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

FY 2016
Agency Financial Report

U.S. Department of Justice

DEPARTMENT OVERVIEW

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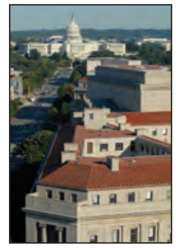

History and Enabling Legislation

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.

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

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.

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 for Access to Justice (A2J)
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 2016
Agency Financial
REPORT

November 2016

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

November 11, 2016

A MESSAGE FROM THE ATTORNEY GENERAL

As the Attorney General of the United States, it has been an honor and privilege to lead the Department of Justice for the past year and eight months in the critical work of protecting the safety, rights, and interests of the American people. Despite the growing demands, evolving threats, and significant budgetary challenges that we have faced we have made tremendous progress in advancing the department's timeless mission: to pursue justice by enforcing the law.

That work has unfolded on a number of fronts, beginning with our highest priority: national security. The department will always maintain its commitment to safeguarding American citizens while maintaining American values. To cite just one recent example, in July 2016, the Department indicted Mahin Khan on Terrorism, Conspiracy to Commit Terrorism, and Conspiracy to Commit Misconduct Involving Weapons after an investigation by the FBI's Joint Terrorism Task Force. The charges stem from an investigation into Khan's repeated communication and conspiracy with an individual whom he believed to be a fighter with the Islamic State in Iraq and Syria (ISIS). Also in FY 2016, an Uzbek national, Fazliddin Kurbanov, was sentenced to 25 years in federal prison for conspiring and attempting to provide material support to a designated foreign terrorist organization and possessing an unregistered destructive device. The case was also investigated by the FBI's Joint Terrorism Task Force.

We are also accelerating our efforts to counter the growing number of threats that we see emerging in cyberspace – from attacks launched by state-sponsored actors, to the theft of trade secrets and personal data, to acts of terror committed online. These threats are becoming more common, more sophisticated, and more dangerous, as exemplified by incidents like the breaches of government systems that exposed the personal data of millions of government employees, retirees, and others. We are determined to safeguard our essential information networks and the personal and private data that they hold, and the department is working closely with its partners across the federal government and in the private sector to meet the threats of the 21st century.

One of my top priorities as Attorney General has been building trust between law enforcement officers and the communities we serve – especially communities of color. We are guided in this effort by the recommendations of the President's Task Force on 21st Century Policing, which chart a course toward lower crime and stronger relationships. To that end, our Office of Community Oriented Policing and our Office of Justice Programs provide tools and training to state and local law enforcement agencies. Our Community Relations Service acts as an impartial media in times of tension and crisis. And our Civil Rights Division works with agencies to promote reforms and ensure constitutional policing. In the days to come, we will continue to implement racial reconciliation and restorative justice programs that address the lack of mutual trust between minority communities and law enforcement agencies.

The department also remains strongly committed to protecting the civil and constitutional rights of all Americans, particularly against the scourge of human trafficking, a heinous crime that preys on the most vulnerable members of our society. In FY 2016, United States Attorneys' offices throughout the country brought many traffickers to justice, including a Virginia man who was sentenced to 300 months in federal prison for various sex trafficking and sex tourism offenses and a Nevada man who was sentenced to 40 years in prison for kidnapping two teenagers and forcing them to engage in sex work. Each U.S. Attorney's office, in cooperation with state, local, and tribal agencies, has developed a district-specific strategy to coordinate the identification of victims and the investigation and prosecution of human trafficking crimes. The department will continue engaging communities and local law enforcement agencies about the urgency of ending this practice, and we will remain committed to helping survivors overcome their ordeals.

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 2016 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 internal control over operations, reporting, and compliance, as required by the Federal Managers' Financial Integrity Act (FMFIA).

In FY 2016, the Department earned an unmodified, i.e., "clean" audit opinion on our consolidated financial statements. For the tenth straight year, the auditor's report on internal control identified no material weaknesses 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.

The Department's assessment of risk and internal control in FY 2016 was conducted in accordance with OMB Circular A-123. Based on the results of the assessment, we can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2016, except for the ongoing material weakness related to prison crowding, which is discussed in Section I of this report.

The financial and performance data presented in this report are complete and reliable, highlighting the department's accomplishments on behalf of the American public. We will not rest on our achievements, but will remain unyielding in our efforts to safeguard national security, to fight cybercrime, to strengthen relationships between our law enforcement partners and those they serve, to protect our most vulnerable citizens, and to uphold justice throughout the United States.

Loretta E. Lynch
Attorney General

AFR

U.S. Department of Justice – FY 2016 Agency Financial Report

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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 and results that include, 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 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 an independent public accounting firm under the direction of the Office of the Inspector General (OIG). These financial statements for FY 2016 and FY 2015 report on all accounts and associated activities of each office, bureau, and activity of the Department.

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. 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 her 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 system compliance 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 2016 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: This section includes (A) Improper Payments Information Act, as Amended, Reporting Details; (B) Acronyms; and (C) Department Component Websites.

This report is available at http://www.justice.gov/ag/fy-2016-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 federal agencies to annually report on the effectiveness of internal control over operations, reporting, and compliance and whether agency financial management systems comply with government-wide 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, reduce, and recapture 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/strategic2014-2018/index.html.

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

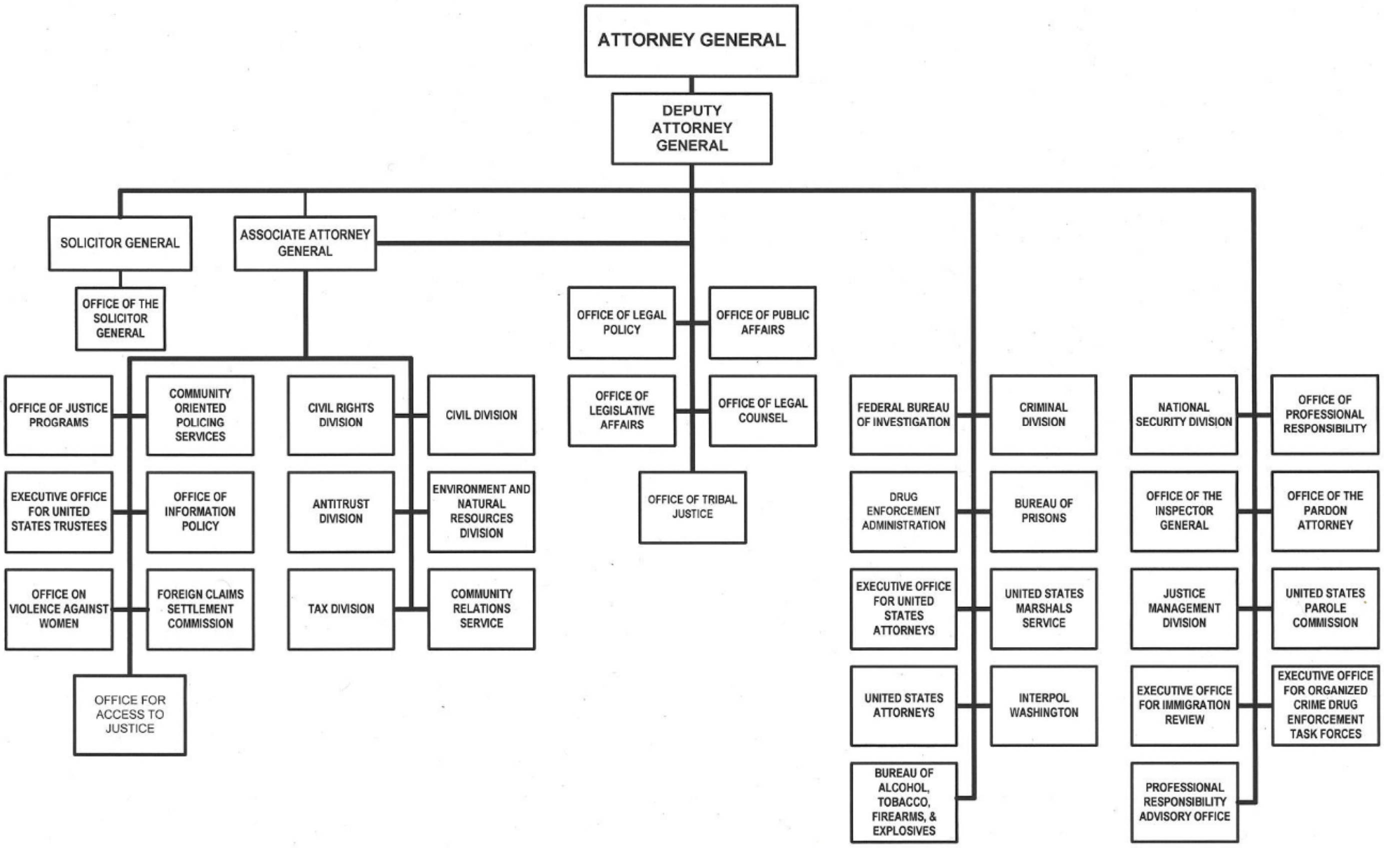
Strategic Goal		Strategic Objectives
1	Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law	**1.1** Prevent, disrupt, and defeat terrorist operations before they occur by integrating intelligence and law enforcement efforts to achieve a coordinated response to terrorist threats **1.2** Prosecute those involved in terrorists acts **1.3** Investigate and prosecute espionage activity against the United States, strengthen partnerships with potential targets of intelligence intrusions, and proactively prevent insider threats **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 **2.2** Prevent and intervene in crimes against vulnerable populations and uphold the rights of, and improve services to, America's crime victims **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 **2.4** Investigate and prosecute corruption, economic crimes, and transnational organized crime **2.5** Promote and protect American civil rights by preventing and prosecuting discriminatory practices **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 **3.2** Protect judges, witnesses, and other participants in federal proceedings by anticipating, deterring, and investigating threats of violence **3.3** Provide safe, secure, humane, and cost-effective confinement and transportation of federal detainees and inmates **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 **3.5** Apprehend fugitives to ensure their appearance for federal judicial proceedings or confinement **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 **3.7** Adjudicate all immigration cases promptly and impartially in accordance with due process **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-one separate component organizations. More than 116,000 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



Approved by: Loretta E. Lynch Date: 6/5/2015

LORETTA E. LYNCH
Attorney General

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
INTERPOL Washington
Office for Access to Justice
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

Boards

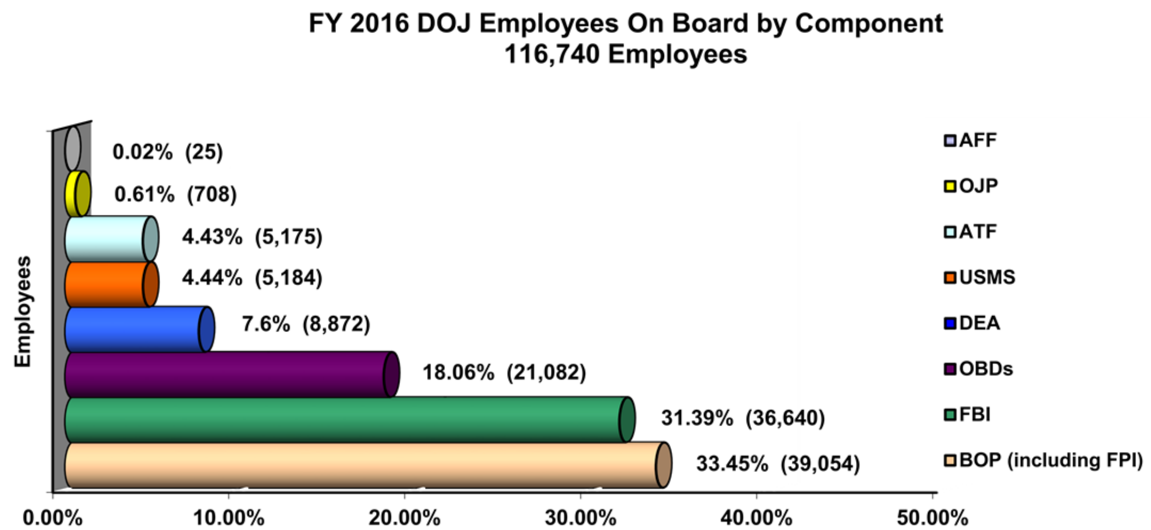
Foreign Claims Settlement Commission
U.S. Parole Commission

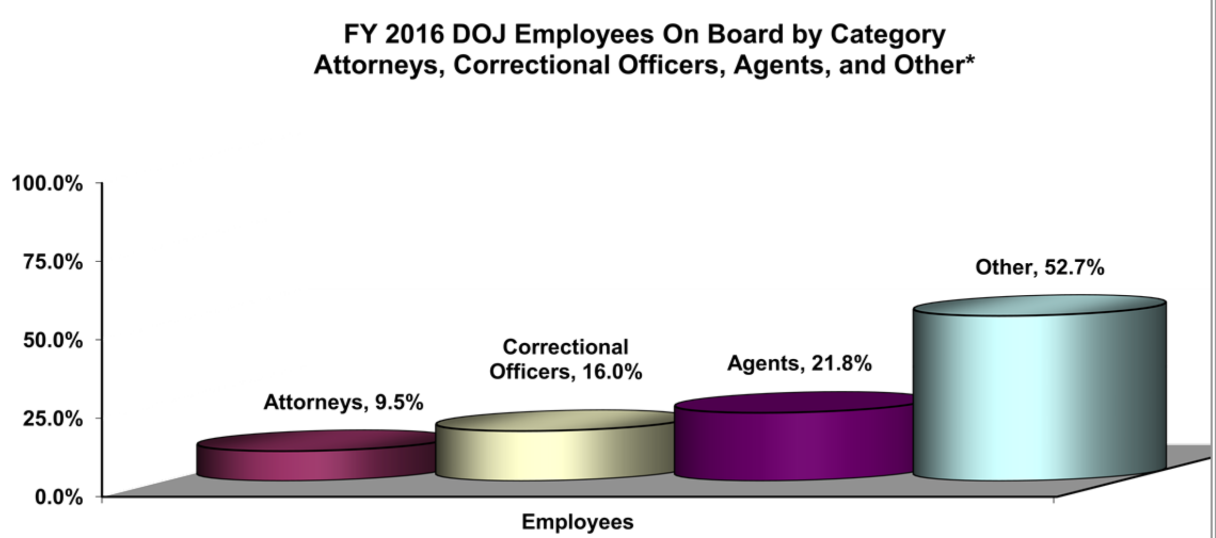
Divisions

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

FY 2016 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2016. The charts on this page reflect employees on board as of September 17, 2016.





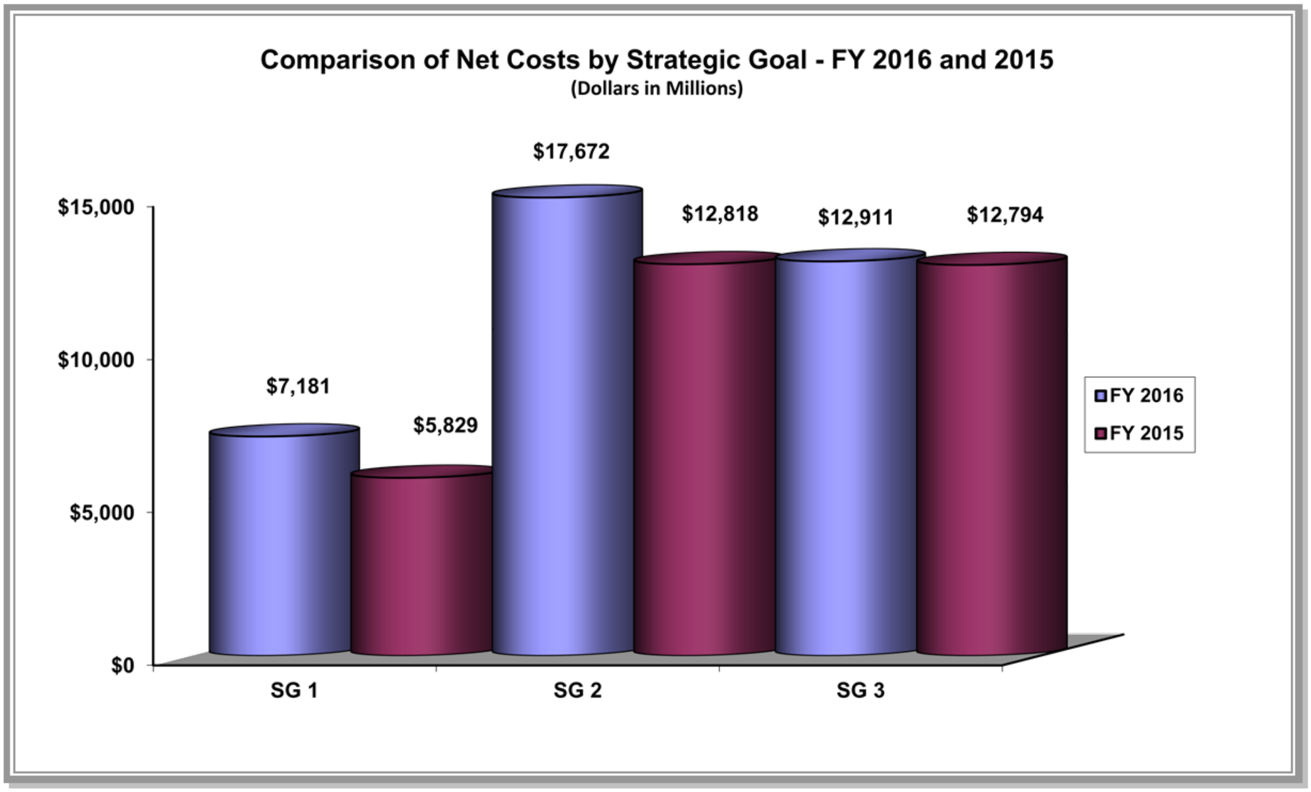
*"Other" includes pay class categories such as paralegals, intelligence analysts, financial managers, procurement officers, evidence technicians, and security specialists.

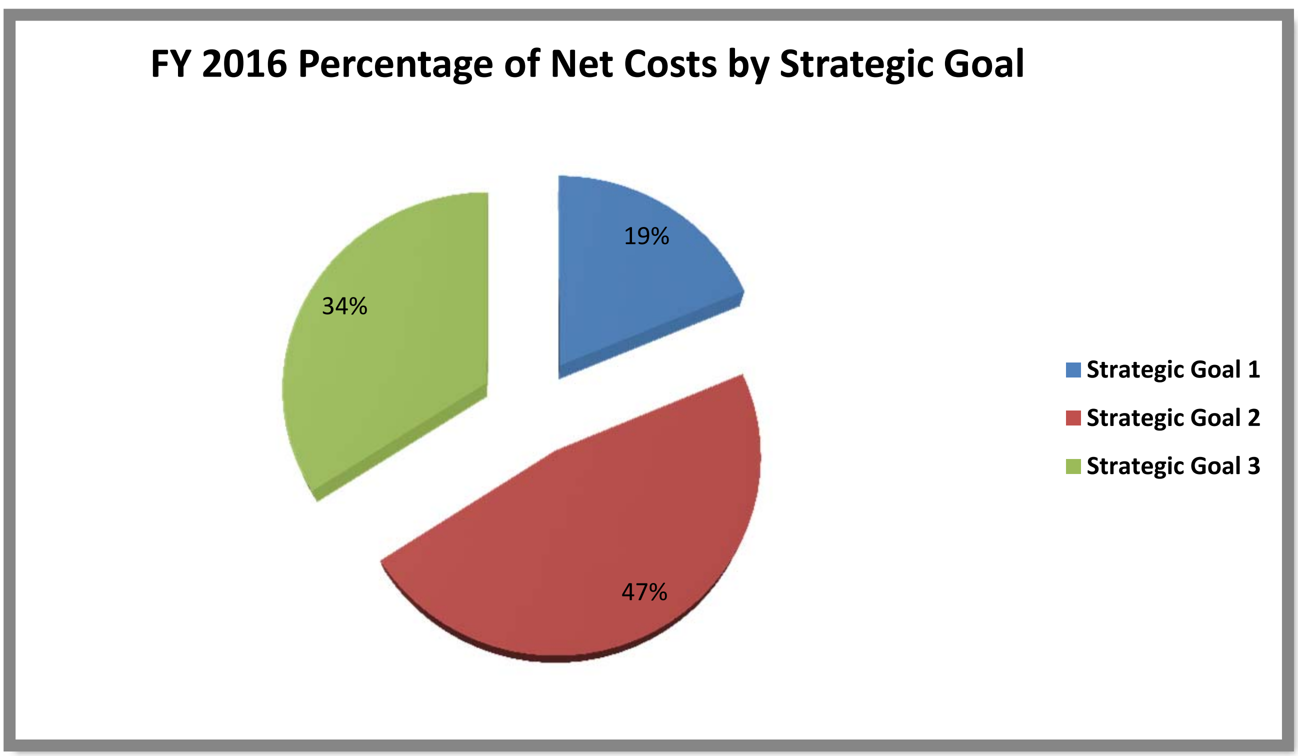
Table 1. Sources of DOJ Resources
(Dollars in Thousands)

Source	FY 2016	FY 2015	% Change
Earned Revenue:	$3,050,988	$3,204,126	**(4.78%)**
Budgetary Financing Sources:			
Appropriations Received	31,668,095	27,469,971	**15.28%**
Appropriations Transferred-In/Out	378,414	360,483	**4.97%**
Nonexchange Revenues	1,521,189	2,647,335	**(42.54%)**
Donations and Forfeitures of Cash and Cash Equivalents	1,764,050	1,285,294	**37.25%**
Transfers-In/Out Without Reimbursement	(1,897,872)	1,199,292	**(258.25%)**
Other Budgetary Financing Sources	(80,767)	-	**(100.00%)**
Other Adjustments	(1,221,050)	(888,767)	**37.39%**
Other Financing Sources:			
Donations and Forfeitures of Property	200,868	337,358	**(40.46%)**
Transfers-In/Out Without Reimbursement	(1,619)	6,980	**(123.19%)**
Imputed Financing from Costs Absorbed by Others	801,660	830,074	**(3.42%)**
Other Financing Sources	(7,849)	(10,836)	**(27.57%)**
Total DOJ Resources	**$36,176,107**	**$36,441,310**	**(0.73%)**

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

	Strategic Goal (SG)	FY 2016	FY 2015	% Change
1	Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
	Gross Cost	$7,492,891	$6,124,370	
	Less: Earned Revenue	311,505	295,555	
	Net Cost	7,181,386	5,828,815	**23.20%**
2	Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
	Gross Cost	19,009,890	14,299,789	
	Less: Earned Revenue	1,338,387	1,481,475	
	Net Cost	17,671,503	12,818,314	**37.86%**
3	Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
	Gross Cost	14,311,779	14,220,640	
	Less: Earned Revenue	1,401,096	1,427,096	
	Net Cost	12,910,683	12,793,544	**0.92%**
	Total Gross Cost	**40,814,560**	**$34,644,799**	
	Less: Total Earned Revenue	**3,050,988**	**$3,204,126**	
	Total Net Cost of Operations	**$37,763,572**	**$31,440,673**	**20.11%**


Comparison of Net Costs by Strategic Goal - FY 2016 and 2015
(Dollars in Millions)
$15,000
$10,000
$5,000
$0
$7,181
$5,829
$17,672
$12,818
$12,911
$12,794
SG 1
SG 2
SG 3
FY 2016
FY 2015


FY 2016 Percentage of Net Costs by Strategic Goal
19%
34%
47%
Strategic Goal 1
Strategic Goal 2
Strategic Goal 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, 2016 and 2015. 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 2016. 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, 2016, shows \$48.6 billion in total assets, a decrease of \$2.1 billion over the previous year's total assets of \$50.7 billion. Fund Balance with U.S. Treasury (FBWT) was \$30.6 billion, which represented 62.9% percent of total assets.

Liabilities: Total Department liabilities were \$21.2 billion as of September 30, 2016, an increase of \$2.6 billion from the previous year's total liabilities of \$18.6 billion. The increase is primarily related to additional funding to the September 11th Victim Compensation Fund and the new United States Victims of State Sponsored Terrorism Fund.

Net Cost of Operations: The Consolidated Statement of Net Cost presents Department's gross and net cost by strategic goal. The net cost of the Department's operations totaled \$37.8 billion for the fiscal year ended September 30, 2016, an increase of \$6.4 billion from the previous year's net cost of operations of \$31.4 billion. The increase is primarily related to additional funding to the September 11th Victim Compensation Fund and the new United States Victims of State Sponsored Terrorism Fund.

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 2016 Combined Statement of Budgetary Resources shows $48.4 billion in total budgetary resources, an increase of $2.0 billion from the previous year's total budgetary resources of $46.4 billion. The increase is primarily related to an increase in budget authority for the September 11th Victim Compensation Fund and the new United States Victims of State Sponsored Terrorism Fund.

Net Outlays: The Department's FY 2016 Combined Statement of Budgetary Resources shows $32.3 billion in net outlays, an increase of $2.4 billion from the previous year's total net outlays of $29.9 billion. The increase is due to payments for the September 11th Victim Compensation Fund.

Summary of Performance Information

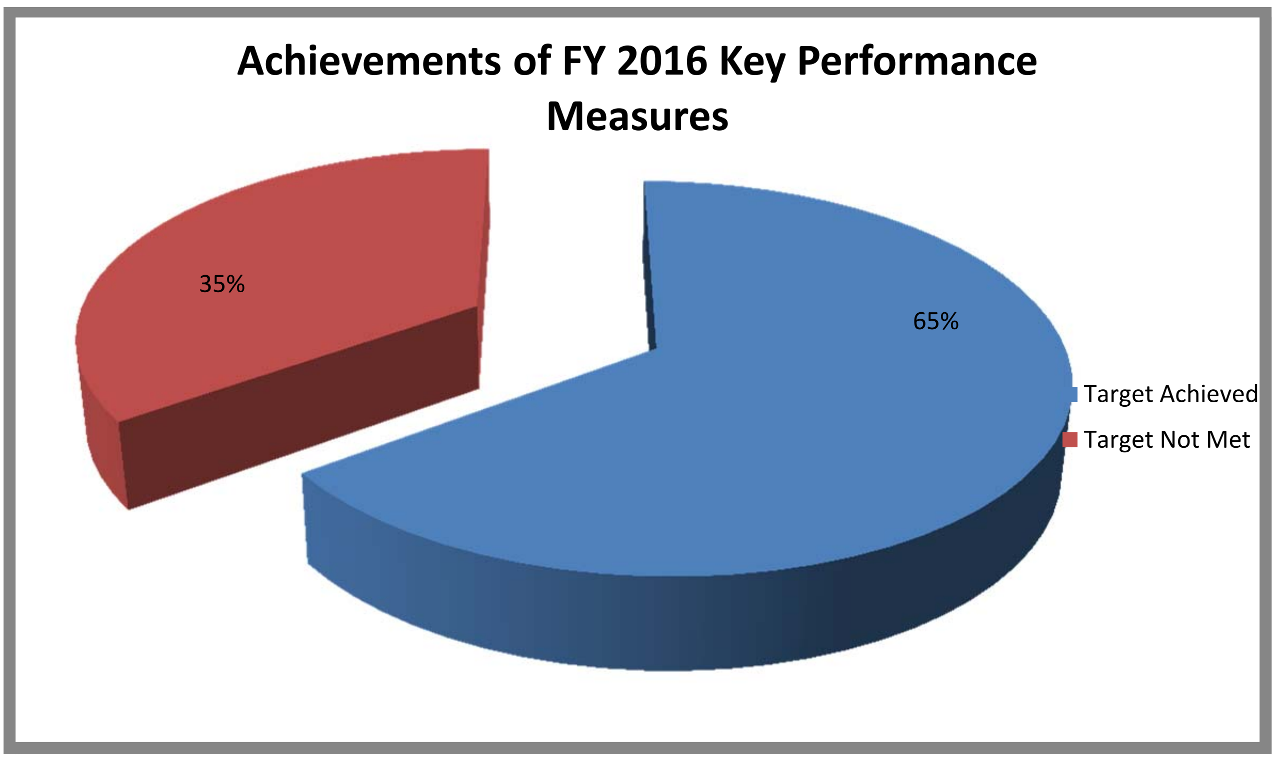
The Government Performance and Results Act Modernization Act of 2010 (GPRAMA) requires an agency's Strategic Plan to be updated every four years and cover a period of not less than four years forward from the fiscal year in which it is submitted.

The Department's FY 2014-2018 Strategic Plan, which contains three strategic goals, is used for this report. The Department's Plan 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 2016 Annual Performance Report/FY 2018 Annual Performance Plan and submitted with the President's Budget in 2017. The Department strives to present the highest-level outcome-oriented measures available.

During FY 2016, 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, 87 percent of the performance measures have actual data for FY 2016. The Department achieved 65 percent of its key measures that had data available as of September 30, 2016. For some of the performance measures, the actual data will not be available until early 2017. 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 2016 long-term outcome goals (key performance measures).



FY 2016 Long-term Outcome Goals
(Key Performance Measures)

	[ ] Designates the reporting entity	**FY 2015 Revised Actual**	**FY 2016 Target**	**FY 2016 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]	440	200	460	Met
1.2	Percentage of counterterrorism defendants whose cases were favorably resolved [NSD]	98%	90%	99%	Met
1.3	Percentage of counterespionage actions and disruptions against national counterintelligence priorities that result from FBI outreach [FBI]	15%	10%	17%	Met
	Percentage of counterespionage defendants whose cases were favorably resolved [NSD]	100%	90%	100%	Met
1.4	Number of computer intrusion program disruptions and dismantlements [FBI]	513	500	250*	Not Met
	Percentage of cyber defendants whose cases were favorably resolved [NSD]	90%	90%	100%	Met

*FY 2016 actual is preliminary.

	[ ] Designates the reporting entity	**FY 2015 Revised Actual**	**FY 2016 Target**	**FY 2016 Actual**	**Target Achieved/ Not Achieved**
Strategic Objective	**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]	153	150	118*	Not Met
	Percent of criminal cases favorably resolved [USA, CRM]	93%	90%		
2.2	Number of communities with improved capacity for a coordinated response to domestic violence, dating violence, sexual assault, and stalking [OVW]	5,176	4,050	5,486	Met
	Percent of children recovered within 72 hours of an issuance of an AMBER alert [OJP]	94%	90%	TBD**	TBD
2.3	Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data-OCDETF)]				
	Dismantled	194	188	185	Not Met
	Disrupted	422	233	268	Met
2.4	Number of criminal enterprises engaging in white collar crime dismantled [FBI]	416	385	342*	Not Met
	Percentage of dollar amounts sought by the government recovered [CIV]	85%	85%	88%	Met
2.5	Percent of civil rights cases favorably resolved: criminal cases [CRT]	99%	85%	85%	Met
	Percent of civil rights cases favorably resolved: civil cases [CRT]	86%	85%	100%	Met
2.6	Case resolution for DOJ litigating divisions – percent of criminal cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA]	97%	90%	93%	Met
	Case resolution for DOJ litigating divisions – percent of civil cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA]	85%	80%	81%	Met

*FY 2016 actual is preliminary.
**Final actual figure will be available in early 2017.

	[ ] Designates the reporting entity	FY 2015 Revised Actual	FY 2016 Target	FY 2016 Actual	Target Achieved/ Not Achieved
Strategic Objective	**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]	59%	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]	23%	14%	16%	Not Met
3.4	Number of inmate participants in the Residential Drug Abuse Program [BOP]	18,304	18,511	17,588	Not Met
	Percent of youths who exhibit a desired change in the targeted behavior [OJP]	61%	72%	TBD**	TBD
3.5	Percent and number of USMS federal fugitives apprehended or cleared [USMS]	64%/31,202	60%/29,124	64%/32,831	Met
	Number of red and green notices published on U.S. fugitives and sex offenders [IPOL]	Red-402 Green-521	Red-501 Green-816	Red-384 Green-566	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]	4,023	4,038	5,695	Met
3.7	Percent of Institutional Hearing Program cases completed before release [EOIR]	79%	85%	72%	Not Met
	Percent of detained cases completed within 60 days [EOIR]	71%	80%	67%	Not Met
	Percent of detained appeals completed within 150 days [EOIR]	95%	90%	98%	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]	11	10	12	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]	1,096	1,200	TBD**	TBD

**Final actual figure will be available in early 2017.

FY 2016 – 2017 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 Priority Goals align with the FY 2014-2018 Strategic Plan, and are reported on a quarterly basis via http://www.performance.gov. The FY 2016-2017 Priority Goals are:

Priority Goal 1, National Security: Protect Americans from terrorism and other threats to National Security.

By September 30, 2017, the Department of Justice will:

- Disrupt 250 terrorist threats and groups

Terrorism is the most significant national security threat that the country faces. Accordingly, the Department's number one priority 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 of Justice is at the forefront of the fight against terrorism. The Department provides a broad spectrum of tools and skills to combat terrorists. Specifically, the Department's agents, analysts, and prosecutors will continue to 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 2016. The Department surpassed its FY 2016 target for its number of terrorism disruption performance measure, and also leveraged current and new technology to effectively share intelligence with the U.S. Intelligence Community (USIC) and Law Enforcement (LE). This effort is quantified by the number of Guardian and eGuardian incidents shared between the FBI, USIC, and LE community partners.

The number of terrorism disruptions effected through counterterrorism investigations greatly surpassed its annual target by 130% (460 vs 200). 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. For example, in July 2016, the Department indicted Mahin Khan on Terrorism, Conspiracy to Commit Terrorism, and Conspiracy to Commit Misconduct Involving Weapons after an investigation by the FBI's Joint Terrorism Task Force. The charges stem from an investigation into Khan's repeated communication and conspiracy with an individual whom he believed to be a fighter with the Islamic State in Iraq and Syria (ISIS). Also in FY 2016, an Uzbek national, Fazliddin Kurbanov, was sentenced to 25 years in federal prison for conspiring and attempting to provide material support to a designated foreign terrorist organization and possessing an unregistered destructive device. The case was also investigated by the FBI's Joint Terrorism Task Force.

Priority Goal 2, Combating Cyber Threats: Identify and pursue cyber threat actors.

By September 30, 2017, the Department of Justice will:

- Conduct 1,000 computer intrusion program disruptions or dismantlements while successfully resolving 90 percent of both national security and criminal cyber cases.

A range of cyber activities also constitutes a growing threat to our national security and economic stability. An increasing number of sophisticated state and non-state actors have both the desire and the capability to steal sensitive data, trade secrets, and intellectual property for military and competitive advantage. Insiders pose an additional threat to engage in insider-enabled cyber theft and sabotage. The other major national security threat in cyberspace is cyber-enabled terrorism. Although the United States has not yet encountered terrorist organizations using the Internet to launch a full-scale cyber attack, the Department believes that it is a question of when, not if, they will attempt to do so. The cyber threat demands ready and fluid means of sharing information and coordinating actions and responses. The Department's cyber strategy involves an all-tools approach, inclusive of investigation and prosecution, and with a focus on the disruption of the threat, regardless of the particular tool used. The Department has significant and growing national security responsibilities in the area of cyber security, and retains primary authority over the investigation and prosecution of cybercrimes, including those that have national security implications. These investigations most frequently arise in instances where an agent of a foreign government seeks to infiltrate or harm a sensitive or important piece of U.S. cyber infrastructure. Finally, the Department has increasing legal and policy duties assisting interagency and legislative cyber initiatives to protect American critical infrastructure, networks, businesses, and computer users in a manner consistent with the law.

Status: The Department was not able to meet the annual target for FY 2016. While the FBI had expected to reach the annual target of 500 computer intrusion program disruptions and dismantlements, the total for FY 2016 was only 267. The FBI cannot target or predict the number of computer intrusion program disruptions and dismantlements that will occur in any given year, due to the nature of operational campaigns.

Regarding favorably resolved cases, the U.S. Attorney's Offices (USAOs) favorably resolved 130 of 149 cases or 87%, which was below the annual target of 90%. Cases dismissed by USAOs in order to promote the interest of justice can have a significant impact on the percentage, as they are not categorized as favorably resolved matters for purposes of this calculation. In the assessment of an individual case, a USAO may choose to dismiss felony charges for a variety of reasons, including, but not limited to, dismissal of a felony charge(s) in lieu of a defendant's negotiated plea to a misdemeanor charge(s), or dismissal of an indictment in order to conserve Government resources due to the inability of law enforcement to locate overseas individuals for arrest despite lengthy attempts to do so. In FY 2016, several cases were dismissed without prejudice in the interests of justice, and these dismissals reduced the favorable percentage below 90% (annual target).

In FY 2016, the Department continued to execute its cyber mission by identifying, pursuing, and defeating cyber threats and adversaries targeting U.S. interests. For example, in April 2016, Charles Harvey Eccleston, a former U.S. Department of Energy (DOE) employee, was sentenced in DC federal court to a term of 18 months in prison stemming from an attempted e-mail "spear phishing" attack in 2015 that targeted dozens of DOE employees. Eccleston held a top secret security clearance with access to DOE's network.

Priority Goal 3, Enhancing Public Safety: Strengthen relationships with the communities we serve, and enhance law enforcement capabilities by constructing new foundations of trust, respect and mutual understanding.

By September 30, 2017, the Department of Justice will:

- Increase by 40 percent, the number of law enforcement officers and community members engaged in technical assistance and training activities supportive of community policing to ensure police reform and produce an informed citizenry.

The three tenets of community policing are problem solving, community engagement, and organizational change. The Department of Justice (DOJ) supports community policing through a broad range of training and technical assistance activities. These activities are implemented along a continuum that starts with the initial contact with law enforcement and/or community members looking for new or promising practices to address problems in their community. Typically, these problems are addressed through outreach, publications, or awareness training. By working with the community to implement more complex needs for community policing, the community becomes involved in their own safety. This proactive approach consists of training law enforcement and the community together, community meetings/interventions, and trust building activities. When a community has significant trust issues or law enforcement is in need of reform, the technical assistance and training becomes more in depth, site specific, and targeted to promote change. For those communities where there exists a strong bond and a vibrant community policing program, providing technical assistance and training will build upon that trust and increase the viability of the program.

Status: The Department exceeded its FY 2016 Enhancing Public Safety Priority Goal performance measure target for the year. In FY 2016, the Department engaged 13,500 law enforcement officers and community members in training and technical assistance sessions, 29% over the annual target of 10,440.

In FY 2016, the Department's COPS Office offered technical assistance to a diverse range of police departments across the country facing unique challenges. Through its Critical Response program, the COPS Office conducted an assessment of the law enforcement response to the mass demonstrations in Ferguson, MO, completed a comprehensive analysis of the Tampa Police Department's stop and ticketing data, conducted a peer-to-peer with the Orlando Police Department following the Pulse nightclub shooting event, and was able to release timely and critical assessments of the San Bernardino response to the attack on the Inland Regional Center, which was the third deadliest on U.S. soil since 9/11. Additionally, through its Collaborative Reform through Technical Assistance initiative, the COPS Office conducted assessments of several police departments and released comprehensive reports, which included a series of recommendations to help these departments improve their policies, practices, training and accountability systems. These included the police departments in San Francisco, CA; Milwaukee, WI; Fayetteville, NC; Salinas, CA; and Calexico, CA. These departments are currently receiving technical assistance to help implement the recommendations that came out of the assessment reports.

Priority Goal 4, Vulnerable People: Protect the most vulnerable among us, including victims and survivors of human trafficking.

By September 30, 2017, the Department of Justice will:

- Open investigations concerning the sexual exploitation of children (5% over FY 2015 target of 3,051) FY 2016 target = 3,127 and FY 2017 target = 3,204
- Open investigations concerning human trafficking (5% over FY 2015 target of 218) FY 2016 target = 223 and FY 2017 target = 229
- Increase the number of open investigations concerning non-compliant sex offenders (3% increase over baseline/1,760) FY 2016 target = 1,786 and FY 2017 target = 1,813
- Percent of civil rights cases that are favorably resolved - criminal FY 2016 target = 85% and FY 2017 target = 85%
- Percent of civil rights cases that are favorably resolved - civil FY 2016 target = 85% and FY 2017 target = 85%
- Increase the number of human trafficking leads and complaints reviewed by the Human Trafficking Prosecution Unit (5% increase over baseline/150) FY 2016 target = 154 and FY 2017 target = 158

The abuse, neglect, exploitation, and trafficking of children, and vulnerable populations, causes irrevocable harm to victims and society. Ensuring that all citizens, particularly children and other vulnerable populations, 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 exploitation, abuse, hate crimes, and human trafficking from occurring, and protect every person from the physical and mental traumas associated with these crimes.

Status: The Department exceeded its FY 2016 Vulnerable People Priority Goal annual performance measure targets for five out of six performance measures. Opened investigations concerning non-compliant sex offenders exceeded the annual target of 1,786, by 134 or 7.5%. Opened investigations concerning sexual exploitation of children exceeded the annual target of 3,127, by 2,298 or 73.5%. Opened investigations concerning human trafficking exceeded the annual target of 223, by 77 or 34.5%. Percent of civil rights [criminal] cases that are favorably resolved met the annual target of 85%, with a FY 2016 year-to-date average of 85%. Percent of civil rights [civil] cases that are favorably resolved exceeded the annual target of 85%, with a FY 2016 year-to-date average of 98%. Number of human trafficking leads and complaints reviewed by the Human Trafficking Prosecution Unit exceeded the annual target of 154, by 114 or 74%.

The prosecution of individuals and organizations who engage in human trafficking—sex trafficking and labor trafficking—is a priority for the Department of Justice. In FY 2016, the United States Attorneys' Offices brought many of these individuals to justice. In June of 2016, for example, Eric Noe Araujo Flores of Ashburn, VA was sentenced to 300 months in federal prison for various sex trafficking and sex tourism offenses. In September of 2016, John Thomas Abrams of Reno, NV, was sentenced to 40 years in prison for kidnapping two teenagers in Sacramento, and transporting them to Reno to engage in sex work.

Priority Goal 5, Fraud and Public Corruption: Protect the American people from fraud and public corruption.

By September 30, 2017, the Department of Justice will:

- Increase the number of new investigations by 2 percent with emphasis on holding individuals accountable associated with fraud and public corruption, including white collar crime, financial fraud, and health care fraud.

The term white collar crime is synonymous with a full range of frauds committed by business and government professionals. It is not a victimless crime. A single scam can destroy a company, devastate families by wiping out their life savings, or cost society billions of dollars (or even all three). Today's fraud schemes are more sophisticated than ever. The financial crisis of 2008, impacting every American, resulted in fraud and deception in the finance and housing markets, as well as fraudulent schemes that misused the public's unprecedented investment in economic recovery. The distressed condition of the national housing market, paired with high unemployment, created a fertile environment for unscrupulous fraudsters seeking to take advantage of desperate homeowners. Criminals who commit mortgage fraud, securities and commodities fraud, and other types of fraud victimize the American public as a whole. Similarly, those who defraud Medicare, Medicaid, and other government health care programs defraud every American. Fraudsters take critical resources out of our health care system—thus contributing to the rising cost of health care for all Americans and endangering the short-term and long-term solvency of these essential health care programs. The Department will address these critical problems by vigorously investigating and prosecuting white collar crimes, including financial fraud and health care fraud, in order to protect American businesses, consumers, and taxpayers. Fraud and public corruption, as reported by this Priority Goal, include a number of criminal and civil reporting categories including but not limited to: financial crime and corruption; public and corporate fraud, including health care fraud and mortgage fraud; public corruption; computer/cybercrime; identity theft; intellectual property crimes; and procurement fraud. Public corruption is a breach of trust by federal, state, or local officials—often with the help of private sector accomplices. Public corruption misdirects public monies, distorts governmental decision-making and threatens our democratic processes. Corrupt public officials undermine our country's national security, our overall safety, the public trust, and confidence in the U.S. government, wasting billions of dollars. This corruption can tarnish virtually every aspect of society. The U.S. Foreign Corrupt Practices Act (FCPA), passed in 1977, makes it illegal for U.S. companies, U.S. persons, and foreign corporations with certain U.S. ties to bribe foreign officials to obtain or retain business overseas. Foreign bribery can impact U.S. financial markets, economic growth, and national security. It also breaks down the international free market system by promoting anti-competitive behavior and, ultimately, makes consumers pay more. The Department will pursue criminal and civil litigation to protect the federal fisc and hold accountable corrupt officials and those who commit fraud; and promote transparency in markets by preserving competition and protecting consumers and investors.

