherwise illegal activities by undercover agents or informants, and investigations in which project generated income is contemplated. Building on the findings of this Working Group, the Deputy Attorney General circulated two memoranda: first, guidance to all United States Attorneys and heads of litigating components on a prosecutor's role in overseeing sensitive operations; and second, a memorandum setting forth baseline principles that reflect the Department's approach to risk assessment in criminal investigations and operations. Since those memos were issued, representatives from the Department's law enforcement agencies and United States Attorneys have been engaged with the ODAG to ensure that those principles have been fully enshrined not only in written policies, but also in the training and day-to-day operations of the Department's agents and prosecutors.

The ODAG also has chaired the Deconfliction Working Group to develop policies and mechanisms for the necessary coordination and collaboration of multiple law enforcement agencies across the Department and also in the broader federal, state, local, and tribal law enforcement communities. As part of this process, the Deputy Attorney General on May 1, 2014, issued the Department Policy for Mandatory Use of Investigative Deconfliction Systems requiring all Department law enforcement components to engage in a process of deconflicting information from criminal investigations to produce more efficient and effective law enforcement efforts.

The effective coordination of multi-agency efforts is critical to maximizing the success of federal law enforcement operations. The Organized Crime Drug Enforcement Task Force (OCDETF) program is a critical component of the Department's coordination efforts. The OCDETF Fusion Center (OFC) exists to serve a key role in the sharing of information and coordinating multi-agency investigations. Accordingly and in response to OIG's review of the OFC, the Department concurred with the recommendations of the OIG, and OCDETF is working to address those recommendations and implement recommended changes. Additionally, the ODAG is conducting a review of the structure of the OFC and the procedures for appointment of its management and staff. Upon completion of that review the Deputy Attorney General will be able to evaluate the structure, organization, and management of the OFC, and OCDETF will implement any appropriate changes or modifications to the OFC.

The OIG Report references multiple reviews of specific law enforcement component operations or discrete categories of domestic and foreign enforcement activity and policy. Oversight in each of these areas is important, and the Department is actively engaged in this process, both working with the OIG and independently, to maintain consistently effective enforcement of federal law that appropriately respects the rights and interests of all concerned.

As noted by the OIG, the Department has a significant presence in foreign countries through its components. The Department seeks to maintain the highest standards of professionalism and integrity by individuals representing the United States overseas. All Department components have established expectations for the conduct of employees traveling outside the United States as part of their official duties. The Department is committed to ensuring these standards are upheld and that any violations are dealt with appropriately.

The FBI is reviewing law enforcement in Indian Country to identify the personnel and resources necessary to better investigate, prosecute, and prevent crime through both reactive and proactive measures. The FBI Indian Country Crimes Unit has developed an excellent working relationship with Interior's Bureau of Indian Affairs. Through this partnership a new joint 3-week comprehensive Indian Country Basic Investigators Course will be offered to Bureau of Indian Affairs Special Agents, FBI Special Agents, and tribal investigators. The Department is reviewing investigative Memoranda of Understanding between FBI and the Bureau of Indian Affairs and the FBI and specific tribal entities to ensure that all major crimes are being thoroughly investigated and presented for prosecution.

The Department's enhanced Tribal Special Assistant U.S. Attorney (SAUSA) program within the USAOs has improved collaboration with Tribal Law Enforcement. Tribal SAUSAs are cross-deputized tribal prosecutors who are able to prosecute crimes in both tribal court and federal court as appropriate. These Tribal SAUSAs serve to strengthen a tribal government's ability to fight crime and to increase the USAOs' coordination with tribal law enforcement personnel.

### 6. Upholding the Highest Standards of Integrity and Public Service

The Department is pleased that the OIG recognizes that the Department's vigilance on maintaining integrity has produced positive results. Yet, as the OIG Report stated, it is impossible for any organization as large and complex as the Department to maintain a perfect record. In July 2014, the OIG published a report on the Department's 1996 review of the FBI Lab's analysis of evidence and recommended that the FBI conduct a re-examination of certain capital cases. As part of the FBI Lab's ongoing efforts to review microscopic hair comparison analysis and remedy the concerns with the 1996 review, the Department and FBI have prioritized evaluating files where the defendants were sentenced to death. The Department will take steps to ensure that the results of these reviews are appropriately disseminated. Another July 2014 report cited the Drug Enforcement Administration's (DEA) failure to ensure a suspect was released from custody after deciding that he would not be charged, with the suspect then incurring injuries. Two years ago, the DEA implemented procedures to prevent this from happening again in the future.

In response to the OIG's statement that on occasion they were not provided timely access to certain records, the Department has repeatedly stated its commitment to ensuring the OIG has access to the information it needs to perform its oversight mission effectively. In every instance where the OIG has sought access to legally-restricted material – such as grand jury material protected by Federal Rule of Criminal Procedure 6(e), Title III wiretap information, or materials protected by the Fair Credit Reporting Act – from the Department, the Attorney General or the Deputy Attorney General has ensured that the OIG obtained the requested material. To assist the Department in resolving the legal issues implicated by the interaction of Section 6(a)(1) of the Inspector General Act and other statutes limiting the disclosure and dissemination of particular categories of sensitive information, the Department has requested a formal opinion from the Office of Legal Counsel (OLC). If the outcome of OLC's legal review does not assure the OIG of the access it needs to do its job, the Department is willing to work with the OIG to develop legislative remedies. In the meantime, the Attorney General and the Deputy Attorney General are committed to working with the OIG to provide efficient access to all materials necessary to complete OIG reviews, consistent with existing law.

The Department recognizes the important role played by whistleblowers in its law enforcement efforts. To help educate employees about their rights as whistleblowers, in April 2014, the Deputy Attorney General sent a memo to all employees that discussed the importance of reporting waste, fraud, and abuse and provided a link to a training video on whistleblowers' rights created by the OIG.