Status: For FY 2016, the Department handled 11,395 investigations comprised of 10,324 fraud investigations and 1,071 public corruption investigations. The Department was not able to meet the annual target of 12,844. Fraud and public corruption cases are some of the most complex cases that the United States USAOs handle. The majority of these cases are data intensive, requiring the collection, organization, and analysis of massive amounts of electronically stored information. Substantial resources must be allocated to reviewing and analyzing such data in existing investigations, which can reduce resources available to new investigations. Moreover, the time required to pursue our already high number of pending matters – from investigation through sentencing and appeal – is significantly longer than in other cases due to the complex nature of the crimes.

In FY 2016, the Department continued to vigorously investigate and prosecute crimes related to fraud and public corruption. For example, in June 2016, a federal jury found Congressman Chaka Fatah Sr. (PA) guilty of all charges stemming from a racketeering conspiracy involving several schemes that were intended to further his and his co-conspirators' political and financial interests by misappropriating federal, charitable and campaign funds, among other schemes. The evidence at trial showed that, among other things, Fattah and certain associates borrowed $1 million from a wealthy supporter for his failed 2007 campaign for mayor of Philadelphia, and disguised the funds as a loan to a consulting company. After he lost the election, Fattah returned to the donor $400,000 that the campaign had not used and arranged for Educational Advancement Alliance, a non-profit entity that Fattah founded and controlled, to repay the remaining $600,000 using charitable and federal grant funds that passed through two other companies. To conceal the contribution and repayment scheme, the defendants and others created sham contracts and made false entries in accounting records, tax returns and campaign finance disclosure statements. Also in FY 2016, Arthur Budovsky (NY) was convicted and sentenced to twenty years in federal prison for running a massive multi-million dollar money laundering enterprise through his company Liberty Reserve, a virtual currency that was used by cybercriminals around the world. Liberty Reserve billed itself as the Internet's "largest payment processor and money transfer system" and operated one of the world's largest and most widely used digital currencies. Budovsky designed Liberty Reserve with a focus of attracting criminals that conducted Ponzi schemes and trafficked in stolen credit cards. In January 2016, within days of his trial date, he pled guilty to one count of conspiring to commit money laundering. Budovsky admitted to laundering between $250 million and $550 million in criminal proceeds linked to Liberty Reserve accounts based in the United States.

The Department will continue to pursue criminal and civil litigation to protect the federal fisc and hold accountable corrupt officials and those who commit fraud; and promote transparency in markets by preserving competition and protecting consumers and investors.

Analysis of Systems, Controls, and Legal Compliance

Internal Control System in the Department of Justice

The Department of Justice's internal control system is designed to provide reasonable assurance that the objectives of the Department will be achieved. The objectives and related risks are broadly classified into one or more of the following three categories:

- Operations - Effectiveness and efficiency of operations
- Reporting - Reliability of reporting for internal and external use
- Compliance - Compliance with applicable laws and regulations

The Department identifies emerging issues through a strong governance framework that consists of a network of oversight councils and internal review teams. These include the Department's Senior Assessment Team, Chief Information Officers Council, Justice Management Division's Internal Review and Evaluation Office and Quality Control and Compliance Group, and Department 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 system continues to improve through ongoing assessments and corrective actions implemented by management. The Department's commitment to management excellence, accountability, and compliance with applicable laws and regulations is evidenced by 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 Department management in response to new legislation, OMB initiatives, and OIG and GAO recommendations, as discussed later in this section.

Department management continued in FY 2016 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 deficiencies, and
- Continuing to support and commit resources to Department component internal review programs.

In addition, Department management began implementing enterprise risk management (ERM) to further improve accountability and effectiveness of Department programs and mission-support operations. In FY 2017, the Department will continue its ERM implementation efforts, emphasizing the need for Department components to integrate and coordinate risk management and strong and effective internal control into existing business activities and as an integral part of managing Department components.

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 control. 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 control that protects the integrity of federal programs (FMFIA Section 2) and whether financial management systems comply with government-wide requirements (FMFIA Section 4).

FMFIA Assurance Statement

Department of Justice management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the FMFIA. In accordance with OMB Circular A-123, the Department conducted its assessment of risk and internal control. Based on the results of the assessment, we can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2016, except for the ongoing material weakness related to prison crowding particularly at higher security institutions. Details of the weakness are provided later in this section in the Summary of Material Weakness and Corrective Actions.

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 and by the Office of the Inspector General and Government Accountability Office. We look forward in FY 2016 to building on our achievements as we continue the important work of the Department.

Loretta E. Lynch
Attorney General
November 11, 2016

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 2016, 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 and acquisition processes, as well as the data needed for effective financial and budget management. In FYs 2009 through 2016, 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. 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 that occurred in FYs 2011 through 2014. In FYs 2015 and 2016, the Department continued its planning efforts to ensure the smooth migrations of three components in October 2015 and four components and 10 United States Attorneys' Offices in October 2016.[2] In FY 2017, the Department will continue its planning efforts for the FY 2018 migrations of eight components and the remaining United States Attorneys' Offices.[3] 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.

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[2] The three components migrated to UFMS in October 2015 were the Executive Office for Immigration Review, Office of the Inspector General, and Office of the Pardon Attorney. The four components migrated in October 2016 were the Community Relations Service, Foreign Claims Settlement Commission, National Security Division, and United States Parole Commission. The 10 United States Attorneys' Offices migrated in October 2016 are using UFMS to process witness activity only; full use of UFMS is scheduled for FY 2018.

[3] The eight components to be migrated in FY 2018 are the Civil Division, Criminal Division, Civil Rights Division, Environment and Natural Resources Division, INTERPOL, Office of Legal Counsel, Office of the Solicitor General, and Tax Division.

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 following table summarizes the results of the Department's financial statement audit. The table on the following page summarizes the management assurances regarding the effectiveness of internal control over operations and financial reporting (FMFIA Section 2), compliance with financial management system requirements (FMFIA Section 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 Operations (FMFIA Section 2)						
Statement of Assurance	Modified					
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 Section 2)						
Statement of Assurance	Unmodified					
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**

Compliance with Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Systems Comply					
Lack of Compliance	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	0	0	0	0	0	0
Total Lack of Compliance	**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 Compliance Noted	No Lack of Compliance Noted
Accounting Standards	No Lack of Compliance Noted	No Lack of Compliance Noted
USSGL at Transaction Level	No Lack of Compliance Noted	No Lack of Compliance Noted

Summary of Material Weakness and Corrective Actions

A summary of the material weakness identified in the Department's FY 2016 assessment of the effectiveness of internal control over operations (FMFIA Section 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, 2016, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 16 percent, down from the 23 percent overcapacity rate as of the end of FY 2015. The impact of the Department's Smart on Crime initiative, legislative changes, and clemency have all contributed to reducing the inmate population and projections; nonetheless, the BOP continues to experience high levels of crowding, particularly at medium and high security institutions. For example, as of September 30, 2016, the overcapacity rate at high security institutions was 31 percent.

Crowding presents safety challenges for both staff and inmates. In addition, crowding has a negative impact on the ability of the BOP to promptly provide inmate treatment and training programs that promote effective re-entry and reduce recidivism.

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.[4] The BOP's formal Corrective Action Plan includes 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 overcapacity rate for both FYs 2017 and 2018 is projected to stay at 16 percent – the same rate as at the end of FY 2016; the rate at high security institutions is projected at 32 percent and 28 percent, respectively, for those years. The recent decision by the Department of Justice to phase out contract facilities will impact crowding, but the extent is not known at this time.

The Department's corrective action efforts are not limited to the BOP. 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 promote effective re-entry and reduce recidivism. The BOP will continue to work with the Department on these programs.

[4] The BOP's Long Range Capacity Plan relies on multiple approaches to house the federal inmate population, such as expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring, constructing, and activating new facilities as funding permits.

Improper Payments Information Act of 2002, as Amended

The Department recognizes the importance of maintaining adequate internal control to ensure proper payments and is committed to the continuous improvement of the overall disbursement management process. A summary of actions taken by Department management in FY 2016 for continuous implementation of the Improper Payments Information Act of 2002 (IPIA), as amended, follows.[5] 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 year ended September 30, 2016, 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 required 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 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 to drive performance. Agencies have the discretion to set their own payment recapture rate targets for review and approval by OMB.

In FY 2016, as required by the IPIA, as amended, and OMB implementing guidance, the Department measured payment recapture performance and updated its payment recapture rate targets through FY 2018. Based on performance through the year ended September 30, 2016, the Department achieved an annual

[5] 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).

payment recapture rate of 91 percent. Additional details, to include the annual recapture rate by type of payment (e.g., contracts and grants), are provided in Appendix A.

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

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

National Security

- Going Dark: Criminals and terrorists are using encryption and other anonymous or hidden services to avoid detection, identification and capture. Conducting court-approved intercepts has become more challenging. Providers offer encryption as a selling point. Even when legal authority exists, technical ability is lacking, as are storage and data retention policies. A coordinated strategic response is urgently needed.
- Homegrown Violent Extremists (HVE): These potential terrorists, frequently influenced by the Islamic State of Iraq and the Levant (ISIL) online, present a new and significant challenge, part of which is distinguishing between violent rhetoric and terrorist intent. Prioritizing thousands of HVE investigations is a continuing challenge.
- FISA Reauthorization: Section 702 of the Foreign Intelligence Surveillance Act will sunset on December 31, 2017. This key counterterrorism tool allows the targeting of non-U.S. persons reasonably believed to be outside the United States to acquire foreign intelligence information.

Law Enforcement

- Cyber Threat: Cyber issues straddle both national security and criminal areas, with the United States facing daily telecommunications network attacks from a range of nations, criminals and terrorists, all with potentially devastating consequences. The Department of Justice itself is under constant cyber-attack. The threat is pervasive and persistent and the methods used by adversaries are always evolving.
- Opioid Epidemic: Drug overdoses are now the leading cause of injury-related deaths in the United States – more than 47,000 overdose deaths occurred in 2014, with 61% of those from opioids, which include prescriptions, heroin and fentanyl.
- Criminal Justice Reform: Legislation to reduce drug sentences passed both House and Senate Judiciary Committees and bipartisan efforts to enact this reform will continue at the beginning of the new Congress. At the same time, the relationship between police departments and their communities, particularly regarding police use of force, have become critical across the nation. Questions about police decision-making under stress, real and implicit racial bias, police misconduct and community trust have been raised.

Civil Litigation

- Immigration Executive Action: Texas and 25 other states challenged the executive action aimed at deferring action for aliens brought to the United States as children and for certain of their parents. The Supreme Court upheld the district court's issuance of a preliminary injunction against implementation of the guidance and denied the government's petition for rehearing. Meanwhile the district court sanctioned the Department after finding that certain representations were made in bad faith. The Government successfully moved to stay the sanctions order and submitted additional material demonstrating that no misconduct had occurred. The district court has taken the matter under advisement.

- Voting Rights: Several pivotal court cases concerning the Voting Rights Act have occurred or are pending in a number of states. The Civil Rights Division's Voting Section has been active in challenging several state statutes struck down by courts. However, the Supreme Court's decision in Shelby County v. Holder has effectively made states exempt from preclearance until or unless Congress updates the standards under the Voting Rights Act.
- Affordable Care Act: Several matters are currently pending involving the Patient Protection and Affordable Care Act or ACA. The Zubik cases involve contraceptive coverage requirements and have been remanded by the Supreme Court to see if a compromise can be reached. In House v. Burwell a district court decided that Congress provided no appropriation for the cost-sharing reductions mandated by the ACA and enjoined the government from making further payments. The injunction has been stayed pending appeal. The Risk Corridors litigation comprises seven cases filed by insurance companies in the U.S. Court of Federal Claims seeking $2.5 billion in payments for losses; and potentially a larger amount for 2015, with damages for 2016 not yet known.
- Gender Identity: A number of states, state officials, and private plaintiffs have filed lawsuits across the country challenging several federal agencies' position that discrimination against transgender individuals violates the law. Also, the Department filed suit against the State of North Carolina challenging the legality of House Bill 2 which prohibits transgender persons from using public bathrooms; counterclaims against the Department have been filed by both the Governor and the State Legislature. Trial is set for May 2017.

Hiring and Staffing

- Given an aging population in the federal workforce, the Department faces a series of difficulties in the coming years. Most components have experienced reduced staffing levels in the past several years. The end of an administration is also traditionally a time for departures and new hires. However, the hiring process can be lengthy and complex, especially the added time needed for background investigations.

Budget Constraints and Uncertainties

- From 2001 to 2010, the Department's discretionary budget rose steadily, from $18 billion to $28 billion. However, since then, the discretionary budget has been largely flat, creating two challenges: first, components are unable to grow and must absorb inflationary costs – often by reducing operations – and second, funds for new programs to reflect new policy directions are rare and often arise from either realigning existing resources away from existing programs, or through the use of budget rescissions and scorekeeping credits. In House and Senate mark-ups of the FY 2017 budget pending in Congress, as many as 15 Department components could face flat budgets from last year. Components must absorb personnel and other annual cost increases, and eventually flat budgets will mean today's workforce is not affordable in future 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.

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 of 1990, the Government Management Reform Act of 1994, and the format suggested in 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, 2016 and 2015.

Consolidated Statements of Net Cost – Presents the net cost of Department operations for the fiscal years ended September 30, 2016 and 2015. 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, 2016 and 2015.

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, 2016 and 2015.

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, 2016 and 2015.

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A Message from the Chief Financial Officer

November 11, 2016

In Fiscal Year 2016, the Department earned an unmodified “clean” audit opinion on our consolidated financial statements. And, the auditor’s report on internal controls identified no material weaknesses at the consolidated level for the tenth straight year. While the Department continues to make progress improving our financial controls, we take seriously our commitment to correct remaining areas where we have deficiencies. The achievement of an unmodified audit opinion demonstrates the Department’s continued commitment to achieving transparency in our spending, and the pursuit of continued improvements in our systems and operations during a time of new and often complex financial reporting requirements.

The Department is committed to the wise use of its budget. 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, from travel booking improvements to various information technology consolidations. Other notable accomplishments include the continued successful implementation of the Department’s Unified Financial Management System (UFMS), with four new components joining UFMS in October 2016. Additionally, ten pilot U. S. Attorneys offices migrated in October 2016 for the processing of witness expense activities, with full use of UFMS for the U.S. Attorneys planned for FY 2018. In addition, looking at coming government-wide initiatives, the Department has been an active partner working with the Department of Treasury regarding coming new reporting requirements and planning for the Data Act.

I’m gratified that the Department of Justice has a strong team of dedicated financial management professionals. We take seriously our accountability to the taxpayers. Where we find internal control and reporting issues, we are committed to addressing them promptly and comprehensively. We are focused in Fiscal Year 2017 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

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U.S. DEPARTMENT OF JUSTICE
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2016

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, 2016, and September 30, 2015. 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 2016 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 2015, the Department also received an unmodified opinion on its financial statements (OIG Audit Report No. 16-01).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors did not identify any material weaknesses, nor did they report any significant deficiencies in the FY 2016 *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 2016, the Department has made measurable progress toward implementing the Unified Financial Management System (UFMS). Thus far, UFMS has replaced four of the Department's five major non-integrated legacy accounting systems. Five of the Department's eight reporting components have successfully migrated to the unified system, and one additional component has partially implemented UFMS. During FY 2016, the Department ensured the smooth migration of three components within the Offices, Boards and Divisions, which occurred in October 2016. While measurable progress continued to be made, it is important to note that the Department does not yet have a fully unified financial management system to readily support ongoing accounting operations and the preparation of financial statements, in order to 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 that is currently being 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 2016 *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. Four of these entities (Assets Forfeiture Fund and Seized Asset Deposit Fund, 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 and other matters. KPMG LLP is responsible for the attached auditors' reports dated November 11, 2016, 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.

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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, 2016 and 2015, 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 did not audit the financial statements of the Federal Bureau of Prisons (BOP), of which statements reflect total assets constituting 14% and 13% of consolidated total assets at September 30, 2016 and 2015, respectively, and total net costs constituting 20% and 24% of consolidated total net costs for the years then ended, respectively. We did not audit the FY 2015 financial statements of the Federal Bureau of Investigation (FBI), of which statements reflect total assets constituting 15% of consolidated total assets as of September 30, 2015, and total net costs constituting 28% of consolidated total net costs for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those components, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice as of September 30, 2016 and 2015, 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

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We and the other auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Department Overview, Message from the Attorney General, Introduction, Other Information, 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 by us and the other auditors in the audits 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 11, 2016 on our consideration of the Department's internal control over financial reporting, and our report dated November 11, 2016 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 result 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 11, 2016

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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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *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, 2016 and 2015, 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 11, 2016. We did not audit the financial statements of the Federal Bureau of Prisons (BOP) as of and for the years ended September 30, 2016 and 2015, or the financial statements of the Federal Bureau of Investigation (FBI) as of and for the year ended September 30, 2015. Those financial statements were audited by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those components, is based solely on reports of the other auditors.

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, 2016, 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*.

As stated above, we did not audit the fiscal year 2016 financial statements of the BOP. Those financial statements were audited by other auditors whose reports thereon, including the other auditors' *Independent Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*, has been furnished to us. Accordingly our report on the Department's internal control over financial reporting, insofar as it relates to that component, is based solely on the report and findings of the other auditors.

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 and the other auditors' audits 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.

The Exhibit presents the status of the prior year's finding and recommendations.

Purpose of this Report

The purpose of this report is solely to describe the scope of our and the other auditors' testing of internal control and the result 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 11, 2016

EXHIBIT

STATUS OF PRIOR YEAR'S FINDING AND RECOMMENDATIONS

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, we have evaluated whether the Department of Justice has taken the appropriate corrective action to address the finding and recommendations from the prior year's financial statements audit that could have a material effect on the financial statements or other financial data significant to the audit objectives. The following table provides the Office of Inspector General report number where the deficiency was reported, our recommendations for improvement, and the status of the previously identified significant deficiency and recommendations as of the end of fiscal year 2016.

Report	Significant Deficiency	Recommendation	Status
Annual Financial Statements Fiscal Year 2015 Report No. 16-01	Improvements Needed in Financial Statement Preparation and Review Controls	**Recommendation No. 1:** Periodically assess the treatment of any new or significant cash collections based on legal proceedings to ensure proper classification of these amounts in the Statement of Custodial Activities.	Completed[1]
		Recommendation No. 2: Periodically review and align the defined cost allocation methodology against the mission-driven program objectives to ensure proper assignment of costs among strategic goals.	Completed
		Recommendation No. 3: Critically analyze the accounting and reporting of complex or unusual transactions to ensure proper, accurate, and consistent reporting in the financial statements and footnotes.	Completed[1]
		Recommendation No. 4: Assess reconciliation, financial reporting review, and other monitoring controls at certain components, and identify those areas where the components' management could increase the rigor and precision of those controls.	Completed[1]

[1] *Sufficient progress has been made in addressing this finding and the related recommendation such that the remaining risk of misstatement no longer merits the attention by those charged with governance. Therefore, the condition has been downgraded to a deficiency in internal control.*

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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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *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, 2016 and 2015, 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 11, 2016. We did not audit the financial statements of the Federal Bureau of Prisons (BOP) as of and for the years ended September 30, 2016 and 2015, or the financial statements of the Federal Bureau of Investigation (FBI) as of and for the year ended September 30, 2015. Those financial statements were audited by other auditors whose reports has been furnished to us, and our report, insofar as it relates to the amounts included for those components, is based solely on the reports of the other auditors.

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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

As stated above, we did not audit the fiscal year 2016 financial statements of the BOP. Those financial statements were audited by other auditors whose report thereon, including the other auditors' *Independent Auditor's Report on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with Government Auditing Standards*, has been furnished to us. Accordingly, our report on the Department's compliance and other matters, insofar as it relates to that component, is based solely on the report and findings of the other auditors.

Management is currently reviewing two matters regarding potential violations of the *Antideficiency Act*. As of the date of this report, the outcome of these matters, and any resulting ramifications, are not known.

We and the other auditors also performed tests of the Department's 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 and the other auditors' 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 and the other auditors' testing of compliance and the result 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 11, 2016

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, 2016 and 2015

Dollars in Thousands		2016		2015
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with U.S. Treasury (Note 3)	$	30,593,210	$	31,234,522
Investments, Net (Note 5)		7,488,767		7,824,789
Accounts Receivable, Net (Note 6)		580,469		498,539
Other Assets (Note 10)		64,510		57,453
Total Intragovernmental		38,726,956		39,615,303
Cash and Other Monetary Assets (Note 4)		267,679		1,146,230
Accounts Receivable, Net (Note 6)		95,042		83,490
Inventory and Related Property, Net (Note 7)		142,280		169,336
Forfeited Property, Net (Note 8)		110,138		132,420
General Property, Plant and Equipment, Net (Note 9)		8,923,762		9,174,037
Advances and Prepayments		341,037		397,218
Other Assets (Note 10)		597		2,069
Total Assets	**$**	**48,607,491**	**$**	**50,720,103**
LIABILITIES (Note 11)				
Intragovernmental				
Accounts Payable	$	316,106	$	320,091
Accrued Federal Employees' Compensation Act Liabilities		282,383		280,176
Custodial Liabilities (Note 21)		899,707		1,490,600
Other Liabilities (Note 15)		420,156		331,895
Total Intragovernmental		1,918,352		2,422,762
Accounts Payable		6,161,623		6,349,078
Accrued Grant Liabilities		665,975		487,492
Actuarial Federal Employees' Compensation Act Liabilities		1,725,538		1,654,318
Accrued Payroll and Benefits		460,095		352,289
Accrued Annual and Compensatory Leave Liabilities		872,211		845,755
Environmental and Disposal Liabilities (Note 12)		70,387		79,802
Deferred Revenue		674,906		680,641
Seized Cash and Monetary Instruments (Note 14)		1,258,666		2,258,815
Contingent Liabilities (Note 16)		40,431		52,413
Radiation Exposure Compensation Act Liabilities (Note 25)		329,494		433,760
September 11th Victim Compensation Fund (Note 25)		5,418,196		2,579,175
United States Victims of State Sponsored Terrorism Act Liabilities (Note 25)		1,025,000		-
Other Liabilities (Note 15)		542,003		440,736
Total Liabilities	**$**	**21,162,877**	**$**	**18,637,036**
NET POSITION				
Unexpended Appropriations - Funds from Dedicated Collections (Note 17)	$	19,512	$	31,274
Unexpended Appropriations - All Other Funds		9,851,034		9,131,425
Cumulative Results of Operations - Funds from Dedicated Collections (Note 17)		14,788,764		16,328,785
Cumulative Results of Operations - All Other Funds		2,785,304		6,591,583
Total Net Position	**$**	**27,444,614**	**$**	**32,083,067**
Total Liabilities and Net Position	**$**	**48,607,491**	**$**	**50,720,103**

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, 2016 and 2015

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 18)
	FY	**Intra-governmental**	**With the Public**	**Total**	**Intra-governmental**	**With the Public**	**Total**	
Goal 1	**2016**	$ 1,800,503	$ 5,692,388	$ 7,492,891	$ 302,866	$ 8,639	$ 311,505	$ 7,181,386
	2015	$ 1,660,919	$ 4,463,451	$ 6,124,370	$ 284,542	$ 11,013	$ 295,555	$ 5,828,815
Goal 2	**2016**	3,619,361	15,390,529	19,009,890	330,444	1,007,943	1,338,387	17,671,503
	2015	3,406,947	10,892,842	14,299,789	462,630	1,018,845	1,481,475	12,818,314
Goal 3	**2016**	2,894,133	11,417,646	14,311,779	774,123	626,973	1,401,096	12,910,683
	2015	2,853,285	11,367,355	14,220,640	795,805	631,291	1,427,096	12,793,544
Total	**2016**	**$ 8,313,997**	**$ 32,500,563**	**$ 40,814,560**	**$ 1,407,433**	**$ 1,643,555**	**$ 3,050,988**	**$ 37,763,572**
	2015	**$ 7,921,151**	**$ 26,723,648**	**$ 34,644,799**	**$ 1,542,977**	**$ 1,661,149**	**$ 3,204,126**	**$ 31,440,673**

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, 2016

Dollars in Thousands

	2016			
	Funds from Dedicated Collections	All Other Funds	Eliminations	Total
Unexpended Appropriations				
Beginning Balances	**$ 31,274**	**$ 9,131,425**	**$ -**	**$ 9,162,699**
Budgetary Financing Sources				
Appropriations Received	50,804	31,617,291	-	31,668,095
Appropriations Transferred-In/Out	-	762,162	(383,748)	378,414
Other Adjustments	-	(1,152,050)	-	(1,152,050)
Appropriations Used	(62,566)	(30,124,046)	-	(30,186,612)
Total Budgetary Financing Sources	**(11,762)**	**1,103,357**	**(383,748)**	**707,847**
Unexpended Appropriations	**$ 19,512**	**$ 10,234,782**	**$ (383,748)**	**$ 9,870,546**
Cumulative Results of Operations				
Beginning Balances	**$ 16,328,785**	**$ 6,591,583**	**$ -**	**$ 22,920,368**
Budgetary Financing Sources				
Other Adjustments	-	(69,000)	-	(69,000)
Appropriations Used	62,566	30,124,046	-	30,186,612
Nonexchange Revenues	1,521,104	85	-	1,521,189
Donations and Forfeitures of Cash and Cash Equivalents	1,686,050	78,000	-	1,764,050
Transfers-In/Out Without Reimbursement	(2,686,200)	404,580	383,748	(1,897,872)
Other Budgetary Financing Sources	-	(80,767)	-	(80,767)
Other Financing Sources				
Donations and Forfeitures of Property	200,868	-	-	200,868
Transfers-In/Out Without Reimbursement	(4,209)	2,590	-	(1,619)
Imputed Financing from Costs Absorbed by Others (Note 19)	16,247	803,522	(18,109)	801,660
Other Financing Sources	-	(7,849)	-	(7,849)
Total Financing Sources	**796,426**	**31,255,207**	**365,639**	**32,417,272**
Net Cost of Operations	**(2,336,447)**	**(35,445,234)**	**18,109**	**(37,763,572)**
Net Change	(1,540,021)	(4,190,027)	383,748	(5,346,300)
Cumulative Results of Operations	**$ 14,788,764**	**$ 2,401,556**	**$ 383,748**	**$ 17,574,068**
Net Position	**$ 14,808,276**	**$ 12,636,338**	**$ -**	**$ 27,444,614**

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, 2015

Dollars in Thousands

	2015			
	Funds from Dedicated Collections	All Other Funds	Eliminations	Total
Unexpended Appropriations				
Beginning Balances	**$ 32,750**	**$ 9,585,702**	**$ -**	**$ 9,618,452**
Budgetary Financing Sources				
Appropriations Received	43,306	27,426,665	-	27,469,971
Appropriations Transferred-In/Out	(137)	360,620	-	360,483
Other Adjustments	(6,000)	(783,767)	-	(789,767)
Appropriations Used	(38,645)	(27,457,795)	-	(27,496,440)
Total Budgetary Financing Sources	**(1,476)**	**(454,277)**	**-**	**(455,753)**
Unexpended Appropriations	**$ 31,274**	**$ 9,131,425**	**$ -**	**$ 9,162,699**
Cumulative Results of Operations				
Beginning Balances	**$ 15,509,593**	**$ 5,158,511**	**$ -**	**$ 20,668,104**
Budgetary Financing Sources				
Other Adjustments	-	(99,000)	-	(99,000)
Appropriations Used	38,645	27,457,795	-	27,496,440
Nonexchange Revenues	2,647,093	242	-	2,647,335
Donations and Forfeitures of Cash and Cash Equivalents	1,285,294	-	-	1,285,294
Transfers-In/Out Without Reimbursement	(1,100,099)	2,299,391	-	1,199,292
Other Financing Sources				
Donations and Forfeitures of Property	337,357	1	-	337,358
Transfers-In/Out Without Reimbursement	(4,890)	11,870	-	6,980
Imputed Financing from Costs Absorbed by Others (Note 19)	16,388	833,166	(19,480)	830,074
Other Financing Sources	-	(10,836)	-	(10,836)
Total Financing Sources	**3,219,788**	**30,492,629**	**(19,480)**	**33,692,937**
Net Cost of Operations	**(2,400,596)**	**(29,059,557)**	**19,480**	**(31,440,673)**
Net Change	**819,192**	**1,433,072**	**-**	**2,252,264**
Cumulative Results of Operations	**$ 16,328,785**	**$ 6,591,583**	**$ -**	**$ 22,920,368**
Net Position	**$ 16,360,059**	**$ 15,723,008**	**$ -**	**$ 32,083,067**

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, 2016 and 2015

Dollars in Thousands	2016	2015
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	$ 6,077,347	$ 5,824,731
Recoveries of Prior Year Unpaid Obligations	964,515	798,481
Other Changes in Unobligated Balance	59,804	(38,994)
Unobligated Balance from Prior Year Budget Authority, Net	7,101,666	6,584,218
Appropriations (discretionary and mandatory)	35,485,436	33,043,262
Spending Authority from Offsetting Collections (discretionary and mandatory)	5,764,286	6,807,395
Total Budgetary Resources	**$ 48,351,388**	**$ 46,434,875**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total) (Note 20)	$ 41,987,122	$ 40,357,528
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	5,141,166	4,773,397
Exempt from Apportionment, Unexpired Accounts	209,097	175,949
Unapportioned, Unexpired Accounts	300,852	365,215
Unexpired Unobligated Balance, End of Year	5,651,115	5,314,561
Expired Unobligated Balance, End of Year	713,151	762,786
Unobligated Balance - End of Year (Total)	6,364,266	6,077,347
Total Status of Budgetary Resources	**$ 48,351,388**	**$ 46,434,875**
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 19,373,423	$ 17,217,457
New Obligations and Upward Adjustments	41,987,122	40,357,528
Outlays, Gross (-)	(38,567,523)	(37,403,081)
Recoveries of Prior Year Unpaid Obligations (-)	(964,515)	(798,481)
Unpaid Obligations, End of Year	21,828,507	19,373,423
Uncollected Payments:		
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(1,813,652)	(1,789,405)
Change in Uncollected Payments from Federal Sources	(152,385)	(24,247)
Uncollected Payments from Federal Sources, End of Year (-)	(1,966,037)	(1,813,652)
Memorandum (non-add) Entries:		
Obligated balance, Start of Year	$ 17,559,771	$ 15,428,052
Obligated balance, End of Year	$ 19,862,470	$ 17,559,771
Budgetary Authority and Outlays, Net:		
Budgetary Authority, Gross (discretionary and mandatory)	$ 41,249,722	$ 39,850,657
Less: Actual Offsetting Collections (discretionary and mandatory)	5,682,921	6,875,287
Change in Uncollected Payments from Federal Sources (discretionary and mandatory)	(152,385)	(24,247)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	74,640	86,955
Budget Authority, Net (discretionary and mandatory)	**$ 35,489,056**	**$ 33,038,078**
Outlays, Gross (discretionary and mandatory)	$ 38,567,523	$ 37,403,081
Less: Actual Offsetting Collections (discretionary and mandatory)	5,682,921	6,875,287
Outlays, Net (discretionary and mandatory)	32,884,602	30,527,794
Less: Distributed Offsetting Receipts	614,185	629,088
Agency Outlays, Net (discretionary and mandatory)	**$ 32,270,417**	**$ 29,898,706**

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

U. S. Department of Justice
Combined Statements of Custodial Activity
For the Fiscal Years Ended September 30, 2016 and 2015

Dollars in Thousands	2016	2015
Revenue Activity		
Sources of Cash Collections		
Federal Debts, Fines, Penalties and Restitution	$ 13,176,411	$ 16,856,861
Fees and Licenses	92,124	58,215
Miscellaneous	1,266	1,162
Total Cash Collections	13,269,801	16,916,238
Accrual Adjustments	(1,575)	(242)
Total Custodial Revenue (Note 21)	13,268,226	16,915,996
Disposition of Collections		
Transferred to Federal Agencies		
Library of Congress	-	(119)
U.S. Department of Agriculture	(46,897)	(256,014)
U.S. Department of Commerce	(19,732)	(1,840)
U.S. Department of the Interior	(181,310)	(104,501)
U.S. Department of Justice	(18,534)	(36,290)
U.S. Department of Labor	(4,336)	(8,842)
U.S. Postal Service	(16,212)	(1,352)
U.S. Department of State	(1,683)	(8)
U.S. Department of the Treasury	(1,483,057)	(811,596)
Office of Personnel Management	(9,528)	(5,024)
National Credit Union Administration	(557,751)	(1)
Federal Communications Commission	(71)	(345)
Social Security Administration	(916)	(1,241)
Smithsonian Institution	(127)	(1,711)
U.S. Department of Veterans Affairs	(18,065)	(8,007)
Equal Employment Opportunity Commission	(154)	(291)
General Services Administration	(53,647)	(36,820)
Securities and Exchange Commission	(3)	(135,843)
Federal Deposit Insurance Corporation	(49)	(1,000,355)
Railroad Retirement Board	(303)	(335)
Tennessee Valley Authority	(2,078)	(60)
Environmental Protection Agency	(89,678)	(1,975,823)
U.S. Department of Transportation	(14,320)	(10,312)
U.S. Department of Homeland Security	(114,261)	(56,750)
Agency for International Development	(11,647)	(812)
Small Business Administration	(22,617)	(17,535)
U.S. Department of Health and Human Services	(1,099,933)	(960,690)
National Aeronautics and Space Administration	(1,353)	(572)
Export-Import Bank of the United States	(1,258)	(7,653)
U.S. Department of Housing and Urban Development	(743,963)	(1,185,772)
National Archives & Records Administration	-	(126)
U.S. Department of Energy	(9,744)	(4,089)
U.S. Department of Education	(37,303)	(20,364)
Independent Agencies	(123,522)	(61,443)
Treasury General Fund	(8,020,654)	(8,107,129)
U.S. Department of Defense	(139,543)	(159,664)
Transferred to the Public	(691,925)	(668,627)
(Increase)/Decrease in Amounts Yet to be Transferred	640,663	(853,578)
Refunds and Other Payments	(4,706)	(20,682)
Retained by the Reporting Entity	(368,009)	(393,780)
Total Disposition of Collections	(13,268,226)	(16,915,996)
Net Custodial Activity	$ -	$ -

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

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; Radiation Exposure Compensation Act (RECA) Liabilities; September 11th Victim Compensation Fund Liabilities; and United States Victims of State Sponsored Terrorism Act Liabilities (USVSST Fund).

C. Basis of Consolidation

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, ATF, BOP, DEA, FBI, FPI, OBDs, OJP and USMS. 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 2016 and 2015, 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 may be necessary to adjust cash collections and refund disbursements.

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.

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 and Other Monetary Assets

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 Fiscal Service. 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 Fiscal Service website. 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

Capitalization of general property, plant and equipment (PP&E) occurs when the initial cost of acquiring or improving the asset meets the minimum threshold and the asset has an estimated useful life of two or more years. Land is always capitalized regardless of the acquisition costs. For projects funded by an appropriation, the Department established standard capitalization thresholds as shown below:

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

An exception to the Department's standard capitalization thresholds provides Revolving, Working Capital, and Trust Fund entities the option to establish its own capitalization thresholds for general PP&E and Internal Use Software. If this option is exercised, the thresholds must not conflict with the standard capitalization thresholds, but may be more restrictive, at the discretion of the entity. Federal Prisons Industries, Inc., a revolving fund, exercised this option and established a threshold to capitalize personal property acquisition costs exceeding $10. The Bureau of Prisons also exercised this option capitalizing personal property acquisition costs exceeding $100.

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

J. General Property, Plant and Equipment (continued)

Depreciation or amortization of general PP&E, based on historical cost, is calculated using the straight-line method over the estimated useful life of the asset. Land is never depreciated.

K. Advances and Prepayments

Advances and prepayments, classified as assets on the Consolidated Balance Sheets, consist primarily of funds disbursed to grantees in excess of total expenditures made by those grantees to third parties, funds advanced to state and local participants in the DEA Domestic Cannabis Eradication and Suppression Program, and funds disbursed to finance operations that exceed the total expenditures incurred. 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.

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. The amount ultimately realized from the forfeiture and disposition of these assets could differ from the amounts initially reported. The proceeds from the sale of forfeited property are deposited in the AFF.

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 seized property is held by the USMS from the point of seizure until its disposition. In certain cases, the investigative agency will keep seized property in its custody if the intention is to place the property into official use after forfeiture or to use the property as evidence in a court proceeding. 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. Seized cash and monetary instruments are presented as assets with offsetting liabilities on the balance sheet. Seized property other than cash and monetary instruments are presented in the footnotes only.

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.

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

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.

N. Accrued Grant Liabilities (continued)

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.

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.

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

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 13.7% of the gross pay for regular employees and 30.1% for law enforcement officers.

   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 11.9% of the gross pay for regular employees and 28.4% 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 11.9% of the gross pay for regular employees and 28.4% for law enforcement officers.

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the Department is required to contribute an additional 1% of gross pay and match employee contributions up to 4%. No government contributions are made to the TSP accounts established by the CSRS employees. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM). Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 19, Imputed Financing from Costs Absorbed by Others, for additional details.

S. Federal Employee Compensation Benefits

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

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

S. Federal Employee Compensation Benefits (continued)

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.

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. With the exception of certain accruals, 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.

These notes are an integral part of the financial statements.

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

U. Revenues and Other Financing Sources (continued)

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 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.

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.

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

V. Funds from Dedicated Collections (continued)

The following funds meet the definition of a fund from dedicated collections: AFF, U.S. Trustee System Fund, Antitrust Division, Crime Victims Fund, Domestic Trafficking 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.

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 a periodic 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.

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

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 2015 financial statements were reclassified to conform to the FY 2016 Departmental financial statement presentation requirements. These reclassifications have no material effect on total assets, liabilities, net position, change in net position, budgetary resources, or custodial activity as previously reported.

AA. Subsequent Events

Subsequent events and transactions occurring after September 30, 2016 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.

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

Note 2. Non-Entity Assets

As of September 30, 2016 and 2015

	2016	2015
Intragovernmental		
Fund Balance with U.S. Treasury	$ 1,101,057	$ 1,649,177
Investments, Net	1,067,000	1,267,045
Total Intragovernmental	2,168,057	2,916,222
With the Public		
Cash and Other Monetary Assets	226,763	1,104,136
Accounts Receivable, Net	3,830	4,400
Total With the Public	230,593	1,108,536
Total Non-Entity Assets	2,398,650	4,024,758
Total Entity Assets	46,208,841	46,695,345
Total Assets	$ 48,607,491	$ 50,720,103

Immaterial errors were identified in the FY 2015 Consolidated Balance Sheet resulting in the overstatement of assets in the amount $95,378, and the accompanying FY 2015 accounts were revised to reflect these immaterial corrections.

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, 2016 and 2015

	2016	2015
Fund Balances		
Trust Funds	$ 101,648	$ 110,820
Special Funds	14,202,065	15,382,757
Revolving Funds	1,125,824	1,110,897
General Funds	15,085,629	14,556,369
Other Fund Types	78,044	73,679
Total Fund Balances with U.S. Treasury	$ 30,593,210	$ 31,234,522
Status of Fund Balances		
Unobligated Balance - Available	$ 4,501,930	$ 3,933,234
Unobligated Balance - Available in Subsequent Periods	848,333	1,016,112
Unobligated Balance - Unavailable	1,014,003	1,128,001
Obligated Balance not yet Disbursed	19,862,470	17,559,771
Other Funds (With)/Without Budgetary Resources	4,361,646	7,592,221
Total Status of Fund Balances	$ 30,588,382	$ 31,229,339

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 - Available in Subsequent Periods includes amounts apportioned for future fiscal years that are available for obligation in a subsequent period (apportioned as Category C).

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. 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.

For the fiscal years ended September 30, 2016 and 2015, the respective immaterial variances of $4,828 and $5,183 between Fund Balance with U.S. Treasury line item on the Balance Sheet and Total Status of Fund Balances on the note represent sequestered BOP balances.

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

Note 4. Cash and Other Monetary Assets

As of September 30, 2016 and 2015

	2016	2015
Cash		
Undeposited Collections	$ 17	$ 258
Imprest Funds	40,903	41,825
Seized Cash Deposited	134,580	1,023,825
Other	29,444	26,012
Total Cash	204,944	1,091,920
Other Monetary Assets		
Seized Monetary Instruments	62,735	54,310
Total Other Monetary Assets	62,735	54,310
Total Cash and Other Monetary Assets	$ 267,679	$ 1,146,230

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, 2016					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 7,498,846	$ (10,840)	$ 761	$ 7,488,767	$ 7,493,881
As of September 30, 2015					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 7,828,448	$ (4,019)	$ 360	$ 7,824,789	$ 7,826,617

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, 2016 and 2015

	2016	2015
Intragovernmental		
Accounts Receivable	$ 580,970	$ 499,316
Allowance for Uncollectible Accounts	(501)	(777)
Total Intragovernmental	580,469	498,539
With the Public		
Accounts Receivable	107,668	98,455
Allowance for Uncollectible Accounts	(12,626)	(14,965)
Total With the Public	95,042	83,490
Total Accounts Receivable, Net	$ 675,511	$ 582,029

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, and FBI National Name Check Program.

Note 7. Inventory and Related Property, Net

As of September 30, 2016 and 2015

	2016	2015
Inventory		
Raw Materials	$ 52,670	$ 56,842
Work in Process	18,975	29,510
Finished Goods	30,728	47,264
Inventory Purchased for Resale	18,564	19,034
Excess, Obsolete, and Unserviceable	18,835	19,463
Inventory Allowance	(15,071)	(22,241)
Operating Materials and Supplies		
Held for Current Use	17,579	19,464
Total Inventory and Related Property, Net	$ 142,280	$ 169,336

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 include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category. The valuation changes occur primarily due to changes in appraisals.

Method of Disposition of Forfeited Property:

During FYs 2016 and 2015, $132,206 and $122,951 of forfeited property were sold, $1,633 and $599 were destroyed or donated, $7,968 and $9,714 were returned to owners, and $62,630 and $204,900 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.