In response to the 2012 OIG Report on improper hiring practices in the Department's Justice Management Division (JMD), both JMD and the Executive Office for Immigration Review (EOIR) implemented a policy requiring hiring officials to acknowledge the prohibition on the granting of unauthorized preferences and to certify compliance with the Merit System Principles. Later that year, the Department shared this policy with Human Resources Officers throughout the Department and asked each component to document the controls they had in place to protect against improper hiring. To strengthen these controls, in September 2014, the Deputy Attorney General issued a memorandum directing all Department components to update their nepotism policies to be consistent with the procedures adopted by JMD in response to the OIG's 2012 report. Thereafter, in consultation with the OIG, JMD revised its procedures to require that, in the case of an applicant who is a relative of a DOJ employee, the selecting official must certify that the relationship between the applicant and the DOJ employee did not influence the selection decision. To deter improper hiring activities in the future, EOIR has started the process of implementing the new JMD policy and form and has committed to providing component-wide training regarding nepotism.

The Department disagrees with the OIG's stance on the jurisdiction of the Department's Office of Professional Responsibility (OPR). OPR was created to investigate allegations of misconduct against Department attorneys that relate to their authority to litigate, investigate, or provide legal advice, and OPR has acquired considerable expertise in the state ethical and professional rules of conduct that governs the practice of law by Department attorneys. The OIG Report contains no criticism of OPR's work, the thoroughness of its investigations, or the soundness of its findings. OPR acts independently and without interference from Department senior leadership. The Department is not aware of any reason why this model should be changed. Where appropriate, OPR has investigated senior Department leadership at the highest levels and issued misconduct findings against Department attorneys when evidence supported such findings. Should the OIG want to assume an investigation that falls within the jurisdiction of OPR, a formal mechanism exists for the OIG to make such request.

Regarding transparency, notwithstanding Privacy Act limitations, OPR annually reports statistical information on the complaints it receives and the number of inquiries and investigations it accepts and resolves. The FY 2013 Annual Report not only included summaries of representative inquiries handled by OPR during the year but also included summaries of nearly every investigation OPR closed during FY 2013. This includes the sources of complaints and allegations; the categories of allegations made and resolved; and whether closed investigations resulted in findings of professional misconduct, poor judgment, or mistake. In addition, OPR regularly provides complainants detailed information concerning the resolution of their complaint, and the Department refers to bar disciplinary authorities any findings of professional misconduct that implicate bar rules.

### 7. Protecting Taxpayer Funds from Mismanagement and Misuse

The Department takes very seriously its responsibility to protect taxpayer dollars, and has taken numerous steps in recent years to ensure that Department resources are being managed efficiently and effectively.

The Department's OJP integrates programmatic, financial, and administrative oversight throughout the grant lifecycle, conducting programmatic and financial monitoring, grantee audit resolution, review of internal controls, training and technical assistance, performance management, and targeted outreach to high-risk or at-risk grantees. OJP consistently exceeds its statutory requirement to conduct comprehensive monitoring of not less than 10% of total award dollars. In FY 2014, OJP completed in-depth programmatic monitoring on 661 grants totaling $1.2 billion, twice the amount required by law. In addition, in FY 2014, OJP completed on-site financial monitoring on 307 grants totaling $621 million.

The OIG Report cites OJP's audit of grant funds awarded to Big Brothers Big Sisters of America (BBBSA). Upon learning of the OIG's preliminary findings in February 2013, OJP immediately acted to protect the federal funds awarded to BBBSA, including designating BBBSA as a DOJ high-risk grantee; restricting BBBSA's access to its remaining funds under its open grant awards; and restricting BBBSA from obligating, expending, or drawing down any additional DOJ funds. In February 2014, OJP conducted a financial monitoring site visit that focused on assessing BBBSA's updated internal controls. OJP concluded that the newly established and enhanced procedures appeared adequate and recommended releasing funds on a limited basis to resume mentoring activities and enable OJP to further assess the implementation of BBBSA's internal controls. BBBSA still has additional corrective actions to implement before it can gain full access to DOJ funds, and OJP will continue to monitor BBBSA's efforts to address the outstanding audit issues.

OJP continues to identify ways to share grantee performance data, including high risk designations, with other federal agencies. In FY 2014, OJP added the requirement for applicants to disclose whether they are currently designated high risk by another federal grant making agency. During FY 2015, OJP will participate with other federal agencies in addressing the new Uniform Guidance requirements to use the Federal Awardee Performance and Integrity Information System to assess an applicant's pre-award risk based on available grantee performance information.

The Department is committed to enforcing court imposed criminal fines and restitution owed to the United States and victims of crime, as well as civil debts owed to the United States. Through the Department's prosecution and collection efforts over the 5-year period from FYs 2009 to 2013, over $13.6 billion in fines and restitution has been collected, and over $26.6 billion has been recovered on civil debts. In FY 2014 alone, the Department recovered an additional $24.7 billion.

In its debt recovery efforts, the Department uses remedies in the Federal Debt Collection Procedures Act (e.g., garnishment of wages, execution on real and personal property, and fraudulent conveyance actions), the Mandatory Victims Restitution Act (MVRA) (e.g., resentencing and revocation proceedings), the Federal Rules of Civil Procedure (e.g., subpoenas and depositions), as well as various state law remedies. Moreover, the Department's recovery activities include asset forfeiture, which over the past 5 years has returned over $2.7 billion to financial crime victims, and referrals to the Treasury Offset Program, which has returned over $100 million in the past 5 years either to crime victims, the Crime Victims Fund, or the General Fund of the Treasury. The Department has leveraged new technologies by using online search engines and credit bureau reporting services to identify assets, and electronic lien filing services to prevent the sale or transfer of property without notification to the Federal Government.