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, 2016

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	349	427	537	(980)	333	-	333
	Value	$ 4,386	$ 2,034	$ 52,328	$ (55,670)	$ 3,078	$ -	$ 3,078
Real Property	Number	463	10	320	(406)	387	-	387
	Value	$ 91,616	$ 3,408	$ 75,043	$ (98,189)	$ 71,878	$ (2,078)	$ 69,800
Personal Property	Number	3,846	128	3,268	(4,517)	2,725	-	2,725
	Value	$ 39,967	$ 3,854	$ 44,795	$ (50,578)	$ 38,038	$ (778)	$ 37,260
Non-Valued Firearms	Number	24,147	(439)	19,980	(15,689)	27,999	-	27,999
Total	Number	28,805	126	24,105	(21,592)	31,444	-	31,444
	Value	$ 135,969	$ 9,296	$ 172,166	$ (204,437)	$ 112,994	$ (2,856)	$ 110,138

For the Fiscal Year Ended September 30, 2015

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	284	469	577	(981)	349	-	349
	Value	$ 4,907	$ 9,819	$ 188,277	$ (198,617)	$ 4,386	$ -	$ 4,386
Real Property	Number	458	(15)	384	(364)	463	-	463
	Value	$ 88,679	$ (4,585)	$ 88,425	$ (80,903)	$ 91,616	$ (3,200)	$ 88,416
Personal Property	Number	3,232	78	5,305	(4,769)	3,846	-	3,846
	Value	$ 48,915	$ (4,162)	$ 53,858	$ (58,644)	$ 39,967	$ (349)	$ 39,618
Non-Valued Firearms	Number	25,965	3,956	15,639	(21,413)	24,147	-	24,147
Total	Number	29,939	4,488	21,905	(27,527)	28,805	-	28,805
	Value	$ 142,501	$ 1,072	$ 330,560	$ (338,164)	$ 135,969	$ (3,549)	$ 132,420

(1) Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur primarily due to changes in appraisals.

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.

Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur primarily due to changes in appraisals.

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 2016 and 2015, $1,757,651 and $1,307,559 of seized property were forfeited, $99,386 and $112,889 were returned to parties with a bonafide interest, and $11,191 and $22,943 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.

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, 2016

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash and Monetary Instruments	Number	11,234	612	7,448	(9,069)	10,225	-	10,225
	Value	$ 2,222,270	$ 18,931	$ 706,942	$ (1,730,921)	$ 1,217,222	$ (291,503)	$ 925,719
Financial Instruments	Number	377	(59)	270	(172)	416	-	416
	Value	$ 186,764	$ (21,061)	$ 24,290	$ (11,030)	$ 178,963	$ (1,931)	$ 177,032
Real Property	Number	80	9	111	(117)	83	-	83
	Value	$ 33,858	$ (3,392)	$ 27,195	$ (41,576)	$ 16,085	$ (7,787)	$ 8,298
Personal Property	Number	5,487	456	3,578	(4,260)	5,261	-	5,261
	Value	$ 128,426	$ (10,909)	$ 65,039	$ (69,421)	$ 113,135	$ (39,545)	$ 73,590
Non-Valued Firearms	Number	25,251	3,047	16,503	(22,026)	22,775	-	22,775
Total	Number	42,429	4,065	27,910	(35,644)	38,760	-	38,760
	Value	$ 2,571,318	$ (16,431)	$ 823,466	$ (1,852,948)	$ 1,525,405	$ (340,766)	$ 1,184,639

For the Fiscal Year Ended September 30, 2015

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash and Monetary Instruments	Number	13,824	662	8,985	(12,237)	11,234	-	11,234
	Value	$ 1,373,316	$ 39,752	$ 2,064,442	$ (1,255,240)	$ 2,222,270	$ (156,523)	$ 2,065,747
Financial Instruments	Number	357	(70)	345	(255)	377	-	377
	Value	$ 124,376	$ (79,070)	$ 193,711	$ (52,253)	$ 186,764	$ (491)	$ 186,273
Real Property	Number	131	9	98	(158)	80	-	80
	Value	$ 52,586	$ (3,112)	$ 30,738	$ (46,354)	$ 33,858	$ (11,451)	$ 22,407
Personal Property	Number	7,293	526	4,184	(6,516)	5,487	-	5,487
	Value	$ 147,805	$ (11,498)	$ 73,400	$ (81,281)	$ 128,426	$ (35,847)	$ 92,579
Non-Valued Firearms	Number	24,394	6,481	14,725	(20,349)	25,251	-	25,251
Total	Number	45,999	7,608	28,337	(39,515)	42,429	-	42,429
	Value	$ 1,698,083	$ (53,928)	$ 2,362,291	$ (1,435,128)	$ 2,571,318	$ (204,312)	$ 2,367,006

(1) Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur primarily due to changes in appraisals.

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, 2016

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Evidence								
Seized Monetary Instruments	Value	$ 36,545	$ (3,024)	$ 19,663	$ (11,740)	$ 41,444	$ -	$ 41,444
Personal Property	Number	351	61	62	(116)	358	-	358
	Value	$ 6,001	$ 1,310	$ 1,041	$ (3,540)	$ 4,812	$ -	$ 4,812
Non-Valued								
Firearms	Number	55,770	(1,005)	11,190	(11,932)	54,023	-	54,023
Drug Evidence								
Cocaine	KG	64,434	901	78,840	(82,656)	61,519	-	61,519
Heroin	KG	4,502	25	1,819	(908)	5,438	-	5,438
Marijuana	KG	11,829	162	1,211	(2,889)	10,313	-	10,313
Bulk Drug Evidence	KG	126,391	559	520,309	(551,635)	95,624	-	95,624
Methamphetamine	KG	13,629	67	6,365	(3,319)	16,742	-	16,742
Other	KG	19,081	356	1,301	(5,159)	15,579	-	15,579
Total Drug Evidence	KG	239,866	2,070	609,845	(646,566)	205,215	-	205,215

For the Fiscal Year Ended September 30, 2015

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Evidence								
Seized Monetary Instruments	Value	$ 37,127	$ (6,338)	$ 12,097	$ (6,341)	$ 36,545	$ -	$ 36,545
Personal Property	Number	408	(36)	94	(115)	351	-	351
	Value	$ 7,907	$ (2,597)	$ 2,613	$ (1,922)	$ 6,001	$ -	$ 6,001
Non-Valued								
Firearms	Number	56,014	(664)	11,101	(10,681)	55,770	-	55,770
Drug Evidence								
Cocaine	KG	50,264	1,496	67,547	(54,873)	64,434	-	64,434
Heroin	KG	3,849	95	1,435	(877)	4,502	-	4,502
Marijuana	KG	12,892	304	1,972	(3,339)	11,829	-	11,829
Bulk Drug Evidence	KG	147,626	1,301	722,808	(745,344)	126,391	-	126,391
Methamphetamine	KG	12,106	91	5,073	(3,641)	13,629	-	13,629
Other	KG	20,367	(257)	1,506	(2,535)	19,081	-	19,081
Total Drug Evidence	KG	247,104	3,030	800,341	(810,609)	239,866	-	239,866

(1) Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur primarily due to changes in appraisals.

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

Note 9. General Property, Plant and Equipment, Net

As of September 30, 2016

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 184,715	$ -	$ 184,715	N/A
Construction in Progress	345,735	-	345,735	N/A
Buildings, Improvements and Renovations	11,339,869	(5,750,328)	5,589,541	2-50 yrs
Other Structures and Facilities	964,853	(633,888)	330,965	10-50 yrs
Aircraft	573,247	(218,486)	354,761	5-30 yrs
Boats	14,551	(6,057)	8,494	5-25 yrs
Vehicles	382,764	(258,085)	124,679	2-25 yrs
Equipment	1,361,616	(904,693)	456,923	2-25 yrs
Assets Under Capital Lease	90,315	(63,380)	26,935	2-30 yrs
Leasehold Improvements	1,745,057	(1,151,897)	593,160	2-20 yrs
Internal Use Software	2,070,029	(1,298,898)	771,131	2-10 yrs
Internal Use Software in Development	134,572	-	134,572	N/A
Other General Property, Plant and Equipment	2,951	(800)	2,151	10-20 yrs
Total	$ 19,210,274	$ (10,286,512)	$ 8,923,762	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2016	$ 154,781	$ 613,615	$ 768,396

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, 2015

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 184,715	$ -	$ 184,715	N/A
Improvements to Land	4,989	(2,185)	2,804	15 yrs
Construction in Progress	443,885	-	443,885	N/A
Buildings, Improvements and Renovations	10,885,792	(5,376,621)	5,509,171	2-50 yrs
Other Structures and Facilities	926,432	(593,812)	332,620	10-50 yrs
Aircraft	545,798	(197,220)	348,578	5-30 yrs
Boats	15,216	(5,625)	9,591	5-25 yrs
Vehicles	364,747	(243,003)	121,744	2-25 yrs
Equipment	1,319,621	(876,461)	443,160	2-25 yrs
Assets Under Capital Lease	90,451	(60,506)	29,945	2-30 yrs
Leasehold Improvements	1,704,063	(1,059,965)	644,098	2-20 yrs
Internal Use Software	1,989,253	(1,013,392)	975,861	2-10 yrs
Internal Use Software in Development	123,088	-	123,088	N/A
Other General Property, Plant and Equipment	5,378	(601)	4,777	10-20 yrs
Total	$ 18,603,428	$ (9,429,391)	$ 9,174,037	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2015	$ 173,762	$ 388,449	$ 562,211

Immaterial errors were identified in the FY 2015 Consolidated Balance Sheet resulting in the overstatement of assets, specifically the Buildings, Improvements and Renovations in the amount $95,378, and the accompanying FY 2015 accounts were revised to reflect these immaterial corrections.

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

Note 10. Other Assets

As of September 30, 2016 and 2015

	2016	2015
Intragovernmental		
Advances and Prepayments	$ 64,490	$ 57,330
Other Intragovernmental Assets	20	123
Total Intragovernmental	64,510	57,453
Other Assets With the Public	597	2,069
Total Other Assets	$ 65,107	$ 59,522

Note 11. Liabilities not Covered by Budgetary Resources

As of September 30, 2016 and 2015

	2016	2015
Intragovernmental		
Accrued FECA Liabilities	$ 279,408	$ 276,599
Other Unfunded Employment Related Liabilities	1,103	1,189
Other	2,761	2,879
Total Intragovernmental	283,272	280,667
With the Public		
Actuarial FECA Liabilities	1,725,538	1,654,318
Accrued Annual and Compensatory Leave Liabilities	866,831	839,485
Environmental and Disposal Liabilities (Note 12)	70,387	79,802
Deferred Revenue	563,888	546,938
Contingent Liabilities (Note 16)	40,431	52,413
Capital Lease Liabilities (Note 13)	97	129
RECA Liabilities (Note 25)	329,494	433,760
September 11th Victim Compensation Fund (Note 25)	5,418,196	2,579,175
United States Victims of State Sponsored Terrorism Act Liabilities (Note 25)	1,025,000	-
Other	224,746	144,225
Total With the Public	10,264,608	6,330,245
Total Liabilities not Covered by Budgetary Resources	10,547,880	6,610,912
Total Liabilities Covered by Budgetary Resources	10,614,997	12,026,124
Total Liabilities	$ 21,162,877	$ 18,637,036

These notes are an integral part of the financial statements.

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

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

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

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

Note 12. Environmental and Disposal Liabilities

As of September 30, 2016 and 2015	2016	2015
Firing Ranges		
Beginning Balance, Brought Forward	$ 29,921	$ 29,236
Future Funded Expenses	178	495
Inflation Adjustment	462	190
Total Firing Range Liability	30,561	29,921
Asbestos		
Beginning Balance, Brought Forward	$ 49,881	$ 49,563
New Asbestos	11	31
Abatements	(357)	(208)
Inflation Adjustment	626	262
Future Funded Expenses	(10,335)	233
Total Asbestos Liability	$ 39,826	$ 49,881
Total Environmental and Disposal Liabilities	$ 70,387	$ 79,802

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.

These notes are an integral part of the financial statements.

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. For FY 2016, the BOP adjusted the estimated clean-up liability by the current U.S. inflation rate of 1.6 percent as determined by the U.S. Treasury, as such the liability cost for firing ranges increased by $462. As of September 30, 2016 and 2015, the BOP reported the estimated firing range clean-up liability of $29,057 and $28,595, respectively.

The FBI-owned ranges 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 2016, the FBI estimated total firing range liability of $1,504 based on the estimated costs for contamination remediation. As of September 30, 2016 and 2015, the FBI reported the estimated firing range clean up liability of $1,504 and $1,326, respectively

Asbestos

BOP conducted a review of 46 institutions that were built prior to 1980; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. In FY 2016, the BOP decreased the clean-up liability by $357 for the abatement of asbestos at 14 locations. In addition, the BOP increased the clean-up liability by $11 due to additional asbestos found at 5 locations and in the amount of $626 due to current U.S. inflation rate of 1.6 percent as determined by the U.S. Treasury. As of September 30, 2016 and 2015, the BOP recorded an estimated asbestos clean-up liability of $39,350 and $39,070 respectively, a $280 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 asbestos liability over the 50 year useful life is $496, and 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 any current year abatements and adjusted for inflation, is the estimated cleanup liability. As of September 30, 2016 and 2015, the FBI recognized the estimated cleanup liability of $476 and $10,811 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, 2016.

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, 2016 and 2015

Capital Leases	2016	2015
Summary of Assets Under Capital Lease		
Land and Buildings	$ 89,625	$ 89,625
Machinery and Equipment	690	826
Accumulated Amortization	(63,380)	(60,506)
Total Assets Under Capital Lease (Note 9)	$ 26,935	$ 29,945

Future Capital Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2017	$ 33	$ 39	$ 72
2018	32	36	68
2019	32	35	67
2020	-	16	16
Total Future Capital Lease Payments	$ 97	$ 126	$ 223
Less: Imputed Interest	-	(9)	(9)
Less: Executory Costs	-	(62)	(62)
FY 2016 Net Capital Lease Liabilities	$ 97	$ 55	$ 152
FY 2015 Net Capital Lease Liabilities	$ 129	$ 79	$ 208

	2016	2015
Net Capital Lease Liabilities Covered by Budgetary Resources	$ 55	$ 79
Net Capital Lease Liabilities not Covered by Budgetary Resources	$ 97	$ 129

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
2017	$ 352,664	$ 7,741	$ 360,405
2018	361,450	394	361,844
2019	365,829	55	365,884
2020	351,279	48	351,327
2021	324,685	19	324,704
After 2021	2,703,961	-	2,703,961
Total Future Noncancelable Operating Lease Payments	$ 4,459,868	$ 8,257	$ 4,468,125

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, 2016 and 2015

	2016	2015
Investments, Net	$ 1,067,000	$ 1,180,680
Seized Cash Deposited	134,580	1,023,825
Seized Monetary Instruments	62,735	54,310
Seized Cash in Transit to Forfeiture	(5,649)	-
Total Seized Cash and Monetary Instruments	$ 1,258,666	$ 2,258,815

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, 2016 and 2015

	2016	2015
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 161,738	$ 120,720
Other Post-Employment Benefits Due and Payable	2,095	770
Other Unfunded Employment Related Liabilities	1,103	1,190
Advances from Others	219,226	192,216
Liability for Clearing Accounts	(4,878)	59
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	6,975	1,604
Other Liabilities	33,897	15,336
Total Intragovernmental	$ 420,156	$ 331,895
With the Public		
Other Accrued Liabilities	$ 7,172	$ 8,353
Advances from Others	12,388	14,076
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	76,031	76,315
Liability for Clearing Accounts	256	182
Custodial Liabilities	125,849	175,619
Capital Leases Liabilities	152	208
Other Liabilities	320,155	165,983
Total With the Public	$ 542,003	$ 440,736
Total Other Liabilities	$ 962,159	$ 772,631

The Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity consist of non-entity assets held in a General Fund Receipt Account or other Department of the Treasury account symbol for transfer to other Federal entities.

The majority of Intragovernmental Other Liabilities are composed of employer contributions payables, payroll taxes payables, other liabilities without related budgetary obligations, 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.

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

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

Note 16. Contingencies and Commitments

	Accrued Liabilities	Estimated Range of Loss Lower	Estimated Range of Loss Upper
As of September 30, 2016			
Probable	$ 40,431	$ 40,431	$ 61,780
Reasonably Possible		611,504	1,200,375
As of September 30, 2015			
Probable	$ 52,413	$ 52,413	$ 90,648
Reasonably Possible		111,472	172,921

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, 2016

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Domestic Trafficking Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Balance Sheet								
Assets								
Fund Balance with U. S. Treasury	$ 115,389	$ 58,724	$ 27,686	$ 13,668,231	$ 131	$ 279,623	$ 75,164	$ 14,224,948
Investments, Net	6,166,684	15,776	-	-	-	-	-	6,182,460
Other Assets	115,693	39,992	2,153	5,186	-	11,310	24,632	198,966
Total Assets	$ 6,397,766	$ 114,492	$ 29,839	$ 13,673,417	$ 131	$ 290,933	$ 99,796	$ 20,606,374
Liabilities								
Accounts Payable	$ 4,829,965	$ 13,080	$ 4,286	$ 33,617	$ -	$ 8,503	$ 13,169	$ 4,902,620
Other Liabilities	107,575	17,900	12,743	164,474	-	581,348	11,438	895,478
Total Liabilities	$ 4,937,540	$ 30,980	$ 17,029	$ 198,091	$ -	$ 589,851	$ 24,607	$ 5,798,098
Net Position								
Unexpended Appropriations	$ -	$ -	$ 19,512	$ -	$ -	$ -	$ -	$ 19,512
Cumulative Results of Operations	1,460,226	83,512	(6,702)	13,475,326	131	(298,918)	75,189	14,788,764
Total Net Position	$ 1,460,226	$ 83,512	$ 12,810	$ 13,475,326	$ 131	$ (298,918)	$ 75,189	$ 14,808,276
Total Liabilities and Net Position	$ 6,397,766	$ 114,492	$ 29,839	$ 13,673,417	$ 131	$ 290,933	$ 99,796	$ 20,606,374

For the Fiscal Year Ended September 30, 2016

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Domestic Trafficking Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Statement of Net Cost								
Gross Cost of Operations	$ 1,215,946	$ 222,385	$ 176,030	$ 993,949	$ -	$ 356,167	$ 369,144	$ 3,333,621
Less: Earned Revenues	14,877	149,665	114,181	-	-	365,358	353,093	997,174
Net Cost of Operations	$ 1,201,069	$ 72,720	$ 61,849	$ 993,949	$ -	$ (9,191)	$ 16,051	$ 2,336,447
Statement of Changes in Net Position								
Net Position Beginning of Period	$ 1,549,919	$ 155,497	$ 23,553	$ 14,861,917	$ -	$ (317,611)	$ 86,784	$ 16,360,059
Budgetary Financing Sources	913,186	279	50,804	(392,642)	131	-	-	571,758
Other Financing Sources	198,190	456	302	-	-	9,502	4,456	212,906
Total Financing Sources	1,111,376	735	51,106	(392,642)	131	9,502	4,456	784,664
Net Cost of Operations	(1,201,069)	(72,720)	(61,849)	(993,949)	-	9,191	(16,051)	(2,336,447)
Net Change	(89,693)	(71,985)	(10,743)	(1,386,591)	131	18,693	(11,595)	(1,551,783)
Net Position End of Period	$ 1,460,226	$ 83,512	$ 12,810	$ 13,475,326	$ 131	$ (298,918)	$ 75,189	$ 14,808,276

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, 2015

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Domestic Trafficking Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Balance Sheet								
Assets								
Fund Balance with U. S. Treasury	$ 153,034	$ 8,183	$ 37,988	$ 14,979,212	$ -	$ 240,724	$ 86,602	$ 15,505,743
Investments, Net	6,223,642	138,968	-	-	-	-	-	6,362,610
Other Assets	136,455	35,458	5,507	4,866	-	13,819	23,911	220,016
Total Assets	$ 6,513,131	$ 182,609	$ 43,495	$ 14,984,078	$ -	$ 254,543	$ 110,513	$ 22,088,369
Liabilities								
Accounts Payable	$ 4,827,689	$ 10,312	$ 8,331	$ 31,648	$ -	$ 9,793	$ 12,402	$ 4,900,175
Other Liabilities	135,523	16,800	11,611	90,514	-	562,361	11,327	828,136
Total Liabilities	$ 4,963,212	$ 27,112	$ 19,942	$ 122,162	$ -	$ 572,154	$ 23,729	$ 5,728,311
Net Position								
Unexpended Appropriations	$ -	$ (82)	$ 31,356	$ -	$ -	$ -	$ -	$ 31,274
Cumulative Results of Operations	1,549,919	155,579	(7,803)	14,861,917	-	(317,611)	86,784	16,328,785
Total Net Position	$ 1,549,919	$ 155,497	$ 23,553	$ 14,861,917	$ -	$ (317,611)	$ 86,784	$ 16,360,059
Total Liabilities and Net Position	$ 6,513,131	$ 182,609	$ 43,495	$ 14,984,079	$ -	$ 254,543	$ 110,513	$ 22,088,370

For the Fiscal Year Ended September 30, 2015

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Domestic Trafficking Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Statement of Net Cost								
Gross Cost of Operations	$ 1,551,414	$ 219,656	$ 158,403	$ 749,568	$ -	$ 342,247	$ 380,274	$ 3,401,562
Less: Earned Revenues	14,557	148,709	120,218	-	-	348,248	369,234	1,000,966
Net Cost of Operations	$ 1,536,857	$ 70,947	$ 38,185	$ 749,568	$ -	$ (6,001)	$ 11,040	$ 2,400,596
Statement of Changes in Net Position								
Net Position Beginning of Period	$ 2,560,848	$ 225,513	$ 24,188	$ 12,971,522	$ -	$ (332,973)	$ 93,245	$ 15,542,343
Budgetary Financing Sources	191,890	438	37,251	2,639,963	-	(85)	-	2,869,457
Other Financing Sources	334,038	493	299	-	-	9,446	4,579	348,855
Total Financing Sources	525,928	931	37,550	2,639,963	-	9,361	4,579	3,218,312
Net Cost of Operations	(1,536,857)	(70,947)	(38,185)	(749,568)	-	6,001	(11,040)	(2,400,596)
Net Change	(1,010,929)	(70,016)	(635)	1,890,395	-	15,362	(6,461)	817,716
Net Position End of Period	$ 1,549,919	$ 155,497	$ 23,553	$ 14,861,917	$ -	$ (317,611)	$ 86,784	$ 16,360,059

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, provide training for diverse professionals who work with victims, develop projects to enhance victims' rights and services, and undertake public education and awareness activities on behalf of crime victims.

The Domestic Trafficking Victims Fund is funded through an annual transfer of funds from the HHS and collections from assessments of $5 imposed on individuals or entities convicted of sexual abuse or exploitation, human smuggling, or human trafficking. The Fund will award grants to states and localities to combat trafficking, provide protection and assistance for victims, develop and implement child abuse prevention programs, and provide services to victims of child pornography.

The Diversion Control Fee Account is established in the Treasury General Fund 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.

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

Note 17. Funds from Dedicated Collections (continued)

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.

Note 18. Net Cost of Operations by Suborganization

For the Fiscal Year Ended September 30, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Elimination	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost	$ -	$ 439,440	$ -	$ 82,360	$ 5,616,030	$ -	$ 1,299,474	$ -	$ 86,114	$ (30,527)	$ 7,492,891
Less: Earned Revenues	-	-	-	13,714	319,400	-	8,918	-	-	(30,527)	311,505
Net Cost of Operations	-	439,440	-	68,646	5,296,630	-	1,290,556	-	86,114	-	7,181,386
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost	1,215,946	933,809	10,431	2,963,703	3,561,832	-	10,102,444	1,444,578	39,008	(1,261,861)	19,009,890
Less: Earned Revenues	14,877	79,387	-	827,724	225,117	-	1,445,546	7,597	-	(1,261,861)	1,338,387
Net Cost of Operations	1,201,069	854,422	10,431	2,135,979	3,336,715	-	8,656,898	1,436,981	39,008	-	17,671,503
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	-	-	7,974,513	-	790,470	633,116	866,970	1,282,979	2,999,876	(236,145)	14,311,779
Less: Earned Revenues	-	-	378,243	-	561,722	613,541	(962)	17,167	49,421	(218,036)	1,401,096
Net Cost of Operations	-	-	7,596,270	-	228,748	19,575	867,932	1,265,812	2,950,455	(18,109)	12,910,683
Net Cost of Operations	$ 1,201,069	$ 1,293,862	$ 7,606,701	$ 2,204,625	$ 8,862,093	$ 19,575	$ 10,815,386	$ 2,702,793	$ 3,075,577	$ (18,109)	$ 37,763,572

For the Fiscal Year Ended September 30, 2015

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Elimination	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost	$ -	$ 427,470	$ -	$ 98,050	$ 5,310,342	$ -	$ 210,360		$ 106,924	$ (28,776)	$ 6,124,370
Less: Earned Revenues	-	-	-	29,898	274,532	-	19,901		-	(28,776)	295,555
Net Cost of Operations	-	427,470	-	68,152	5,035,810	-	190,459	-	106,924	-	5,828,815
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost	1,551,414	908,372	9,217	2,889,617	3,555,518	-	5,467,814	1,143,294	43,841	(1,269,298)	14,299,789
Less: Earned Revenues	14,557	84,896	-	828,185	306,527	-	1,509,658	6,950	-	(1,269,298)	1,481,475
Net Cost of Operations	1,536,857	823,476	9,217	2,061,432	3,248,991	-	3,958,156	1,136,344	43,841	-	12,818,314
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	-	-	7,928,326	-	960,334	608,192	851,705	1,158,146	2,955,417	(241,480)	14,220,640
Less: Earned Revenues	-	-	419,292	-	582,682	564,172	11,651	16,970	54,329	(222,000)	1,427,096
Net Cost of Operations	-	-	7,509,034	-	377,652	44,020	840,054	1,141,176	2,901,088	(19,480)	12,793,544
Net Cost of Operations	$ 1,536,857	$ 1,250,946	$ 7,518,251	$ 2,129,584	$ 8,662,453	$ 44,020	$ 4,988,669	$ 2,277,520	$ 3,051,853	$ (19,480)	$ 31,440,673

Immaterial errors were identified in the FY 2015 Consolidated Statement of Net Cost. As a result, the Gross Cost in Strategic Goal 3 and Net Cost of Operations amounts were understated by $95,378, and the accompanying FY 2015 accounts were revised to reflect these immaterial corrections.

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	33.5%
	Regular Employees Offset	24.6%
	Law Enforcement Officers	57.9%
	Law Enforcement Officers Offset	49.7%
Federal Employees Retirement System (FERS)	Regular Employees	15.1%
	Regular Employees – Revised Annuity Employees (RAE)	15.6%
	Regular Employees – Further Revised Annuity Employees (FRAE)	15.7%
	Law Enforcement Officers	33.4%
	Law Enforcement Officers – RAE	34.1%
	Law Enforcement Officers – FRAE	34.1%

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, 2016 and 2015

	2016	2015
Imputed Inter-Departmental Financing		
U.S. Treasury Judgment Fund	$ 23,986	$ 25,296
Health Insurance	606,936	528,947
Life Insurance	2,153	2,081
Pension	168,585	273,750
Total Imputed Inter-Departmental	$ 801,660	$ 830,074

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's imputed costs relates to 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. For FYs 2016 and 2015, the FPI imputed costs were $18,109 and $19,480, respectively.

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 New Obligations and Upward Adjustments:

	Direct New Obligations and Upward Adjustments	Reimbursable New Obligations and Upward Adjustments	Total New Obligations and Upward Adjustments
For the Fiscal Year Ended September 30, 2016			
Apportioned Under			
Category A	$ 34,823,087	$ 4,179,162	$ 39,002,249
Category B	2,141,876	271,261	2,413,137
Exempt from Apportionment	-	571,736	571,736
Total	$ 36,964,963	$ 5,022,159	$ 41,987,122
For the Fiscal Year Ended September 30, 2015			
Apportioned Under			
Category A	$ 31,967,586	$ 4,314,680	$ 36,282,266
Category B	3,203,671	244,288	3,447,959
Exempt from Apportionment	-	627,303	627,303
Total	$ 35,171,257	$ 5,186,271	$ 40,357,528

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 represents resources apportioned for calendar quarters. Category B represents resources apportioned for activities, projects, and objectives or for a combination thereof.

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) represents 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, 2016 and 2015

	2016	2015
UDO Obligations Unpaid	$ 13,234,382	$ 11,161,325
UDO Obligations Prepaid/Advanced	423,347	443,927
Total UDO	$ 13,657,729	$ 11,605,252

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' RECA 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 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.

- 28 U.S.C. § 599 reauthorizes the Independent Counsel Reauthorization Act of 2016 for a five-year period. The Act also amends the time period in which individuals who held certain positions are subject to preliminary investigations by the Department of Justice from 1 year to 8 years after leaving office. The preliminary investigation is conducted to determine if the appointment of an independent counsel for further investigation and possible prosecution is necessary.

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 or apportioned under Category C. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, no-year, and subsequent 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.

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, 2015 is presented below. The reconciliation as of September 30, 2016 is not presented, because the submission of the Budget of the United States (Budget) for FY 2018, which presents the execution of the FY 2016 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website and will be available in early February 2017.

For the Fiscal Year Ended September 30, 2015 (Dollars in Millions)	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 46,435	$ 40,358	$ 629	$ 29,899
Funds not Reported in the Budget				
Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP	(927)	(177)	-	-
AFF/SADF Forfeiture Activity	10	8	-	8
USMS Court Security Funds	(470)	(451)	-	(413)
Distributed Offsetting Receipts	-	-	(12)	1
Special and Trust Fund Receipts	-	-	-	620
Other	(3)	-	(1)	(3)
Budget of the United States Government	$ 45,045	$ 39,736	$ 616	$ 30,112

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

The Department collects for Federal debts, fines, penalties and restitution; fees and licenses, and other non-exchange miscellaneous collections. Accrual adjustments may be necessary to adjust cash collections and refund disbursements. For example, collections are refunded to the applicants who withdraw from the process or rejected by the Licensing Center. If payments are not processed before the quarter end, an accrual is established. These activities are recognized as non-exchange custodial revenue and reported on the Statement of Custodial Activity (SCA) using the modified cash accounting basis.

The sources of custodial revenue as presented on the SCA are described below.

OBDs' Office of Debt Collection Management (DCM) is the primary source of collections for the Department, and civil litigated matters (e.g., student loan defaults, financial 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 may accept wire transfers or other payments on a criminal debt, in rare cases, if a Clerk of the U.S. Court is unable to do so. In addition, other negligible custodial collections occur for interest, fines, and penalties. Lastly, the DCM processes collections of criminal funds related to the Department's Swiss Bank Program. The proceeds from the Swiss Bank Program are deposited to the Treasury General Fund.

DEA collects fees for the Diversion Control Program and civil monetary penalties related to violations of the Controlled Substances Act that are incidental to DEA's mission.

ATF collects fees from firearms and explosives industries, as well as import, permit and license fees as an agent of the federal government and as authorized by 26 U.S.C. § 6301, Special Occupational Taxes are collected from certain firearms businesses. Miscellaneous collections include project-generated proceeds.

FBI collects restitution payments, seized abandoned cash, and project-generated proceeds. These collections were incidental to the FBI's mission.

BOP collects 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.

For the above related activities, funds for which the Department has no authority to use are transmitted to the Treasury General Fund at the end of the fiscal year.

As of September 30, 2016 and 2015, the Department reported total custodial revenue on the Statement of Custodial Activity in the amounts of \$13,268,226 and \$16,915,996, respectively. The custodial revenue represented \$13,269,801 and \$16,916,238 in custodial collections and \$(1,575) and \$(242) in accrual adjustments. The custodial collections that have yet to be disbursed are included in the assets and liabilities sections on the balance sheet. As of September 30, 2016 and 2015, the assets and liabilities related to custodial activity were \$1,025,556 and \$1,666,219, respectively. As of September 30, 2016 and 2015, the total funds returned to the Treasury General Fund were \$(8,020,654) and \$(8,107,129).

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, 2016 and 2015

Dollars in Thousands	2016	2015
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury	$ 30,593,210	$ 31,234,522
Investments, Net	7,488,767	7,824,789
Accounts Receivable, Net	580,469	498,539
Other Assets	64,510	57,453
Total Intragovernmental	38,726,956	39,615,303
Cash and Other Monetary Assets	267,679	1,146,230
Accounts Receivable, Net	95,042	83,490
Inventory and Related Property, Net	252,418	301,756
General Property, Plant and Equipment, Net	8,923,762	9,174,037
Other Assets	341,634	399,287
Total Assets	**$ 48,607,491**	**$ 50,720,103**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 316,106	$ 320,091
Other Liabilities	1,602,246	2,102,671
Total Intragovernmental	1,918,352	2,422,762
Accounts Payable	6,161,623	6,349,078
Federal Employee and Veteran Benefits	1,725,538	1,654,318
Environmental and Disposal Liabilities	70,387	79,802
Other Liabilities	11,286,977	8,131,076
Total Liabilities	**$ 21,162,877**	**$ 18,637,036**
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections	$ 19,512	$ 31,274
Unexpended Appropriations - All Other Funds	9,851,034	9,131,425
Cumulative Results of Operations - Funds from Dedicated Collections	14,788,764	16,328,785
Cumulative Results of Operations - All Other Funds	2,785,304	6,591,583
Total Net Position	**$ 27,444,614**	**$ 32,083,067**
Total Liabilities and Net Position	**$ 48,607,491**	**$ 50,720,103**

Immaterial errors were identified in the FY 2015 Consolidated Balance Sheet resulting in the overstatement of assets, specifically the General Property, Plant, and Equipment, Net in the amount of $95,378, and the accompanying FY 2015 accounts were revised to reflect these immaterial corrections.

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, 2016 and 2015

	2016	2015
Resources Used to Finance Activities		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	$ 41,987,122	$ 40,357,528
Less: Spending Authority from Offsetting Collections and Recoveries	6,799,823	7,698,014
Obligations Net of Offsetting Collections and Recoveries	35,187,299	32,659,514
Less: Offsetting Receipts	636,301	629,088
Net Obligations	34,550,998	32,030,426
Other Resources		
Donations and Forfeitures of Property	200,868	337,358
Transfers-In/Out Without Reimbursement	(1,619)	6,980
Imputed Financing from Costs Absorbed by Others (Note 19)	801,660	830,074
Other	(7,849)	(10,836)
Net Other Resources Used to Finance Activities	993,060	1,163,576
Total Resources Used to Finance Activities	35,544,058	33,194,002
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	(2,134,799)	(1,590,405)
Resources That Fund Expenses Recognized in Prior Periods (Note 24)	(125,781)	(280,142)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(20,637)	780,657
Resources That Finance the Acquisition of Assets	(779,260)	(611,266)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	(3,428)	(1,205,872)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(3,063,905)	(2,907,028)
Total Resources Used to Finance the Net Cost of Operations	$ 32,480,153	$ 30,286,974

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, 2016 and 2015

	2016	2015
Components of Net Cost of Operations That Did Not Require or Generate Resources in the Current Period		
Components That will Require or Generate Resources in in Future Periods (Note 24)	$ 4,057,135	$ 84,718
Depreciation and Amortization	991,947	1,040,047
Revaluation of Assets or Liabilities	28,864	31,288
Other	205,473	(2,353)
Total Components of Net Cost of Operations That Did Not Require or Generate Resources in the Current Period	$ 5,283,419	$ 1,153,699
Net Cost of Operations	$ 37,763,572	$ 31,440,673

Immaterial errors were identified in the FY 2015 Consolidated Balance Sheet resulting in the overstatement of assets, specifically, the General Property, Plant, and Equipment, Net line in the amount of $95,378. Consequently, the Resources That Finance the Acquisition of Assets was understated by $105,649, and Depreciation and Amortization was overstated by $10,271 as a result of the immaterial error. Net Cost of Operations was therefore understated by $95,378, as reflected on the Statements of Net Cost and Changes in Net Position. The accompanying FY 2015 accounts were revised to reflect these immaterial corrections.

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 $10,547,880 and $6,610,912 as of September 30, 2016 and 2015, 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, 2016 and 2015

	2016	2015
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Liabiltites Not Covered by Budgetary Resources:		
Decrease in Environmental and Disposal Liabilities	$ (9,415)	$ -
Decrease in Actuarial FECA Liabilities	-	(24,927)
Decrease in Contingent Liabilities	(11,982)	(5,712)
Decrease in Unfunded Capital Lease Liabilities	(32)	(32)
Decrease in RECA Liabilities	(104,266)	(127,901)
Decrease in September 11th Victim Compensation Act Liabilities	-	(121,409)
Decrease in Other Unfunded Employment Related Liabilities	(86)	(161)
Total Decrease in Liabilities Not Covered by Budgetary Resources	(125,781)	(280,142)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (125,781)	$ (280,142)
Components That Will Require or Generate Resources in Future Periods		
(Increase)/Decrease in Exchange Revenue Receivable from the Public	$ (1,666)	$ 7,908
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	(3,948)	3,541
Increase in Liabilities Not Covered by Budgetary Resources:		
Increase in Accrued Annual and Compensatory Leave Liabilities	27,346	23,109
Increase in Actuarial FECA Liabilities	71,220	-
Increase in Accrued FECA Liabilities	2,809	9,545
Increase in Deferred Revenue	16,950	24,893
Increase in September 11th Victim Compensation Act Liabilities	2,839,021	-
Increase in United States Victims of State Sponsored Terrorism Act Liabilities	1,025,000	-
Increase in Other Liabilities	80,403	14,719
Increase in Environmental and Disposal Liabilities	-	1,003
Total Increase in Liabilities Not Covered by Budgetary Resources	4,062,749	73,269
Total Components that Will Require or Generate Resources in Future Periods	$ 4,057,135	$ 84,718

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 included 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 $329,494 and $433,760 for estimated future benefits payable by the Department as of September 30, 2016 and 2015, respectively, to eligible individuals under the Act through FY 2023. The estimated liability is based on activity between FYs 2007 – 2011 and 2016. 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. In FY 2016, the projected payments are discounted to present value based on nominal discount rates.

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

Note 25. Compensation Funds (continued)

United States Victims of State Sponsored Terrorism Fund

The Consolidated Appropriations Act of 2016, Public Law 114-113 (“Justice for United States Victims of State Sponsored Terrorism Act”), codified at 42 U.S.C. § 10609 (2015) (the “Act”), established the U.S. Victims of State Sponsored Terrorism Fund (USVSST Fund) to provide compensation to individuals who were injured as a result of an international act of terrorism by a state sponsor of terrorism. The USVSST Fund will award payment to victims of acts of international terrorism based on final judgments pursuant to the Foreign Sovereign Immunities Act obtained in U.S. district courts against a state sponsor of terrorism, as well as to hostages held at the U.S. Embassy in Tehran, Iran from November 4, 1979 through January 20, 1981, and their spouses and children.

The Act mandates that certain forfeiture proceeds, penalties, and fines be deposited into the USVSST Fund if forfeited or paid to the United States after the date of the Act’s enactment, December 18, 2015. The forfeiture proceeds, penalties, and fines qualify for deposit in the USVSST Fund if they result from criminal and civil cases and administrative actions involving prohibited transactions with state sponsors of terrorism or related conspiracies or federal offenses.

During FY 2016, $78 million was recorded as revenue and deposited into the USVSST Fund. The USVSST Fund recognized funded expenses in the amount of $69.9 million during FY 2016.

In addition, in FY 2016 Congress appropriated $1.025 billion for the USVSST Fund in FY 2017 to be available until expended. The expected claims against the USVSST Fund exceed available funding; therefore, an unfunded liability and expense has been recorded against the USVSST Fund in the amount of $1.025 billion as of September 30, 2016.

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 (VCF) 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 reactivated VCF opened in October 2011 and was authorized to operate until October 2017, with a claim filing deadline of October 2016.

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

Note 25. Compensation Funds (continued)

September 11th Victim Compensation Fund

In FY 2016, the Zadroga Act was reauthorized, extending the fund for 5 years, extending the claim filing deadline to December 18, 2020, and increasing the total funding amount. The Reauthorized Zadroga Act P.L. 114-113 makes the original $2.775 billion appropriation available immediately to pay claims and provides an additional $4.600 billion in funding that becomes available in October 2016. Additionally, the reauthorization directs full payment to claimants who received a letter notifying them of their loss determination dated on or before December 17, 2015, and specifies changes to the way in which the fund calculates loss amounts for claimants receiving loss determination letters after that date. This includes limiting the amount of non-economic loss that can be awarded, eliminating claims for future out-of-pocket medical expenses, and capping the computation of future economic loss by limiting the gross annual income level.

For FY 2016, the Department of Justice received appropriations of $2.531 billion, including a rescission of $45.2 million. As of September 30, 2016, the Department has paid, or made funding available to pay, claimants who received a loss determination letter dated on or before December 17, 2015. Remaining funds available for FY 2016 will be returned to Treasury. These funds, in addition to the additional $4.600 billion funding appropriated by the Reauthorized Zadroga Act, will become available in FY 2017 to pay pending and future claims. Therefore, as of September 30, 2016 and 2015, the Department's unfunded liability was $5.418 billion and $2.579 billion, respectively.