The MVRA mandates that restitution be imposed for the full amount of victims' losses, regardless of the defendant's ability to pay. Although the Department has taken steps to improve its debt collection efforts, it is important to note that approximately 80% or more of the outstanding debt balance is currently not collectible, according to estimates by the United States Attorneys' Offices. This figure is based, among other things, on a review of each defendant's financial circumstances including information contained in pre-sentence reports; financial statements; credit bureau reports; asset searches; skip tracing reports; tax returns; and/or information gathered as a result of subpoenas, interrogatories, or requests for production of documents. In addition, unlike civil debts which can be written off if determined to be uncollectible, criminal debts reside on the books for 20 years plus the period of incarceration. Moreover, if the court determines that a defendant cannot pay the debt amount in one lump sum, the court must set a payment schedule. As a result, nearly all restitution orders contain payment schedules, such as ordering "$1 million in restitution, payable at $100 month." The court-ordered payment schedules restrict USAOs' ability to collect the debts immediately upon imposition.

With respect to stewardship of the Assets Forfeiture Fund Equitable Sharing Program, the Department's "Guide to Equitable Sharing for State and Local Law Enforcement Agencies" (Guide) outlines the Department's policies for state and local use of equitable sharing funds, including permissible and impermissible uses. Non-compliant agencies may be excluded from the program and may be referred to the OIG. The Department continually seeks opportunities to improve policies to prevent abuse of program funds. To ensure effective management and protect the Asset Forfeiture Program against potential waste, fraud, and abuse, the Department has established a requirement for participating law enforcement agencies to report compliance with the Guide to receive funding under the program. Based on risk factors, a specialized team conducts compliance reviews of state and local agencies. The team works to ensure that these agencies follow all policies and spend funds in accordance with the Guide.

The Department, through its internal controls process, has identified several problems with equitable sharing participants and has referred those problems to the OIG, leading to many of the audits cited by the OIG. The resulting audits and, in one instance, a criminal investigation reflect cooperation between the Department and the IG. The Department will continue to employ internal controls and a risk-based system to review compliance of equitable sharing recipients and will continue to support the OIG audits.

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# FMFIA Corrective Action Plan

## FMFIA SECTION 2 – PROGRAMMATIC MATERIAL WEAKNESS – PRISON CROWDING

<table>
<tr><td colspan="2">U.S. DEPARTMENT OF JUSTICE<br>Corrective Action Plan<br>Issue and Milestone Schedule</td><td colspan="2">Report Date<br>September 30, 2014</td></tr>
<tr><td colspan="2">Issue Title<br>Prison Crowding</td><td>Issue ID<br>06BOP001</td><td>Component Name<br>Bureau of Prisons</td></tr>
<tr><td colspan="4">Issue Category<br>FMFIA, Section 2 ☐ Reportable Condition ☒ Material Weakness<br>FMFIA, Section 4 ☐ Non-conformance<br>OMB A-123, Appendix A ☐ Reportable Condition ☐ Material Weakness</td></tr>
<tr><td colspan="4">Issue Category – SAT Concurrence or Recategorization<br>Concur</td></tr>
<tr><td colspan="4">Issue Description<br>As of September 30, 2014, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 30 percent. The BOP’s Long Range Capacity Plan relies on multiple approaches to house the 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.<br><br>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.<br><br>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 2016 is projected to be 17 percent.<br><br>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.</td></tr>
</table>

| **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 the projected 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. As of September 30, 2014, the inmate population in BOP owned and operated institutions reached 172,742 and was housed in a capacity of 132,803, resulting in an over-crowding rate of 30 percent, a decrease of 6 percent for the year. | 09/30/2014 | | 09/30/2014 |
| 10. Planning estimates call for a rated capacity of 134,835 to be reached by the end of FY 2015. The over-crowding rate is projected to be 26 percent at that time, a decrease of 4% for the year. | 09/30/2015 | | |

| Milestones | Original Target Date | Current Target Date | Actual Completion Date |
|---|---|---|---|
| 11. Planning estimates call for a rated capacity of 136,735 to be reached by the end of FY 2016. The over-crowding rate is projected to be 17 percent at that time, a decrease of 9% for the year. | 09/30/2016 | | |

**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 2015 funding is unknown at this point because the FY 2015 budget has not been enacted. The Department of Justice's proposed FY 2016 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 2014.

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 2014, 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:

1. 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 were encouraged 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. 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. Although Section 1512 reporting was terminated in January 2014, until that time, ARRA grantees were required to submit special Section 1512 reports on a quarterly basis that included project and financial information. OVW reviewed 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.

2. 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.

3. 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. An exception to this will be ARRA grant funds; pursuant to Public Law 111-203, such grant funds that had not been obligated as of December 31, 2012, will be rescinded and returned to the Treasury. The Department may utilize recoveries from the ARRA grants to cover any potential future reconciliation of debt and then the Department will transfer the remaining recoveries to Treasury no later than September 30, 2015.

4. 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 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; $72.0 in undisbursed and unobligated balances
FY 2014: 1 account; $24.0 in undisbursed and unobligated balances

COPS:
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
FY 2014: 1 account; $84.4 in undisbursed and unobligated balances

OVW:
FY 2011: 1 account; $154.4 in undisbursed and unobligated balances
FY 2012: 1 account; $63.2 in undisbursed and unobligated balances
FY 2013: 1 account; $23.5 in undisbursed and unobligated balances
FY 2014: 1 account; $10.5 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, 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 Estimation 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 2013 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 2014, 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 eight risk factors, such as payment volume and process complexity, and covered commercial payments, custodial payments, benefit and assistance payments, grants and cooperative agreements, and employee disbursements.[2]

The Department's risk assessment methodology for FY 2014 did not change from FY 2013. For FY 2014, the methodology again included assessing risk against various risk factors and for various payment types. In addition, the results of the FY 2014 risk assessment did not change from FY 2013. For FY 2014, 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 1.5 percent of program outlays and $10 million or (2) $100 million.

In FY 2013, the Department received approximately $20 million under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Act) for Hurricane Sandy relief activities. 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. The OMB implementing guidance requires agencies to report on the funding received under the Act beginning

[1] The IPIA was amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

[2] The eight risk factors examined during the risk assessment were Recent Major Changes in Funding, Authorities, Practices, or Procedures; Results of OMB Circular A-123 Assessment, OIG Audits/Reviews, and Other External Audits/Reviews; Results of Monitoring Activities; Results of Recapture Audit Activities; Process Complexities; Volume and Dollar Amount of Payments; Inherent Risk; and Capability of Personnel.

in FY 2014. In accordance with the requirements, the following reporting details address Disaster Relief Act funds as susceptible to significant improper payments.

**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 2013 IPIA report.**

Based on the results of the FY 2014 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2013. Two Departmental programs received Disaster Relief Act funding – the Law Enforcement Program and the Prisons and Detention Program. The following table summarizes, by program, the Departmental components that received Disaster Relief Act funds and amounts received.

**Table 1A**
**Disaster Relief Act Funding**

| Program (Activities) | Departmental Component | Funds Received |
|---|---|---|
| Law Enforcement (Hurricane Sandy Relief Activities) | Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) | $218,500 |
| | Drug Enforcement Administration (DEA) | $950,000 |
| | Federal Bureau of Investigation (FBI) | $9,353,688 |
| Prisons and Detention (Hurricane Sandy Relief Activities) | Bureau of Prisons (BOP) | $9,500,000 |
| Total | | $20,022,188 |

As required by OMB implementing guidance, the Department designed a sampling methodology to obtain a statistically valid estimate of the annual amount of improper payments made with Disaster Relief Act funds. The Department submitted the methodology to OMB for review, and OMB's feedback did not require any updates to the methodology. The sample was designed as a single stage stratified random sample. Payment amounts were used to define the stratum boundaries. A single certainty (or take-all) stratum was used for payment amounts that were large relative to the rest of the data. The remaining payments were stratified based upon payment amounts and randomly selected. The Department provided each component their sample of payments to test, along with guidance describing conditions that would indicate a payment was improper. Due to the limited number of FY 2013 payments associated with the Prisons and Detention Program, 100 percent of payments made with Disaster Relief Act funds for this program were tested, rather than a sample.

The results of testing achieved OMB's required confidence and precision requirements of 90 percent two-sided confidence and plus or minus 2.5 percent margin of error. The results identified no improper payments with Disaster Relief Act funds; therefore, the gross estimate of the annual amount of improper payments is $0, and the estimated improper payment rate is zero percent.

**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: Administrative and Documentation 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 2014 Department-wide risk assessment, there were no programs susceptible to significant improper payments. With regard to the risk-susceptible activities funded by Disaster Relief Act funds, testing identified no improper payments; therefore, there was no need for the Department to develop a corrective action plan.

**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 2014 Department-wide risk assessment, there were no grant programs susceptible to significant improper payments.

**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, and if not feasible, then 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).**

Based on the results of the FY 2014 Department-wide risk assessment, there were no programs susceptible to significant improper payments. The information in Table 1B on the following page provides the required reporting details for the Departmental activities that received funds under the Disaster Relief Act. The table provides actual outlays (disbursements) for FYs 2013 and 2014, along with estimated outlays for FYs 2015 through 2017. Also, the table provides actual and estimated improper payments through FY 2017. The future year improper payment estimates are based on the results of testing performed in FY 2014. Next year, the future year estimates will be revised if testing in FY 2015 identifies any payments made with Disaster Relief Act funds as improper.

**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 over and under payments (i.e., overpayments minus underpayments). The net estimate is an additional option only and cannot be used as a substitute for the gross estimate.**

The information in the following table provides the required reporting details for the Departmental activities that received funds under the Disaster Relief Act. As shown, the gross estimate of the annual amount of improper payments is $0 for FYs 2014 through 2017. Next year, the future year estimates will be revised if testing in FY 2015 identifies any payments made with Disaster Relief Act funds as improper.

**Table 1B**
**Improper Payment Reduction Outlook**
**(Dollars in Thousands)**

| Program | FY 2013 Outlays | FY 2013 Improper Payments % | FY 2013 Improper Payments $ | FY 2014 Outlays | FY 2014 Improper Payments % | FY 2014 Improper Payments $ | FY 2014 Over-payments | FY 2014 Under-Payments |
|---|---|---|---|---|---|---|---|---|
| Law Enforcement | $4,007 | N/A | N/A | $2,245 | 0% | $0 | $0 | $0 |
| Prisons and Detention | $625 | N/A | N/A | $1,348 | 0% | $0 | $0 | $0 |

| Program | FY 2015 Est. Outlays | FY 2015 Improper Payments % | FY 2015 Improper Payments $ | FY 2016 Est. Outlays | FY 2016 Improper Payments % | FY 2016 Improper Payments $ | FY 2017 Est. Outlays | FY 2017 Improper Payments % | FY 2017 Improper Payments $ |
|---|---|---|---|---|---|---|---|---|---|
| Law Enforcement | $1,989 | 0% | $0 | $2,167 | 0% | $0 | $0 | 0% | $0 |
| Prisons and Detention | $1,087 | 0% | $0 | $0 | 0% | $0 | $0 | 0% | $0 |

**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 2014, 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 Administrative and Documentation, 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 Administrative and Documentation 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 2014, there were 19 overpayments totaling approximately $12,100 that components determined not to be collectable. The vast majority of this amount was due to lengthy resolution efforts being unsuccessful. One improper payment totaling approximately $900 was determined not to be collectable due to fiscal distress. Approximately $8,500 was referred to Treasury for collection.

The Department included employee disbursements in the scope of its payment recapture audit program in accordance with the IPIA, as amended, and OMB implementing guidance applicable for FY 2014. The Department 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, 2014, the Department achieved a payment recovery rate of 86 percent for the cumulative period of FYs 2004 through 2014, and an annual recovery rate of 73 percent for FY 2014. Table 2B provided later in this section provides additional detail on the approximate $79.4 million in improper payments identified in FYs 2004 through 2014 and the approximate $68 million of recovered funds.

**B. Complete the following tables (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 2A on the following page provides information on the total amount of disbursements subject to review in FY 2014, 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 2014 disbursements, except for the payments excluded from review as discussed in Item V.A.