Summarized financial information about the Fund is presented below:

For the Fiscal Year Ended September 30, 2016 and 2015

		FY 2016	FY 2015
Appropriated Funds Received - Current Year		$ 2,565,877	$ 395,800
Appropriated Funds Received - Carryforward		10,979	10,632
Rescission		(45,240)	(8,863)
Total Funds Received		2,531,616	397,569
Less:	Adjudicated Benefit Claims Disbursements	1,676,152	101,472
	Salaries and Expenses Disbursements	20,568	19,590
	Funds Returned to Treasury	818,196	265,528
	Total Disbursements	2,514,916	386,590
Total Fund Balance with Treasury		$ 16,700	$ 10,979
Remaining Federal Funds Available for Subsequent Years (P.L. 111-347)		$ 818,196	$ 2,579,175
Additional Program Funding for Subsequent Years (P.L. 114-113)		4,600,000	-
Total Unfunded Liability for September 11th VCF		$ 5,418,196	$ 2,579,175

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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, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	OJP	DEA	FBI	FPI	OBDs	USMS	Combined
Budgetary Resources										
Unobligated Balance, Brought Forward, October 1	$ 1,016,485	$ 261,763	$ 336,597	$ 119,621	$ 554,786	$ 1,997,091	$ 119,828	$ 1,352,976	$ 318,200	$ 6,077,347
Recoveries of Prior Year Unpaid Obligations	104,138	26,284	1,510	94,114	88,710	247,237	-	347,813	54,709	964,515
Other Changes in Unobligated Balance	1,528	1,104	(6,348)	1,008	6,640	(25,052)	-	87,898	(6,974)	59,804
Unobligated Balance from Prior Year Budget Authority, Net	1,122,151	289,151	331,759	214,743	650,136	2,219,276	119,828	1,788,687	365,935	7,101,666
Appropriations (discretionary and mandatory)	835,348	1,240,330	7,478,500	4,538,417	2,488,893	8,720,005	-	7,214,839	2,969,104	35,485,436
Spending Authority from Offsetting Collections (discretionary and mandatory)	15,788	75,018	378,448	271,835	434,568	1,211,877	613,541	2,622,762	140,449	5,764,286
Total Budgetary Resources	$ 1,973,287	$ 1,604,499	$ 8,188,707	$ 5,024,995	$ 3,573,597	$ 12,151,158	$ 733,369	$ 11,626,288	$ 3,475,488	$ 48,351,388
Status of Budgetary Resources:										
New Obligations and Upward Adjustments (Total) (Note 20)	$ 1,333,585	$ 1,362,650	$ 7,442,435	$ 4,857,867	$ 3,045,166	$ 10,004,967	$ 571,736	$ 10,080,197	$ 3,288,519	$ 41,987,122
Unobligated Balance, End of Year:										
Apportioned, Unexpired Accounts	624,216	230,003	568,221	153,127	477,744	1,848,284	-	1,093,115	146,456	5,141,166
Exempt from Apportionment, Unexpired Accounts	-	-	47,464	-	-	-	161,633	-	-	209,097
Unapportioned, Unexpired Accounts	15,486	-	-	14,001	-	1,953	-	257,344	12,068	300,852
Unexpired Unobligated Balance, End of Year	639,702	230,003	615,685	167,128	477,744	1,850,237	161,633	1,350,459	158,524	5,651,115
Expired Unobligated Balance, End of Year	-	11,846	130,587	-	50,687	295,954	-	195,632	28,445	713,151
Unobligated Balance - End of Year (Total)	639,702	241,849	746,272	167,128	528,431	2,146,191	161,633	1,546,091	186,969	6,364,266
Total Status of Budgetary Resources:	**$ 1,973,287**	**$ 1,604,499**	**$ 8,188,707**	**$ 5,024,995**	**$ 3,573,597**	**$ 12,151,158**	**$ 733,369**	**$ 11,626,288**	**$ 3,475,488**	**$ 48,351,388**
Change in Obligated Balance:										
Unpaid Obligations:										
Unpaid Obligations, Brought Forward, October 1	$ 5,037,587	$ 240,413	$ 661,076	$ 5,735,268	$ 593,465	$ 2,835,687	$ 133,111	$ 3,617,061	$ 519,755	$ 19,373,423
New Obligations and Upward Adjustments	1,333,585	1,362,650	7,442,435	4,857,867	3,045,166	10,004,967	571,736	10,080,197	3,288,519	41,987,122
Outlays, Gross (-)	(1,242,354)	(1,342,694)	(7,399,090)	(2,723,091)	(2,950,800)	(9,735,982)	(544,711)	(9,477,946)	(3,150,855)	(38,567,523)
Recoveries of Prior Year Unpaid Obligations (-)	(104,138)	(26,284)	(1,510)	(94,114)	(88,710)	(247,237)	-	(347,813)	(54,709)	(964,515)
Unpaid Obligations, End of Year	5,024,680	234,085	702,911	7,775,930	599,121	2,857,435	160,136	3,871,499	602,710	21,828,507
Uncollected Payments:										
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(5,576)	(51,743)	(6,430)	(118,767)	(157,285)	(537,226)	(37,757)	(890,763)	(8,105)	(1,813,652)
Change in Uncollected Payments from Federal Sources	(856)	10,994	1,610	(53,432)	35,822	(23,798)	(1,703)	(118,671)	(2,351)	(152,385)
Uncollected Payments from Federal Sources, End of Year (-)	$ (6,432)	$ (40,749)	$ (4,820)	$ (172,199)	$ (121,463)	$ (561,024)	$ (39,460)	$ (1,009,434)	$ (10,456)	$ (1,966,037)
Memorandum (non-add) Entries:										
Obligated balance, Start of Year	$ 5,032,011	$ 188,670	$ 654,646	$ 5,616,501	$ 436,180	$ 2,298,461	$ 95,354	$ 2,726,298	$ 511,650	$ 17,559,771
Obligated balance, End of Year	$ 5,018,248	$ 193,336	$ 698,091	$ 7,603,731	$ 477,658	$ 2,296,411	$ 120,676	$ 2,862,065	$ 592,254	$ 19,862,470

U. S. Department of Justice
Combining Statement of Budgetary Resources - Continued
For the Fiscal Year Ended September 30, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	OJP	DEA	FBI	FPI	OBDs	USMS	Combined
Budgetary Authority and Outlays, Net:										
Budgetary Authority, Gross (discretionary and mandatory)	$ 851,136	$ 1,315,348	$ 7,856,948	$ 4,810,252	$ 2,923,461	$ 9,931,882	$ 613,541	$ 9,837,601	$ 3,109,553	$ 41,249,722
Less: Actual Offsetting Collections (discretionary and mandatory)	16,459	88,109	379,703	223,594	477,123	1,215,877	611,838	2,515,839	154,379	5,682,921
Change in Uncollected Payments from Federal Sources (discretionary and mandatory)	(856)	10,994	1,610	(53,432)	35,822	(23,798)	(1,703)	(118,671)	(2,351)	(152,385)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	1,528	2,098	-	5,191	6,733	27,798	-	15,011	16,281	74,640
Budget Authority, Net (discretionary and mandatory)	$ 835,349	$ 1,240,331	$ 7,478,855	$ 4,538,417	$ 2,488,893	$ 8,720,005	$ -	$ 7,218,102	$ 2,969,104	$ 35,489,056
Outlays, Gross (discretionary and mandatory)	$ 1,242,354	$ 1,342,694	$ 7,399,090	$ 2,723,091	$ 2,950,800	$ 9,735,982	$ 544,711	$ 9,477,946	$ 3,150,855	$ 38,567,523
Less: Actual Offsetting Collections (discretionary and mandatory)	16,459	88,109	379,703	223,594	477,123	1,215,877	611,838	2,515,839	154,379	5,682,921
Outlays, Net (discretionary and mandatory)	1,225,895	1,254,585	7,019,387	2,499,497	2,473,677	8,520,105	(67,127)	6,962,107	2,996,476	32,884,602
Less: Distributed Offsetting Receipts	12,220	985	5,336	-	383,956	(1,316)	-	213,004	-	614,185
Agency Outlays, Net (discretionary and mandatory)	$ 1,213,675	$ 1,253,600	$ 7,014,051	$ 2,499,497	$ 2,089,721	$ 8,521,421	$ (67,127)	$ 6,749,103	$ 2,996,476	$ 32,270,417

U. S. Department of Justice
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2015

Budgetary Resources										
Unobligated Balance, Brought Forward, October 1	$ 1,915,572	$ 30,803	$ 300,243	$ 171,614	$ 242,484	$ 1,321,242	$ 182,959	$ 1,361,657	$ 298,157	$ 5,824,731
Recoveries of Prior Year Unpaid Obligations	69,845	32,980	25,438	66,975	94,549	225,535	-	226,270	56,889	798,481
Other Changes in Unobligated Balance	2,826	(7,103)	(11,482)	(25,929)	6,406	(15,989)	-	22,541	(10,264)	(38,994)
Unobligated Balance from Prior Year Budget Authority, Net	1,988,243	56,680	314,199	212,660	343,439	1,530,788	182,959	1,610,468	344,782	6,584,218
Appropriations (discretionary and mandatory)	1,742,356	1,430,158	6,919,615	3,977,171	2,712,338	8,989,686	-	5,278,783	1,993,155	33,043,262
Spending Authority from Offsetting Collections (discretionary and mandatory)	13,292	85,466	414,266	207,754	513,326	1,181,101	564,172	2,649,947	1,178,071	6,807,395
Total Budgetary Resources	$ 3,743,891	$ 1,572,304	$ 7,648,080	$ 4,397,585	$ 3,569,103	$ 11,701,575	$ 747,131	$ 9,539,198	$ 3,516,008	$ 46,434,875
Status of Budgetary Resources:										
New Obligations and Upward Adjustments (Total) (Note 20)	$ 2,727,406	$ 1,310,541	$ 7,311,483	$ 4,277,964	$ 3,014,317	$ 9,704,484	$ 627,303	$ 8,186,222	$ 3,197,808	$ 40,357,528
Unobligated Balance, End of Year:										
Apportioned, Unexpired Accounts	796,822	251,958	160,498	108,713	518,558	1,609,687	-	1,056,504	270,657	4,773,397
Exempt from Apportionment, Unexpired Accounts	-	-	56,121	-	-	-	119,828	-	-	175,949
Unapportioned, Unexpired Accounts	219,663	-	-	7,831	35	98	-	137,588	-	365,215
Unexpired Unobligated Balance, End of Year	1,016,485	251,958	216,619	116,544	518,593	1,609,785	119,828	1,194,092	270,657	5,314,561
Expired Unobligated Balance, End of Year	-	9,805	119,978	3,077	36,193	387,306	-	158,884	47,543	762,786
Unobligated Balance - End of Year (Total)	1,016,485	261,763	336,597	119,621	554,786	1,997,091	119,828	1,352,976	318,200	6,077,347
Total Status of Budgetary Resources:	$ 3,743,891	$ 1,572,304	$ 7,648,080	$ 4,397,585	$ 3,569,103	$ 11,701,575	$ 747,131	$ 9,539,198	$ 3,516,008	$ 46,434,875
Change in Obligated Balance:										
Unpaid Obligations:										
Unpaid Obligations, Brought Forward, October 1	$ 4,813,200	$ 253,938	$ 725,928	$ 3,904,697	$ 577,616	$ 2,783,840	$ 171,461	$ 3,519,630	$ 467,147	$ 17,217,457
New Obligations and Upward Adjustments	2,727,406	1,310,541	7,311,483	4,277,964	3,014,317	9,704,484	627,303	8,186,222	3,197,808	40,357,528
Outlays, Gross (-)	(2,433,174)	(1,291,086)	(7,350,897)	(2,380,418)	(2,903,919)	(9,427,102)	(665,653)	(7,862,521)	(3,088,311)	(37,403,081)
Recoveries of Prior Year Unpaid Obligations (-)	(69,845)	(32,980)	(25,438)	(66,975)	(94,549)	(225,535)	-	(226,270)	(56,889)	(798,481)
Unpaid Obligations, End of Year	5,037,587	240,413	661,076	5,735,268	593,465	2,835,687	133,111	3,617,061	519,755	19,373,423
Uncollected Payments:										
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(11,503)	(56,712)	(5,007)	(118,571)	(149,568)	(606,615)	(22,485)	(800,576)	(18,368)	(1,789,405)
Change in Uncollected Payments from Federal Sources	5,927	4,969	(1,423)	(196)	(7,717)	69,389	(15,272)	(90,187)	10,263	(24,247)
Uncollected Payments from Federal Sources, End of Year (-)	$ (5,576)	$ (51,743)	$ (6,430)	$ (118,767)	$ (157,285)	$ (537,226)	$ (37,757)	$ (890,763)	$ (8,105)	$ (1,813,652)
Memorandum (non-add) Entries:										
Obligated balance, Start of Year	$ 4,801,697	$ 197,226	$ 720,921	$ 3,786,126	$ 428,048	$ 2,177,225	$ 148,976	$ 2,719,054	$ 448,779	$ 15,428,052
Obligated balance, End of Year	$ 5,032,011	$ 188,670	$ 654,646	$ 5,616,501	$ 436,180	$ 2,298,461	$ 95,354	$ 2,726,298	$ 511,650	$ 17,559,771

U. S. Department of Justice
Combining Statement of Budgetary Resources - Continued
For the Fiscal Year Ended September 30, 2015

Dollars in Thousands	AFF/SADF	ATF	BOP	OJP	DEA	FBI	FPI	OBDs	USMS	Combined
Budgetary Authority and Outlays, Net:										
Budgetary Authority, Gross (discretionary and mandatory)	$ 1,755,648	$ 1,515,624	$ 7,333,881	$ 4,184,925	$ 3,225,664	$ 10,170,787	$ 564,172	$ 7,928,730	$ 3,171,226	$ 39,850,657
Less: Actual Offsetting Collections (discretionary and mandatory)	22,045	92,085	418,042	210,155	514,999	1,274,292	548,900	2,602,369	1,192,400	6,875,287
Change in Uncollected Payments from Federal Sources (discretionary and mandatory)	5,927	4,969	(1,423)	(196)	(7,717)	69,389	(15,272)	(90,187)	10,263	(24,247)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	2,826	1,649	16	2,597	9,390	23,802	-	42,609	4,066	86,955
Budget Authority, Net (discretionary and mandatory)	$ 1,742,356	$ 1,430,157	$ 6,914,432	$ 3,977,171	$ 2,712,338	$ 8,989,686	$ -	$ 5,278,783	$ 1,993,155	$ 33,038,078
Outlays, Gross (discretionary and mandatory)	$ 2,433,174	$ 1,291,086	$ 7,350,897	$ 2,380,418	$ 2,903,919	$ 9,427,102	$ 665,653	$ 7,862,521	$ 3,088,311	$ 37,403,081
Less: Actual Offsetting Collections (discretionary and mandatory)	22,045	92,085	418,042	210,155	514,999	1,274,292	548,900	2,602,369	1,192,400	6,875,287
Outlays, Net (discretionary and mandatory)	2,411,129	1,199,001	6,932,855	2,170,263	2,388,920	8,152,810	116,753	5,260,152	1,895,911	30,527,794
Less: Distributed Offsetting Receipts	6,610	454	988	-	375,125	(1,153)	-	247,064	-	629,088
Agency Outlays, Net (discretionary and mandatory)	$ 2,404,519	$ 1,198,547	$ 6,931,867	$ 2,170,263	$ 2,013,795	$ 8,153,963	$ 116,753	$ 5,013,088	$ 1,895,911	$ 29,898,706

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Required Supplementary Stewardship Information
Unaudited

See Independent Auditors' Report on the Financial Statements

U.S. Department of Justice
Office of Justice Programs
Required Supplementary Stewardship Information
Consolidated Stewardship Investments
For Fiscal Years Ended September 30, 2016, 2015, 2014, 2013, and 2012

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 FY 2012 through FY 2016 are as follows:

Dollars in Thousands	2016	2015	2014	2013	2012
Recipients of Non-Federal Physical Property:					
Grants to Indian Tribes	$ 8,572	$ 16,118	$ 39,431	$ 52,980	$ 97,553
Grants to States	-	(84)	(12)	-	84
Total Non-Federal Physical Property	$ 8,572	$ 16,034	$ 39,419	$ 52,980	$ 97,637

Other Information
Unaudited

See Independent Auditors' Report on the Financial Statements

U. S. Department of Justice
Consolidating Balance Sheet
As of September 30, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	$ 115,389	$ 428,828	$ 1,518,493	$ 1,022,374	$ 4,417,713	$ 45,909	$ 5,440,650	$ 16,813,844	$ 790,010	$ -	$ 30,593,210
Investments, Net	7,233,684	-	-	-	-	239,307	15,776		-	-	7,488,767
Accounts Receivable, Net	3,141	22,978	2,093	49,978	398,354	39,079	378,370	8,372	9,108	(331,004)	580,469
Other Assets	88	255	8,096	16,240	16,460	-	25,949	23,949	1,039	(27,566)	64,510
Total Intragovernmental	7,352,302	452,061	1,528,682	1,088,592	4,832,527	324,295	5,860,745	16,846,165	800,157	(358,570)	38,726,956
Cash and Other Monetary Assets	155,871	9,430	420	20,727	81,188	-	43	-	-	-	267,679
Accounts Receivable, Net	1,732	160	5,906	2,015	40,648	6,461	36,374	1,565	181	-	95,042
Inventory and Related Property, Net	-	-	18,564	14,812	-	106,137	-	-	2,767	-	142,280
Forfeited Property, Net	110,138	-	-	-	-	-	-	-	-	-	110,138
General Property, Plant and Equipment, Net	556	158,390	5,358,410	252,664	2,718,609	58,929	96,937	10,723	268,544	-	8,923,762
Advances and Prepayments	-	759	5,745	481	69,939	1,224	1,432	261,457	-	-	341,037
Other Assets	38	-	-	-	-	375	-	-	184	-	597
Total Assets	**$ 7,620,637**	**$ 620,800**	**$ 6,917,727**	**$ 1,379,291**	**$ 7,742,911**	**$ 497,421**	**$ 5,995,531**	**$ 17,119,910**	**$ 1,071,833**	**$ (358,570)**	**$ 48,607,491**
LIABILITIES											
Intragovernmental											
Accounts Payable	$ 164,377	$ 11,366	$ 36,694	$ 26,748	$ 133,927	$ 2,608	$ 224,038	$ 25,827	$ 19,374	$ (328,853)	$ 316,106
Accrued FECA Liabilities	-	20,907	176,933	24,854	32,273	2,019	9,193	13	16,191	-	282,383
Custodial Liabilities	-	1	-	1,678	864	-	897,164	-	-	-	899,707
Other Liabilities	278	8,470	60,215	22,593	145,551	105,298	63,951	34,704	8,813	(29,717)	420,156
Total Intragovernmental	164,655	40,744	273,842	75,873	312,615	109,925	1,194,346	60,544	44,378	$ (358,570)	$ 1,918,352
Accounts Payable	4,665,588	36,775	309,500	92,058	334,929	40,962	375,055	63,129	243,627	-	6,161,623
Accrued Grant Liabilities	-	-	-	-	-	-	83,460	582,515	-	-	665,975
Actuarial FECA Liabilities	-	125,701	1,063,293	155,958	201,737	24,303	56,812	73	97,661	-	1,725,538
Accrued Payroll and Benefits	1,158	23,606	114,129	41,984	155,051	3,814	93,014	4,060	23,279	-	460,095
Accrued Annual and Compensatory Leave Liabilities	1,650	50,492	179,274	100,401	300,507	5,380	181,697	7,655	45,155	-	872,211
Environmental and Disposal Liabilities	-	-	68,407	-	1,980	-	-		-	-	70,387
Deferred Revenue	110,138	-	880	563,888	-	-	-	-	-	-	674,906
Seized Cash and Monetary Instruments	1,217,222	2,715	-	469	38,260	-	-	-	-	-	1,258,666
Contingent Liabilities	-	-	8,265	27,152	3,789	-	1,225	-	-	-	40,431
Radiation Exposure Compensation Act Liabilities	-	-	-	-	-	-	329,494	-	-	-	329,494
9/11 Victim Compensation Fund	-	-	-	-	-	-	5,418,196	-	-	-	5,418,196
United States Victims of State Sponsored Terrorism Act Liabilities			-	-	-	-	1,025,000	-	-	-	1,025,000
Other Liabilities	-	770	300,260	10,555	21,855	55	198,564	-	9,944	-	542,003
Total Liabilities	**$ 6,160,411**	**$ 280,803**	**$ 2,317,850**	**$ 1,068,338**	**$ 1,370,723**	**$ 184,439**	**$ 8,956,863**	**$ 717,976**	**$ 464,044**	**$ (358,570)**	**$ 21,162,877**
NET POSITION											
Unexpended Appropriations - Funds from Dedicated Collections	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,512	$ -	$ -	$ -	$ 19,512
Unexpended Appropriations - All Other Funds	-	145,777	887,347	385,282	2,798,520	-	2,658,653	2,918,297	440,906	(383,748)	9,851,034
Cumulative Results of Operations - Funds from Dedicated Collections	1,460,226	-	75,189	(298,918)	-	-	76,810	13,475,457	-	-	14,788,764
Cumulative Results of Operations - All Other Funds	-	194,220	3,637,341	224,589	3,573,668	312,982	(5,716,307)	8,180	166,883	383,748	2,785,304
Total Net Position	**$ 1,460,226**	**$ 339,997**	**$ 4,599,877**	**$ 310,953**	**$ 6,372,188**	**$ 312,982**	**$ (2,961,332)**	**$ 16,401,934**	**$ 607,789**	**$ -**	**$ 27,444,614**
Total Liabilities and Net Position	**$ 7,620,637**	**$ 620,800**	**$ 6,917,727**	**$ 1,379,291**	**$ 7,742,911**	**$ 497,421**	**$ 5,995,531**	**$ 17,119,910**	**$ 1,071,833**	**$ (358,570)**	**$ 48,607,491**

U. S. Department of Justice
Consolidating Balance Sheet
As of September 30, 2015

	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	$ 153,034	$ 444,278	$ 1,057,086	$ 1,007,824	$ 4,271,474	$ 20,690	$ 5,620,270	$ 17,816,402	$ 843,464	$ -	$ 31,234,522
Investments, Net	7,404,322	-	-	-	-	195,134	225,333	-	-	-	7,824,789
Accounts Receivable, Net	3,194	27,348	3,932	46,306	335,690	37,428	339,571	9,395	6,807	(311,132)	498,539
Other Assets	89	689	11,539	19,420	6,894	-	29,965	22,470	2,398	(36,011)	57,453
Total Intragovernmental	7,560,639	472,315	1,072,557	1,073,550	4,614,058	253,252	6,215,139	17,848,267	852,669	(347,143)	39,615,303
Cash and Other Monetary Assets	1,041,590	9,123	449	21,397	73,580	-	91	-	-	-	1,146,230
Accounts Receivable, Net	-	168	6,321	4,720	35,419	4,241	31,373	1,138	110	-	83,490
Inventory and Related Property, Net	-	-	19,034	17,383	-	130,838	-	-	2,081	-	169,336
Forfeited Property, Net	132,420	-	-	-	-	-	-	-	-	-	132,420
General Property, Plant and Equipment, Net	752	157,264	5,562,586	268,690	2,763,048	75,383	105,998	6,184	234,132	-	9,174,037
Advances and Prepayments	-	510	5,085	7,631	77,319	96	1,378	305,199	-	-	397,218
Other Assets	-	-	-	-	1	1,884	-	-	184	-	2,069
Total Assets	**$ 8,735,401**	**$ 639,380**	**$ 6,666,032**	**$ 1,393,371**	**$ 7,563,425**	**$ 465,694**	**$ 6,353,979**	**$ 18,160,788**	**$ 1,089,176**	**$ (347,143)**	**$ 50,720,103**
LIABILITIES											
Intragovernmental											
Accounts Payable	$ 128,284	$ 13,570	$ 45,839	$ 30,257	$ 125,860	$ 2,172	$ 221,626	$ 30,563	$ 32,306	$ (310,386)	$ 320,091
Accrued FECA Liabilities	-	20,351	173,376	25,246	33,322	2,400	9,349	12	16,120	-	280,176
Custodial Liabilities	-	-	-	4,221	19	-	1,486,360	-	-	-	1,490,600
Other Liabilities	197	6,249	41,494	22,590	123,437	79,181	47,770	40,946	6,788	(36,757)	331,895
Total Intragovernmental	128,481	40,170	260,709	82,314	282,638	83,753	1,765,105	71,521	55,214	(347,143)	2,422,762
Accounts Payable	4,699,405	51,422	346,989	101,513	440,845	39,060	374,911	71,880	223,053	-	6,349,078
Accrued Grant Liabilities	-	-	-	-	-	-	83,650	403,842	-	-	487,492
Actuarial FECA Liabilities	-	122,750	1,003,179	156,829	193,721	23,657	56,247	165	97,770	-	1,654,318
Accrued Payroll and Benefits	1,006	18,073	87,587	33,425	115,112	3,950	72,291	3,168	17,677	-	352,289
Accrued Annual and Compensatory Leave Liabilities	1,900	49,677	177,589	97,918	283,758	6,270	176,972	6,926	44,745	-	845,755
Environmental and Disposal Liabilities	-	-	67,665	-	12,137	-	-	-	-	-	79,802
Deferred Revenue	132,420	-	1,283	546,938	-	-	-	-	-	-	680,641
Seized Cash and Monetary Instruments	2,222,270	2,861	-	505	33,179	-	-	-	-	-	2,258,815
Contingent Liabilities	-	-	10,920	26,447	2,864	-	12,182	-	-	-	52,413
Radiation Exposure Compensation Act Liabilities	-	-	-	-	-	-	433,760	-	-	-	433,760
9/11 Victim Compensation Fund	-	-	-	-	-	-	2,579,175	-	-	-	2,579,175
Other Liabilities	-	529	218,215	10,334	18,865	79	179,151	-	13,563	-	440,736
Total Liabilities	**$ 7,185,482**	**$ 285,482**	**$ 2,174,136**	**$ 1,056,223**	**$ 1,383,119**	**$ 156,769**	**$ 5,733,444**	**$ 557,502**	**$ 452,022**	**$ (347,143)**	**$ 18,637,036**
NET POSITION											
Unexpended Appropriations - Funds from Dedicated Collections	$ -	$ -	$ -	$ -	$ -	$ -	$ 31,274	$ -	$ -	$ -	$ 31,274
Unexpended Appropriations - All Other Funds	-	153,807	419,497	393,450	2,631,892	-	2,548,909	2,737,617	246,253	-	9,131,425
Cumulative Results of Operations - Funds from Dedicated Collections	1,549,919	-	86,784	(317,611)	-	-	147,776	14,861,917	-	-	16,328,785
Cumulative Results of Operations - All Other Funds	-	200,091	3,985,615	261,309	3,548,414	308,925	(2,107,424)	3,752	390,901	-	6,591,583
Total Net Position	**$ 1,549,919**	**$ 353,898**	**$ 4,491,896**	**$ 337,148**	**$ 6,180,306**	**$ 308,925**	**$ 620,535**	**$ 17,603,286**	**$ 637,154**	**$ -**	**$ 32,083,067**
Total Liabilities and Net Position	**$ 8,735,401**	**$ 639,380**	**$ 6,666,032**	**$ 1,393,371**	**$ 7,563,425**	**$ 465,694**	**$ 6,353,979**	**$ 18,160,788**	**$ 1,089,176**	**$ (347,143)**	**$ 50,720,103**

U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost - Intragovernmental	$ -	$ 143,508	$ -	$ 31,363	$ 1,575,606	$ -	$ 61,000	$ -	$ 19,553	$ (30,527)	$ 1,800,503
Gross Cost - With the Public	-	295,932	-	50,997	4,040,424	-	1,238,474	-	66,561	-	5,692,388
Subtotal Gross Costs	-	439,440	-	82,360	5,616,030	-	1,299,474	-	86,114	(30,527)	7,492,891
Earned Revenues - Intragovernmental	-	-	-	13,709	310,818	-	8,866	-	-	(30,527)	302,866
Earned Revenues - With the Public	-	-	-	5	8,582	-	52	-	-	-	8,639
Subtotal Earned Revenues	-	-	-	13,714	319,400	-	8,918	-	-	(30,527)	311,505
Subtotal Net Cost of Operations	$ -	$ 439,440	$ -	$ 68,646	$ 5,296,630	$ -	$ 1,290,556	$ -	$ 86,114	$ -	$ 7,181,386
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost - Intragovernmental	$ 619,482	$ 304,954	$ -	$ 999,342	$ 959,865	$ -	$ 1,841,753	$ 145,861	$ 9,965	$ (1,261,861)	$ 3,619,361
Gross Cost - With the Public	596,464	628,855	10,431	1,964,361	2,601,967	-	8,260,691	1,298,717	29,043	-	15,390,529
Subtotal Gross Costs	1,215,946	933,809	10,431	2,963,703	3,561,832	-	10,102,444	1,444,578	39,008	(1,261,861)	19,009,890
Earned Revenues - Intragovernmental	14,877	78,304	-	458,084	219,776	-	813,667	7,597	-	(1,261,861)	330,444
Earned Revenues - With the Public	-	1,083	-	369,640	5,341	-	631,879	-	-	-	1,007,943
Subtotal Earned Revenues	14,877	79,387	-	827,724	225,117	-	1,445,546	7,597	-	(1,261,861)	1,338,387
Subtotal Net Cost of Operations	$ 1,201,069	$ 854,422	$ 10,431	$ 2,135,979	$ 3,336,715	$ -	$ 8,656,898	$ 1,436,981	$ 39,008	$ -	$ 17,671,503
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels											
Gross Cost - Intragovernmental	$ -	$ -	$ 1,876,331	$ -	$ 294,711	$ 110,606	$ 152,749	$ 117,796	$ 578,085	$ (236,145)	$ 2,894,133
Gross Cost - With the Public	-	-	6,098,182	-	495,759	522,510	714,221	1,165,183	2,421,791	-	11,417,646
Subtotal Gross Costs	-	-	7,974,513	-	790,470	633,116	866,970	1,282,979	2,999,876	(236,145)	14,311,779
Earned Revenues - Intragovernmental	-	-	3,037	-	366,631	564,553	(997)	17,167	41,768	(218,036)	774,123
Earned Revenues - With the Public	-	-	375,206	-	195,091	48,988	35	-	7,653	-	626,973
Subtotal Earned Revenues	-	-	378,243	-	561,722	613,541	(962)	17,167	49,421	(218,036)	1,401,096
Subtotal Net Cost of Operations	$ -	$ -	$ 7,596,270	$ -	$ 228,748	$ 19,575	$ 867,932	$ 1,265,812	$ 2,950,455	$ (18,109)	$ 12,910,683
Total Net Cost of Operations	**$ 1,201,069**	**$ 1,293,862**	**$ 7,606,701**	**$ 2,204,625**	**$ 8,862,093**	**$ 19,575**	**$ 10,815,386**	**$ 2,702,793**	**$ 3,075,577**	**$ (18,109)**	**$ 37,763,572**

U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2015

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost - Intragovernmental	$ -	$ 138,135	$ -	$ 30,918	$ 1,426,003	$ -	$ 72,562	$ -	$ 22,077	$ (28,776)	$ 1,660,919
Gross Cost - With the Public	-	289,335	-	67,132	3,884,339	-	137,798	-	84,847	-	4,463,451
Subtotal Gross Costs	-	427,470	-	98,050	5,310,342	-	210,360	-	106,924	(28,776)	6,124,370
Earned Revenues - Intragovernmental	-	-	-	29,895	263,571	-	19,852	-	-	(28,776)	284,542
Earned Revenues - With the Public	-	-	-	3	10,961	-	49	-	-	-	11,013
Subtotal Earned Revenues	-	-	-	29,898	274,532	-	19,901	-	-	(28,776)	295,555
Subtotal Net Cost of Operations	$ -	$ 427,470	$ -	$ 68,152	$ 5,035,810	$ -	$ 190,459	$ -	$ 106,924	$ -	$ 5,828,815
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost - Intragovernmental	$ 578,656	$ 293,536	$ -	$ 958,727	$ 914,346	$ -	$ 1,824,425	$ 98,043	$ 8,512	$ (1,269,298)	$ 3,406,947
Gross Cost - With the Public	972,758	614,836	9,217	1,930,890	2,641,172	-	3,643,389	1,045,251	35,329	-	10,892,842
Subtotal Gross Costs	1,551,414	908,372	9,217	2,889,617	3,555,518	-	5,467,814	1,143,294	43,841	(1,269,298)	14,299,789
Earned Revenues - Intragovernmental	14,557	84,325	-	474,949	299,471	-	851,676	6,950	-	(1,269,298)	462,630
Earned Revenues - With the Public	-	571	-	353,236	7,056	-	657,982	-	-	-	1,018,845
Subtotal Earned Revenues	14,557	84,896	-	828,185	306,527	-	1,509,658	6,950	-	(1,269,298)	1,481,475
Subtotal Net Cost of Operations	$ 1,536,857	$ 823,476	$ 9,217	$ 2,061,432	$ 3,248,991	$ -	$ 3,958,156	$ 1,136,344	$ 43,841	$ -	$ 12,818,314
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels											
Gross Cost - Intragovernmental	$ -	$ -	$ 1,825,084	$ -	$ 290,555	$ 145,097	$ 166,578	$ 62,306	$ 605,145	$ (241,480)	$ 2,853,285
Gross Cost - With the Public	-	-	6,103,242	-	669,779	463,095	685,127	1,095,840	2,350,272	-	11,367,355
Subtotal Gross Costs	-	-	7,928,326	-	960,334	608,192	851,705	1,158,146	2,955,417	(241,480)	14,220,640
Earned Revenues - Intragovernmental	-	-	28,560	-	410,888	519,032	11,619	16,970	30,736	(222,000)	795,805
Earned Revenues - With the Public	-	-	390,732	-	171,794	45,140	32	-	23,593	-	631,291
Subtotal Earned Revenues	-	-	419,292	-	582,682	564,172	11,651	16,970	54,329	(222,000)	1,427,096
Subtotal Net Cost of Operations	$ -	$ -	$ 7,509,034	$ -	$ 377,652	$ 44,020	$ 840,054	$ 1,141,176	$ 2,901,088	$ (19,480)	$ 12,793,544
Total Net Cost of Operations	**$ 1,536,857**	**$ 1,250,946**	**$ 7,518,251**	**$ 2,129,584**	**$ 8,662,453**	**$ 44,020**	**$ 4,988,669**	**$ 2,277,520**	**$ 3,051,853**	**$ (19,480)**	**$ 31,440,673**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances											
Funds from Dedicated Collections	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 31,274**	**$ -**	**$ -**	**$ -**	**$ 31,274**
All Other Funds	**-**	**153,807**	**419,497**	**393,450**	**2,631,892**	**-**	**2,548,909**	**2,737,617**	**246,253**	**-**	**9,131,425**
Budgetary Financing Sources											
Appropriations Received											
Funds from Dedicated Collections	-	-	-	-	-	-	50,804	-	-	-	50,804
All Other Funds	-	1,240,000	7,478,500	2,080,000	8,798,768	-	7,384,068	1,935,960	2,699,995	-	31,617,291
Appropriations Transferred-In/Out											
All Other Funds	-	(664)	(6,182)	25,434	(45,945)	-	345,719	1,672	442,128	(383,748)	378,414
Other Adjustments											
All Other Funds	-	-	(166)	(200)	(151)	-	(907,078)	(48,181)	(196,274)	-	(1,152,050)
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	(62,566)	-	-	-	(62,566)
All Other Funds	-	(1,247,366)	(7,004,302)	(2,113,402)	(8,586,044)	-	(6,712,965)	(1,708,771)	(2,751,196)	-	(30,124,046)
Total Financing Sources											
Funds from Dedicated Collections	**-**	**-**	**-**	**-**	**-**	**-**	**(11,762)**	**-**	**-**	**-**	**(11,762)**
All Other Funds	**-**	**(8,030)**	**467,850**	**(8,168)**	**166,628**	**-**	**109,744**	**180,680**	**194,653**	**(383,748)**	**719,609**
Net Change											
Funds from Dedicated Collections	-	-	-	-	-	-	(11,762)	-	-	-	(11,762)
All Other Funds	-	(8,030)	467,850	(8,168)	166,628	-	109,744	180,680	194,653	(383,748)	719,609
Ending Balances											
Funds from Dedicated Collections	**-**	**-**	**-**	**-**	**-**	**-**	**19,512**	**-**	**-**	**-**	**19,512**
All Other Funds	**-**	**145,777**	**887,347**	**385,282**	**2,798,520**	**-**	**2,658,653**	**2,918,297**	**440,906**	**(383,748)**	**9,851,034**
Total All Funds	**$ -**	**$ 145,777**	**$ 887,347**	**$ 385,282**	**$ 2,798,520**	**$ -**	**$ 2,678,165**	**$ 2,918,297**	**$ 440,906**	**$ (383,748)**	**$ 9,870,546**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position - Continued
For the Fiscal Year Ended September 30, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Cumulative Results of Operations											
Beginning Balances											
Funds from Dedicated Collections	**$ 1,549,919**	**$ -**	**$ 86,784**	**$ (317,611)**	**$ -**	**$ -**	**$ 147,776**	**$ 14,861,917**	**$ -**	**$ -**	**$ 16,328,785**
All Other Funds	**-**	**200,091**	**3,985,615**	**261,309**	**3,548,414**	**308,925**	**(2,107,424)**	**3,752**	**390,901**	**-**	**6,591,583**
Budgetary Financing Sources											
Other Adjustments											
All Other Funds	-	-	-	-	-	-	(69,000)	-	-	-	(69,000)
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	62,566	-	-	-	62,566
All Other Funds	-	1,247,366	7,004,302	2,113,402	8,586,044	-	6,712,965	1,708,771	2,751,196	-	30,124,046
Nonexchange Revenues											
Funds from Dedicated Collections	34,336	-	-	-	-	-	279	1,486,489	-	-	1,521,104
All Other Funds	-	-	-	-	-	-	-	85	-	-	85
Donations and Forfeitures of Cash and Cash Equivalents											
Funds from Dedicated Collections	1,686,050	-	-	-	-	-	-	-	-	-	1,686,050
All Other Funds	-	-	-	-	-	-	78,000	-	-	-	78,000
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(807,200)	-	-	-	-	-	-	(1,879,000)	-	-	(2,686,200)
All Other Funds	-	-	-	-	131,600	-	211,780	-	61,200	383,748	788,328
Other Budgetary Financing Sources											
All Other Funds	-	-	-	-	(80,767)	-	-	-	-	-	(80,767)
Other Financing Sources											
Donations and Forfeitures of Property											
Funds from Dedicated Collections	200,868	-	-	-	-	-	-	-	-	-	200,868
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(4,209)	-	-	-	-	-	-	-	-	-	(4,209)
All Other Funds	-	3,509	-	2,740	10,911	-	(14,556)	(147)	133	-	2,590
Imputed Financing from Costs Absorbed by Others											
Funds from Dedicated Collections	1,531	-	4,456	9,502	-	-	758	-	-	-	16,247
All Other Funds	-	37,116	238,074	60,954	247,408	23,632	152,745	4,563	39,030	(18,109)	785,413
Other Financing Sources											
All Other Funds	-	-	-	-	(7,849)	-	-	-	-	-	(7,849)
Total Financing Sources											
Funds from Dedicated Collections	**1,111,376**	**-**	**4,456**	**9,502**	**-**	**-**	**63,603**	**(392,511)**	**-**	**-**	**796,426**
All Other Funds	**-**	**1,287,991**	**7,242,376**	**2,177,096**	**8,887,347**	**23,632**	**7,071,934**	**1,713,272**	**2,851,559**	**365,639**	**31,620,846**
Net Cost of Operations											
Funds from Dedicated Collections	(1,201,069)	-	(16,051)	9,191	-	-	(134,569)	(993,949)	-	-	(2,336,447)
All Other Funds	-	(1,293,862)	(7,590,650)	(2,213,816)	(8,862,093)	(19,575)	(10,680,817)	(1,708,844)	(3,075,577)	18,109	(35,427,125)
Net Change											
Funds from Dedicated Collections	(89,693)	-	(11,595)	18,693	-	-	(70,966)	(1,386,460)	-	-	(1,540,021)
All Other Funds	-	(5,871)	(348,274)	(36,720)	25,254	4,057	(3,608,883)	4,428	(224,018)	383,748	(3,806,279)
Ending Balances											
Funds from Dedicated Collections	**1,460,226**	**-**	**75,189**	**(298,918)**	**-**	**-**	**76,810**	**13,475,457**	**-**	**-**	**14,788,764**
All Other Funds	**-**	**194,220**	**3,637,341**	**224,589**	**3,573,668**	**312,982**	**(5,716,307)**	**8,180**	**166,883**	**383,748**	**2,785,304**
Total All Funds	**$ 1,460,226**	**$ 194,220**	**$ 3,712,530**	**$ (74,329)**	**$ 3,573,668**	**$ 312,982**	**$ (5,639,497)**	**$ 13,483,637**	**$ 166,883**	**$ 383,748**	**$ 17,574,068**
Net Position - Funds from Dedicated Collections	**1,460,226**	**-**	**75,189**	**(298,918)**	**-**	**-**	**96,322**	**13,475,457**	**-**	**-**	**14,808,276**
Net Position - All Other Funds	**-**	**339,997**	**4,524,688**	**609,871**	**6,372,188**	**312,982**	**(3,057,654)**	**2,926,477**	**607,789**	**-**	**12,636,338**
Net Position - Total	**$ 1,460,226**	**$ 339,997**	**$ 4,599,877**	**$ 310,953**	**$ 6,372,188**	**$ 312,982**	**$ (2,961,332)**	**$ 16,401,934**	**$ 607,789**	**$ -**	**$ 27,444,614**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2015

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances											
Funds from Dedicated Collections	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 32,750**	**$ -**	**$ -**	**$ -**	**$ 32,750**
All Other Funds	**-**	**162,725**	**477,632**	**416,009**	**2,640,676**	**-**	**2,743,717**	**2,664,388**	**480,555**	**-**	**9,585,702**
Budgetary Financing Sources											
Appropriations Received											
Funds from Dedicated Collections	-	-	-	-	-	-	43,306	-	-	-	43,306
All Other Funds	-	1,201,000	6,921,000	2,033,320	8,436,569	-	5,420,869	1,713,800	1,700,107	-	27,426,665
Appropriations Transferred-In/Out											
Funds from Dedicated Collections	-		-	-	-	-	(137)	-	-	-	(137)
All Other Funds	-	(8,732)	(12,837)	18,355	(35,187)	-	(34,801)	(3,600)	437,422	-	360,620
Other Adjustments											
Funds from Dedicated Collections	-	-	-	-	-	-	(6,000)	-	-	-	(6,000)
All Other Funds	-	(3,200)	(46)	-	-	-	(479,271)	(113,250)	(188,000)	-	(783,767)
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	(38,645)	-	-	-	(38,645)
All Other Funds	-	(1,197,986)	(6,966,252)	(2,074,234)	(8,410,166)	-	(5,101,605)	(1,523,721)	(2,183,831)	-	(27,457,795)
Total Financing Sources											
Funds from Dedicated Collections	**-**	**-**	**-**	**-**	**-**	**-**	**(1,476)**	**-**	**-**	**-**	**(1,476)**
All Other Funds	**-**	**(8,918)**	**(58,135)**	**(22,559)**	**(8,784)**	**-**	**(194,808)**	**73,229**	**(234,302)**	**-**	**(454,277)**
Net Change											
Funds from Dedicated Collections	-	-	-	-	-	-	(1,476)	-	-	-	(1,476)
All Other Funds	-	(8,918)	(58,135)	(22,559)	(8,784)	-	(194,808)	73,229	(234,302)	-	(454,277)
Ending Balances											
Funds from Dedicated Collections	**-**	**-**	**-**	**-**	**-**	**-**	**31,274**	**-**	**-**	**-**	**31,274**
All Other Funds	**-**	**153,807**	**419,497**	**393,450**	**2,631,892**	**-**	**2,548,909**	**2,737,617**	**246,253**	**-**	**9,131,425**
Total All Funds	**$ -**	**$ 153,807**	**$ 419,497**	**$ 393,450**	**$ 2,631,892**	**$ -**	**$ 2,580,183**	**$ 2,737,617**	**$ 246,253**	**$ -**	**$ 9,162,699**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position - Continued
For the Fiscal Year Ended September 30, 2015