**Table 2A**
**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 2014 Reporting | Actual Amount Reviewed and Reported in FY 2014 | Percent Reviewed |
|---|---|---|---|---|
| Administrative, Technology, and Other | Commercial | $588,622 | $588,622 | 100% |
| | Custodial | $502,684 | $502,684 | 100% |
| | Employee | $336,780 | $336,780 | 100% |
| Litigation | Commercial | $50,094 | $50,094 | 100% |
| | Employee | $6,110 | $6,110 | 100% |
| Law Enforcement | Commercial | $5,681,408 | $5,681,408 | 100% |
| | Employee | $8,642,839 | $8,642,839 | 100% |
| State, Local, Tribal, and Other Assistance | Benefit and Assistance | $196,491 | $196,491 | 100% |
| | Commercial | $91,048 | $91,048 | 100% |
| | Grants and Cooperative Agreements | $2,628,511 | $2,628,511 | 100% |
| | Employee | $108,693 | $108,693 | 100% |
| Prisons and Detention | Commercial | $4,539,788 | $4,539,788 | 100% |
| | Employee | $3,745,704 | $3,745,704 | 100% |
| Total | | $27,118,772 | $27,118,772 | 100% |

Table 2B on the following page provides the cumulative results of payment recapture audit activities for the 11-year period of FYs 2004 through 2014. As shown in the table, as of the end of FY 2014, the Department had recovered 86 percent of the improper payments identified for recovery. The Department reported a cumulative recovery rate of 89 percent in FY 2013 and 93 percent in FY 2012. As shown in the table, the cumulative recovery rate for employee payments ranged from 54 to 100 percent, and the rate for grants was 62 percent, while the rate for all other types of payments ranged from 91 to 100 percent. The lower recovery rate for employee payments in the Law Enforcement program is attributed in part to statutory limits that extend the time frame for federal salary offsets and timing issues.[3] For example, the FBI identified six improper payments on September 10, 2014, which did not allow enough time for the collection process to be completed by year-end; the improper payments were recovered the next month. The lower recovery rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. Some grantees have been placed on multi-year repayment programs based on ability to pay and other factors.



[3] The amount of federal salary payments that can be offset in a pay period is limited. Only 15 percent of a debtor's disposable pay can be offset, unless the debtor agrees to a higher deduction. 5 U.S.C. § 5514(a)(1); 31 CFR § 285.7(g).

## Table 2B
## 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 2014 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Cumulative Improper Payments Identified for Recovery[4] | 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 | $3,840 | $0 | $3,486 | 91% | $354 | 9% |
| | Custodial | $0 | $0 | $0 | N/A | $0 | N/A |
| | Employee | $2 | $0 | $2 | 100% | $0 | 0% |
| Litigation | Commercial | $6,751 | $11 | $6,675 | 99% | $65 | 1% |
| | Employee | $15 | $0 | $13 | 87% | $2 | 13% |
| Law Enforcement | Commercial | $29,656 | $33 | $29,201 | 98% | $422 | 1% |
| | Employee | $258 | $0 | $139 | 54% | $119 | 46% |
| State, Local, Tribal, and Other Assistance | Benefit and Assistance | $300 | $0 | $300 | 100% | $0 | 0% |
| | Commercial | $365 | $0 | $363 | 99% | $2 | 1% |
| | Grants and Cooperative Agreements | $25,220 | $3,686 | $15,688 | 62% | $5,846 | 23% |
| | Employee | $0 | $0 | $0 | N/A | $0 | N/A |
| Prisons and Detention | Commercial | $13,064 | $62 | $12,185 | 93% | $817 | 6% |
| | Employee | $0 | $0 | $0 | N/A | $0 | N/A |
| Total | | $79,471 | $3,792 | $68,052 | 86% | $7,627 | 10% |

[4] Improper payments identified for recovery did not include all questioned costs. When questioned costs are identified in an OIG audit report or through 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 and should be recovered from the grantee.

Table 2C provides the results of payment recapture audit activities separately by current year (FY 2014) and previous years (FYs 2004 through 2013 combined). As shown in the current year section of the table, the commercial improper payments recovered in two programs (State, Local, Tribal, and Other Assistance Program and Prisons and Detention Program) exceeded the improper payments identified for recovery due to the recovery during FY 2014 of improper payments identified in previous years. The lower recovery rate in the Administrative, Technology, and Other Program for commercial payments is attributed to the identification of one improper payment totaling approximately $140,400 on September 25, 2014, which did not allow enough time for the collection process to be completed by year-end.

**Table 2C**
**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 2014) | | | | | | | Previous Years (FYs 2004 through 2013) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | $686 | $552 | 80% | $0 | 0% | $134 | 20% | $3,154 | $2,934 |
| | Custodial | $0 | $0 | N/A | $0 | N/A | $0 | N/A | $0 | $0 |
| | Employee | $2 | $2 | 100% | $0 | 0% | $0 | 0% | $0 | $0 |
| Litigation | Commercial | $2,230 | $2,214 | 99% | $1 | 0% | $15 | 1% | $4,521 | $4,461 |
| | Employee | $15 | $13 | 87% | $0 | 0% | $2 | 13% | $0 | $0 |
| Law Enforcement | Commercial | $2,160 | $2,124 | 98% | $10 | 1% | $26 | 1% | $27,496 | $27,077 |
| | Employee | $258 | $139 | 54% | $0 | 0% | $119 | 46% | $0 | $0 |
| State, Local, Tribal, and Other Assistance | Benefit and Assistance | $290 | $290 | 100% | $0 | 0% | $0 | 0% | $10 | $10 |
| | Commercial | $2 | $4 | 200% | $0 | 0% | ($2) | (100%) | $363 | $359 |
| | Grants and Cooperative Agreements | $9,680 | $5,423 | 56% | $0 | 0% | $4,257 | 44% | $15,540 | $10,265 |
| | Employee | $0 | $0 | N/A | $0 | N/A | $0 | N/A | $0 | $0 |
| Prisons and Detention | Commercial | $1,677 | $1,702 | 102% | $1 | 0% | ($26) | (2%) | $11,387 | $10,483 |
| | Employee | $0 | $0 | N/A | $0 | N/A | $0 | N/A | $0 | $0 |
| Total | | $17,000 | $12,463 | 73% | $12 | 0% | $4,525 | 27% | $62,471 | $55,589 |

**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 3 provides cumulative (FYs 2004 through 2014) payment recapture audit activities information, current year (FY 2014) information, and recovery rate targets for three years. As mentioned, the lower recovery rate for employee payments in one of the five programs is attributed in part to statutory limits that extend the time frame for federal salary offsets, and the lower rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. In FY 2015, the Department will focus on improving the recovery rate for grants and employee payments, to the extent improvements are within the Department's control, and sustaining the high recovery rates for all other types of payments.

**Table 3**
**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 2014) | | | Current Year (FY 2014) | | | Recovery Rate Targets | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Improper Payments Identified for Recovery | Improper Payments Recovered | Recovery Rate | Improper Payments Identified for Recovery | Improper Payments Recovered | Recovery Rate | FY 2015 | FY 2016 | FY 2017 |
| Administrative, Technology, and Other | Commercial | $3,840 | $3,486 | 91% | $686 | $552 | 80% | 87% | 87% | 87% |
| | Custodial | $0 | $0 | N/A | $0 | $0 | N/A | 87% | 87% | 87% |
| | Employee | $2 | $2 | 100% | $2 | $2 | 100% | 85% | 85% | 85% |
| Litigation | Commercial | $6,751 | $6,675 | 99% | $2,230 | $2,214 | 99% | 87% | 87% | 87% |
| | Employee | $15 | $13 | 87% | $15 | $13 | 87% | 85% | 85% | 85% |
| Law Enforcement | Commercial | $29,656 | $29,201 | 98% | $2,160 | $2,124 | 98% | 87% | 87% | 87% |
| | Employee | $258 | $139 | 54% | $258 | $139 | 54% | 85% | 85% | 85% |
| State, Local, Tribal, and Other Assistance | Benefit and Assistance | $300 | $300 | 100% | $290 | $290 | 100% | 87% | 87% | 87% |
| | Commercial | $365 | $363 | 99% | $2 | $4 | 200% | 87% | 87% | 87% |
| | Grants and Cooperative Agreements | $25,220 | $15,688 | 62% | $9,680 | $5,423 | 56% | 85% | 85% | 85% |
| | Employee | $0 | $0 | N/A | $0 | $0 | N/A | 85% | 85% | 85% |
| Prisons and Detention | Commercial | $13,064 | $12,185 | 93% | $1,677 | $1,702 | 102% | 87% | 87% | 87% |
| | Employee | $0 | $0 | N/A | $0 | $0 | N/A | 85% | 85% | 85% |
| Total | | $79,471 | $68,052 | 86% | $17,000 | $12,463 | 73% | | | |

**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 4 provides the aging schedule for the Department's overpayments that were outstanding (not recovered) as of the end of FY 2014. Of the approximate $1.7 million in overpayments that were outstanding for more than a year, approximately $1.2 million (or approximately 71 percent) have been referred to Treasury for collection.

**Table 4**
**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 | $156 | $0 | $198 |
| | Custodial | $0 | $0 | $0 |
| | Employee | $0 | $0 | $0 |
| Litigation | Commercial | $52 | $3 | $10 |
| | Employee | $2 | $0 | $0 |
| Law Enforcement | Commercial | $385 | $6 | $31 |
| | Employee | $90 | $29 | $0 |
| State, Local, Tribal, and Other Assistance | Benefit and Assistance | $0 | $0 | $0 |
| | Commercial | $2 | $0 | $0 |
| | Grants and Cooperative Agreements | $4,276 | $889 | $681 |
| | Employee | $0 | $0 | $0 |
| Prisons and Detention | Commercial | $43 | $0 | $774 |
| | Employee | $0 | $0 | $0 |
| Total | | $5,006 | $927 | $1,694 |

**ii. A summary of how cumulative amounts recovered 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 5 provides the disposition information for the improper payments the Department recovered in FY 2014. As shown in the table, approximately $12.4 million of the approximate $12.5 million recovered (or 99 percent) was returned to the original funds from which the payments were made.

**Table 5**
**Disposition of FY 2014 Recovered Funds**
**(Dollars in Thousands)**

| DOJ Mission-Aligned Program | Type of Payment (includes only the types made per program) | Improper Payments Recovered in FY 2014 | 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 | $552 | $552 | | | | | | |
| | Custodial | $0 | | | | | | | |
| | Employee | $2 | $2 | | | | | | |
| Litigation | Commercial | $2,214 | $2,214 | | | | | | |
| | Employee | $13 | $13 | | | | | | |
| Law Enforcement | Commercial | $2,124 | $2,124 | | | | | | |
| | Employee | $139 | $139 | | | | | | |
| State, Local, Tribal, and Other Assistance | Benefit and Assistance | $290 | $290 | | | | | | |
| | Commercial | $4 | $3 | | $1 | | | | |
| | Grants and Cooperative Agreements | $5,423 | $5,417 | | | | | | $6 |
| | Employee | $0 | $0 | | | | | | |
| Prisons and Detention | Commercial | $1,702 | $1,655 | | $43 | | | | $4 |
| | Employee | $0 | $0 | | | | | | |
| Total | | $12,463 | $12,409 | | $44 | | | | $10 |

**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 either "Note" or by "N/A" in the relevant column or cell.**

The Department's payment recapture audit program leverages both internal and external efforts to identify improper payments. The reporting in Tables 2B through 6 is inclusive of all overpayments, regardless of whether they were identified through internal or external sources. Table 6 provides information on the overpayments that were identified in the current year (FY 2014), previous year (FY 2013), and cumulatively (FYs 2011 through 2014) 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 2014 only, as agencies were not required to track this level of detail prior to FY 2011.