Cumulative Results of Operations											
Beginning Balances											
Funds from Dedicated Collections	**$ 2,560,848**	**$ -**	**$ 93,245**	**$ (332,973)**	**$ -**	**$ -**	**$ 216,951**	**$ 12,971,522**	**$ -**	**$ -**	**$ 15,509,593**
All Other Funds	**-**	**(24,711)**	**4,284,649**	**(33,804)**	**2,979,505**	**319,993**	**(2,454,243)**	**3,696**	**83,426**	**-**	**5,158,511**
Budgetary Financing Sources											
Other Adjustments											
All Other Funds	-	-	-	-	-	-	(99,000)	-	-	-	(99,000)
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	38,645	-	-	-	38,645
All Other Funds	-	1,197,986	6,966,252	2,074,234	8,410,166	-	5,101,605	1,523,721	2,183,831	-	27,457,795
Nonexchange Revenues											
Funds from Dedicated Collections	6,610	-	-	-	-	-	520	2,639,963	-	-	2,647,093
All Other Funds	-	-	-	-	21	-	-	221	-	-	242
Donations and Forfeitures of Cash and Cash Equivalents											
Funds from Dedicated Collections	1,285,294	-	-	-	-	-	-	-	-	-	1,285,294
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(1,100,014)	-	-	(85)	-	-	-	-	-	-	(1,100,099)
All Other Funds	-	232,337	-	286,050	548,515	-	103,193	-	1,129,296	-	2,299,391
Other Financing Sources											
Donations and Forfeitures of Property											
Funds from Dedicated Collections	337,357	-	-	-	-	-	-	-	-	-	337,357
All Other Funds	-	-	1	-	-	-	-	-	-	-	1
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(4,890)	-	-	-	-	-	-	-	-	-	(4,890)
All Other Funds	-	4,807	(6,896)	3,664	25,800	6,905	(24,662)	(325)	2,577	-	11,870
Imputed Financing from Costs Absorbed by Others											
Funds from Dedicated Collections	1,571	-	4,579	9,446	-	-	792	-	-	-	16,388
All Other Funds	-	40,618	248,820	66,750	257,696	26,047	145,220	4,391	43,624	(19,480)	813,686
Other Financing Sources											
All Other Funds	-	-	-	-	(10,836)	-	-	-	-	-	(10,836)
Total Financing Sources											
Funds from Dedicated Collections	**525,928**	**-**	**4,579**	**9,361**	**-**	**-**	**39,957**	**2,639,963**	**-**	**-**	**3,219,788**
All Other Funds	**-**	**1,475,748**	**7,208,177**	**2,430,698**	**9,231,362**	**32,952**	**5,226,356**	**1,528,008**	**3,359,328**	**(19,480)**	**30,473,149**
Net Cost of Operations											
Funds from Dedicated Collections	(1,536,857)	-	(11,040)	6,001	-	-	(109,132)	(749,568)	-	-	(2,400,596)
All Other Funds	-	(1,250,946)	(7,507,211)	(2,135,585)	(8,662,453)	(44,020)	(4,879,537)	(1,527,952)	(3,051,853)	19,480	(29,040,077)
Net Change											
Funds from Dedicated Collections	(1,010,929)	-	(6,461)	15,362	-	-	(69,175)	1,890,395	-	-	819,192
All Other Funds	-	224,802	(299,034)	295,113	568,909	(11,068)	346,819	56	307,475	-	1,433,072
Ending Balances											
Funds from Dedicated Collections	**1,549,919**	**-**	**86,784**	**(317,611)**	**-**	**-**	**147,776**	**14,861,917**	**-**	**-**	**16,328,785**
All Other Funds	**-**	**200,091**	**3,985,615**	**261,309**	**3,548,414**	**308,925**	**(2,107,424)**	**3,752**	**390,901**	**-**	**6,591,583**
Total All Funds	**$ 1,549,919**	**$ 200,091**	**$ 4,072,399**	**$ (56,302)**	**$ 3,548,414**	**$ 308,925**	**$ (1,959,648)**	**$ 14,865,669**	**$ 390,901**	**$ -**	**$ 22,920,368**
Net Position - Funds from Dedicated Collections	**1,549,919**	**-**	**86,784**	**(317,611)**	**-**	**-**	**179,050**	**14,861,917**	**-**	**-**	**16,360,059**
Net Position - All Other Funds	**-**	**353,898**	**4,405,112**	**654,759**	**6,180,306**	**308,925**	**441,485**	**2,741,369**	**637,154**	**-**	**15,723,008**
Net Position - Total	**$ 1,549,919**	**$ 353,898**	**$ 4,491,896**	**$ 337,148**	**$ 6,180,306**	**$ 308,925**	**$ 620,535**	**$ 17,603,286**	**$ 637,154**	**$ -**	**$ 32,083,067**

U. S. Department of Justice
Combining Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2016

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Combined
Revenue Activity										
Sources of Cash Collections										
Federal Debts, Fines, Penalties and Restitution	$ -	$ 44	$ -	$ 15,000	$ 3,100	$ -	$ 13,158,267	$ -	$ -	$ 13,176,411
Fees and Licenses	-	76,738	-	15,386	-	-	-	-	-	92,124
Miscellaneous	-	941	49	-	276	-	-	-	-	1,266
Total Cash Collections	**$ -**	**$ 77,723**	**$ 49**	**$ 30,386**	**$ 3,376**	**$ -**	**$ 13,158,267**	**$ -**	**$ -**	**$ 13,269,801**
Accrual Adjustments	-	104	-	(2,543)	864	-	-	-	-	(1,575)
Total Custodial Revenue	**$ -**	**$ 77,827**	**$ 49**	**$ 27,843**	**$ 4,240**	**$ -**	**$ 13,158,267**	**$ -**	**$ -**	**$ 13,268,226**
Disposition of Collections										
Transferred to Federal Agencies										
U.S. Department of Agriculture	-	-	-	-	-	-	(46,897)	-	-	(46,897)
U.S. Department of Commerce	-	-	-	-	-	-	(19,732)	-	-	(19,732)
U.S. Department of the Interior	-	-	-	-	-	-	(181,310)	-	-	(181,310)
U.S. Department of Justice	-	-	-	-	-	-	(18,534)	-	-	(18,534)
U.S. Department of Labor	-	-	-	-	-	-	(4,336)	-	-	(4,336)
U.S. Postal Service	-	-	-	-	-	-	(16,212)	-	-	(16,212)
U.S. Department of State	-	-	-	-	-	-	(1,683)	-	-	(1,683)
U.S. Department of the Treasury	-	-	-	-	-	-	(1,483,057)	-	-	(1,483,057)
Office of Personnel Management	-	-	-	-	-	-	(9,528)	-	-	(9,528)
National Credit Union Administration	-	-	-	-	-	-	(557,751)	-	-	(557,751)
Federal Communications Commission	-	-	-	-	-	-	(71)	-	-	(71)
Social Security Administration	-	-	-	-	-	-	(916)	-	-	(916)
Smithsonian Institution	-	-	-	-	-	-	(127)	-	-	(127)
U.S. Department of Veterans Affairs	-	-	-	-	-	-	(18,065)	-	-	(18,065)
Equal Employment Opportunity Commission	-	-	-	-	-	-	(154)	-	-	(154)
General Services Administration	-	-	-	-	-	-	(53,647)	-	-	(53,647)
Securities and Exchange Commission	-	-	-	-	-	-	(3)	-	-	(3)
Federal Deposit Insurance Corporation	-	-	-	-	-	-	(49)	-	-	(49)
Railroad Retirement Board	-	-	-	-	-	-	(303)	-	-	(303)
Tennessee Valley Authority	-	-	-	-	-	-	(2,078)		-	(2,078)
Environmental Protection Agency	-	-	-	-	-	-	(89,678)	-	-	(89,678)
U.S. Department of Transportation	-	-	-	-	-	-	(14,320)	-	-	(14,320)
U.S. Department of Homeland Security	-	-	-	-	-	-	(114,261)	-	-	(114,261)
Agency for International Development	-	-	-	-	-	-	(11,647)	-	-	(11,647)
Small Business Administration	-	-	-	-	-	-	(22,617)	-	-	(22,617)
U.S. Department of Health and Human Services	-	-	-	-	-	-	(1,099,933)	-	-	(1,099,933)
National Aeronautics and Space Administration	-	-	-	-	-	-	(1,353)	-	-	(1,353)
Export-Import Bank of the United States	-	-	-	-	-	-	(1,258)	-	-	(1,258)
U.S. Department of Housing and Urban Development	-	-	-	-	-	-	(743,963)	-	-	(743,963)
U.S. Department of Energy	-	-	-	-	-	-	(9,744)	-	-	(9,744)
U.S. Department of Education	-	-	-	-	-	-	(37,303)	-	-	(37,303)
Independent Agencies	-	-	-	-	-	-	(123,522)	-	-	(123,522)
Treasury General Fund	-	(74,663)	(49)	(30,386)	(3,376)	-	(7,912,180)	-	-	(8,020,654)
U.S. Department of Defense	-	-	-	-	-	-	(139,543)	-	-	(139,543)
Transferred to the Public	-	-	-	-	-	-	(691,925)	-	-	(691,925)
(Increase)/Decrease in Amounts Yet to be Transferred	-	-	-	2,543	(864)	-	638,984	-	-	640,663
Refunds and Other Payments	-	(3,164)	-	-	-	-	(1,542)	-	-	(4,706)
Retained by the Reporting Entity	-	-	-	-	-	-	(368,009)	-	-	(368,009)
Total Disposition Of Collections	-	(77,827)	(49)	(27,843)	(4,240)	-	(13,158,267)	-	-	(13,268,226)
Net Custodial Activity	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

U. S. Department of Justice
Combining Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2015

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Combined
Revenue Activity										
Sources of Cash Collections										
Federal Debts, Fines, Penalties and Restitution	$ -	$ 53	$ -	$ 31,394	$ 4,513	$ -	$ 16,820,901	$ -	$ -	$ 16,856,861
Fees and Licenses	-	43,215	-	15,000	-	-	-	-	-	58,215
Miscellaneous	-	401	41	-	701	-	19	-	-	1,162
Total Cash Collections	**$ -**	**$ 43,669**	**$ 41**	**$ 46,394**	**$ 5,214**	**$ -**	**$ 16,820,920**	**$ -**	**$ -**	**$ 16,916,238**
Accrual Adjustments	-	255	-	(516)	19	-	-	-	-	(242)
Total Custodial Revenue	**$ -**	**$ 43,924**	**$ 41**	**$ 45,878**	**$ 5,233**	**$ -**	**$ 16,820,920**	**$ -**	**$ -**	**$ 16,915,996**
Disposition of Collections										
Transferred to Federal Agencies										
Library of Congress	-	-	-	-	-	-	(119)	-	-	(119)
U.S. Department of Agriculture	-	-	-	-	-	-	(256,014)	-	-	(256,014)
U.S. Department of Commerce	-	-	-	-	-	-	(1,840)	-	-	(1,840)
U.S. Department of the Interior	-	-	-	-	-	-	(104,501)	-	-	(104,501)
U.S. Department of Justice	-	-	-	-	-	-	(36,290)	-	-	(36,290)
U.S. Department of Labor	-	-	-	-	-	-	(8,842)	-	-	(8,842)
U.S. Postal Service	-	-	-	-	-	-	(1,352)	-	-	(1,352)
U.S. Department of State	-	-	-	-	-	-	(8)	-	-	(8)
U.S. Department of the Treasury	-	-	-	-	-	-	(811,596)	-	-	(811,596)
Office of Personnel Management	-	-	-	-	-	-	(5,024)	-	-	(5,024)
National Credit Union Administration	-	-	-	-	-	-	(1)	-	-	(1)
Federal Communications Commission	-	-	-	-	-	-	(345)	-	-	(345)
Social Security Administration	-	-	-	-	-	-	(1,241)	-	-	(1,241)
Smithsonian Institution	-	-	-	-	-	-	(1,711)	-	-	(1,711)
U.S. Department of Veterans Affairs	-	-	-	-	-	-	(8,007)	-	-	(8,007)
Equal Employment Opportunity Commission	-	-	-	-	-	-	(291)	-	-	(291)
General Services Administration	-	-	-	-	-	-	(36,820)	-	-	(36,820)
Securities and Exchange Commission	-	-	-	-	-	-	(135,843)	-	-	(135,843)
Federal Deposit Insurance Corporation	-	-	-	-	-	-	(1,000,355)	-	-	(1,000,355)
Railroad Retirement Board	-	-	-	-	-	-	(335)	-	-	(335)
Tennessee Valley Authority	-	-	-	-	-	-	(60)	-	-	(60)
Environmental Protection Agency	-	-	-	-	-	-	(1,975,823)	-	-	(1,975,823)
U.S. Department of Transportation	-	-	-	-	-	-	(10,312)	-	-	(10,312)
U.S. Department of Homeland Security	-	-	-	-	-	-	(56,750)	-	-	(56,750)
Agency for International Development	-	-	-	-	-	-	(812)	-	-	(812)
Small Business Administration	-	-	-	-	-	-	(17,535)	-	-	(17,535)
U.S. Department of Health and Human Services	-	-	-	-	-	-	(960,690)	-	-	(960,690)
National Aeronautics and Space Administration	-	-	-	-	-	-	(572)	-	-	(572)
Export-Import Bank of the United States	-	-	-	-	-	-	(7,653)	-	-	(7,653)
U.S. Department of Housing and Urban Development	-	-	-	-	-	-	(1,185,772)	-	-	(1,185,772)
National Archives&Records Administration	-	-	-	-	-	-	(126)	-	-	(126)
U.S. Department of Energy	-	-	-	-	-	-	(4,089)	-	-	(4,089)
U.S. Department of Education	-	-	-	-	-	-	(20,364)	-	-	(20,364)
Independent Agencies	-	-	-	-	-	-	(61,443)	-	-	(61,443)
Treasury General Fund	-	(41,431)	(41)	(46,394)	(5,214)	-	(8,014,049)	-	-	(8,107,129)
U.S. Department of Defense	-	-	-	-	-	-	(159,664)	-	-	(159,664)
Transferred to the Public	-	-	-	-	-	-	(668,627)	-	-	(668,627)
(Increase)/Decrease in Amounts Yet to be Transferred	-	-	-	516	(19)	-	(854,075)	-	-	(853,578)
Refunds and Other Payments	-	(2,493)	-	-	-	-	(18,189)	-	-	(20,682)
Retained by the Reporting Entity	-	-	-	-	-	-	(393,780)	-	-	(393,780)
Total Disposition Of Collections	-	(43,924)	(41)	(45,878)	(5,233)	-	(16,820,920)	-	-	(16,915,996)
Net Custodial Activity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

U. S. Department of Justice
Combined Schedules of Spending
For the Fiscal Years Ended September 30, 2016 and 2015

Dollars in Thousands		**2016**		**2015**
What Money is Available to Spend?				
Total Resources	$	48,351,388	$	46,434,875
Less: Amount Available but Not Agreed to be Spent		5,350,263		4,949,346
Less: Amount Not Available to be Spent		1,014,003		1,128,001
Total Amounts Agreed to be Spent	**$**	**41,987,122**	**$**	**40,357,528**
How was the Money Spent?				
Personnel Compensation and Benefits				
1100 Personnel Compensation	$	11,735,163	$	11,424,159
1200 Personnel Benefits		5,031,805		4,667,482
1300 Former Personnel		3,831		6,873
Other Program Related Expenses				
2100 Travel & Transportation of Persons		480,067		461,115
2200 Transportation of Things		71,764		70,455
2300 Rent, Communications, and Utilities		3,393,779		3,364,746
2400 Printing and Reproduction		19,230		11,699
2500 Other Contractual Services		11,789,175		12,045,142
2600 Supplies and Materials		1,497,311		1,602,832
3100 Equipment		990,177		957,427
3200 Land and Structures		149,286		168,366
4100 Grants, Subsidies, and Contributions		4,741,204		4,162,032
4200 Insurance Claims and Indemnities		2,000,363		302,995
4300 Interest and Dividends		-		76
4400 Refunds for Forfeited Assets		22,767		12,129
Expenditure Transfer to the U.S. Marshals Service		61,200		1,100,000
Total Amounts Agreed to be Spent	**$**	**41,987,122**	**$**	**40,357,528**
Who did the Money go to?				
For Profit	$	12,027,280	$	13,690,128
Federal Government		9,786,494		9,287,092
Employees		11,719,755		11,389,573
Grants		4,741,204		4,162,032
Other		3,712,389		1,828,703
Total Amounts Agreed to be Spent	**$**	**41,987,122**	**$**	**40,357,528**

U.S. Department of Justice
Freeze the Footprint
For the Fiscal Year Ended September 30, 2016

Under the leadership of the Attorney General, the Department continued its efforts during FY 2016 to reduce its real property footprint and monitor space utilization across the Department. The Department successfully reduced its overall square footage in FY 2015 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 2016, 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. 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

Freeze the Footprint Baseline Comparison

For the Fiscal Year Ended September 30, 2016			
	FY 2012 Baseline	FY 2015	Change
Square Footage	48,472,795	48,184,756	-0.6%

Reporting of Operation and Maintenance Costs - Owned and Directly Leased

For the Fiscal Year Ended September 30, 2016			
	FY 2012 Baseline	FY 2015	Change
Operation and Maintenance Costs (in whole dollars)	$ 47,305,000	$ 50,088,000	5.9%

U.S. Department of Justice
Civil Monetary Penalties Inflation Adjustment
For the Fiscal Year Ended September 30, 2016

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. To improve compliance with the Act, and in response to multiple audits and recommendations, agencies should report annually in the Other Information section the most recent inflationary adjustments to civil monetary penalties to ensure penalty adjustments are both timely and accurate.

Bureau of Alcohol, Tobacco, Firearms, and Explosives

Bureau of Alcohol, Tobacco, Firearms and Explosives						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
18 U.S.C. 922(t)(5)	Brady Law - Nat'l Instant Criminal Check System; Transfer of firearm without checking NICS	1993	1993	8,162	Bureau of Alcohol, Tobacco, Firearms and Explosives	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
18 U.S.C. 924(p)	Child Safety Lock Act; Secure gun storage or safety device, violation	2005	2005	2,985	Bureau of Alcohol, Tobacco, Firearms and Explosives	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Civil Division

Civil Division						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
12 USC 1833a(b)(1)	Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) Violation	1989	1989	1,893,610	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
12 U.S.C. 1833a(b)(2)	FIRREA Violation (continuing) (per day)	1989	1989	1,893,610	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
12 U.S.C. 1833a(b)(2)	FIRREA Violation (continuing)	1989	1989	9,468,050	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
22 U.S.C. 2399b(a)(3)(A)	Foreign Assistance Act; Fraudulent Claim for Assistance (per act)	1968	1968	5,500	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
31 U.S.C. 3729(a)	False Claims Act; Violations	1986	1986	Min. 10,781 Max. 21,563	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
31 U.S.C. 3802(a)(1)	Program Fraud Civil Remedies Act; Violations Involving False Claim (per claim)	1986	1986	10,781	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
31 U.S.C. 3802(a)(2)	Program Fraud Civil Remedies Act; Violation Involving False Statement (per statement)	1986	1986	10,781	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Civil Monetary Penalties Inflation Adjustment (continued)

Civil Division (continued)

Civil Division						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
40 U.S.C. 123(a)(1)(A)	Federal Property and Administrative Services Act; Violation Involving Surplus Government Property (per act)	1949	1949	5,500	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
41 U.S.C. 8706(a)(1)(B)	Anti-Kickback Act; Violation Involving Kickbacks (per occurrence)	1986	1986	21,563	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
18 U.S.C. 2723(b)	Driver's Privacy Protection Act of 1994; Prohibition on Release and Use of Certain Personal Information from State Motor Vehicle Records - Substantial Non-compliance (per day)	1994	1994	7,954	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
18 U.S.C. 216(b)	Ethics Reform Act of 1989; Penalties for Conflict of Interest Crimes (per violation)	1989	1989	94,681	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
41 U.S.C. 2105(b)(1)	Office of Federal Procurement Policy Act; Violation by an individual (per violation)	1988	1988	98,935	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
41 U.S.C. 2105(b)(2)	Office of Federal Procurement Policy Act; Violation by an organization (per violation)	1988	1988	989,345	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
42 U.S.C. 5157(d)	Disaster Relief Act of 1974; Violation (per violation)	1974	1974	12,500	Civil Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Civil Rights Division

Civil Rights Division (excluding immigration-related penalties)						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
18 U.S.C. 248(c)(2)(B)(i)	Freedom of Access to Clinic Entrances Act of 1994 ("FACE Act"); Nonviolent physical obstruction, first violation	1994	1994	15,909	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
18 U.S.C. 248(c)(2)(B)(ii)	FACE Act; Nonviolent physical obstruction, subsequent violation	1994	1994	23,863	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
18 U.S.C. 248(c)(2)(B)(i)	FACE Act; Violation other than a nonviolent physical obstruction, first violation	1994	1994	23,863	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
18 U.S.C. 248(c)(2)(B)(ii)	FACE Act; Violation other than a nonviolent physical obstruction, subsequent violation	1994	1994	39,772	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Civil Monetary Penalties Inflation Adjustment (continued)

Civil Rights Division (continued)

Civil Rights Division (excluding immigration-related penalties)						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
42 U.S.C. 3614(d)(1)(C)(i)	Fair Housing Act of 1968; first violation	1988	1988	98,935	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
42 U.S.C. 3614(d)(1)(C)(ii)	Fair Housing Act of 1968; subsequent violation	1988	1988	197,869	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
42 U.S.C. 12188(b)(2)(C)(i)	Americans With Disabilities Act; Public accommodations for individuals with disabilities, first violation	1990	1990	89,078	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
42 U.S.C. 12188(b)(2)(C)(ii)	Americans With Disabilities Act; Public accommodations for individuals with disabilities, subsequent violation	1990	1990	178,156	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
50 U.S.C. App. 597(b)(3)	Service members Civil Relief Act of 2003; first violation	2010	2010	59,810	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
50 U.S.C. App. 597(b)(3)	Service members Civil Relief Act of 2003; subsequent violation	2010	2010	119,620	Civil Rights Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Criminal Division

Criminal Division						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
18 U.S.C. 983(h)(1)	Civil Asset Forfeiture Reform Act of 2000; Penalty for Frivolous Assertion of Claim	2000	2000	Min. 342 Max. 6,834	Criminal Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
18 U.S.C. 1956(b)	Money Laundering Control Act of 1986; Violation	1986	1986	21,563	Criminal Division	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Drug Enforcement Administration

Drug Enforcement Administration						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
21 U.S.C. 844a(a)	Anti-Drug Abuse Act of 1988; Possession of small amounts of controlled substances (per violation)	1988	1988	19,787	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Civil Monetary Penalties Inflation Adjustment (continued)

Drug Enforcement Administration (continued)

Drug Enforcement Administration						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
21 U.S.C. 961(1)	Controlled Substance Import Export Act; Drug abuse, import or export	1970	1970	68,750	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
21 U.S.C. 842(c)(1)(A)	Controlled Substances Act ("CSA"); Violations of 842(a) - other than (5), (10) and (16) - Prohibited acts re: controlled substances (per violation)	1970	1970	62,500	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
21 U.S.C. 842(c)(1)(B)	CSA; Violations of 842(a)(5) and (10) - Prohibited acts re: controlled substances	1998	1998	14,502	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
21 U.S.C. 842(c)(1)(C)	CSA; Violation of 825(e) by importer, exporter, manufacturer, or distributor - False labeling of anabolic steroids (per violation)	2014	2014	500,855	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
21 U.S.C. 842(c)(1)(D)	CSA; Violation of 825(e) at the retail level - False labeling of anabolic steroids (per violation)	2014	2014	1,002	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
21 U.S.C. 842(c)(2)(C)	CSA; Violation of 842(a)(11) by a business - Distribution of laboratory supply with reckless disregard	1996	1996	375,613	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
21 U.S.C. 856(d)	Illicit Drug Anti-Proliferation Act of 2003; Maintaining drug-involved premises	2003	2003	321,403	Drug Enforcement Administration	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Executive Office for Immigration Review

Immigration-Related Penalties						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
8 U.S.C. 1324a(e)(4)(A)(i)	Immigration Reform and Control Act of 1986 ("IRCA"); Unlawful employment of aliens, first order (per unauthorized alien)	1986	1986	Min. 539 Max. 4,313	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324a(e)(4)(A)(ii)	IRCA; Unlawful employment of aliens, second order (per such alien)	1986	1986	Min. 4,313 Max. 10,781	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324a(e)(4)(A)(iii)	IRCA; Unlawful employment of aliens, subsequent order (per such alien)	1986	1986	Min. 6,469 Max. 21,563	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324a(e)(5)	IRCA; Paperwork violation (per relevant individual)	1986	1986	Min. 216 Max. 2,156	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Civil Monetary Penalties Inflation Adjustment (continued)

Executive Office for Immigration Review (continued)

Immigration-Related Penalties						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
8 U.S.C. 1324a (note)	IRCA; Violation relating to participating employer's failure to notify of final no confirmation of employee's employment eligibility (per relevant individual)	1996	1996	Min. 751 Max.1,502	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324a(g)(2)	IRCA; Violation/prohibition of indemnity bonds (per violation)	1986	1986	2,156	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324b(g)(2)(B)(iv)(I)	IRCA; Unfair immigration-related employment practices, first order (per individual discriminated against)	1990	1990	Min. 445 Max. 3,563	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324b(g)(2)(B)(iv)(II)	IRCA; Unfair immigration-related employment practices, second order (per individual discriminated against)	1990	1990	Min. 3,563 Max. 8,908	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324b(g)(2)(B)(iv)(III)	IRCA; Unfair immigration-related employment practices, subsequent order (per individual discriminated against)	1990	1990	Min. 5,345 Max. 17,816	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324b(g)(2)(B)(iv)(IV)	IRCA; Unfair immigration-related employment practices, document abuse (per individual discriminated against)	1990	1990	Min. 178 Max. 1,782	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324c(d)(3)(A)	IRCA; Document fraud, first order -- for violations described in USC 1324c(a)(1)-(4) (per document)	1990	1990	Min. 445 Max. 3,563	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324c(d)(3)(B)	IRCA; Document fraud, subsequent order -- for violations described in USC 1324c(a)(1)-(4) (per document)	1990	1990	Min. 3,563 Max. 8,908	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324c(d)(3)(A)	IRCA; Document fraud, first order -- for violations described in USC 1324c(a)(5)-(6) (per document)	1996	1996	Min. 376 Max. 3,005	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528
8 U.S.C. 1324c(d)(3)(B)	IRCA; Document fraud, subsequent order -- for violations described in USC 1324c(a)(5)-(6) (per document)	1996	1996	Min. 3,005 Max. 7,512	Executive Office of Immigration Reform	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Federal Bureau of Investigation

Federal Bureau of Investigation						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
49 U.S.C. 30505(a)	National Motor Vehicle Title Identification System; Violation (per violation)	1994	1994	1,591	Federal Bureau of Investigation	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

Civil Monetary Penalties Inflation Adjustment (continued)

Office of Justice Programs

Office of Justice Programs						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
42 U.S.C. 3789g(d)	Confidentiality of information; State and Local Criminal History Record Information Systems - Right to Privacy Violation	1979	1979	27,500	Office of Justice Programs	Federal Register 81 (30 June 2016): 42491-42503. https://www.federalregister.gov/d/2016-15528

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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 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 control over operations, reporting, and compliance (FMFIA Section 2) and whether financial management systems comply with financial system requirements (FMFIA Section 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 – 2016

November 10, 2016

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 2016 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 nine challenges that we believe represent the most pressing concerns for the Department:

- Safeguarding National Security and Ensuring Privacy and Civil Liberties Protections
- Enhancing Cybersecurity in an Era of Increasing Threats
- Managing an Overcrowded Federal Prison System in an Era of Limited Budgets and Continuing Security Concerns
- Strengthening the Relationships Between Law Enforcement and Local Communities Through Partnership and Oversight
- Helping to Address Violent Crime Through Effective Management of Department Anti-Violence Programs
- Ensuring Effective Management and Oversight of Law Enforcement Programs and Promoting Public Trust
- Monitoring Department Contracts and Grants
- Managing Human Capital and Promoting Diversity With a Workforce Increasingly Eligible to Retire
- Using Performance-Based Management To Improve DOJ Programs

We believe safeguarding national security and enhancing cybersecurity in the wake of recent threats are particular challenges that will be at the forefront of the Department's attention and require vigilance in the foreseeable future. In addition, we have identified two of the challenges, helping to address violent crime and managing human capital while promoting diversity, as emerging issues that merit the Department's continued attention. Meeting all of these challenges will require the Department to develop innovative solutions and conduct careful monitoring of its efforts to achieve success.

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

Attachment.

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Safeguarding National Security and Ensuring Privacy and Civil Liberties Protections

Countering the Terrorist Threat

As reflected in the recent attacks in New York and New Jersey, San Bernardino, and Orlando, terrorism remains a serious threat to the national security of the United States. The Federal Bureau of Investigation (FBI) has described this threat as "persistent and acute," and it continues to be listed by the Department of Justice (Department) as its top priority. The challenge for the Department is to protect the homeland from this threat, while also safeguarding privacy and civil liberties. In its proposed Fiscal Year (FY) 2017 budget, the Department allocates $6.5 billion to prevent terrorism and promote national security, including counterterrorism and counterintelligence efforts.

Source: FBI website

According to the Department, the Islamic State of Iraq and the Levant (ISIL) is creating "an unprecedented threat environment." ISIL uses Internet and social media campaigns to promote its ideology and recruit like-minded extremists to become foreign fighters in Iraq and Syria or to attack the West from within. Attacks in the United States by so-called homegrown violent extremists (HVE) on civilian targets increased in 2016, many of them reportedly motivated by ISIL propaganda. According to a Joint Intelligence Bulletin issued by the FBI, the Department of Homeland Security (DHS), and the National Counterterrorism Center, 10 of the 13 attacks and disruptions by HVEs between August 2015 and August 2016 were focused on civilian targets, as compared to 2 of the 18 attacks and disruptions that took place in the first 7 months of 2015.

Countering terrorist radicalization and recruitment and identifying HVEs before they engage in terrorist acts remains an exceptional challenge. FBI Director Comey recently acknowledged the magnitude of the task when he observed, "We are looking for needles in a nationwide haystack, but we are also called upon to figure out which pieces of hay might someday become needles." He also noted that "untangling the motivation" of the assailants is a very real challenge. Indeed, the tragic incidents highlighted above illustrate that the FBI continues to face the same challenges in locating and stopping attacks by HVEs that it did prior to the Boston Marathon Bombings in April 2013. One of the Boston attackers, Tamerlan Tsarnaev, was the subject of an earlier FBI assessment that was closed with no nexus to terrorism and was not reopened following his travel to Dagestan in 2012. A coordinated review in 2014 by four OIGs of information sharing prior to the Boston Marathon Bombings concluded that the U.S. government had information regarding Tsarnaev's travel, and that the travel was significant and warranted further investigation. As with the Boston attacks, the more recent attacks by HVEs highlight the difficulty the FBI faces as it receives information about people who may pose a threat and then must determine which information is credible and worthy of additional investigation, an inquiry FBI agents must perform in each of the thousands of assessments conducted each year.

The Department has noted that social media is a critical tool that terror groups can exploit in recruitment efforts for both homegrown and internationally directed terrorism. Engagement with the private sector is crucial to ensuring that the Department understands the latest social media and online communication tools and maintains the ability to lawfully access information transmitted through them. In January 2016, President Obama announced the creation of a counterterrorism task force to thwart terrorists' use of social media. As part of this effort, Attorney General Lynch, Director Comey, and senior intelligence officials met with representatives of various U.S. technology companies to discuss ways to identify and remove extremist online content. According to news reports, Twitter, Microsoft, and Google have since implemented or are experimenting with ways to prevent terrorists from using their systems to communicate with others. In August 2016, Twitter reported that since the middle of 2015, it had suspended 360,000 accounts for violating the prohibition on making violent threats and promoting terrorism.

Balancing Security and Transparency Amid Global Threats

The Department faces a growing challenge as it seeks to engage and share information with private sector technology companies because of concerns raised by these companies about the privacy implications of the Department's requests for assistance. In some instances, these concerns have led to legal challenges. For example, as described in additional detail in the section on Cybersecurity, the recent dispute between the Department and Apple over obtaining access to information from the iPhone used by one of the San Bernardino attackers, highlights the challenge of obtaining investigative information from terrorists who communicate using encryption while protecting the privacy interests of law-abiding individuals. In another instance, Twitter recently sought to publish the number of secret orders it received from the government that required the company to turn over its customers' information, claiming that government-imposed restrictions on disclosing this information violated the company's First Amendment rights.

The disputes with Apple and Twitter, as well as the public debate about the appropriate scope of government surveillance, have highlighted the tension between security and transparency. The former Director of the National Security Agency, General Michael Hayden, explained the need to balance these considerations in this way: the federal government must provide the American people enough transparency to ensure that they understand what the government does to keep them safe without divulging so much information that it would hinder the government's ability to keep them safe.

The Office of the Inspector General's (OIG) oversight of the Department's counterterrorism efforts is intended to provide both transparency and accountability so that the public and policymakers can assess whether the Department is appropriately balancing privacy and security interests, and whether it is collecting and handling information in a manner that complies with federal law. For example, on June 2, 2016, the OIG submitted to Congress a classified version of a report on the FBI's use of Section 215 orders under the *Foreign Intelligence Surveillance Act* between 2012 and 2014, and its handling of non-publicly available information concerning U.S. persons received in response to these orders. An unclassified version of the report was released in September 2016. The report concluded that the process used by the FBI to obtain business records orders contained safeguards that protected U.S. persons from unauthorized collection, retention, and dissemination of information about them.

The Department's sharing of terrorist threat information and coordination of its operations with other entities involved in counterterrorism activities across the federal government also continue to be a focus of the OIG's oversight work. For example, as noted above, our office participated in a joint review with three other OIGs of information sharing prior to the Boston Marathon Bombings. We currently are conducting a joint review with the Inspectors General of the Intelligence Community (IC) and DHS that focuses on the domestic sharing of counterterrorism information. This review will identify and examine the federally supported field-based intelligence entities engaged in counterterrorism information sharing to determine their overall missions, specific functions, capabilities, funding, and personnel and facility costs. The review also will determine whether counterterrorism information is being adequately and appropriately shared with all participating agencies and will identify any gaps and/or duplication of effort among the entities.


Source: OIG

Additionally, the OIG is conducting a review of the handling of known or suspected terrorists (KST) admitted into the federal Witness Security (WITSEC) Program. The review will examine practices for watchlisting and processing encounters with KSTs participating in the WITSEC program, and procedures for mitigating risks to the public through restrictions placed on this high-risk group of program participants. This is a follow-up review to our 2013 report, which found that the Department did not authorize the disclosure to the Terrorist Screening Center of new identities provided to KSTs and their dependents who were admitted into the WITSEC Program. This potentially allowed KSTs to use their new government-issued identities to fly on commercial airplanes and evade one of the government's primary means of identifying and tracking terrorists' movements and actions. Separately, the OIG has initiated a review of the FBI's efforts to protect seaports and maritime activity. That review is examining the FBI's roles and responsibilities for assessing maritime terrorism threats, preventing and responding to maritime terrorist incidents, and coordinating with DHS components to ensure seaport security.

The Department also faces a continuing challenge in countering the threat to the United States from foreign governments. For example, in August 2016, an FBI employee pled guilty to acting as an agent of China for providing restricted and sensitive FBI information to the Chinese government. Moreover, as we note in the Cybersecurity section of this report, recently DHS and the Office of the Director of National Intelligence identified Russia as directing a campaign of attacks intended to interfere with the U.S. election process. These examples highlight the importance of the Department remaining vigilant in its counterintelligence efforts against foreign adversaries to protect the nation's security.

Leveraging Emerging Technologies While Safeguarding Privacy

Concerns about the appropriate balance between security and privacy also will arise as the Department determines how to leverage emerging technologies that provide law enforcement with valuable information, such as geolocation or facial recognition technologies, while ensuring that the technology is used responsibly and lawfully. In 2013, the OIG released an interim report on the Department's use of Unmanned Aircraft Systems (UAS), or drones, in law enforcement operations and issued a final report in March 2015. The interim report found that in light of the technological capabilities of UAS, especially those raising unique privacy and evidentiary concerns, the Department should develop UAS-specific policies to guide the law enforcement components' use of this technology. In May 2015, the Department established policy guidance on the use of UAS, including privacy and civil liberties protections. Separately, in September 2015, the Department issued a new policy for the use of cell-site simulators that requires, among other things, that law enforcement agents obtain a search warrant before deploying the devices.

The effects of technology on Department operations were highlighted earlier this year when a senior Department official testified about the legal standards used by the Department to obtain various types of geolocation information. This official pledged that the Department is dedicated to ensuring that its policies and practices comply with applicable laws and uphold the Department's long-standing commitment to individuals' privacy and civil liberties. Continued oversight is required to ensure that the Department adheres to this commitment. For example, a report issued in May 2016 by the Government Accountability Office (GAO) found that although the Department has an oversight structure in place to help ensure the privacy of facial recognition data, the FBI did not update privacy guidelines for the system until 3 years after it began conducting facial recognition searches, and did not conduct sufficient testing to ensure the accuracy of search results. Given the sensitivity of biometric and geolocation data, and the proliferation of devices capable of capturing this type of information, the Department will need to ensure that its policies continue to evolve appropriately with technology.

Safeguarding national security must continue to be a top priority for the Department, and balancing this mandate with ensuring appropriate protection of privacy and civil liberties will continue to be a challenge. The Department has acknowledged that the challenges raised by modern technology are complex and that the agency will need to remain agile to address them. As both threats and technology evolve, the Department must continually reevaluate its national security efforts in order to appropriately safeguard the interests of the homeland and U.S. citizens.

Enhancing Cybersecurity in an Era of Increasing Threats

The cyber threat to the nation is growing and cyber intrusions are becoming increasingly commonplace, dangerous, and sophisticated. The FBI has stated that it continues to see an increase in the scale and scope of malicious cyber activity as measured by the amount of corporate data stolen or deleted, personally identifiable information compromised, and remediation costs incurred by victims. In order to protect the homeland in the digital age, the Department must continue to prioritize addressing these evolving cyber threats. Recent high profile cyber breaches, including those that reportedly may even have the potential to impact voting systems, demonstrate the importance of the Department remaining vigilant in combating cyber threats. Key to the Department's efforts will be its success in developing and maintaining a capability to identify the individuals or organizations responsible for intrusions. Challenges in this regard include the expanded use of encryption that can limit law enforcement from gaining access to critical investigative information and the recruitment and retention of technically-trained, highly-skilled cyber professionals to support the Department's cybersecurity mission. The Department must also take steps to guard against loss of data on its own computer systems. To this end, the Department's FY 2017 budget request provides $900 million to defend and protect Department networks, mitigate insider threats, investigate and prosecute criminal and terrorist cyber activity, and guard against identity and intellectual property theft and financial fraud, including a $175 million increase for FBI cyber investigation investments.

Strengthening the Nation Against Cyber Intrusions


Source: FBI website

Cyber intrusions that threaten the nation's security are among the highest priority matters investigated by the Department. One of the challenges for the Department in this area is detecting and deterring cyber intrusions before they occur rather than reacting to them after they have succeeded. Among the most dangerous cyberattacks are intrusions directed toward our national security, intellectual property, and democratic system by nation-states, nation-state sponsored hackers, global cyber syndicates, and so-called "botnets." According to FBI Director Comey, China, Russia, Iran, and North Korea present the most prominent nation-state cyber threats. As recently as October 2016, DHS and the Office of the Director of National Intelligence identified Russia as directing a campaign of attacks intended to interfere with the U.S. election process, with the goal of stealing and disclosing information intended to interfere with that process. This highlights the very serious potential consequences of a successful cyberattack. The stakes are high and, in an environment where actors are rapidly changing their tactics and techniques, the Department must ensure it remains agile in responding to cyber threats.

Given that the cyber threat is multi-faceted, the Department must continue to develop relationships with the private sector, state and local law enforcement, and global partners to effectively combat cyber threats. The frequency and impact of cyberattacks on the nation's private sector networks have increased dramatically in the past decade and are expected to continue to grow, making such partnerships between the public and private sectors critically important. The *Cybersecurity Information Sharing Act of 2015* is intended to encourage companies to voluntarily share information about cyber threat indicators with federal, state, and local governments, as well as other private entities. However, as Director Comey observed in August 2016, it can be difficult to get the private sector to report system breaches to law enforcement. Sharing cyber incidents with the government (or other organizations) can expose a private company's network vulnerabilities and bring negative publicity, as well as create negative repercussions for multinational organizations that seek to do business in the very countries that may be sponsoring the cyberattacks.

Source: FBI website

The Department also faces challenges protecting its own systems. In response to the Office of Personnel Management (OPM) data breach in June 2015, the Department implemented various solutions to strengthen network security. This did not, however, prevent the February 2016 breach of Department data that exposed the contact information of 20,000 FBI employees. This "social engineering attack" was reportedly accomplished by a hacker posing as an employee to break into networks used by the Department's Civil Division by tricking staffers at an IT help desk into disclosing critical information. Department employees—the end users on the government's computer systems—are the first line of defense against cyberattacks of this type and the Department must continue to increase its security awareness in order to help thwart such threats.

Insider threats pose yet another cyber challenge to the Department. For example, as devices and technology become increasingly portable and outsourced, the Department's ability to detect and deter improper or unlawful activity by its employees will continue to be tested. President Obama signed an executive order in October 2011 requiring federal agencies to establish an insider threat detection and prevention program for their classified information. In accordance with this directive, the Department established such a program designed to detect patterns and indicators of insider threats. The OIG is currently examining the FBI's Insider Threat program to evaluate its ability to deter, detect, and mitigate insider threats. While the Department must be vigilant to detect insider threats, it must be careful not to allow such efforts to chill whistleblowers, who perform an important service to the Department and the public when they come forward with information regarding what they reasonably believe to be wrongdoing or mismanagement.

Unlocking Encrypted Messages to Fight Crime and Terrorism

Director Comey has stated that the growing use of encryption, which shields communications from all but those sending and receiving the messages, is one of the most pressing problems for law enforcement. As technology continues to evolve, the Department has sought to have the tools and methods it says it needs to gather evidence on terrorists and criminals who are increasingly using technology to hide their actions from law enforcement. For example, the FBI and others in law enforcement have said that investigations have stalled because of unlockable electronic devices. The FBI stated that in the first 10 months of FY 2016, it was unable to unlock 650 of 5,000 electronic devices investigators attempted to search. To address this challenge, the Department has requested $38 million for anti-encryption technology and research as part of its FY 2017 budget request. This issue recently attracted substantial public attention during the Department's legal battle to compel Apple to create special software to unlock the phone of one of the alleged terrorists involved in the San Bernardino shooting. Department attorneys argued before a federal judge that law enforcement should be permitted to obtain an order requiring Apple to assist them with their investigation; attorneys for the company argued in response that, among other things, developing such a "back door" would have the effect of violating the privacy expectations of its customers and leave consumers vulnerable to hackers if the decryption tool fell into the wrong hands. The FBI successfully unlocked the San Bernardino phone with the assistance of a third party before the court rendered a decision in the dispute with Apple, but the broader issue and challenge remain.

The darknet presents another challenge for the Department in identifying criminals acting in an anonymous environment of increasing sophistication. The darknet is a part of the Internet that uses techniques, including special network configurations and encryption, allowing users to communicate anonymously. The darknet offers those attempting to evade law enforcement a means in which to commit a wide range of cybercrimes. These crimes can include hacking into non-authorized systems, disabling websites, or disseminating ransomware, which is malicious software used to lock the computer of an unsuspecting website visitor and require them to pay ransom to have their computer unlocked. The darknet can also shield individuals engaging in other criminal activities, such as child pornography and narcotics trafficking. It is difficult for law enforcement to identify individuals committing crimes using the darknet because they often use crypto-currencies such as Bitcoins, which allow users to remain anonymous. Although the FBI had success shutting down the Silk Road, a well-known darknet market for contraband, a successor darknet market reportedly soon replaced it, illustrating how important it will be for the Department to adjust to rapidly changing cyber environments.

Hiring Highly-Skilled Cyber Professionals

Attracting highly-skilled, technically-trained cyber professionals is a persistent challenge for the Department. Cyber professionals are in high demand in the private sector, potentially putting the government at a competitive disadvantage when it comes to recruiting these individuals. The FBI has noted that the significant salary gap between public and private sector positions can deter individuals from applying for jobs in the federal government and that many applicants are unable to pass the rigorous background investigation the FBI conducts on all potential employees. The pay gap and background screening issue have left the FBI often understaffed in this critical area. As we noted in a March 2016 report about an FBI computer forensic laboratory in New Jersey, the lack of qualified examiners with advanced training was a primary cause of the backlog of cases. It is imperative that the Department continue to develop new and creative hiring and retention strategies to attract highly skilled cyber professionals.