**Table 6**
**Sources of Identifying Overpayments**
**(Dollars in Thousands)**

| Source | Current Year (FY 2014) | | Previous Year (FY 2013) | | Cumulative (FYs 2011 through 2014) | |
|---|---|---|---|---|---|---|
| | Improper Payments Identified | Improper Payments Recovered | Improper Payments Identified | Improper Payments Recovered | Improper Payments Identified | Improper Payments Recovered |
| Internal Efforts | $7,010 | $5,498 | $10,211 | $9,376 | $25,235 | $22,624 |
| Auditors (e.g., by the OIG or audits for OMB Circular A-133) | $7,869 | $5,219 | $6,520 | $3,590 | $22,317 | $15,043 |
| Vendors | $1,493 | $1,473 | $4,745 | $4,663 | $10,437 | $10,466 |
| Payment Recapture Audit Contractors | $628 | $273 | $505 | $494 | $1,133 | $778 |
| Total | $17,000 | $12,463 | $21,981 | $18,123 | $59,122 | $48,911 |

**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 2014 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 performed the required testing in FY 2014 to obtain a statistically valid estimate of the annual amount of improper payments made with Disaster Relief Act funds. The results identified no improper payments, thus the requirement to implement an improper payments reduction plan is not applicable.

**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 2014 Department-wide risk assessment demonstrated that, overall, the Department has sufficient internal controls over disbursement activities to prevent 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 2014, all Departmental components reported 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, which 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 provide for 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 IPIA, as amended, 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 2015, the Department will continue its efforts to further reduce improper payments.

**Item X. Agency reduction of improper payments with the Do Not Pay Initiative. The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Public Law 112–248, requires OMB to submit to Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the Do Not Pay Initiative, which shall: (A) include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards and (B) provide the frequency of corrections or identification of incorrect information." To support this requirement, agencies shall provide a brief narrative discussing the agency's actions attributable to the Do Not Pay Initiative and respective databases, to include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identifying the frequency of corrections or identification of incorrect information; and include completion of the table that follows (Table 7).**

**The narrative should describe:**

A. **How the agency has incorporated the IPERIA listed Do Not Pay databases into existing business processes and programs (e.g., online searches, batch processing, or continuous monitoring), or how and when the agency plans to begin using the database, as appropriate. The databases include:**

1. **the Death Master File of the Social Security Administration (DMF),**
2. **the General Services Administration's Excluded Parties List System (EPLS) (or the updated System for Award Management (SAM)),**
3. **the Debt Check Database of the Department of the Treasury (Debt Check),**
4. **the Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development (CAIVRS),**
5. **the List of Excluded Individuals/Entities of the Office of Inspector General of the Department of Health and Human Services (LEIE), and**
6. **the Prisoner Update Processing System of the Social Security Administration (PUPS), as added to IPERIA by the Bipartisan Budget Act of 2013, Public Law 113–67;**

The Department does not have any loan programs, and its benefit programs consist of payments to recipients who are screened thoroughly during the application process. The Department's vendor payments are made following a review of vendor eligibility in the System for Award Management (SAM), as required by the Federal Acquisition Regulation (FAR). Therefore, the Department's implementation of the Do Not Pay (DNP) Portal has primarily consisted of post-payment screening and vendor table reconciliations. The following table summarizes how the Department uses the IPERIA listed DNP databases.

**Table 7A**
**Department of Justice Use of Do Not Pay Databases**

| DNP Database | DOJ Use | Comments |
|---|---|---|
| Death Master File | Post-payment comparison (including benefits, grants, vendor payments, and employee payments) as part of Payment Integration reporting. | The Department identified two improper payments in FY 2014 made to deceased benefit recipients. |
| Excluded Parties List System (SAM Exclusions) | Contracting Officers use SAM Exclusions as part of the pre-award vendor screening process. Grant-making components may optionally use SAM Exclusions as part of the grant application review process. | Unavailability of the version of SAM Exclusions containing taxpayer ID information has prevented the Payment Integration process from conclusively matching vendor payments. The Department has not identified any improper payments through Payment Integration or the DNP Portal. |
| Debt Check Database | Not applicable to DOJ programs. | |
| Credit Alert Interactive Voice Response System | Not applicable to DOJ programs (no loan programs). | |
| List of Excluded Individuals/Entities | Not applicable to DOJ programs (except as included in SAM Exclusions and used by Contracting Officers for pre-award vendor screening). | |
| Prisoner Update Processing System | Not applicable to DOJ programs. | |

**B. Actions initiated under the Do Not Pay initiative, and the frequency of those actions, to prevent improper payments pre-award/pre-enrollment, pre-payment, and post-payment; this may include agency internal checks (e.g., agencies that receive the DMF directly from SSA), the use of the Treasury "Do Not Pay System," the reconciliation of matches, use of post-payment information to improve preventative control measures, or other actions as appropriate;**

Actions to prevent improper payments include:

- Following FAR requirements for pre-award review of vendors (frequency: prior to award of each contract or task order),
- Pre-payment review of grant and benefit applications for appropriateness and authenticity (frequency: before award and payment of grant and benefit disbursements), and
- Post-payment review of any conclusive DMF matches (monthly).

In addition, the Department's ongoing internal control assessment activities for OMB Circular A-123 evaluate the design and operating effectiveness of internal controls related to the procurement, disbursement, and grants management processes to help prevent improper payments.

**C. The frequency of corrections or identification of incorrect information provided to original source agencies (as described in OMB Memorandum M-13-20) (Note: this applies only to original source agencies and Treasury); and**

The Department is a source agency for CAIVRS. However, during FY 2014, the Department's CAIVRS data was not yet part of the data provided to DNP. Therefore, there have been no corrections or incorrect data identified as part of this process.