As the frequency and impact of cyber intrusions continue to increase and the nature of the attacks continues to change, the Department will be challenged to shift more of its efforts from reacting to attacks to preventing them. The Department must continue to prioritize resources to anticipate and prevent cyber intrusions, identify and investigate cyber actors before they strike, and engage with private sector partners and others in state and local law enforcement and abroad to accomplish this. And, while looking outward to protect from the cyber threat, the Department must also continue to focus on ensuring the security of its own computer systems and data. The Department must also marshal resources to address the impact of encryption, while at the same time recognizing and protecting civil rights and civil liberties. Finally, the Department faces the daunting challenge of creatively recruiting highly skilled cyber professionals to address these concerns.

Managing an Overcrowded Federal Prison System in an Era of Limited Budgets and Continuing Security Concerns

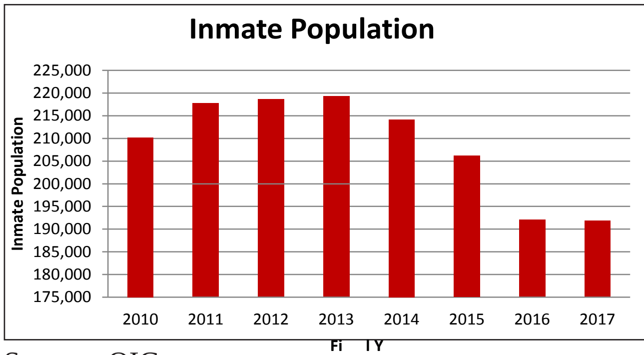
Confining offenders in prisons and community-based facilities that are safe and humane, while controlling costs and the size of the inmate population, is the constant challenge faced by the Federal Bureau of Prisons (BOP). While the inmate population has dropped 3 years in a row, falling to 192,170 at the end of FY 2016, overcrowding remains a challenge. As of September 30, 2016, BOP's institutions remained 16 percent over rated capacity, and high security institutions were 31 percent over rated capacity. This is a significant concern because more than 90 percent of high security inmates have a history of violence. The BOP's strategic plan says its goal is to achieve an overall overcrowding level "in the range of 15 percent." Thus, the Department continues to face a multi-faceted crisis in the federal prison system—addressing overcrowding while controlling spending and meeting the increasing resource needs of a changing inmate population.

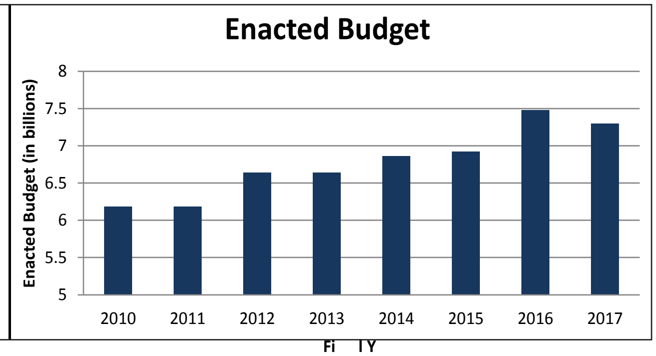
Containing the Cost of the Federal Prison System


Source: DOJ

While the Department faces the challenge of maintaining safety and security in the federal prison system, it must continue to look for ways to contain costs. For the first time in recent years, the BOP has requested fewer funds for the FY 2017 budget—$7.3 billion—than the current funding level of $7.48 billion. Despite this, the BOP currently has the largest budget of any Department component other than the FBI, accounting for more than 25 percent of the Department's discretionary budget in FY 2016. Moreover, the cost of the prison system remains well above the $6.2 billion level of spending in FY 2010. Department spending on the federal prison system impacts its ability to fund other important Department operations, such as its critical law enforcement and national security missions. As such, it is imperative that the Department manage the prison system in the most cost-efficient manner possible.

To accomplish this, the Department must consider innovative solutions to contain costs. For example, inmate medical care continues to be a major part of BOP's overall spending, and is an area that needs to be monitored closely. From FY 2010 to FY 2014, BOP spending for outside medical services increased 24 percent, from $263 million to $327 million. A June 2016 OIG report found these rising costs were due, in part, to BOP being the only federal agency that pays for medical care without being able to rely on a federal statute or regulation that could limit BOP's reimbursement rates to those set by Medicare. In addition to rising medical costs, the BOP also is facing medical staffing shortages, as described in a March 2016 OIG report, which found that recruitment of medical professionals was one of the BOP's greatest challenges and that staffing shortages (a) limit inmate access to medical care, (b) result in an increased need to send inmates outside the institution for medical care, (c) contribute to increases in medical costs, and (d) can also impact prison safety and security.





Source: OIG

The Department must also take additional steps to ensure that it releases inmates when their sentences are complete. In a May 2016 OIG report, we found that of the 461,966 inmates released between 2009 and 2014, the BOP released 152 inmates from prison too late and 5 prisoners too early as a result to staff error. Being released late from prison is unjust and raises serious civil liberties concerns. Moreover, in addition to the enormous personal costs to inmates, these errors can result in additional litigation, settlement, and imprisonment costs, all borne by taxpayers.

Ensuring the Security of Inmates, Staff, and the General Public

The Department must continue its efforts to ensure the safety and security of staff, inmates, and the general public in federal prisons. In this regard, the smuggling of contraband into federal prisons remains a serious and significant problem, and addressing it must remain a high priority for the BOP. Preventing the physical and sexual abuse of inmates is also a critical safety responsibility for the Department, the role of which was expanded by the *Prison Rape Elimination Act of 2003*. Our Investigations Division continues to investigate allegations of contraband smuggling, bribery, and physical and sexual abuse of inmates by BOP employees. In FY 2016, these types of allegations resulted in 79 BOP employees receiving administrative sanctions or resigning while under investigation, and 50 BOP employees being convicted criminally.

In June 2016, the OIG evaluated BOP's contraband interdiction efforts and highlighted several areas the BOP must address in order to better tackle this problem. For example, our review found that the BOP's staff search policy lacks comprehensiveness to effectively deter staff from introducing contraband, which continues to pose a security concern to inmates, staff, and the public. From FYs 2012 to 2014, the BOP reported recovering over 21,000 contraband items in its institutions, including cell phones (the most common), narcotics, weapons, and tobacco. Another area of concern is BOP's operation of its armories, where prisons store emergency equipment such as firearms, ammunition, and other defensive gear. In a March 2016 report, we found weaknesses in BOP's armory controls that increased the risk that critical equipment could be lost, misplaced, or stolen. BOP needs to tighten these controls to reduce the risk of munitions and equipment falling into the wrong hands.

The Department faces similar challenges ensuring safety and security at its private or contract prisons. An August 2016 OIG report found that these prisons, which house mostly low security foreign national inmates, incurred more safety and security incidents per capita in a majority of the key categories we examined than comparable BOP institutions housing low security inmates. For example, in addition to a contraband seizure rate 8 times higher than that of BOP-run institutions, contract prisons also experienced higher rates of assaults both by inmates on staff and vice versa. The week after our report was issued, the Department announced it intends to phase out the use of contract prisons by either declining to renew current prison contracts or working to "substantially reduce" the scope of existing contracts. As efforts to phase out the use of contract prisons move forward, the Department will need to carefully manage the inmate population to ensure that it does not exacerbate overcrowding in BOP-run institutions.

Managing Department Programs That Also Can Impact Inmate Population Numbers

Further compounding BOP's challenge to ensuring inmate safety and security is the continued overcrowding of the federal prison system. This problem cannot be addressed by the BOP alone, given that it has little control over the number of inmates it is charged with safely housing. Rather, multiple Department-level efforts may impact the overcrowding and cost concerns facing the federal prison system. In August 2013, the Department launched its Smart on Crime initiative with the goal of reforming the federal criminal justice system by, among other things, curbing reliance on incarceration for less dangerous offenders. Proposed reforms include requiring U.S. Attorneys' Offices (USAO) to modify their guidelines for when federal prosecutions should be brought, limiting the use of mandatory minimums and enhancements for repeat low-level, non-violent drug defendants, and enhancing prevention and reentry efforts at each USAO. In December 2015, the OIG initiated a review of the Department's implementation of certain principles regarding prosecution and sentencing reform it announced in its Smart on Crime initiative.


Source: DOJ

As part of Smart on Crime, federal prosecutors are encouraged to consider alternatives to incarceration, such as pretrial diversion and diversion-based court programs, in appropriate cases involving non-violent offenders. In July 2016, the OIG released an audit that found the Department cannot fully measure the success of its diversion programs because neither the Executive Office for United States Attorneys (EOUSA) nor the USAOs are adequately tracking this information. Furthermore, we found a wide disparity between how often these programs are used by different USAOs. For example, while one district diverted as many as 326 defendants, other districts diverted none. In line with the OIG's findings, the GAO echoed the same concerns in its own June 2016 report on the Department's use of alternatives to incarceration. Mirroring our findings, the GAO report also suggested that the Department would benefit if it could better measure the success of its different pretrial diversion programs.

Another area where the Department can make strides is by improving how the BOP prepares inmates for release into the community. During the past 3 years, the BOP has released nearly 125,000 federal inmates into residential reentry centers, home confinement, or directly into communities. Although the BOP invests a considerable amount of money each year into its reentry programs and requires that most sentenced inmates participate in its Release Preparation Program (RPP), the OIG found in an August 2016 review that it has no performance metrics to determine whether its RPPs are successful. In fact, the last BOP study on the overall recidivism rate for federal inmates occurred more than 20 years ago. The BOP must begin measuring both the overall recidivism rate for federal inmates, as well as how successful each prison has been in preparing inmates for release, so the Department can better determine which facilities and programs deserve to be funded and expanded, and which programs should be ended. The good news is the BOP told us it is currently working on a study to fill this knowledge gap and that, for the first time since 1994, it aims to release recidivism rates in FY 2017.

Although the Department makes clear that its Clemency Initiative, announced in April 2014, is not intended as a means to reduce the number of inmates, grants of clemency have an effect on the inmate population. As conceived, the Department said it would prioritize clemency applications for non-violent, low-level offenders. In February 2016, the OIG initiated a review of the Department's handling of the executive clemency process, with an emphasis on assessing the procedures followed by the Department and the impact of the Department's new criteria for prioritizing commutation petitions. While our review is ongoing, the number of inmates granted clemency by the President has increased significantly this past fiscal year, with 95 inmates granted clemency in March, 58 inmates in May, 42 inmates in June, and another 325 in August. As FY 2016 came to a close, the President had commuted 583 sentences, compared to 79 the year before.

Another program that has the potential to impact the prison population is the Department's Compassionate Release Program. In August 2013, the BOP announced, as part of the Smart on Crime initiative, that it was expanding its criteria for inmates seeking compassionate release to include elderly inmates. This change allowed inmates age 65 and older, of which there were 4,384 in BOP custody at the time, to request a reduction in sentence if they meet certain criteria. However, our subsequent report on the BOP's aging inmate population, released in May 2015, found that during the first year the new BOP policy was implemented only 2 of the 348 inmates who applied were released under the new provisions. While the number of inmates released under these provisions in FY 2015 increased, in FY 2016 the BOP released only 5 inmates, despite a 65-percent increase in applications. In February 2016, the Inspector General appeared before the U.S. Sentencing Commission and highlighted the concerns we expressed in our report about the age and time served requirements. The Commission adopted significant changes to the U.S. Sentencing Guidelines addressing these issues in April 2016. We will continue monitoring the program to determine whether these changes lead to more use of compassionate release for appropriate inmates.

Another Congressionally-authorized program that could impact the federal inmate population if managed successfully is the International Prisoner Transfer Program, which allows the Department to transfer foreign inmates to their host nations to serve their prison sentence. In an August 2015 status report, the OIG found that the number of inmates transferred under the program had actually decreased since our prior report in 2011, despite a substantial increase in the number of inmates applying for such transfers. Using FY 2013 BOP annual cost data, we found that BOP could potentially save $4.5 million by transferring just 1 percent of inmates who applied and were ultimately transferred. The OIG's status report recommended that Department leadership boost the effectiveness of this program by actively engaging with treaty transfer partners, and the Department has since taken some steps to encourage treaty nations to accept more inmates. Yet, despite its efforts, over the past 3 years the number of foreign nationals transferred to treaty nations has sharply declined. In fact, since FY 2014, the Department has transferred just 436 inmates (averaging 145 inmates per year), its lowest total in more than a decade, down from the 227 per year average between FY 2011 and FY 2013.

The operation of the federal prison system presents a host of continuing challenges for the Department. While it has taken positive steps in some areas, such as its plan to determine and release recidivism rates that will help it evaluate the efficacy of its programs, there is still substantial progress to be made. Indeed, BOP will need to make progress on a number of fronts if it is to achieve its mission of confining offenders in "prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens."

Strengthening the Relationships Between Law Enforcement and Local Communities Through Partnership and Oversight

Recent shootings by, and of, local law enforcement officers have raised serious questions about the relationship between law enforcement and the communities they serve. As Attorney General Lynch recently observed, the loss of life among civilians and law enforcement, "brings pain not just to individual communities, but to our entire nation." The Department's burden continues to be to determine how best to assist in solving a problem that manifests itself locally, yet has an indisputable effect on the Department, federal law enforcement, and the country as a whole. There are at least five ways where the Department plays a critical role in this area: (a) creating an effective data collection system to accurately understand police use of deadly force; (b) partnering with state and local governments, and local law enforcement agencies, through grants programs; (c) monitoring and assisting with the reform of police departments that are found to have engaged in a pattern or practice of unlawful or unconstitutional misconduct; (d) investigating and prosecuting law enforcement officers, whether local, state, or federal, who violate federal civil rights laws; and (e) assisting in the response to civic unrest as needed when an incident of police-community violence does occur. The challenge for the Department is how to address these areas when it has limited resources to use, limited jurisdiction upon which to act, and limited impact over local crime fighting.

Compiling Accurate and Complete Data on Law Enforcement Shootings

Source: OJP website

For government decision-makers and the public to better understand the issues raised by law enforcement shootings, there needs to be data that adequately measures the nature and scope of the issue. The *Violent Crime Control and Law Enforcement Act of 1994* requires the Department to collect "data about the use of excessive force by law enforcement officers" and issue an annual report regarding such data. In addition, pursuant to the Death in Custody Reporting Act, state and local law enforcement agencies face grant funding reductions if they do not report to the Department information regarding the death of any person while in law enforcement custody, including while under arrest. Nonetheless, the Department has historically struggled to collect adequate data regarding officer-involved shootings and excessive use of force by law enforcement officers, because state and local law enforcement agencies are not legally required to provide such data to the federal government. Thus, FBI Director Comey has emphasized that the Department needs "more and better information," including better data "related to officer-involved shootings...and attacks against law enforcement officers," which he said would help inform the "passionate, important conversations" we are having "in this country about police use of force."

In October 2016 Attorney General Lynch announced that the Department has taken several steps toward improving its collection of this critical data. These include: (a) the FBI's partnership with local, state, tribal, and federal law enforcement to create a National Use-of-Force Data Collection Program, which is expected to be piloted in early 2017 and include data regarding instances where a law enforcement officer discharges a firearm at a person as well as instances where the use of force results in death or serious bodily injury; (b) the Bureau of Justice Statistics issuance of a draft proposal outlining its plan for collecting death-in-custody data from state and local law enforcement agencies; (c) the Attorney General's issuance of a memorandum to federal law enforcement agencies notifying them of their obligation to comply with the *Death in Custody Reporting Act*, beginning with FY 2016 data; and (4) the creation of a new Office of Community Oriented Policing Services (COPS)-administered Police Data Initiative that will collect and publicly release data from law enforcement agencies regarding stops and searches, uses of force, and officer-involved shootings.

The Department's challenge will be to collect and organize the data collected through each of these efforts to improve the nation's understanding of this problem, and to help local, state and federal law enforcement search for creative solutions based on this information. In that regard, complete, timely, and reliable data is essential so that the nation may have informed policy discussions about this subject.

Using Grants To Assist Local Law Enforcement With Hiring, Equipment and Training

One of the Department's greatest challenges is to figure out what state and local efforts to support and how to best do so with its limited resources. The primary method it has relied on to date is to partner with state and local law enforcement by offering grants for hiring, equipment, training, research, and other efforts to assist them and improve police-community relations. By offering grants to local communities from COPS, Office of Justice Programs (OJP), and Office on Violence Against Women (OVW), the Department has the potential to provide important assistance to local law enforcement. For example, the COPS Hiring Program recently announced \$119 million for hiring community policing officers. This year's grants mark over \$14 billion to advance community policing since 1995, with approximately 129,000 police positions funded. The challenge for the Department is to ensure that its grant funds are wisely spent and promote sustainable and effective initiatives so as to maximize the impact in assisting communities in preventing violence between police and communities.

Source: COPS website

Body cameras used by state and local law enforcement have the potential to assist in furthering transparency and accountability in encounters between citizens and the police. Last year OJP awarded nearly \$20 million to law enforcement agencies in 32 states through the *2016 Body-Worn Camera Policy and Implementation Program*. Through such programs, we believe the Department should continue working to ensure that its limited grant funding is being used to support positive reforms in local policing.

Another challenge for the Department is to look for ways to help local law enforcement standardize its training and practices to aid with the safe and effective fulfillment of their responsibilities, strengthen professionalism, and thereby enhance the ability to reduce community tensions. Both OJP and COPS have developed technical assistance programs that target improving police department practices and community relations. Specifically, OJP's Diagnostic Center provides systems analysis and recommendations related to improving or deploying data to drive justice reform, such as assessing early intervention systems to improve officer accountability. Under the Collaborative Reform Initiative, COPS provides a more comprehensive assessment of requesting police departments' operations to identify issues that may affect public trust, including use of force practices, and issues public recommendations consistent with best practices in policing. A similar but separate COPS effort, the Critical Response Technical Assistance program, offers a more focused assessment of how police departments handle procedures related to particular high-profile events and incidents or sensitive issues. And lastly, the Department has announced its intention, as part of some training grants, as well as through internal training for the four federal law enforcement components and Department attorneys, to address the issue of implicit bias at all levels in the justice system. To multiply the effect of its prevention dollars, the Department might consider providing grants for law enforcement agencies to obtain accreditation through recognized providers to supplement efforts to increase professionalism and improve community relations. Such an initiative may fit with the recent efforts at direct outreach by Attorney General Lynch during her nationwide community policing tour.

Providing Oversight through Pattern or Practice Investigations

While it seeks ways to assist local police departments through its grants, the Department also plays a critical oversight role through its Civil Rights Division (CRT) in ensuring that police departments act in accordance with the Constitution and federal statutes. CRT investigates law enforcement agencies across the nation to address allegations of excessive force; unlawful stops, searches, or arrests; and discriminatory policing. Under the *Violent Crime Control and Law Enforcement Act of 1994*, it is unlawful for law enforcement officers to engage in a pattern or practice of conduct that deprives individuals of rights protected by the Constitution or federal statutes, and the Department may initiate a civil action when it has reasonable cause to believe that such conduct has taken place. Thus, under 42 U.S.C. § 14141, CRT conducts "pattern or practice" investigations through which it endeavors to address local issues and create models for effective and constitutional policing nationwide. With approximately 18,000 state and local law enforcement agencies throughout the country, however, the challenge for CRT is to identify where and how it can best target Departmental attention and resources to maximize its impact. In the past 7 years CRT has opened "pattern or practice" investigations on 23 police departments across the country, and is currently enforcing 17 agreements with law enforcement agencies, including 14 consent decrees and one post-judgment order. The OIG is currently conducting an audit of CRT's efforts to address patterns or practices of police misconduct, including how CRT identifies and selects matters for investigation, the role of the Department's grant programs in addressing or preventing such conduct, and how these efforts are coordinated.

The challenge for CRT is to be able to select and conduct investigations and enforce resulting consent decrees in ways that effectively address unconstitutional practices, ensure accountability, and increase community confidence in both local law enforcement departments with high-profile problems and those with less well known issues. Further, transparency in the CRT process can assist other local law enforcement entities in assessing and improving their own operations.

Investigating and Prosecuting Violations of Federal Civil Rights Laws

In addition to helping reform troubled police agencies through grants and oversight, the Department, through CRT's Criminal Section and USAOs around the country, also prosecutes law enforcement officers for violating individuals' civil rights. During the last 8 years, the Department has charged more than 480 defendants, most of whom were local, state, and federal law enforcement officers, with committing willful violations of constitutional rights under color of law and related offenses. Here, too, the Department must determine how to best use its limited resources in what are resource-intensive cases. In doing so, the Department must carefully consider where federal investigation and prosecution is appropriate, taking into account local conditions and interests and the state or local jurisdiction's ability and willingness to prosecute effectively, as laid out in United States Attorneys' Manual Title 9-27.240. The challenge for the Department then is to determine when federal intervention is warranted in these difficult and often high-profile cases.

Providing Support To Communities in Emergency Situations

Finally, if prevention fails and civic unrest directed at local law enforcement threatens or begins to unfold, the Department faces the challenge of effectively using its limited resources to provide conciliation services and to ensure they are effective in addressing difficult local situations. The Department's Community Relations Service (CRS), created by the *Civil Rights Act of 1964*, is authorized to provide emergency response support through the deployment of conciliators to affected communities. As CRS's Strategic Plan notes, "timing is essential in preventing community tensions from erupting into violence." However, CRS is a relatively small Department component, with a staff allocation of 74 employees, 28 positions currently unfilled, and a budget of $14.5 million in FY 16. Ensuring appropriate and effective deployment of these limited resources, at a time when numerous communities are facing these issues, is an important challenge for the Department.

Source: CRS website

Ultimately, the Department must work through all these critical issues to determine how to optimally use its limited but substantial resources and personnel to help improve the relationship between law enforcement and the public they serve. Through effective data collection tools, efficient and effective use of grant programs, oversight through pattern or practice investigations and criminal prosecutions where warranted, and response support when needed, the Department can act in multiple ways to strengthen relationships among law enforcement and the communities they serve. These efforts, if successful, can maximize the safety of citizens while protecting the Constitutional rights guaranteed to all Americans.

Helping to Address Violent Crime Through Effective Management of Department Anti-Violence Programs

While state and local law enforcement has primary responsibility for addressing street crime, including in responding to the increases in violent crime that certain communities in our nation are facing, the Department plays an important role in those efforts. Indeed, the Department's strategic plan identifies combating violent crime as one of four "priority goals" and the Department has a number of initiatives underway to accomplish this. These include law enforcement efforts by the Department's law enforcement components and USAOs; technical assistance to state, local, and tribal governments by law enforcement and grant-making components; and grant funding for a wide array of violence-related issues and programs through OJP, OVW, and COPS. For example, the FBI operates more than 160 Safe Streets Task Forces that partner with state and local law enforcement to investigate gang and drug-related violent crime, and the Bureau of Justice Assistance has created the Violence Reduction Network, which is designed to provide enhanced technical assistance and other services to select cities that are addressing serious problems with violent crime. In addition, the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) has made addressing violent crime a leading priority and has established task forces focused on gang and firearms-related violence. The Department also has placed increased emphasis on violence prevention and reentry programs through its "Smart on Crime" initiative.

Source: OJP website

The United States as a whole currently is enjoying some of the lowest reported rates of crime and violent crime in decades, with the overall crime rate reported by the FBI for 2015 roughly half of what it was in 1990. Unfortunately, despite such reductions in nationwide reported crime rates, many neighborhoods remain plagued by violence. Areas within localities such as Baltimore, Chicago, Detroit, East St. Louis, and Flint continue to face the problem of entrenched violence, each with reported rates of crime that are many multiples of the national average. Overall, the reported murder rate rose nearly 11 percent nationally in 2015. But in some cities the increases were far more dramatic, such as Baltimore which experienced nearly a 63 percent increase to approximately 55 murders per 100,000 inhabitants. Gangs—national and neighborhood-based—contribute significantly to the violence problem. According to the 2015 National Gang Report from the FBI-sponsored National Gang Intelligence Center, gangs continue to grow, and they are expanding their criminal activities, thus posing "a significant threat to law enforcement and to the communities in which they operate."

In addition to the incalculable loss of human life, in some neighborhoods residents live in fear of being caught in the crossfire of gang fighting, exacting a significant social and economic cost. According to researchers at the University of Chicago, the total annual social and economic cost to the City of Chicago and its residents related to violence of this sort totals in the billions of dollars. Similarly, researchers at Temple University have evaluated the harms that gangs inflict on communities and identified 16 characteristics other than violence; these include economic factors, fear from intimidation, and interference with schooling.[1]

[1] Ratcliffe, Jerry H., Harms of Violent Street Gangs - How Do Gangs Harm Their Communities (October 10, 2015) at 1.

Americans are highly cognizant of the harm caused by violent criminals. A Gallop poll taken in April 2016 showed that concern over crime had reached a 15-year high, with 53 percent of poll respondents stating that they worried “a great deal” about crime and violence. As Attorney General Lynch noted in September 2016, “nothing threatens the vibrancy of our communities and the well-being of our people as severely as violence. Violent crime endangers lives, destroys families and paralyzes neighborhoods. It stifles opportunity and spreads fear. It deters investment and discourages education.”

The OIG in the past has evaluated aspects of the Department’s management of its anti-violence programs. For example, we have evaluated the level of coordination between the Department’s violent crime task forces; ATF’s implementation of its Violent Crime Impact Team initiative, which was designed to reduce homicides and other firearms-related violent crimes; and the intelligence and coordination activities of the National Gang Intelligence Center and the National Gang Targeting, Enforcement, and Coordination Center. In each of these reviews we identified important areas for improvement.

In an environment of limited government resources, we believe that it is essential for the Department to pay especially close attention to its stewardship of its anti-violence resources in light of the stakes involved. In order to better understand the Department’s approach to management of its current violent crime initiatives, the OIG has initiated a review that is examining the Department’s strategic planning and accountability measures for combating violent crime. Strategic planning is a basic management discipline used by businesses and the military, as well as law enforcement agencies, to help ensure that limited resources are directed to the most pressing problems and effectively disbursed. There are numerous examples of these efforts in the violent crime area, such as the strategic plan and implementation measures developed by the Memphis Shelby Crime Commission in Memphis, Tennessee, and the planning process employed by UnifiedErie, a community effort to reduce crime and violence in Erie, Pennsylvania. These and other examples show the many benefits of planning, including improved decision making and performance and, as a leading academic in the field of strategic planning has described, the creation of “significant and enduring public value.”[2]

Source: UnifiedErie website

Our pending violent crime review is examining planning activities throughout the Department, to include the law enforcement and grant-making components, Main Justice, and USAOs, and attempting to better understand how the Department is evaluating risk and allocating its violent crime resources. Among the issues we are examining more closely are whether the FBI’s own advances in planning techniques might offer some important lessons for the Department as a whole, how the Department has conceived the role of U.S. Attorneys in the fight against violent crime, and whether the tens of millions of dollars that the Department distributes in grants each year are being effectively coordinated within the Department. While local law enforcement clearly has the lead role in efforts to address violent crimes on the streets of our communities, the unique role the Department plays in assisting those efforts through its law enforcement and grant-making components makes it essential that the Department’s programs be carried out effectively and efficiently. We expect our review to assist the Department in those efforts.

2 See John M. Bryson, Strategic Planning for Public and Nonprofit Organizations 4th Ed. (San Francisco, CA: Jossey-Bass), 8.

Ensuring Effective Management and Oversight of Law Enforcement Programs and Promoting Public Trust

The Department is tasked with the Attorney General's highest priorities; among these are enforcing the law, defending the interests of the Unites States, and seeking just punishment for those guilty of unlawful behavior. It relies on the services of over 110,000 employees to manage federal law enforcement programs and meet its mission of ensuring public safety. The same leaders and supervisors responsible for carrying out the crucial mission of the Department are also tasked with responsibility for effective management and oversight of these law enforcement programs and ensuring ethical conduct. The issue of oversight continues to challenge Department supervisors, and how they undertake this responsibility affects whether the Department will be seen by the public as one abiding by high ethical standards; run effectively and within the rules.

Ensuring Effective Management and Oversight of Law Enforcement Programs

Federal law enforcement programs require effective planning, management, and oversight. The inherent risks associated with many of these programs must be balanced with the public's safety, as well the privacy and civil rights of individual citizens. Strong leadership, adept supervision, and effective management are essential elements of this balance. The examples described below illustrate the importance of these efforts.

Source: DOJ

Confidential Source (CS) and Confidential Informant programs are the backbone of federal law enforcement agencies, yet managing these programs has been and continues to be a significant challenge facing the Department. The Attorney General's Guidelines Regarding the Use of Confidential Informants (AG Guidelines) provide guidance to all Department law enforcement components on establishing, approving, utilizing, and evaluating sources. Yet, in the past 4 years, our reviews have found that two of the Department's law enforcement components, the Drug Enforcement Administration (DEA) and ATF, were not in full compliance with the AG Guidelines.

For example, the OIG's July 2015 audit of the DEA's CS Policies and Oversight of Higher-Risk CSs found that the Criminal Division's 2004 approval of the DEA's confidential source policies allowed the DEA to differ in several significant respects from the AG Guidelines' requirements. The DEA's differing policies for reviewing, approving, and revoking CSs' authorization to conduct "otherwise illegal activity" have resulted in DEA personnel being able to use CSs to conduct high-risk activities without the level of review that the AG Guidelines would otherwise require. More recently, our September 2016 audit of the DEA's oversight and management of its confidential source program found that between FYs 2011 and 2015 the DEA did not adequately oversee payments to its sources, which exposed the DEA to an unacceptably increased risk for fraud, waste, and abuse. This is particularly true given the frequency with which DEA offices utilize and pay confidential sources. We found that the DEA had over 18,000 active confidential sources assigned to its domestic offices, with over 9,000 of those sources receiving approximately $237 million in payments for information or services they provided to the DEA. We also estimated the DEA may have paid about $9.4 million to more than 800 previously deactivated sources during that same 5-year period. In addition, we found problems related to the DEA's use of "Limited Use" sources, who are deemed by the DEA to be low-risk and thereby needing less supervision than other sources. Our review showed that the DEA signed up employees of Amtrak and the Transportation Security Administration (TSA) as Limited Use sources, despite the fact that the DEA could have obtained the information provided by these sources at no cost to the DEA. In January 2016, our Investigations Division reported that a single Amtrak employee was paid $854,460 over a 20-year period ending in January 2014 thereby wasting substantial government funds. Our audit, meanwhile, found that between FYs 2011 and 2015, the DEA paid at least 33 Amtrak employees a total of $1.5 million and 8 TSA employees a total of more than $94,000.

The DEA is not alone in struggling in this critical area. In our 2012 review of ATF's Operation Fast and Furious, we determined that the Department had never amended the AG Guidelines to include ATF in its coverage, even though ATF became a part of the Department in 2003. Our report recommended that the Department examine ATF's policies to ensure that they were in compliance with the AG Guidelines and other Department policies. In a follow-up review that the OIG released in February 2016, we noted that the Department believed that ATF's law enforcement policies complied with DOJ policies with three exceptions, each of which were addressed with revisions to ATF policy. The OIG is currently performing an audit of the ATF's management and oversight of its confidential informants.

To effectively protect Americans at home, the Department's law enforcement components often must partner with foreign nations and conduct operations overseas. The relationships that these agencies forge with international law enforcement are essential to the Department's mission but provide unique challenges for the components. In order to conduct successful and often complex investigations of sophisticated criminal targets, agencies within the Department often use extensive undercover or other long-term investigative operations or the expenditure of substantial funds in operation specific areas. However, in recent years, questions have been raised regarding some of these operations. The OIG, in collaboration with the Department of State (State) OIG, is conducting a review of the post incident responses by State and the DEA to three drug interdiction missions in Honduras in 2012, all involving the use of deadly force. The review, among other things, addresses pertinent pre-incident planning, the rules governing the use of deadly force, the cooperation by State and DEA personnel with post shooting reviews, and the information provided to Department leadership, Congress, and the public regarding the incidents.

The Department's law enforcement components also must be reasonable stewards of Department resources with regard to overseas operations. As discussed in more detail in the section on Contracts and Grants Oversight, in March 2016 the OIG found that the DEA expended nearly $8.6 million to purchase a large aircraft to support its counternarcotics efforts in Afghanistan, and that 7 years after purchase, it was inoperable and had never flown to Afghanistan. The DEA's inefficient use of its aviation assets coupled with the number of mission requests declined by the DEA raised serious questions as to whether the DEA was able to meet the operational needs for which its presence was requested in Afghanistan.

Source: DOJ

The Department has a zero tolerance policy for sexual harassment, and it is imperative that the Department's law enforcement components, in rule and practice, comply with this policy. Essential to ensuring that this policy is made a reality is the handling of sexual harassment complaints. In March 2015, the OIG issued a report on the handling of sexual harassment and misconduct allegations by the Department's four law enforcement components. The OIG identified systemic issues in the processes for handling such allegations at the DEA, FBI, U.S. Marshals Service (USMS), and ATF. Specifically, the OIG found that although ATF and the USMS had clear policies requiring supervisors to report misconduct allegations, supervisors sometimes failed to report such allegations, even when the allegation was similar to past misconduct. Further, the DEA's reporting policies did not clearly delineate what should be reported to headquarters officials. As a result, DEA supervisors exercised discretion in deciding what to report. Another ongoing OIG review of the handling of sexual harassment and misconduct allegations in the Department's Civil Division will assess how that division responds when allegations of this kind are made against its employees. Separately, the OIG has begun a review of the related issue of gender equity in the operations of the four law enforcement components. In this review, we intend to assess component demographics, gender discrimination complaints, and the complaint process, as well as staff perceptions related to gender equity and the reasons for those perceptions.

Promoting Public Trust by Ensuring Ethical Conduct

As the federal agency charged with protecting the safety, civil rights, and freedom of American citizens, the Department and its employees must uphold the highest ethical traditions. Over the past year, the OIG has investigated law enforcement agents and attorneys for a wide range of criminal and administrative misconduct, ranging from misuse of power, acceptance of bribes, improper gifts and favors, and harassment. As detailed below, such misconduct erodes public confidence in the integrity of law enforcement and may have a significant negative impact on the Department's prosecutions.

Source: DOJ

With their power to make arrests and carry firearms, law enforcement agents are expected to not only enforce the law, but also follow it themselves. When they fail to meet the high expectations of the citizenry, it not only harms the Department's reputation, but also can impede programs and result in greater distrust of all law enforcement. The challenge for the Department is to provide effective supervision to try to prevent these incidents from occurring and, when they do, to locate and stop the behavior as quickly as possible and minimize its impact on the Department's law enforcement efforts and the public at large.

As reflected in a number of recent OIG investigations, Department employees are engaging in increasingly complex types of wrongdoing, thereby increasing the Department's challenge in deterring such misconduct. Several OIG criminal investigations illustrate the point, including an embezzlement of Bitcoins by a DEA agent and U.S. Secret Service agent, the theft of heroin by an FBI agent, and a conflict of interest by a former senior FBI official.

When Department attorneys commit misconduct unrelated to their legal work, the OIG has jurisdiction; and, in the past year, we have investigated a wide range of allegations of such wrongdoing by the Department's attorneys. For example, OIG investigations found that a U.S. Attorney violated Department regulations on political activities and fundraising and lacked candor in interviews with the OIG about those activities; and that a U.S. Attorney violated Department rules on the use of government travel cards. In addition, the OIG found that a U.S. Attorney had an inappropriate relationship with a subordinate, including sending multiple harassing e-mails and communications to the employee and then encouraging the employee not to cooperate with the OIG investigation and lying to Department officials about the underlying conduct. In another OIG investigation, we determined that an Assistant U.S. Attorney made unwanted sexual advances towards three female USAO employees while attending training.

To ensure transparency regarding our investigations, the OIG regularly posts summaries of employee misconduct findings on its website, including those involving federal prosecutors and employees from throughout the Department, including all four law enforcement components, who are members of the Senior Executive Service or level GS-15 and above.

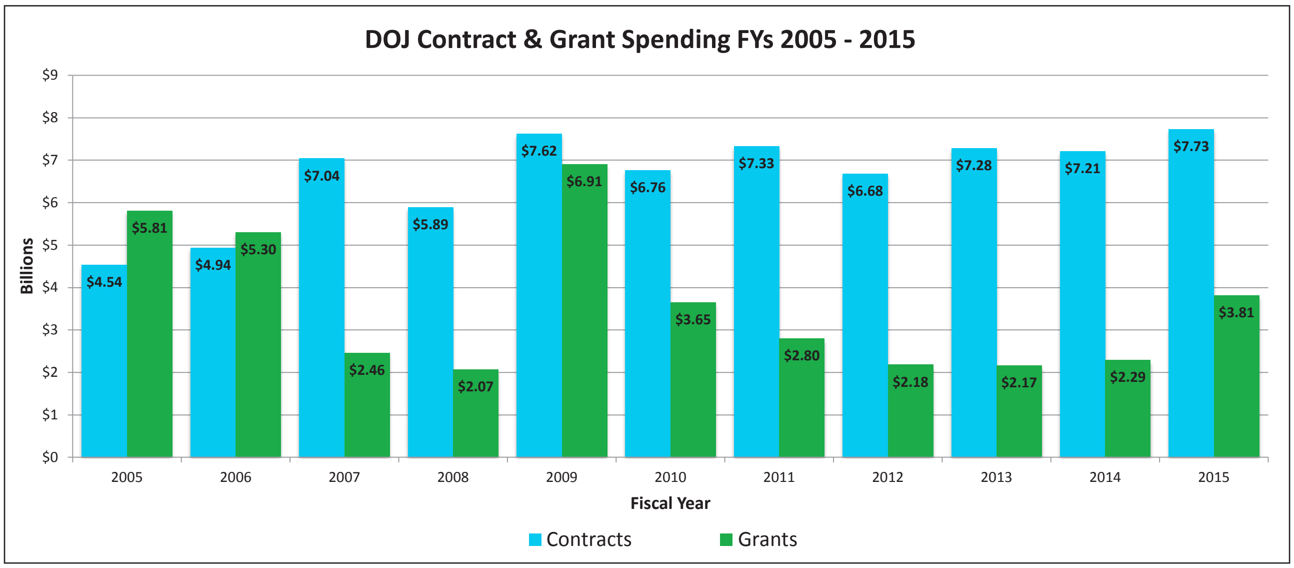
The OIG, however, does not have authority to investigate allegations of misconduct against Department attorneys when the allegations are related to their work as lawyers. Those allegations fall under the exclusive jurisdiction of the Department's Office of Professional Responsibility. The OIG has long believed that there is no principled basis for this continued limitation on our jurisdiction, and no reason to treat the investigation of misconduct by prosecutors differently than misconduct by agents. Under the current system, misconduct allegations against agents are handled by a statutorily independent OIG, while misconduct allegations against prosecutors are handled by a Department component that lacks statutory independence and whose leadership is both appointed by and removable by the Department's leadership. Bipartisan bills pending in both the U.S. House of Representatives and the U.S. Senate would remove this limitation on the OIG's jurisdiction. The legislation, as now proposed, would allow the OIG to investigate these important matters, where appropriate, with the independence and transparency that is the touchstone of all of the OIG's work, thereby providing the public with confidence regarding the handling of these matters. The Department's attorneys should be held to the same standards of oversight as other Department components, and the OIG should have oversight over all Department employees, just like every other OIG.

In response to a draft of this report, the Department questioned our position that the OIG should have the same authority as every other federal Inspector General to review allegations of misconduct by Department attorneys in connection with their work as lawyers. Among other things, the Department took issue with our description of OPR's relative lack of independence as compared to the OIG by asserting that (1) OPR's Counsel "remains unchanged with successive Attorneys General and presidential administrations," (2) the OIG has not "criticized OPR's work, the thoroughness of its investigations, or the soundness of its findings," and (3) the OIG has not "identified a single OPR investigation that failed to appropriately hold accountable . . . Department attorneys." On the first point, the same could be said of supervisory attorneys throughout the Department and, in fact, contrary to the Department's claim with regard to OPR, in April 2009, less than 4 months after the last change in presidential administrations, the new Attorney General replaced the OPR Counsel without any public explanation. On the second and third points, neither the OIG nor the public are in a position to fully assess the thoroughness and soundness of OPR's work precisely because OPR does not disclose sufficient information to allow for such an assessment. However, federal judges, the American Bar Association, and the Project on Government Oversight (POGO) have all questioned the level of independence, transparency, and accountability of OPR. *See, e.g.,* Order by Hon. Emmet G. Sullivan Appointing Henry F. Schuelke Special Counsel in United States v. Stevens, No. 08-cr-231 (Apr. 7, 2009), p. 46. ("*the events and allegations in this case are too serious and too numerous to be left to an internal investigation that has no outside accountability*") ; "Criminal Law 2.0," by Hon. Alex Kozinski, 44 Geo. L.J. Ann. Rev. Crim. Proc. iii (2015); ABA Recommendation urging the Department of Justice to release "as much information regarding individual investigations as possible," Aug. 9-10, 2010, available here; "Hundreds of Justice Department Attorneys Violated Professional Rules, Laws, or Ethical Standards: Administration Won't Name Offending Prosecutors," Report by POGO, March 13, 2014, available here.

Moreover, whatever the soundness of OPR's work, the Department's efforts to equate OPR's independence and transparency with that of the OIG flies directly in the face of the *Inspector General Act*, which fundamentally exists to create entities with an enhanced degree of independence and transparency so that they can credibly conduct investigations and reviews where there would be an expectation that more independent and transparent oversight is required. That is the very reason why Attorney General Ashcroft expanded the OIG's jurisdiction in 2001 to include the FBI and the DEA, and there simply is no reason why Department attorneys continue to be protected from the possibility that their conduct may warrant independent review by the OIG in appropriate cases.

Monitoring Department Contracts and Grants

As the Department strives to address some of the nation's most serious domestic and international threats, it must also do so in a fiscally responsible way. From FY 2005 to FY 2015, Department annual spending on contracts increased from $4.5 billion to $7.8 billion, while grants decreased from $5.8 billion to $3.8 billion during the same period. Recently, however, Department spending on grants has increased significantly. For example, between FY 2014 and FY 2015, Department grant spending grew by over $1.5 billion, due in large part to an increase in grant awards under the Crime Victims Fund (CVF), discussed below. Grant and contract funds are spent to help accomplish goals as varied as reducing crime, housing prisoners, and providing services to victims and at-risk populations. As stewards of taxpayer funds, the Department must act responsibly and wisely in managing these resources.



Source: Federal Procurement Data System and USASpending.gov

The Department faces significant challenges in ensuring effective oversight of its contracts and grants. In FY 2016, OIG's audits revealed nearly $25 million in questioned costs and reported over $2 million in funds that should have been put to better use, with 353 recommendations for management improvement. Additionally, the OIG's work has recently resulted in the recovery of nearly $5 million in money paid to contractor employees or credited back to the Department to address audit findings. While the Department's grant-making components have improved their oversight of grantees over the past several years, as referenced below, this remains a continuing challenge, especially since contract and grant spending represents a large a slice of the Department's $37.9 billion FY 2016 discretionary and mandatory budget.

Spending on Contracts

The Department awards contracts to procure a range of goods and services, from basic office supplies to aircraft operations. Given the increase in the amount of Department funds awarded to contractors over the past decade, the OIG has become increasingly involved in auditing contracts. In that role, we have observed significant challenges in both the Department's awarding and its monitoring of contract funds.

To effectively use the contracting process, the Department must comply with federal regulations by determining its needs prior to solicitation and then fully evaluating all bids prior to award. Our recent audit work has identified instances in which the Department failed to follow procedures designed to ensure fiscal responsibility and basic fairness in these processes. For example, in an audit of two FBI fuel procurement contracts, we found that the FBI did not award a bulk fuel procurement through the FAR-identified mandatory source and did not establish a requirement for the specific fuel type for the Miami Field Office. Similarly, our audit of DEA's Aviation Operations with the Department of Defense in Afghanistan found that the DEA did not fully comply with the Federal Acquisition Regulations (FAR) and its own solicitation in purchasing an aircraft for over $8 million.

Source: OIG

The Department also faces challenges monitoring contracts after monies have been awarded. Monitoring a contract post-award helps ensure the contractor abides by its terms, including those that govern the proper use of funds, compliance with laws and regulations, and contractor performance to achieve anticipated outcomes. Again, our audit of the DEA's Aviation Operations in Afghanistan showed major deficiencies in these areas. We found that the program had missed every intended delivery date from the first delivery date in December 2012. Those missed deadlines contributed to the program cost spiraling to $86 million, almost four times the original anticipated amount of $22 million, and the aircraft was still not operational as of June 2016.

The OIG recently identified similar challenges in how the BOP monitors contract prisons. In an August 2016 report, we found that the BOP still had monitoring improvements to make since our 2015 audit of the Reeves County contract prison, discussed in last year's report. We found that a checklist in the BOP's Quality Assurance Plan did not address certain important BOP policy and contract requirements in the areas of health and correctional services. As a result, the BOP has not been able to effectively ensure that contract prisons comply with these requirements. The week after our audit was released, the Department announced that it would begin the process of reducing and ultimately ending its use of privately operated prisons.

Spending on Grants

Grant funding also presents challenges, as the Department must not only guard against fraud and mismanagement but also seek to enhance taxpayer value by finding ways to better measure and ensure positive outcomes. As with contracts, our recent OIG work has identified challenges in both allocation and oversight of these expenditures.

In last year's Top Management and Performance Challenges report, we highlighted the enhanced responsibility the Department would face in its management of the CVF due to the over three-fold increase in the amount of CVF funds Congress authorized the Department to spend in FY 2015. In FY 2016, Congress increased the cap on CVF spending by over $600 million to more than $3 billion, most of which OJP's Office for Victims of Crime distributes via grants to programs intended to assist victims of crime. Rather than tax dollars, the CVF is financed by fines and penalties paid by convicted federal offenders. Nonetheless, an increase in available funds brings with it an increased risk of misuse and mismanagement. To monitor increased CVF spending, the OIG was allocated $10 million from the CVF in both FY 2015 and FY 2016 for enhanced oversight and auditing activities related to the fund. We are currently conducting a risk assessment of OJP's management of the CVF.

Simultaneously, the OIG continues to conduct audits of state CVF formula grantees and their allocation and management of funds to sub-grantees to ensure adherence to the terms of the grants. In these audits, we have identified various areas in need of improvement, including instances in which grantees failed to properly monitor sub-grantees. For example, in a recent audit of ten CVF formula grants, the OIG found that the California Governor's Office of Emergency Services was funding several sub-grantees with histories of fraudulent and even criminal conduct, while also failing to issue sub-recipient monitoring reports in a timely manner.

In addition to challenges in grant allocation, the Department must also ensure proper post-award oversight. OIG work has identified instances in which the Department was unable to ensure adequate performance by grantees and sub-grantees. Some examples include the failure by grantees to comply with essential grant conditions; maintain adequate records and accounting systems; and submit accurate, complete, and timely financial and performance reports.

Such challenges were highlighted in a November 2015 audit of an OVW grant to the Dawson County Domestic Violence Program in Glendive, Montana. In that audit, we questioned the entire amount—nearly $4 million—the grantee had used because the grantee was unable to provide a complete and accurate set of accounting records. In addition, limitations in the grantee's tracking system inhibited the OIG from adequately assessing program performance and, thus, taxpayer value. For example, the grantee could not even confirm the total number of victims served.

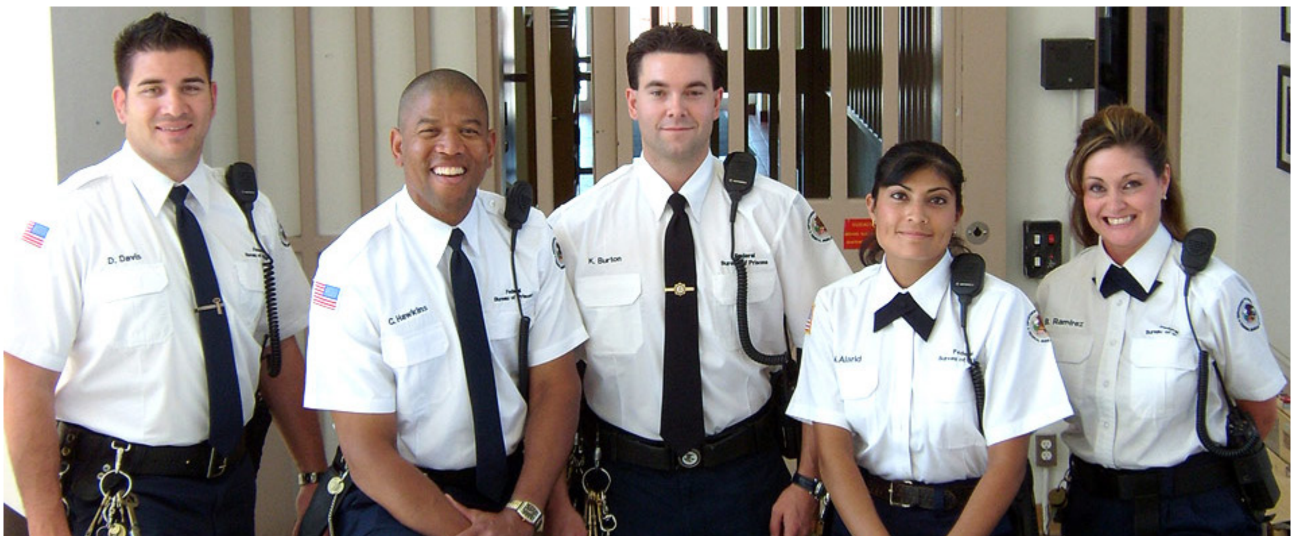
The OIG continues to work with the Department's grant-making components to ensure that grant dollars are used to achieve positive outcomes. For example, in 2015, we conducted an audit of grants awarded to the Navajo Division of Public Safety through OJP's former Correctional Systems and Correctional Alternatives on Tribal Lands Program. We found that the grantee constructed two correctional facilities with capacities that were at least 250 percent larger than needed. Since the completion of our audit, one facility has not yet opened due to construction issues, and the other facility is 82-percent vacant. The OIG is continuing to monitor open recommendations from the audit and is also conducting a comprehensive audit of OJP's management and oversight of the Tribal Justice Systems Infrastructure Program (formerly the Correctional Systems and Correctional Alternatives on Tribal Lands Program).

At recent Congressional hearings, top officials within OJP spelled out steps they are taking to improve OJP's processes. These steps include (a) collaborating with other components to prevent duplication of efforts, (b) establishing procedures to identify and monitor high-risk grantees, (c) providing enhanced technical assistance to grantees, and (d) verifying grantee claims of program success by collecting and examining source documentation.

The OIG's work illustrates that the Department must improve its oversight of its contract and grant award and monitoring efforts to guard against waste, fraud, abuse, and mismanagement, and to ensure the most efficient and effective use of taxpayer funds.

Managing Human Capital and Promoting Diversity With a Workforce Increasingly Eligible to Retire

Agencies across the federal government face the challenge of hiring and retaining talented employees with the skillsets needed to accomplish agency missions, while their aging workforces increasingly become eligible to retire. This challenge represents a serious problem for the Department—and the public that it serves and protects—if it is unable to hire and retain experienced agents and attorneys with the specialized skills needed to investigate and prosecute complex cases related to, for example, terrorism, cybersecurity, financial crime, civil rights, and public corruption. As of September 2014, approximately 31 percent of the Department's permanent career employees were eligible to retire by 2019. In the next 10 years, 85 percent of the federal government's Senior Executive Service will be eligible to retire. As the number of retirement-eligible employees grows, the Department needs to develop long-term strategies to recruit and retain a skilled and diverse workforce.



Source: BOP website

Managing Human Capital To Prepare For Increasing Numbers of Retirements

Succession planning in the government offers unique challenges for agency leaders. From FYs 2005 to 2014, retirement in the Executive Branch increased by 10.9 percent. During this time, mandatory retirements also increased by 83.8 percent. As the rate of federal retirements continues to increase, the Department has an opportunity to institute proactive policies and guidance that guard against the loss of institutional knowledge and to maintain continuity of operations. In facing this transition in its workforce, the Department must strive to mitigate the loss of institutional knowledge created by the retirements of senior employees and managers, ensure that mid-career employees are prepared to take over senior positions, and train new employees to step into important leadership roles.

A unique challenge for the Department's law enforcement components is the difficulty retaining experienced Special Agents in management positions because agents are eligible for full retirement at age 50 with 20 years of service, and know they must retire at age 57. As a result, experienced agents often retire or take private sector positions well before those in most other federal occupations. Law enforcement leaders in the Department have told us this has a negative impact on the level of experience and knowledge of upper-management in their ranks. One option that law enforcement components can use in special cases is to grant extensions allowing agents to work past their mandatory retirement age; however, given its limits, this choice is not a solution to the larger problem.

Hiring Quality Candidates to Ensure Department Mission and Agency Goals are Met

As the Department recognizes, its employees are its greatest assets. The Department's challenge is to recruit skilled and diverse talent to help meet mission goals. Advances in technology will continue to affect every aspect of Department operations such as data management, communications, cyber investigations, and cybersecurity. It is therefore imperative that the Department be innovative in its efforts to fill vacant positions that require specialized skills, in areas such as Science, Technology, Engineering, and Mathematics (STEM). As we note in the section on Cybersecurity, the FBI faces significant challenges in hiring qualified IT experts to address its responsibilities in this area given competition from the private sector. These challenges have grown even more acute as some segments of the economy have experienced economic growth and IT job vacancies outnumber those who can fill them.

Another example of the challenge in hiring experts with a STEM background is the Department's difficulty hiring medical professionals for its federal correctional institutions. In March 2016, the OIG conducted a review of the BOP's medical staffing challenges and found that multiple factors, including pay, the location of the institutions, and the correctional setting itself, negatively impact the BOP's ability to recruit and retain medical professionals. The OIG also found that the salaries and incentives the BOP offers are not competitive with those of the private sector, particularly given the need to compensate BOP employees for working in a correctional setting.

Source: DOJ

Another hiring challenge for the Department in recent years has been adjusting to the generational shift in the workforce. For example, in 2006, nearly 47 percent of the Department's workforce was under the age of 40, while only 9 percent of Department employees were 55 and older. Ten years later, Justice Management Division (JMD) data shows that approximately 24 percent of the Department's workforce is age 35 and under (often referred to as "Millennials"), 52 percent are ages 36 to 51 (often referred to as "Generation X"), and 24 percent are age 52 and older (often referred to as "Baby Boomers"). While the Department's workforce is aging, it must address the additional challenge of generational changes as it seeks to bring on board younger employees. The President has recognized that students and recent graduates "infuse the workplace with their enthusiasm, talents, and unique perspectives." OPM has found that one of the best ways to ensure the federal workforce better reflects the people it serves is to actively recruit the next generation of federal employees. However, while the workforce is trending younger, the traditional federal hiring process still favors applicants possessing prior work experience. To meet this challenge, the Pathways program, which recruits students and recent graduates with less work experience, has evidence of being effective. Using Pathways, the Department hired 170 employees in FY 2015 and 113 employees FY 2016. Moreover, OPM statistics show that 93 percent of those hired through Pathways want to stay in government. This program has the potential to help mitigate the impact of increasing retirements by bringing on board a new generation of talented employees who can begin developing institutional knowledge at the outset of their careers, and potentially develop into future leaders.

OPM has also found that offering telework to employees is an important recruitment and retention tool, and it helps to improve employee attitude and job satisfaction across the federal workforce. However, the Department's current telework participation rate is 11 percent, far below the government-wide participation rate of 31 percent. While we recognize that telework opportunities for those with law enforcement responsibilities are more limited, we nevertheless believe that a participation rate of only 11 percent suggests there is opportunity for improvement in this area.

Once a new employee has been selected, it is critical for the Department to make the hiring process as swift as possible, particularly for positions deemed mission critical. OPM has set 80 days as the goal for federal agencies to complete the hiring process. While this is a useful target, we recognize it might not be practical for agencies such as the Department that have unique hiring needs. Still, JMD statistics suggest there is room for improvement, as they show that on average it took more than 5 months to hire attorneys (225 days), criminal investigators (162 days), IT specialists (190 days) and legal assistants (248 days)—all deemed mission critical positions. The Department's FY 2014-2018 Strategic Plan sets a goal to evaluate a new system that would enable human resources staff to hire people faster by automating manual and paper-based processes. Another significant factor delaying employee start dates can be the time required to complete background checks, which need to be performed in a timely manner. In 2012, the OIG released a report finding that clearances for mission critical positions in the Department such as agents, intelligence analysts, and linguists, consistently took longer than 60 days, a benchmark that agencies are expected to achieve 90 percent of the time under the *Intelligence Reform and Terrorism Prevention Act of 2004*.

Retaining Diverse Talent to Minimize the High Cost of Employee Turnover

The Department must also focus on retaining the talent it hires in order to hold down high turnover costs. OPM estimates turnover costs can range from 90 percent to 200 percent of an employee's annual salary. The Department should consider how programs that encourage diversity, mentorship, employee engagement, and accountability between managers and those they supervise, can improve workplace environments and foster retention.

Source: DEA website

Establishing a diverse work force is a challenge for the Department across the organization, but particularly at the management level. Data shows only 35 percent of employees at the GS-14 level and above are women, and only 23 percent are from racial and ethnic minority groups. While announcing a new report promoting diversity in law enforcement, in October 2016 Deputy Attorney General Yates noted the benefits of having police "reflect the communities they serve." A growing body of evidence suggests diversity can make policing more effective, safe, and just, according to the report by the Civil Rights Division and the Equal Employment Opportunity Commission. Although the report was focused on local law enforcement, it offered advice on recruitment, hiring, and retention that could be of value to the Department's own law enforcement components. Statistics show that as of FY 2014, 69 percent of the Department's criminal investigators were white men, 12 percent were white women, 15 percent were minority men, and 3 percent were minority women.

Engaging employees is one way to improve retention. The Department can accomplish this by providing ways for employees to enhance their skillsets. Another method encouraged by OPM is that employees have multiple mentors in different areas, such as a career guide, an information source within the office to help an employee understand how the office works, a friend to confide in, and an intellectual guide. Employee engagement can also be improved by creating developmental assignments for employees to grow their abilities, and ensuring that employees are cross-trained in order to preserve institutional knowledge that might be lost with an employee's retirement or extended absence. Interestingly, the 2015 Federal Employee Viewpoint Survey (FEVS) found that although 68 percent of Department respondents were satisfied with employee engagement, only 58 percent were satisfied with how agency leaders communicate with and motivate their employees.

Another challenge for the Department is to ensure that managers and employees are held accountable for their performance. According to OPM, a bad hire can cost an agency as much as three times an employee's salary. To illustrate, if an agency hires a GS-14 or GS-15 employee who is not fully successful during the probationary period, it could cost the agency more than $300,000. According to the 2015 FEVS Survey, 44 percent of respondents did not think Department managers were taking sufficient steps to deal with poor performers who either cannot or will not improve. However, managers point out that often co-workers are unaware that actions are being taken to address poor performance because the *Privacy Act* places limits on what managers can disclose about disciplinary actions they take.

The Department will continue to face challenges as an increasing number of employees retire and take with them a vast amount of institutional knowledge. The Department must ensure that it responds to this generational shift by recruiting and retaining a diverse workforce with varied skillsets. To do so, the Department will need to look for innovative strategies and improve on-boarding time, among other things, to remain competitive with other markets and attract the most qualified candidates for critical Department operations.

Using Performance-Based Management To Improve DOJ Programs

A Challenge Facing Every Component and Program

In an era when government agencies at the local, state, and federal level are moving toward a more widespread recognition of the importance of a data-driven approach to planning and management, our reviews have repeatedly found that this remains a significant challenge for the Department. From the Department's failure to evaluate "big data" on important criminal justice issues, such as whether its detention and rehabilitation programs impact recidivism, or knowing how many officer-involved shootings there have been across the nation, more needs to be done. While this challenge appears at the end of this report, it does so precisely because it impacts every one of the challenges previously discussed, illustrating how the deficit in performance-based management is a challenge across many of the Department's programs.

For example, the Department's primary method of measuring crime in the United States remains the FBI's 1930s-era annual compilation of Uniform Crime Reporting (UCR) statistics. Yet, as the FBI has acknowledged, these crime statistics do not sufficiently characterize crime today (they do not, for example, explicitly address cybercrime), and are far less useful in directing enforcement efforts than they otherwise could be if they were available much sooner, instead of nine months after the previous reporting year ended. Meanwhile, only a third of the nation's law enforcement agencies are reporting crime data using the National Incident-Based Reporting System (NIBRS), a much more comprehensive system the FBI developed in 1989 to replace the UCR's summary reporting. Although the FBI, working with the Bureau of Justice Statistics, is committed over the next four years to try and recruit a statistically-representative sample of law enforcement agencies to use NIBRS, and has transferred $45 million to BJS so far to support this work, a more comprehensive crime data solution appears years away.

Source: FBI website

At a time when some big city police departments can tell you where and when every gunshot was fired in the city with audio recordings of the shots e-mailed instantly to precinct captains' cell phones with precise geo-location information, the Department has much it can learn from its local law enforcement partners. Because police departments in some cases have detailed crime data available in near real-time, federal prosecutors are working with them to gather the information they need to figure out where to focus limited federal resources to fight gang and gun violence. Although these partnerships hold much promise for future federal, state, and local law enforcement collaboration, they illustrate that when it comes to crime data, the Department is often playing catch up with its local counterparts. Not having a national database of accurate information on shootings, including police shootings, is just one symptom of the lack of timely and comprehensive crime data. Without such information Department officials are stuck trying to tackle a problem they cannot accurately measure or analyze.

At the other end of the criminal justice process, the BOP has not released statistics on the recidivism rate of federal prisoners in more than 20 years. So although the BOP spent $7.8 billion in FY 2016 to cover inmate needs such as housing for nearly 200,000 federal prisoners, the Department cannot determine with much accuracy whether its prison system is achieving the twin goals of deterrence and rehabilitation. As discussed in the Prisons challenge, our August 2016 review of the BOP's RPP found that, "the BOP does not collect comprehensive re-arrest data on its former inmates, has no performance metrics to gauge the RPP's impact on recidivism, and does not make any attempt to link its RPP efforts to recidivism." Similarly, the BOP spent roughly $360 million a year in FYs 2014 and 2015 on approximately 200 Residential Reentry Centers, but it does not currently track the success of its RRC programs, a subject of one of our ongoing BOP reviews. On a positive note, the BOP has announced its intention, as part of its strategic plan, to use data to begin monitoring the success of various RRCs beginning this summer. It needs to do so to tap into the potentially vast laboratory of innovation available to make its programs as efficient and effective as possible.

Multiple mandates affirm the importance of performance-based management. For example, OMB Circular A-11 requires agencies to conduct at least quarterly, data-driven performance reviews on their organization's priorities to drive progress toward achieving their goals. OMB Circular A-11 describes this approach as a "management practice proven to produce better results." Similarly, the *Government Performance and Results Modernization Act of 2010* (GPRAMA) requires agencies to engage in performance management tasks such as setting strategic plans or completing annual performance plans. Additionally, the *Digital Accountability and Transparency Act of 2014* (DATA Act) directs the federal government to transform all spending information into standardized, easy-to-read data formats for better transparency. Implementation of the DATA Act will not only expand the information available to the public, but will also give the Department access to that information in a standard data format for use in management and decision making. A September 2015 GAO report found that, "if fully and effectively implemented" the DATA Act and GPRAMA could allow executive branch agencies and Congress to accurately measure the costs and magnitude of federal investments.

Collecting The Right Data

The challenge for the Department with all of its programs is to ask, "Are we collecting the right information?" However, simply collecting data, using metrics, and labeling a process "performance-based management," does not satisfactorily comply with GPRAMA and OMB guidance or the important policies underlying them. The Department must ensure it identifies performance metrics to adequately measure program outputs and must identify and collect the right data to measure its programs' impacts. As mentioned in the Prisons section, a July 2016 OIG audit found that neither the EOUSA nor the USAOs track the total number of participants placed into pretrial diversion programs. The result is an inability to calculate whether the use of such programs is meeting the goals of the Department's Strategic Plan and its Smart on Crime initiative.

Source: DOJ

Ensuring the Department effectively collects data and that the data collected reveals the true story is a challenge that impacts every facet of the Department's operations. For example, the OIG discovered that the BOP uses two systems to track recovered contraband cell phones and that over a 3-year period there was a difference of more than 41 percent in the cell phone contraband data reported between the two methods. The BOP's data collection methods, coupled with the lack of established guidance and policy on accurately and consistently documenting recovered contraband, impede its ability to effectively track contraband recoveries and analyze contraband trends. Without a reliable method to ascertain the true amount of contraband and the efficacy of its interdiction efforts, the BOP cannot fully address questions regarding prison safety.

Additionally, the Department needs to be vigilant to ensure that its data collection and metrics are accurately being used to measure program performance. For example, the OIG's audit of the FBI's Regional Computer Forensic Laboratory (RCFL) discovered that, as a result of the FBI changing its "definition" of what constituted a backlog, what appeared to be a decline in the backlog at the RCFL in fact reflected a continuing backlog. This is similar to the double counting of total cases opened by immigration courts that we noted in our 2012 review of the Management of Immigration Cases and Appeals by the Executive Office for Immigration Review (EOIR). We also found in that review that EOIR's performance reporting data underreported actual processing time, which undermined EOIR's ability to identify appeal processing problems and take corrective action. Only by choosing appropriate measures and accurately reporting on them can the Department ensure that its use of metrics will help improve Department programs. This is the essence of performance-based management and it remains a challenge for the Department.

Verifying The Data Collected Is Accurate and Reliable

Another challenge in performance-based management is verifying that the data collected is valid, accurate, and reliable. As we have included in past TMPC reports, our work has found numerous instances where data was inaccurate, unreliable, or unsupported. There are more instances of such findings from this year as well. As mentioned in the Contracts section, the OIG questioned nearly $4 million in a November 2015 audit of an OVW grant where the grantee could not confirm the total number of victims served or provide information that would allow the OIG to assess the program's performance. Our April 2016 audit of the OVW grants awarded to the Native Women's Society of the Great Plains, in Eagle Butte, South Dakota, found that the grantee could not provide adequate documentation to support the activities recorded in its progress reports.

Source: OIG

However, data reliability is not just an issue with grantees, but is an area in which the Department can improve as well. For example, our March 2016 audit of BOP's Armory Munitions and Equipment found weaknesses in BOP's controls over tracking, issuing, and reporting on both active and expired armory munitions and equipment. This inaccurate data increases the risk that armory munitions and equipment could be lost, misplaced, or stolen without being detected. Further, our March 2016 audit of the National Institute of Justice's Management and Oversight of DNA Backlog Reduction Grantees' Reporting and Use of Program Income emphasized the need for the Department to provide clear direction to grantees so the data it receives is reliable. In that audit, we found that important calculations of program income were often incorrect because the grantees had not received proper training on the calculation tool provided by the NIJ. As a result, the grantees submitted inaccurate program income calculations and reporting. In order to fully implement performance-based management, the Department must ensure that it provides guidance to those submitting data to ensure that the data provided is valid, accurate, and reliable prior to its analysis and use by the Department in program management decisions.

Analyzing The Data Collected

Another challenge for the Department is to collect and analyze data showing program results, and more significantly, *program impact*. Analyzing Department program data in meaningful ways to determine impact is essential to managing the effectiveness of these programs going forward. For example, we found in our review of the BOP's Medical Staffing Challenges that the BOP tracks the use of incentives only to ensure that spending remains within budgetary limits and not to identify the hardest to fill vacancies in the BOP system. Analyzing data to determine the hardest to fill vacancies could assist the BOP in more effectively managing its workforce, which in turn is essential to fulfilling its mission.

Such performance analysis is critically important, both when it shows program success and when it indicates that a program is falling short of its goals. In our February 2016 audit of the DEA's Controls Over Seized and Collected Drugs, for example, we found that DEA personnel still sometimes failed to meet inventory management requirements despite the increased time allowed for its personnel to complete tasks. The delayed entry of drug exhibits increases the risk of evidence tampering, misplacement, or loss, which in turn impacts the effectiveness of the DEA's program. Program management in such instances should analyze performance metrics to inform necessary program changes to eliminate problem areas and thereby increase the effectiveness of the Department's programs.

Furthermore, Department components should review what has and has not worked for other components to effectively leverage knowledge from past efforts. For example, in our February 2016 review of Department and ATF's implementation of recommendations contained in an earlier Fast and Furious report, we found several areas where the Department and ATF improved their ability to assess risk metrics in law enforcement operations but also discovered that performance-based lessons learned from one Department component's performance issues are not adequately evaluated and integrated by other components. Such disparities reflect the need for Department leaders to be engaged in making sure reforms made in one component are considered by their fellow components, so each can learn from the others.

The performance-based management challenge is more than a standalone challenge—it permeates all of the other Department challenges. From creating a comprehensive crime data solution to the analysis of BOP data to determine the recidivism rate of federal prisoners released to the public, the collection and analysis of performance measures is essential to effectively and efficiently managing Department resources to ensure that its programs consistently achieve the greatest possible impact on the many difficult challenges it faces.

MANAGEMENT'S RESPONSE TO THE FY 2016 OFFICE OF THE INSPECTOR GENERAL'S REPORT ON THE TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF JUSTICE

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

1. Safeguarding National Security and Ensuring Privacy and Civil Liberties Protections

Strategic Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law

Countering the Terrorist Threat

The Department agrees that countering ISIL use of the internet and social media as a means of stopping radicalization and recruitment is an "exceptional challenge." Accordingly, the National Security Division (NSD) has led efforts to engage with the private sector, particularly social media and internet providers to enlist their assistance in this effort. Earlier in FY 2016, the Attorney General and the Assistant Attorney General met with industry leaders in Silicon Valley to discuss these issues and to find ways that the government and private industry can work together to protect the homeland from this threat, while also safeguarding privacy and civil liberties. The NSD convened a meeting of government and tech industry representatives at the Department to discuss ways the industry can assist in countering ISIL's message and has played a significant role in developing and evaluating Department policy proposals to address ISIL's use of social media. The Federal Bureau of Investigation (FBI) is also fully aware of the threats and continues to work with its interagency and private sector partners to address these issues. In addition, the Office of Justice Program's National Institute of Justice has led national research efforts (coordinated with the Department of Homeland Security and the National Counterterrorism Center) to develop a better understanding of violent extremism and advance evidence-based strategies for effective prevention and intervention.

Balancing Security and Transparency amid Global Threats

The Department agrees that striking the appropriate balance between privacy and the scope of government surveillance can be challenging. We welcome the public debate in this area and have sought, through a variety of means, to engage private industry, the privacy community, and policy makers in a thoughtful discourse on how to achieve the appropriate balance.

The FBI's Office of Private Sector (OPS) serves as the FBI's primary liaison with the American business community. The office aligns and coordinates key outreach programs within the Bureau, focusing on meaningful dialogue and engagement with private sector partners. OPS seeks to address some of the information sharing challenges and related privacy implications through strategic engagement using several private sector engagement programs, to include the Domestic Security Alliance Council, InfraGard, and the Strategic Partnership Program.

OPS is creating core messaging responsive to these issues for coordinated use across all its private sector engagement platforms to help private sector partners better understand the way the FBI operates. Additionally, the FBI seeks feedback from industry partners for private sector perspective on common issues.

By encouraging a two-way conversation, the FBI and industry partners can develop a better understanding of how each operates.

Regarding the OIG 2013 Interim Report, the Department has addressed all of the OIG recommendations regarding DOJ's handling of known or suspected terrorists (KSTs) admitted into the federal Witness Security Program (Program). Specifically, the Department has provided and will provide to the Terrorist Screening Center the new identities and additional identifiers of KSTs and their dependents admitted into the Program.

Leveraging Emerging Technologies

The Department agrees that law enforcement must leverage emerging technologies to protect public safety, while continuing to protect privacy. Emerging technologies enable criminals to plan and act with greater efficiency and stealth. Law enforcement use of emerging technologies can enhance the gathering of evidence, increase the detection and apprehension of criminals, and improve the pursuit of truth in the courtroom. Thus, while rigorous and appropriate protection of privacy in the use of emerging technology is critical, it is equally important that innovations that can prevent, detect, or aid response to serious crime are developed and implemented robustly, with appropriate oversight and protections and in accordance with law. In addition to developing policies for responsible use of such technologies, the Department litigates vigorously to ensure that courts understand the benefits, limitations, and implementations of such technologies, and are not misled by inaccurate reporting or speculation about their use.

In addition, we are committed to ensuring that emerging technologies such as geolocation and facial recognition are used consistent with applicable law and in a way that protects legitimate privacy interests. Although such technologies can raise new legal and policy questions, through careful legal and policy review we work diligently to ensure the use of such technologies complies with the Constitution and other applicable law, and that the Department's internal policies strike the appropriate balance between security and privacy. For example, in September 2015, the Department issued a new policy for its use of cell-site simulators that will enhance transparency and accountability, improve training and supervision, establish a higher and more consistent legal standard and increase privacy protections in relation to law enforcement's use of this critical technology.

The Department's Office of Legal Policy (OLP), in conjunction with the Office of the Deputy Attorney General (ODAG) and the Department's law enforcement components, continues its ongoing review of the use of emerging technologies by the law enforcement components to ensure their responsible and lawful use. We share the IG's concerns about the need to balance security and privacy, and we are committed to developing Department policies that will find the appropriate balance.

2. Enhancing Cybersecurity in an Era of Increasing Threats

Strategic Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law

Strengthening the Nation Against Cyber Intrusions

DOJ's high-value and high-profile mission areas of law enforcement, litigation, incarceration, and national security make us a valued target for a wide range of external cyber threats. The Department's external threat landscape consists of cybercriminals, hacktivists, and nation states that attempt to attack our assets for a multitude of reasons using a variety of methods. Cybercriminals typically attempt to attack for the purpose of monetary gain, hacktivists for the purpose of tarnishing the DOJ image for protest reasons, and nation states have countless motivations ranging from espionage to the disruption of mission-related activities.

DOJ's reputation is built upon its mission-oriented work, and a single successful cyber-attack can damage the public image in a matter of minutes. The FBI is cognizant of this challenge and has taken multiple actions to mitigate this type of threat. The FBI has assessed the possibility of moving toward a two factor authentication across all enterprise domains; established a project to encrypt data at rest, continued process improvements to its internal monitoring, collections and analysis; increased the amount of user information collected; and improved the monitoring of privileged users. It is imperative that DOJ continue to advance its vigilance and agility in its approach to protecting its information, data, systems, and people. The cyber threat against the Department of Justice will continue to grow and evolve as we move forward in executing our missions of law enforcement, litigation, incarceration, and national security. In order to ensure our success, we must continue to execute these missions while remaining vigilant to protect and secure our information and reputation.

Unlocking Encryption Messages to Fight Crime and Terrorism

The Department agrees that cybersecurity and meeting the evolving cyber threat must remain among the Department's highest priorities. The challenge that widespread use of encryption presents to law enforcement investigations will be one of the key issues for DOJ to address in the coming years. Although the Department supports the use of strong encryption in both the public and private sectors to protect systems and data from malicious actors, including nation states and terrorists, the Department agrees that certain types of encryption present growing threats to national security. These includes "end to end" encryption that prevents government access pursuant to court order or other lawful authorization, and encryption-enabled protocols like Tor that facilitate a fully anonymous "dark web." The NSD, in conjunction with the FBI and other components of DOJ, has explored options to address these issues, such as utilizing legal options to facilitate law enforcement access to encrypted communications, including by requiring third parties to provide technical assistance; and increasing DOJ and FBI's in-house capabilities to overcome encryption in law enforcement investigations. The FBI has been addressing the encryption challenge for several years and continues to do so through its Vulnerability Analysis and Embedded Engineering Programs. These programs focus on encryption acceleration to include more resources allocated to computational development, exploitation development, vulnerability analysis, and reverse engineering.

The FBI continues to prioritize current available resources to address existing exploitation and computational challenges, to assist in the processing of mobile device evidence; optimizing the efforts and capabilities of the Grid Computing Initiative (GCI) to tackle password recoveries; and the FBI is allocating resources to the growing challenge of secure mobile applications and recovering encrypted traffic.

Additionally, and in order to maximize the impact of the Department's cyber security efforts, EOUSA's Office of Legal Education has continued to host training courses throughout the year. These courses are prepared and taught by leading experts from the NSD, the Criminal Division, the USAO community and outside experts – designed to directly address the issues with investigations and prosecutions in cybersecurity, including encryption and the darknet. With training, federal prosecutors will continue to address the challenges identified by OIG. During FY 2016, these courses included, among others, the Computer Hacking and Intellectual Property (CHIP) Prosecutors' Training and the National Security Cyber Specialist' (NSCS) Training.

The law enforcement community faces an increased threat of "Going Dark" - the degradation of law enforcement's ability to lawfully access, collect, and intercept real-time communications and stored data. In the case of the Drug Enforcement Administration (DEA), the phrase "Capability Gap" is used to describe the technology-related issues that make communication exploitation problematic for law enforcement. The lack of capability to obtain critical information has impeded DEA investigations.

One aspect of the challenge of encryption is "darknets," as identified in the report. While law enforcement works to identify those who use these technologies to commit serious crimes, we face the challenge that those creating and operating such "darknets" often have as a primary goal the frustration of law enforcement investigations. Each innovation or success by law enforcement is carefully studied to ensure that future systems better resist lawful surveillance and foster safe havens for criminal activity. The Department has been fortunate that our innovation has allowed us to disable harmful botnets and ransomware schemes, disrupt illegal marketplaces, and rescue children from sexual abuse that was planned and shared using these technologies. As technology develops, law enforcement tools used successfully in one operation may become entirely obsolete, requiring new research and development of new tools, implementation of policies for their lawful use, and ultimately litigation over legal issues they may raise.

Hiring Highly-Skilled Cyber Professionals

The FBI has launched several initiatives to face the challenges in recruiting and retaining top cyber talent in support of its mission of defending against the ever-evolving threat. The FBI's Human Resources Division created a unit that solely specializes in the recruitment and retention of the highest-quality cyber professionals. The FBI remains focused on partnering with academic institutions that have prominent Science, Technology, Engineering and Mathematics (STEM) programs to ensure that the FBI is recruiting a diverse technical workforce to support the FBI. Additionally, the FBI has expanded its recruitment efforts by promoting its mission and hiring efforts at widely attended cyber conferences. Candidates with specialized skill sets that serve in mission critical cyber focused positions within the FBI are often offered incentives such as student loan repayment, relocation and superior qualification incentives. Also, the FBI offers specialized cyber training, retention incentives for cyber professionals, and joint duty assignment opportunities to ensure that the FBI's technical workforce continues to evolve with the growing threat.

The challenge of attracting and retaining highly-skilled professionals in this area is extremely acute, not just for FBI but across the Department of Justice. The private sector offers significantly higher compensation for attorneys with cybersecurity expertise than the Department offers, so hiring, training, and retaining top legal talent is a continuing struggle. Solutions to the pay gap issue should encompass not just investigative agencies and forensics specialists, but attorneys with skills and expertise that are sought after in the private sector.

To continue to grow our capabilities and respond to the evolving cyber threats, DOJ must have the ability to hire and retain the best and brightest personnel with skills and expertise in the latest tools and techniques in both the protection of assets and in the methods of attack. Historically, this has been a challenge, and DOJ continues to recruit and hire the best available talent within the government salary structure, facilitated by our ability to exercise direct hire authority to on-board cybersecurity professionals. In addition to improving our recruiting results and competing with private industry, offering signing bonuses would bring the total pay package into a similar range to the private sector. Additionally, retaining those personnel that have the greatest positive impact on our business is a priority, so offering flexible work arrangements, combined with our diverse, challenging work experience would lead us to this end.

Strengthening the nation's response to cyber attacks is of critical importance. The Department has continued to strengthen its Department's response to these threats through advocating for legal and policy changes that foster voluntary cybersecurity information sharing with the private sector, allowing the prosecution of malicious insiders, and collecting the evidence necessary to attribute cyber attacks and other criminal behavior.

The Department continues to develop its response to increasingly ubiquitous warrant-proof encryption that can harm our ability to detect, investigate, and prosecute serious threats to public safety and national security. We agree with the OIG that this continues to be a pressing problem, and the Department continues to explore multiple avenues to address it, including research and investment in tools that will enable lawful investigation, private sector outreach in search of cooperative solutions, and litigation where necessary and appropriate. As the Department leadership has repeatedly stressed, however, this remains a very difficult issue, presenting not only technical challenges but also a struggle to reconcile strongly-held policy views by all participants.

The DOJ Office of the Chief Information Officer (OCIO) is focused on the prevention, detection, and rapid mitigation of cyber-attacks on our assets and has invested over $30 million over the last two years to increase DOJ's cyber capabilities in multiple areas. OCIO has established a set of tools that allows DOJ to understand the timing, access, and extent of an attack and implemented the forensic tools and knowledge to analyze the damage and trace the attack to the point of entry. The OCIO has also established comparable insider threat capabilities, which analyze user actions for anomalies that may indicate potential insider threat activity.

To make certain that robust and comprehensive cybersecurity safeguards are in place throughout the enterprise, DOJ is updating its cybersecurity architecture to ensure security is embedded in our infrastructure and systems. The OCIO has implemented a defense-in-depth strategy to create multiple layers of protection across the various DOJ environments. OCIO is supporting the defense-in-depth approach by analyzing advanced threat and mitigation information in relation to the current DOJ IT infrastructure. Based on the analysis, cybersecurity capabilities are then adjusted and updated. In addition, interest and attention to cloud initiatives have grown significantly within DOJ and is a major focus moving forward. DOJ is implementing a collection of security capabilities at various levels in the network to address cloud interconnections to agency resources. This Cloud Security Infrastructure (CSI) will distribute the security layers to where security is most needed.

DOJ has implemented and continues to manage several solutions which have resulted in considerable cost avoidance by thwarting our adversaries' attempts to breach the Department's network, gain access to sensitive information, and critically harm national security. These tools include advanced endpoint memory analysis capabilities on critical endpoints which allow deep analysis to detect advanced attack kits; a data loss prevention capability for email and web traffic, which prevents the loss of sensitive data via our email system and detects and blocks malicious encrypted web traffic; and automated malware detection technology at the Internet perimeter to block malicious files, suspect links, and spear-phishing attempts.

There is also a growing concern across the Federal Government with regard to data loss and information disclosure from insider threats. An insider threat is one who uses his/her authorized access (wittingly or unwittingly) to do harm through espionage, terrorism, disclosure of national security information, or through the loss or degradation of resources or capabilities. In response, DOJ has established the Insider Threat Prevention and Detection Program (ITPDP) which deters, detects, and mitigates insider threats. The program employs risk management principles, tailored to meet the distinct needs, mission, and systems across DOJ and includes appropriate protections for legal, privacy, civil rights, and civil liberties requirements. The ITPDP leverages existing resources to strengthen our defenses against insider threats by integrating, centrally analyzing, and responding to relevant information indicative of a potential insider threat.

3. Managing an Overcrowded Federal Prison System in an Era of Limited Budgets and Continuing Security Concerns.

Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal and International Levels

The Department's Bureau of Prisons (BOP) mission is more than housing inmates in safe and humane facilities: it includes the responsibility to prepare inmates for a successful return to the community. This requires providing programs in areas including, but not limited to, education, substance abuse, and job training. As has been recognized by the OIG in other reports as well as the GAO, the Bureau of Prisons has almost no control over the size of the population. While the size of the inmate population does impact operating cost, the majority of costs cover staff salaries that are not reduced despite marginal decreases in the population.

While the OIG does note that the BOP's inmate population has decreased, its report overestimates the extent of crowding and the impact on BOP. BOP's overall crowding level is now at 16%. The DOJ Strategic Plan establishes a goal of reducing crowding to 15%. The BOP is now at this level of crowding, so it is hard to argue that this is a significant challenge. That said, within the overall rate, BOP high security facilities remain at a 31% crowding level and medium security facilities are 22% crowded. Therefore, it may be more appropriate to focus on medium and high security crowding and not the overall crowding level.

Containing the Cost of the Federal Prison System

The FY 2017 current services level funds mandatory requirements in FY 2017 such as increases in pay and benefits, and uncontrollable increases in medical, utility, and food costs. These base requirements must be fully funded to cover actual costs of existing staff and operations. Senate Report 113-78 noted that, "While these activities are not considered mandatory for budget purposes, they are not truly discretionary in that the Committee has an obligation to adequately fund them regardless of budgetary constraints."

Medical costs are a primary driver in the increase in prison expenditures. The Department and BOP have implemented prudent mechanisms to reduce health care costs without sacrificing the appropriate standard of care, and continue to seek additional opportunities to do so in the future.

In addition, the Modernization and Repair (M&R) program requires adequate funding to undertake essential rehabilitation, renovation and replacement projects at existing institutions to ensure structures, utilities systems, and other plant facilities are operational. M&R is essential to institution security because deteriorated facilities add to increased risk of escapes, inability to lock down cells, and violence.

The BOP's budget includes critical resources to support vital inmate programs that have been proven to reduce recidivism. Inmate reentry programs such as substance abuse, education, mental health treatment, and job skills training have been proven to reduce the likelihood of re-offending, thereby ultimately reducing the size of future prison population. In this way, inmate release programs are critical to reducing prison costs over the long term.

Ensuring the Security of Inmates, Staff, and the General Public

The BOP takes safety and security of staff and inmates very seriously. The BOP routinely implements policies and procedures to reduce the introduction of contraband within the secure perimeter of its institutions. The Staff Search and Entrance Procedures will be further analyzed to identify necessary revisions that address recommendations in OIG's contraband audit. Additionally, the BOP is updating systems designed to track contraband recoveries to ensure inclusion of additional relevant data. With respect to armories, the BOP is taking action to respond to the OIG's recommendation: policy revisions are currently underway, as well as the development of a new system to more effectively account for armory inventories. The BOP continues to update OIG regarding these efforts.

Managing Department Programs That Also Can Impact Inmate Population Numbers

As noted in the OIG report, the Department's Smart on Crime Initiative has guided discretionary charging decisions such that drug mandatory minimums are not typically charged unless there is evidence of violence, firearms, higher level distribution, involvement with drug trafficking networks or cartels, or other such evidence of danger. In March 2016, the Deputy Attorney General noted that available data showed that prosecutors were being more selective in their drug prosecutions and that fewer but more serious cases were being charged. In FY 2012, prior to Smart on Crime, 61% of all drug cases carried a mandatory minimum sentence. In FY 2015, 47% of such cases carried a mandatory minimum.

Smart on Crime also encouraged federal prosecutors to fully consider utilizing alternatives to prosecution where appropriate. As the Department noted in 2013, there were fewer than 10 federal diversion-based court programs in existence across the country. In 2016, there are at least 31 such programs. The OIG report notes a difference among USAOs in how diversion-based court programs are utilized among USAOs. Some programs are designed for veterans, some for substance abusers, and some for those who smuggle illegal aliens. Entry criteria for these programs are better set locally by each district. As long as each district fully considers alternatives to incarceration, including diversion, a difference in utilization of diversion among districts simply reflects the diversity of crime across the country.