**D. Include the table reflecting the dollar amounts and the number of payments reviewed for improper payments between October 1 through September 30 (FY). For FY 2014, Agencies should complete the first row of the table by identifying in numbers and dollars reviews only with the DMF.**

**Table 7B**
**Implementation of the Do Not Pay Initiative to Prevent Improper Payments**
**(Dollars in Thousands)**

| Reviews | Number of Payments Reviewed for Improper Payments | Dollars of Payments Reviewed for Improper Payments | Number of Payments Stopped | Dollars of Payments Stopped | Number of Improper Payments Reviewed and Not Stopped | Dollars of Improper Payments Reviewed and Not Stopped |
|---|---|---|---|---|---|---|
| Reviews with the DMF | 1,293,249 | $13,069,876 | 0 | $0 | 2 | $125 |

**For reporting purposes, the kind of data in question would include:**

1. **Payments reviewed for improper payments: all payments screened by Do Not Pay Initiative or other internal databases, as appropriate, that are disbursed by, or on behalf of, the agency.**
2. **Payments stopped: payments that were intercepted or were not disbursed due to the Do Not Pay Initiative.**
3. **Improper payments reviewed and not stopped: payments that were reviewed by the Do Not Pay databases disbursed, and later identified as improper.**

# 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

| | |
|---|---|
| BBBSA | Big Brother Big Sisters of America |
| 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

| | |
|---|---|
| CAIVRS | Credit Alert Interactive Voice Response System |
| CFO | Chief Financial Officer |
| CHIP | Computer Hacking and Intellectual Property |
| CHRP | COPS Hiring Recovery Program (under Recovery Act) |
| CIA | Central Intelligence Agency |
| CIV | Civil Division |
| COPS | Office of Community Oriented Policing Services |
| CPCLO | Chief Privacy and Civil Liberties Officer |
| 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 |

### D

| | |
|---|---|
| DCM | Debt Collection Management |
| DEA | Drug Enforcement Administration |

| | |
|---|---|
| Department, The | Department of Justice |
| Disaster Relief | Disaster Relief Appropriations Act of 2013Act |
| DMF | Death Master File |
| DNP | Do Not Pay |
| DOJ | Department of Justice |

## E

| | |
|---|---|
| ENRD | Environment and Natural Resources Division |
| EOIR | Executive Office for Immigration Review |
| EOUSA | Executive Office for U.S. Attorneys |
| EPLS | Excluded Parties List System |

## F

| | |
|---|---|
| FAR | Federal Acquisition Regulation |
| 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 |
| FMIS2 | Financial Management Information System 2 |
| FMPM | Financial Management Policy Memorandum |
| FOIA | Freedom of Information Act |
| FPI | Federal Prison Industries, Inc. |
| FTE | Full-Time Equivalent |
| FY | Fiscal Year |

## G

| | |
|---|---|
| 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 |
| GTAS | Governmentwide Treasury Account Symbol Adjusted Trial Balance System |

## H

| | |
|---|---|
| HCV | Hepatitis C Virus |

## I

| | |
|---|---|
| IC | Intelligence Community |
| IG | Inspector General |
| Integrity Act | Federal Managers' Financial Integrity Act |
| INTERPOL | International Criminal Police Organization |
| IPERA | Improper Payments Elimination and Recovery Act |
| IPERIA | Improper Payments, Elimination and Recovery Improvement Act |
| IPIA | Improper Payments Information Act |
| IPOL | INTERPOL Washington |
| ISIL | Islamic State of Iraq and the Levant |
| IT | Information Technology |
| IUS | Internal Use Software |

## J

| | |
|---|---|
| JMD | Justice Management Division |

## K

| | |
|---|---|
| KG | Kilogram |

## L

| | |
|---|---|
| LCM | Lower of average cost or market value |
| LEIE | List of Excluded Individuals/Entities |
| LLP | Limited Liability Partnership |

## M

| | |
|---|---|
| MVRA | Mandatory Victims Restitution Act |

## N

| | |
|---|---|
| N/A | Not Applicable |
| NCIJTF | National Cyber Investigative Joint Task Force |
| NGC | Next Generation Cyber Initiative |
| NIBIN | National Integrated Ballistic Information Network |
| NICS | National Instant Criminal Background Check System |

| | |
|---|---|
| NIJ | National Institute of Justice |
| NIST | National Institute of Standards and Technology |
| NSA | National Security Agency |
| NSD | National Security Division |
| NSCS | National Security Cyber Specialist |
| NSL | National Security Letter |

## O

| | |
|---|---|
| OBDs | Offices, Boards and Divisions |
| OCDETF | Organized Crime Drug Enforcement Task Forces |
| ODAG | Office of the Deputy Attorney General |
| ODNI | Office of the Director of National Intelligence |
| OFC | Organized Crime Drug Enforcement Task Forces Fusion Center |
| 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 |
| OPCL | Office of Privacy and Civil Liberties |
| OPM | Office of Personnel Management |
| OPR | Office of Professional Responsibility |
| OSG | Office of the Solicitor General |
| OTJ | Office of Tribal Justice |
| OVP | Office of the Vice President |
| OVW | Office on Violence Against Women |

## P

| | |
|---|---|
| PHS | Public Health Services |
| POGO | Project on Government Oversight |
| PRAO | Professional Responsibility Advisory Office |
| PREA | Prison Rape Elimination Act |
| PSOB Act | Public Safety Officers’ Benefits Act of 1976 |
| PUPS | Prisoner Update Processing System |
| 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

| | |
|---|---|
| SADF | Seized Asset Deposit Fund |
| SAM | System Award Management |
| SAUSA | Special Assistant U.S. Attorney |
| SBF | Special Benefits Fund |
| SBR | Statement of Budgetary Resources |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SG | Strategic Goal |

## T

| | |
|---|---|
| TAX | Tax Division |
| Trust Fund | Federal Prison Commissary Fund |

## U

| | |
|---|---|
| UAS | Unmanned Aircraft Systems |
| 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 |
| USMS | United States Marshals Service |
| USPC | United States Parole Commission |
| USSGL | U.S. Standard General Ledger |
| UST | United States Trustees |

## V

| | |
|---|---|
| VOI/TIS | Violent Offender Incarceration and Truth-In Sentencing |

## W

| | |
|---|---|
| WITSEC | Witness Security |

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# 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 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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