The second of the five principles behind the Department's Smart on Crime initiative is to "reform sentencing to eliminate unfair disparities and reduce overburdened prisons." In April 2014, the White House and the Department launched the Clemency Initiative, a program designed to reduce sentences for low-level, non-violent offenders who would likely receive substantially lesser sentences if sentenced today. Many of these inmates cannot benefit from changes in law and policy that result in lower sentences for similarly-situated defendants facing prosecution today. Without a grant of commutation, these inmates must continue to serve sentences that are widely acknowledged as unfair and excessive. The Office of the Pardon Attorney invites the President's attention to federal inmates who merit consideration for early release by applying the criteria of the Clemency Initiative. In this way, the work of the Office of the Pardon Attorney helps eliminate unfair sentencing disparities and potentially helps reduce overburdened prison populations, two key goals of the Smart on Crime initiative.

For example, a 1996 conviction for distributing 52 grams of crack received a mandatory minimum sentence of 10 years even with no criminal history, no ties to large-scale criminal organizations, and no history of violence. The offender received no benefit under the Fair Sentencing Act of 2010 (because the Act is not retroactive) nor the U.S. Sentencing Guidelines amendments reducing punishments for crack trafficking because the sentence was dictated by the statutory minimum. Therefore, clemency might be the only avenue to sentence reduction. Conversely, if sentenced today, the offender would be subject to a five-year mandatory minimum prison term at most; it is more likely there would be no mandatory minimum because the indictment would not include a charge of a specific amount of drugs, given the Attorney General's policy changes for charging drug offenses. Commuting the existing sentence would ensure a low-level, non-violent offender receives a punishment proportionate to his or her conduct, character, and background and result in a lessened burden on federal prisons upon the inmate's release, thereby furthering the goals and principles of the Smart on Crime initiative.

4. Strengthening the Relationships between Law Enforcement and Local Communities through Partnership and Oversight.

Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent

Compiling Accurate and Complete Data on Law Enforcement Shootings

Due to the difficulties mentioned in the IG Top Management Challenges, local, state, tribal, and federal law enforcement agencies have requested the FBI's Criminal Justice Information Services (CJIS) Division Advisory Policy Board (APB) approve the collection of data regarding law enforcement use of force that results in the death or serious bodily injury to a person, or when a law enforcement officer discharges a firearm at or in the direction of a person. Additionally, law enforcement agencies requested that the FBI lead the development of this data collection and act as the repository for the data. The CJIS APB approved this recommendation in December 2015, and FBI Director James Comey signed this recommendation in February 2016. The CJIS Division is currently working to develop the National Use-of-Force Data Collection and is expected to pilot this program in January 2017. While this collection will remain voluntary, it is highly encouraged to participate in an effort to gain a full perspective on crime and use of force throughout the United States.

The Department's Community Oriented Policing (COPS) Office is working with law enforcement agencies and stakeholders from across the country through the Police Data Initiative (PDI). The COPS Office is responsible for managing the PDI, and is working to elevate the importance of data transparency as a means for longer-term organizational transformation, in order to impact the entire agency, and has incorporated PDI under its Collaborative Reform Initiative Program. The goal of PDI is to improve trust between police agencies and the communities they serve by providing a means to organizational transformation around data transparency, including data related to law enforcement shootings. The COPS Office believes that this transparency can support broader innovations and advancement in police accountability, decision-making, strategic and tactical planning, crime reduction efforts, data analysis and interpretation, and risk management.

In addition, the COPS Office is working with its funded partner, the Police Foundation, and the initial cohort of over 100 PDI sites, to provide technical assistance, convene webinars, facilitate peer-to-peer consultations, and to develop an action research plan around documenting data transparency implementation processes, lessons learned, recommendations, and success stories. Practitioner-friendly reports will be produced, including case studies of successful implementation demonstrating the full range of utilities that data transparency provides, and a data transparency implementation guide for use by the law enforcement profession will also be produced.

Using Grants to Assist Local Law Enforcement with Hiring, Equipment and Training

The COPS Office (COPS) employs a variety of strategies to ensure that grant funds are wisely spent. All grant programs are offered through an automated, data-driven grant application for COPS's largest grant program (the COPS Hiring Program, or CHP) to ensure that funding decisions are objective and comparisons can be made between applicants with regards to crime, fiscal need, and community policing plans. There is also a comprehensive peer review process for all other COPS grant programs to ensure that subject matter experts identify the proposals that have the greatest need, as well as likelihood of being both effective and impactful. In addition, COPS conducts routine grant monitoring of awardees through desk reviews and on-site visits. A minimum of ten percent of the active grant portfolio is monitored yearly. There is required financial and programmatic reporting each quarter with strong controls for non-compliance (e.g., funds frozen if financial reporting is delinquent).

COPS provides ongoing technical support for grantees during the life of their grant in the form of workshops, cohort calls (e.g., all CHP applicants who selected a specific problem area sharing information and best practices with each other via conference call), and direct outreach to all COPS grantees at least once per year by grants specialists to answer grantee questions and ensure that any potential programmatic or financial issues are resolved before they become serious problems. There is a dedicated Response Center trained and equipped to answer (or appropriately refer) any questions from COPS grantees.

The COPS is also sensitive to our role in maximizing the impact of grant funds in communities to prevent violence between police and communities. For example, the COPS Hiring Program is the COPS largest grant program, with over $119 million awarded in FY 2016 alone for entry-level officer salary and benefits. In FY 2016, approximately 50% of COPS Hiring Program awardees selected the "Building Trust" problem area, meaning that awarded agencies must use those positions to focus on things such as impartial policing; transparency; fairness and respect; community engagement; and diversifying police departments. In addition to that focus, applicants who selected this problem area are also provided ongoing technical support throughout the life of their award (see above).

COPS also administers the Community Policing Development (CPD) Program to support training and technical assistance to advance the practice of community policing nationwide. These awards allow law enforcement agencies and stakeholders to develop, test, implement, and document innovative strategies to address a wide range of issues facing our nation's communities, including countering violent extremism, building trust between law enforcement and the communities they serve, responding to at-risk populations, and police accountability and transparency. This program allows COPS to maximize its convening function by bringing together law enforcement leaders and others to discuss critical issues and formulate recommendations to address those issues. It also supports the essential Critical Response Initiative, which provides targeted technical assistance to law enforcement agencies dealing with high profile events, major incidents, or sensitive issues of varying need. In FY 2016, COPS provided $10 million in funding under the CPD Program, which will result in national level training and technical assistance programs, a series of forums and convened meetings, demonstration projects in law enforcement agencies across the country, Critical Response capacity to support agencies in significant need, and a series of publications and guidebooks on important issues facing law enforcement and their communities.

Providing Oversight through Pattern or Practice Investigations

The Department, through the Civil Rights Division (CRT), takes a strategic, efficient, and effective approach to achieving sustainable reform in state and local police jurisdictions by only pursuing cases that involve patterns or practices of severe misconduct, involve new issues of law or policy, respond to exigencies such as rioting or widespread mistrust of law enforcement, and/or can serve as models for other jurisdictions. In recent years, the Department's work in this area has received increased national attention, particularly in the wake of the findings letter issued at the conclusion of the investigation of the Ferguson Police Department. Predictably, the Department has received increasing numbers of complaints and requests to open new investigations.

The Department is limited in the number of new cases that it can bring while fulfilling its obligations in existing cases, but it has taken several key actions recently to address this challenge. In 2015, the CRT implemented surge staffing on police misconduct cases, adding ten new attorney positions and five new contract outreach specialist positions to the group of attorneys, outreach specialists, investigators, and paralegals who work on these cases. With this surge in staffing, 28 Division attorneys work on these cases. The Division also implemented a case selection committee that considers all of the police misconduct complaints and referrals received, and recommend new investigations that fulfill the Department's criteria.

CRT continues to increasingly work with the Office of Justice Programs (OJP) and the COPS Office to ensure that the Department responds to police-community relations issues with the resources and approach most appropriate to the facts of each particular situation. Finally, the Division continues to make its findings public in an effort to educate the leaders of the nation's 18,000 state and local law enforcement agencies on the issues raised by its investigations and the solutions that jurisdictions have agreed to implement to achieve sustainable reform. The Division posts all findings letters and consent decrees on its website and makes continuous efforts to speak at conferences, community meetings, and similar public gatherings to get this information to interested leaders and communities.

Investigating and Prosecuting Violations of Federal Civil Rights Laws

CRT also acts with United States Attorney's Offices (USAOs) across the country to prosecute law enforcement officials who intentionally misuse their positions to deprive individuals of constitutionally protected rights. Although the civil rights statues enforced by the criminal section theoretically cover the deprivation of any and all rights protected by the Constitution or federal law, cases charged by federal prosecutors most often involve physical or sexual assaults and other egregious misconduct. Defendants in such cases include state and local police officers, prison superintendents, correctional officers, federal law enforcement agents, and state and county judges. These cases are given careful attention both to ensure that no dedicated law enforcement officer is prosecuted for making an honest mistake in a dangerous situation and to equally ensure that no officer may use his or her badge to intentionally violate rights with impunity. The Division also seeks to proactively prevent such crimes by participating in the training of federal, state and local law enforcement officers across the country.

Civil rights investigations of police departments and criminal prosecutions of police officers are two key tools used by the Department to help build trust in state and local law enforcement agencies.

Providing Support to Communities in Emergency Situations

The Department's Community Relations Service (CRS), created by the Civil Rights Act of 1964, is authorized to provide emergency response support through the deployment of conciliators to affected communities. As CRS's Strategic Plan notes, "timing is essential in preventing community tensions from erupting into violence." However, CRS is a relatively small Department component, with a staff allocation of 74 employees which includes unfilled positions, and a budget of $14.4 million in FY 2016. CRS will continue to prioritize its resources to address the challenges of the communities they serve, work through critical issues and determine how to optimally use its limited, but substantial resources and personnel to help improve the relationship between law enforcement and communities within their jurisdiction.

5. Helping to Address Violent Crime Through Effective Management of Department Anti-Violence Programs.

Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law
Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels

The Violence Reduction Network (VRN) brings together a number of components, including ATF, CRT, COPs, DEA, FBI, U.S. Marshals Service, OJP and OVW, to target information and technical assistance to jurisdictions experiencing the highest crime rates. In its third year, VRN helps the identified jurisdictions navigate the array of DOJ resources and components by providing each jurisdiction with a liaison and assistance in identifying the jurisdictions' top justice system priorities.

In support of the VRN, the FBI initiated a "10 Point Plan" to be implemented in each selected city. The 10 Point Plan is focused to deliver training to enable each city to sustain violence reduction strategies and operations following the conclusion of the two year period. At the center of the 10 Point Plan is the assignment of a FBI Violent Crime Coordinator (VCC). The FBI assigned a VCC to each VRN city to ensure appropriate resources are allocated and delivered. The VCC provides guidance and facilitates each city's use of the FBI Laboratory, the FBI Computer Analysis Response Team, the FBI Evidence Response Team and sophisticated surveillance assets. In September 2014, the VRN initiated sites in Camden, Chicago, Detroit, Oakland/Richmond and Wilmington. In September 2015, the VRN launched operations in Compton, Little Rock, West Memphis, Flint and Newark. In March 2016, the VRN added Milwaukee, New Orleans and St. Louis. In July 2016, VRN selected Jackson, Mississippi, and Nashville, Tennessee, as the fourteenth and fifteenth VRN cities.

The Department's Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) is working closely across the Department and its law enforcement components to ensure the efficient and effective use of resources to combat violent crime. ATF's top enforcement and regulatory priority is to prevent and reduce violent crime involving firearms, explosives and arson, and bring to justice violent criminals who terrorize our communities. ATF's Frontline business model, implemented in 2013, is designed to focus ATF's resources where they will have the greatest impact on reducing violent crime, particularly firearms violence. Frontline requires all ATF field divisions to coordinate anti-violent crime efforts with our federal, state and local partners through Violent Crime Reduction Partnerships (VCRP) or other existing coordination mechanisms in the area of operation. Frontline also ensures that ATF's enforcement efforts are intelligence and evidence driven, with particular emphasis on leveraging and synthesizing all available resources including technology, such as ATF's National Integrated Ballistic Information Network (NIBIN), proprietary information, including ATF's eTrace system, and co-location of investigative agencies in ATF's Crime Gun Intelligence Centers (CGICs) to share and develop investigative findings. For communities that have experienced persistent or surging violent crime, ATF is a full partner in the Department's Violence Reduction Network (VRN). ATF works closely with the VRN communities including, Detroit and Flint, Michigan, Newark and Camden, New Jersey, Chicago, Illinois, Wilmington, Delaware, and Oakland and Richmond, California.

Violent crime associated with drug trafficking seriously threatens our communities, limiting the quality of life for U.S. citizens, paralyzing neighborhoods, and stretching state and local law enforcement resources to their limits. The Department's Drug Enforcement Administration (DEA) has initiated or participates in the following programs designed to address the threat of violence in our communities:

- DEA's Domestic Cartel Initiative: A partnership shared with local communities and federal, state and local law enforcement, along with prosecutors, who will target domestic cartels that are linked to international drug trafficking organizations.
- DEA's Project Rolling Thunder: Designed to target violent urban organized crime throughout the United States that have national ties and heavily impact local communities and regions.
- 360 Strategy: A three-pronged approach to tackling the cycle of violence and addiction related to the rising problem of prescription opioid and heroin abuse.
- Threat Identification and Enforcement Planning Process: DEA has developed a new threat identification process designed to work hand-in-hand with all of the efforts outlined above.

In response to recent spikes, the USAOs are continuously reassessing their district-based violent-crime strategies by working closely with federal, state, local, and tribal law-enforcement partners to identify priority offenders – the relatively small group of individuals responsible for an inordinate percentage of a jurisdiction's violence – and target them for investigation and prosecution. To better coordinate these efforts, many USAOs host regular intelligence-sharing forums with their partners to identify violent threats – whether individual trigger-pullers or notorious street gangs – and deploy resources to take these threats off the street. These forums do not require additional funding – only the commitment of the USAOs and their partners to devote the necessary police officers, agents, or prosecutors to focus on investigating, arresting, and prosecuting the priority targets.

USAOs also engage in comprehensive, evidence-based approaches to reducing gun and gang violence. Project Safe Neighborhoods (PSN) remains DOJ's primary initiative for the prosecution of federal firearms offenses and violent gangs. PSN requires each district to develop a strategy that addresses its unique firearms and gang issues, focusing on the five elements of a successful PSN strategy: coordinated partnerships among federal, state, local, and trial law-enforcement partners; providing training for these partners; strategic planning and research in the development of violence-reduction strategies; outreach, prevention, and reentry efforts aimed to curb the root of violence; and accountability, as measured by an actual decrease in a district's violent-crime rate. The PSN strategy has been assessed by Michigan State University and found to result in significant decreases in violent crime where implemented faithfully. PSN is also a grant program aimed at reducing gun and gang crime. In FY 2016, OJP, with input from EOUSA, awarded PSN grants to 16 districts, including to grant recipients in Baltimore and Detroit. In addition, some USAOs, as part of their district's overall PSN or antiviolence strategy, have joined with local partners in adopting the "Ceasefire" strategy, developed by John Jay College of Criminal Justice. Ceasefire seeks to reduce violence and improve public safety, minimize arrest and incarceration, strengthen communities, and improve relationships between law enforcement and communities. The goal is to reduce group-related violence by using law enforcement, community members, and social-service providers to directly engage members of groups (e.g., gangs, drug crews) with a unified message: the community will not tolerate violence; the next group that shoots/kills someone in the targeted district will get the spotlight; the most violent group will get law enforcement's attention; but anyone who wants help to change his/her life can get it through a range of direct social services (e.g., education, employment, vocational training, housing). Studies have shown that the Ceasefire strategy can result in significant reductions in gun and gang violence.

COPS works collaboratively with the OJP on the BJA's VRN program which works directly with cities on this particular area. The reduction of gun violence is also a problem area supported by the COPS Hiring Program and grantees are provided with information to help them develop their own community policing response.

For the last several years, the OVW has engaged in collaborative cross-component and cross-agency initiatives to maximize the use of OVW resources and expand the reach of OVW guidance. Examples of collaborations include, but are not limited to: the development and implementation of guidance on gender bias in policing, the VRN, Grants Challenges, Grant Duplication, and GrantsNet. In the first example, OVW, the CRT, the COPS Office, and the Office for Victims of Crime (OVC) developed and implemented Department guidance, "Identifying and Preventing Gender Bias in Law Enforcement Response to Sexual Assault and Domestic Violence." This December 2015 guidance, which grew out of CRT's experience enforcing civil rights laws, OVW's experience administering Violence Against Women Act funding, and the COPS Office's work with police leaders, highlights the need for law enforcement agencies to adopt clear policies, robust training, and responsive accountability systems. Once the guidance was issued, both OVW and OVC worked together to use existing funding sources to support law enforcement agencies that wished to implement the guidance. In September 2016, OVW and OVC awarded nine grants totaling $9.4 million to various national and local organizations to provide enhanced training and technical assistance nationally, support research and evaluation, and provide resources to agencies to implement the guidance. Going forward, OVW and OVC are collaborating to maximize the value of these awards and prevent duplication of effort. For example, under the VRN, OVW has provided intensive training and technical assistance on the development of a domestic violence review team for a VRN site that identified domestic violence homicides as one of its priorities.

Through the Grants Challenges Working Group, COPs, OJP and OVW, meet to discuss shared challenges and solutions in grant making. As a result, the components developed and implemented the DOJ "High Risk" list to coordinate grants management, including award special conditions, of those grantees identified as posing the highest risk.

In addition, to address concerns about potential unnecessary duplication in grant awards, the three grant making components have collaborated to develop a process for identifying solicitations that pose a risk of unnecessary duplication and reducing/eliminating that risk of unnecessary grant duplication. Although the initial duplication effort identified no instances of actual unnecessary duplication, it highlighted the need to reduce the possibility of duplication taking place. As a result, the three components recently signed a joint memo instituting a process for collecting critical information used to identify solicitations more likely to result in possible duplication. Components have agreed to take specific follow-up steps when solicitations show potential for duplication, including documenting modifications to planned programs. In cases in which solicitations with potential for duplication must be released (e.g. statutorily mandated programs), steps will be taken through the pre award-making process and/or post award monitoring process to identify duplicative applications and restrict award activities where necessary. As the three components implement this process for the first time, it will be assessed and modified as needed.

Finally, several years ago, COPs, OJP, and OVW initiated GrantsNet, an effort to improve our ability to share grant information and leverage our resources. Thus far through GrantsNet, the risk assessment and monitoring plan processes are now being captured in a single DOJ monitoring plan; and, the conference request and reporting process is being captured in a single tool. GrantsNet continues to identify areas in which the components can share their business practices and align their practices where appropriate and helpful.

6. Ensuring Effective Management and Oversight of Law Enforcement Programs and Promoting Public Trust.

DOJ Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law

Ensuring Effective Management and Oversight of Law Enforcement Programs

The Department relies on the services of over 110,000 employees to manage federal law enforcement programs and meet its mission of ensuring public safety. The inherent risks associated with many of these programs, including the issue of effective oversight, continue to challenge the Department.

ATF concurs with this recommendation and, over the past 4 years, has worked closely with OIG and the Department to strengthen the planning, management, oversight and risk assessment of its enforcement and regulatory programs. In executing these programs, ATF prioritizes the privacy and civil rights of citizens and regulated entities.

In 2016, DEA established the Office of Compliance (ADC). ADC is responsible for managing and overseeing DEA's compliance program. It ensures internal consistency of DEA policies as well as aligns with DOJ policies and those of other federal agencies. This office also oversees the efforts of the Policy review team. DEA's goal is to be proactive and to anticipate risk areas. DEA wants to know the problem before it arises, so that it can be addressed in a timely manner.

In response to the OIG's March 2015 report, USMS undertook a number of actions that resulted in the OIG's closure of its recommendation to USMS. All USMS employees are required to annually certify that they have reviewed and understood the USMS Code of Professional Responsibility, which requires USMS employees to demonstrate the highest standards of integrity, character, public trust, and professional responsibility. Failure to adhere to the Code of Professional Responsibility can result in disciplinary actions. Furthermore, USMS Policy Directive 2.2, Misconduct Investigations, requires managers to immediately report all misconduct allegations to Internal Affairs or the OIG. The USMS also enforces compliance through the performance standards for supervisors and managers under the performance element *Accountability for Diversity/People/Workforce*, which requires managers to take "appropriate action to address promptly any misconduct to include allegations of harassment by employees."

Finally, in December 2015, the USMS announced the establishment of the Office of the Ombudsperson. The mission of this office is to provide employees with an avenue for confidential, informal, and neutral assistance to address employee and/or management problems, issues and concerns. The office operates independently of other USMS offices and is open to all USMS employees at all levels. Every employee has the right to contact the Ombudsperson at any time without prior approval. The Ombudsperson works with all concerned to listen to issues raised and to facilitate a resolution when possible.

Promoting Public Trust by Ensuring Ethical Conduct

The Department disagrees with the view expressed by the OIG in its Top Management Challenges Report, that the Inspector General Act should be amended to give the OIG jurisdiction to select at its discretion matters for investigation that involve possible misconduct by Department attorneys. The Office of Professional Responsibility (OPR) has been investigating these cases since its creation in 1975. Since its inception, OPR's mandate has been to conduct unbiased investigations of misconduct allegations against Department attorneys that relate to their authority to investigate, litigate, and provide legal advice. OPR applies established procedures, precedent, and a careful analytical framework that enables its highly experienced attorneys to make findings based on the applicable standards of conduct, including those imposed by law.

For over 40 years, OPR has conducted its investigations in a consistent, fair, and impartial manner. OPR has developed expertise in investigating and evaluating such misconduct allegations as they relate to state bar rules, professional rules of conduct, and the Department's own standards of conduct. When Congress created an IG for DOJ in 1988, the Department insisted that OPR retain its jurisdiction in recognition of OPR's unique ability to investigate attorneys in relation to their authority to litigate and give legal advice.

The principal reasons advanced by the OIG for the need for additional jurisdiction over attorney misconduct allegations are the need for greater independence in the investigation of such matters and increased transparency. The OIG claims that the Act should be amended because OPR falls under the authority of the Attorney General, and is therefore not sufficiently independent. However, in requesting that the Act be amended, the OIG has not criticized OPR's work, the thoroughness of its investigations, or the soundness of its findings. OPR in fact acts independently and without interference from senior Department leadership. OPR is led by a Counsel who is a career, Senior Executive Service, Department employee who remains unchanged with successive Attorneys General and presidential administrations. No serious allegation has ever been raised that any Attorney General or Deputy Attorney General has interfered with any OPR investigation. In fact, OPR has not hesitated to investigate senior Department leadership at the highest levels in the past, where appropriate, and to make misconduct findings against Department attorneys when the evidence supported such findings. In its over 40 years' existence, OPR has been called upon to investigate allegations of misconduct against high-ranking DOJ officials, including the Attorney General and the Deputy Attorney General. In each such case, the Attorney General and the Deputy Attorney General have been recused from the matter, so that neither they nor their staffs played a supervisory or other role in the matter under investigation. Although the OIG for many years has claimed a need to increase its jurisdiction, the OIG points to no instance in which Department senior leadership interfered with the conduct of an OPR investigation; nor does the OIG point to a single OPR investigation that failed to appropriately hold accountable Department leaders or other Department attorneys.

The OIG further suggests that its proposed amendment would result in increased transparency. However, the Privacy Act prevents OPR and OIG from releasing personal information about Department employees, except in limited circumstances. Despite these limitations, OPR annually discloses a substantial amount of information about its work and findings. OPR's annual reports contain substantive and statistical information setting forth the complaints it receives and the numbers of inquiries and investigations it accepts and resolves. This statistical compilation includes the sources of complaints and allegations; the categories of allegations made and resolved; and whether closed investigations resulted in findings of reckless or intentional professional misconduct, poor judgment, or mistake. The annual reports include summaries of representative inquiries handled by OPR during the year and summaries of nearly every investigation OPR closed. Beyond that, OPR regularly provides complainants, including defense attorneys or judges who complain about the conduct of Department attorneys, information concerning the resolution of their complaint. Where bar rules are implicated, OPR also shares its misconduct findings and reports with bar disciplinary authorities.

Regardless of whether OPR or the OIG investigates attorney misconduct, the imposition of discipline would not be affected. While OPR and OIG have the authority to investigate allegations of misconduct, neither has the authority to impose discipline. The OIG would have no such authority under the proposed bill. Rather, the OIG would have authority only to report its findings and conclusions to the Attorney General and the Deputy Attorney General; the Department, under longstanding civil service rules, would retain authority to impose discipline. As is the case under the present system, any attorney -- like all federal government workers -- would retain due process rights established by civil service statutes including the right to contest findings of misconduct rendered by either OIG or OPR and to appeal termination or a suspension of more than 14 days to the MSPB.

For the above reasons, the Department continues to have confidence that OPR should retain exclusive jurisdiction to investigate allegations of misconduct against Department attorneys when those allegations relate to their authority to investigate, litigate, and provide legal advice.

7. Monitoring Department Contracts and Grants

Relates to all DOJ Strategic Goals

OJP recognizes the inherent risk associated with overseeing a grants portfolio of over 7,000 open awards totaling over $7.5 billion. As such, OJP carries out a rigorous oversight and monitoring program using a risk based approach to identify and focus effort on those grants and grantees posing the highest risk to Federal funds. OJP consistently exceeds its statutory requirement to conduct comprehensive monitoring of not less than 10 percent of total award dollars. In FY 2016, OJP completed in-depth programmatic monitoring of approximately 1,000 grants totaling over $1.8 billion, over two times the amount required by law. In-depth programmatic monitoring (on-site or remote) is an extensive review of the grantee's activities. OJP also conducts annual programmatic desk reviews on each active grant, totaling over 7,000. Annual desk reviews ensure compliance with programmatic and administrative requirements and assess progress towards the program goals and objectives as forth in the award.

For FY 2016, OJP's Office of the Chief Financial Officer (OCFO) carried out financial monitoring of approximately $1.3 billion of active grant funding. This included on-site financial monitoring of 481 grants totaling over $945 million, and completed financial desk reviews (conducted remotely from OJP) of 436 grants totaling more than $352 million. As a result, OCFO identified nearly $24 million in questioned costs and recovered almost $400 thousand in improper payments made by grantees. In addition, OJP continued its efforts to provide training to its grantees and grant management staff on effectively managing programs and funds. In FY 2016, 632 grantees successfully completed OJP's on-line grants financial management training and 572 grantees attended OJP's in-person financial training seminars.

In Fiscal Year 2015, OJP instituted a process to assess risk prior to the award of individual grants and where necessary establish requirements for additional oversight and training. In Fiscal Year 2016, OJP began requiring grants financial management training to key personnel identified for all award recipients. OJP remains committed to its responsibility to be vigilant stewards of taxpayer dollars as it manages the public funds behind these grants.

OJP continues to closely coordinate with grantees and the OIG to address issues identified in grant audits and timely resolve outstanding audit recommendations. In FY 2016, OJP closed 201 single and OIG grant audit reports. This represented the closure of 652 findings.

Note: An additional $20.4 million in costs were closed and settled through litigation with DOJ. Of this amount $17.9 million was settled with Big Brothers, Big Sisters, of which $1.7 million was returned to the Government; and $2.5 million was settled with the National Training and Information Center.

Regarding the FBI, the Bureau is cognizant of this challenge and has taken multiple actions to mitigate the concerns. The FBI recognizes the importance of utilizing mandatory sources, and ensuring that products and services procured are appropriate to fulfill the FBI's needs.

Spending on Contracts

OVW recognizes the need to ensure that our contractual needs are appropriately reflected in requests for bids and Statements of Work (SOW). OVW, however, does not have contracting authority and relies on the Department's Justice Management Division (JMD), Procurement Services Staff (PSS) to act as OVW's Contracting Officer, with the requisite skill, knowledge and authority to ensure a fair and competitive process.

COPS also utilizes the services of JMD/PSS on all contractual service needs. COPS has no dedicated Contracting Officer, but has procurement liaison staff dedicated to providing advice, oversight and guidance to the Contracting Officer Representatives (CORs) who manage the COPS contracts. The COPS CORs monitor contractor performance with monthly meetings with the vendor staff to review project outcomes and delivery of products. Internal component auditing is also provided by the COPS Administration Division staff by reviewing the monthly vendor estimate prior to the receipt of the monthly vendor invoice. Once all expenditures have been certified, the CORs provide an assurance statement to COPS Finance staff authorizing payment of the vendor.

COPS relies on the expertise, guidance, and efficiency of JMD Procurement staff when building requirements for all new contractual requests. JMD/PSS works with the COPS to ensure that our requirements are handled under the proper procurement vehicle and adheres to all FAR regulations. JMD/PSS staff offer recommendations and support to component staff in the preparation of requirement documentation such as Request for Quotations (RFQs), Request for Proposals (RFPs), Independent Government Cost Estimate

(IGCE), as well as assuring that all ethical and conflict of interest considerations are taken into account when working with a vendor and the U.S. Government.

The DEA acquisition office partners with program offices to ensure proper and strategic procurement of the goods and services the agency requires to complete its mission. Said offices establish their program needs for contract requirements in conjunction with its allocated budgets and spending priorities. Once a program need has been identified, the acquisition office works closely with the DEA office to establish the method most appropriate for acquiring the product or service. Authorized officials follow a formal source selection process which includes conducting market research, creating acquisition and source selection plans, managing the source selection boards, and establishing and overseeing awards. Recognizing there is no one right acquisition strategy which meets every situation, the DEA acquisition office works to find the solution which best meets the specific circumstances within each requirement while maintaining compliance with the Federal Acquisition Regulation (FAR) and applicable government-wide and departmental requirements and procedures.

Spending on Grants

OJP recognizes the increased risk presented with the additional funding appropriated under the Crime Victims Fund (CVF). OJP takes seriously its responsibility to ensure fiscal accountability for all recipients of the CVF. In FY 2015, OJP authorized the hiring of additional positions to conduct financial monitoring and oversight activities. In addition to its standard oversight and management efforts, OJP and the Office for Victims of Crime (OVC) have taken the following steps to ensure sound stewardship of funding under the CVF, to include: increasing staff resources at the program office level as well as within OCFO to oversee and monitor the funds; incorporating additional risk criteria to its risk assessment process to increase the monitoring priority of these awards; and preparing quarterly risk indictor reports to proactively identify and resolve potential issues. As part of these efforts, OCFO and OVC have enhanced their monitoring of Victim Compensation and Victim Assistance grants through increased on-site monitoring and improvements to performance measurement activities, including requiring more frequent reporting of measures (from annually to quarterly) within a new performance management system.
In its audits of CVF-funded grantees, OIG has identified areas of improvement related to sub-recipient monitoring. OJP, having recognized this as a weakness for some grantees, has been strengthening its guidance and training related to sub-recipient awards and monitoring. These efforts include updating the DOJ Grants Financial Guide and related grants financial management training to include information on the requirements for sub-recipient agreements, monitoring and audits. The Office of Audit, Assessment and Management has also updated the Site Visit Checklist used in in-depth monitoring to require grant managers to review the full sub-recipient process to include ensuring the prime recipient verifies the applicant's status on the Excluded Parties List, sub-recipient agreements, and monitoring and oversight policies and procedures to include the prime recipient's risk assessment process. Specifically for OVC awards, OJP has identified through the application process, the recipients' plan and process for sub-recipient monitoring and has incorporated that information into its risk assessment process as well as a risk indicator report specific to CVF recipients to assist in directing monitoring and training and technical assistance efforts towards those prime recipients with the greatest sub-recipient risk.

OJP has been working with the OIG since the issuance of the audit report, Audit of the Office of Justice Programs, Correctional Systems and Correctional Alternatives on Tribal Lands Program, Grants Awarded to the Navajo Division of Public Safety, Window Rock, Arizona in September 2015 to reach a resolution on the OIG's findings and related recommendations. In its latest correspondence to the OIG, dated August 23, 2016, OJP provided a further response to the recommendations which remain unresolved. After a careful review including the examination of OIG analysis and responses, as well as the significant amount of documentation provided by BJA and the Navajo Nation, OJP sent a leadership team to Navajo Nation to assess the situation first hand. Based on observations made during the visit and the information obtained from meetings with tribal leadership, OJP continues to disagree with the OIG's overly broad conclusion that the facilities funded were built in excess of the tribe's needs and that they provide no apparent benefit to the Navajo Nation or public.

OJP continues to conclude that BJA's decision to fund the Tuba City and Kayenta facilities was justified, and that the size of the facilities was justified given the extraordinary need of the Navajo Nation for jail space. This audit represents findings based on conclusions that substitute OJP's judgment and decisions made at the time of award and through the life of the grant.

In 2005, an assessment completed by the Navajo Department of Corrections indicated the need for the Nation to plan for approximately 900 to 1,000 beds to be built in the next five to ten years. It was further recommended that these beds be distributed in five facilities each containing 150 beds and two with 100 beds. To date, the total available jail space in Navajo Nation is 416. In fact, Tuba City and Kayenta were built with less bed space than the original 2005 assessment recommended.

The Navajo Nation maintains, and OJP agrees, that the average daily inmate count cannot be used to calculate the bed space needs. As a result of a 1992 consent decree which severely limited the capacity to house offenders, the current inmate population numbers are not accurate representations of the true need for bed space in the Navajo Nation. Jail forecasting relies on tracking a number of variables, which the Navajo Nation is committed to collecting. The Navajo Nation is currently conducting a thorough review of its entire justice system and practice of law, which includes: enforcement, prosecutors, and judges to ensure that violent offenders are incarcerated, and communities are safer. By modifying Navajo Nation criminal codes to include incarceration as a sentence for more punishable offenses, justice will be secured for victims.

During the July 2016 leadership visit, Navajo Nation committed to the creation of a task force to deal with the remaining limitations preventing the facilities from becoming fully operational. OJP has requested Navajo Nation develop a plan to monitor and demonstrate its progress towards operationalizing the two facilities. OJP is continuing to work with Navajo Nation to finalize this plan to ensure it is solid and actionable within the next 5 years.

OVW recognizes that oversight of grant funds must focus on maximizing taxypayer value and not just preventing and identifying fraud and mismanagement. They are committed to addressing this challenge through four main strategies:

1) Implementation of meaningful performance measures tied to the Department's strategic objectives and OVW's mission. OVW made changes to its performance measures in FY 2016 and will make further changes in FY 2017, with the intention of ensuring that these metrics are authentic quantifiers of OVW and their grantees' work and are reliable indicators of progress toward goals. In addition, OVW, along with representatives from the other DOJ grant-making components, leads an Executive Board that is establishing a Performance Review Committee in early FY 2017. The purposes of the committee are to coordinate and enhance performance measurement and management across the components and build system solutions to facilitate meaningful, timely, and accurate measurement and reporting of outcomes.

2) Assessment of grantees' progress toward goals by enhancing OVWs approach to assessing grantee performance in several ways was made within the past year. They continue to use a web-based Grant Assessment Tool (GAT) to assess risk and formulate an office-wide monitoring plan, and now use the monitoring module in GMS for tracking grant monitoring activities, including office-based reviews and site visits. Furthermore, newly hired OVW grant managers are trained on reviewing grantee progress reports and identifying and addressing potential programmatic issues, in addition to financial concerns. Beginning in 2016, OVW grant managers are each provided with a spreadsheet containing their grantees' FFR information from the two quarters that correspond to a progress reporting period, which facilitates comparison of reported activities with expenditures.

3) Deployment of training and technical assistance to help grantees manage the fiscal and programmatic aspects of their projects with effective strategies that are likely to produce good outcomes. In FY 2015, OVW technical assistance providers trained over 115,000 people.

4) Research and evaluation to assess the impact and effectiveness of OVW-funded interventions. In FY 2016, OVW launched its Research and Evaluation Initiative to generate empirical knowledge about which OVW-funded strategies are most effective for serving victims and holding offenders accountable. Nine projects totaling over $3.3 million were funded, and OVW expects these studies to identify the outcomes and impacts of various approaches to combatting domestic and sexual violence.

Annually, COPS assesses its active grant awards against established administrative, financial, and programmatic risk factors using the GAT. The GAT is used by COPS to identify grantees and grants that are at greatest risk of experiencing problems, including mismanagement of funds, and for prioritizing monitor and oversight activities, accordingly. To ensure responsible stewardship of federal funds, there are three types of monitoring activities that the COPS Grant Monitoring Division (GMD) conducts in support of meeting or exceeding the annual 10% monitoring goal: Site Visits, Enhanced Office Based Grant Reviews (EOBGRs), and Alleged Non-Compliance Reviews (ANCR). COPS Office the results of our monitoring efforts, and or analysis of grants management and monitoring data to refine existing risk factors and identify additional risk factors each year. This risk-based approach to monitoring grant awards provides COPS with a strategic method to identify those grantees most at-risk for noncompliance with the terms, conditions, or requirements.

8. Managing Human Capital and Promoting Diversity with a Workforce Increasingly Eligible to Retire.

Relates to all DOJ Strategic Goals

Managing Human Capital to Prepare for Increasing Numbers of Retirements

To promote the effective management of Human Capital, the Department developed the DOJ Human Capital Strategic Plan for Fiscal Years 2015 - 2018 - People First . . . Partnering Across DOJ to Empower its Workforce. The DOJ Human Capital Community worked together to create this plan, envisioning partnerships throughout the Department dedicated to building and sustaining a talented and diverse workforce capable of accomplishing the Department's mission today and in the future.

The plan was developed to address the changing landscape of Federal Human Capital management, while responding to emergent issues of importance to the Administration and the Department. Through this plan, Components are organized into Human Capital Communities of Practice - Law Enforcement, Legal/Litigating, and Administration of Justice – that align with their primary mission focus. The plan helps Human Resources professionals focus on issues that are most important to their relative workforce and mission-critical occupations. To that end, a long range strategic framework was created comprising the following four high-level goals:

Goal 1 – Create Strategic Alignment
Goal 2 - Strengthen the DOJ Workforce
Goal 3 - Ensure Human Capital Accountability
Goal 4 - Leverage Technology

To strike an appropriate balance between long-range planning and short-term operating guidance annual strategic Human Capital objectives are issued each fiscal year. These objectives cascade from the four goals above and align with government-wide initiatives.

As mentioned in the IG report, succession planning in the government offers unique challenges for agency leaders. The Department currently has succession planning efforts in place, for example:

- The Leadership Excellence and Achievement Program (LEAP) is a 12-month (part-time) Department-wide leadership program developed to address DOJ's current and future succession planning needs.

Components nominate employees from a pool of applicants at the GS-13 through 15 (or equivalent) grade levels that have the potential to assume future leadership positions. Nominees are expected to be highly motivated self-starters who are interested in enhancing their leadership skills. The program is meant to challenge its participants to step outside their comfort level, sample new environments, stretch their boundaries, and to grow in their leadership skill set. Once selected into the program, participants are provided with self-assessment tools to gain better self-awareness, a key component to refine their leadership skills. During the year-long program, participants will engage in classroom discussions, group exercises, team learning and independent studies. Participants will also participate in residential training, and will receive mentoring and coaching.

- The Justice Fellows Recent Graduates Program pilot was created under the federal Pathways authority to address the need to develop a pipeline of talented employees in six key occupations. The program is designed as a two-year formal learning experience to allow DOJ organizations to meet workforce planning and succession needs in mission critical occupations. The program is centrally managed within the Justice Management Division (JMD) Human Resources and allows Components to participate based on their forecasted needs in covered occupations.

- The Department is also undertaking a Mission Critical Occupation (MCO) Skills Gap analysis. JMD, in partnership with the Office of Personnel Management (OPM), utilized a tool called Multi-Factor Modeling to review the two year retention rate, Quit Rate, Retirement Rate, and Manager Satisfaction Survey Score to determine which DOJ MCOs were at risk of having skills/staffing gaps. Analysis resulted in the identification of the DOJ Paralegals and Legal Assistants as being at risk of having skills/staffing gaps. The Department is facilitating a DOJ Paralegal Working group to address succession planning and retention in this area.

The FBI has implemented a Reserve Services Program that offers temporary reemployment to former full-time FBI employees, agents and professional staff, so that the FBI can quickly supplement its on-board staff with trained personnel to perform critical functions during periods of emergency, as determined by the FBI to be in the best interest of the public.

Furthermore, the FBI is assessing its Transfer Program policies and can be further refined to meet demands of a modern workforce i.e., (common household transfer policies for non-bureau spouses, hardship policies, and SWAP programs).

Hiring Quality Candidates to Ensure Department Mission and Agency Goals are Met

DOJ is committed to recruiting America's top talent to support high visibility and customer-focused law enforcement, litigation, and enterprise IT projects. The Department developed the DOJ Distinguished IT Fellowship Program to increase the Department's effectiveness in spurring innovation, solving challenges, and improving outcomes in the IT Field. Participants bring their specialized experience from the private sector and other employers to the Department for a term appointment to address emerging IT needs.

Retaining Diverse Talent to Minimize the High Cost of Employee Turnover

The FBI currently has the following incentives that are utilized to attract highly qualified candidates:

- Recruitment Incentive
- Relocation Incentive
- Full cost transfers
- Student Loan Repayment Program
- Credit for Prior Work and Uniformed Service Experience for Annual Leave Accrual Rate: Granted to a newly appointed employee or an employee reappointed after a break in federal civil service of 90

days or more, credit for prior work/uniformed service experience that otherwise would not be creditable for the purpose of determining an employee's annual leave accrual rate.

In addition, the FBI's Human Resources Division drives both field offices and HQ divisions to form collaborative teams in an effort to determine specific recruiting and hiring needs during the year. The goal is to allow each field office/division the opportunity to assess and fill its own needs; required elements from HRD include diversity recruitment/hiring and STEM based applicants. Fiscal Year 2017 is the second year that a National Recruitment Plan has been in place.

Regarding the Department's Human Resources, a number of automation and technology solutions have been implemented to maximize Human Capital management including:

- EMPOWHR (Oracle PeopleSoft) HR Application is an integrated suite of commercial and Government applications that support all critical HR components in a single enterprise system. The use of EMPOWHR allows DOJ to focus resources on important mission-related activities rather than time-consuming payroll and personnel office processing.
- USA HIRE is being piloted in some Components and offers an online battery of self-tests and assessments that is fully integrated with USA Staffing recruitment tool. USA HIRE is designed to be user-friendly as applicants apply for job opportunities at DOJ. Applicants who meet minimum qualifications for a position will be invited by email to complete an online assessment within 48 hours of the Job Opportunity Announcement (JOA) closing date. Use of USA HIRE will result in a better quality pool of applicants and substantially reduced the number of applications requiring review by Staffing Specialists.

9. Using Performance-Based Management to Improve DOJ Programs

Relates to all DOJ Strategic Goals

A Challenge Facing Every Component and Program

The Department remains committed to the development of results-oriented performance measurement and have processes in place to monitor and improve its measures. As stated in the previous OIG Report, establishing performance measures directly linking to outcomes is a challenge for many of the Department's programs given that the programmatic outcomes frequently are not easily quantified nor entirely within the control of the program.

The Department continues to monitor and assess the progress of the FY 2016-2017 Priority Goals as shown in performance.gov, reflecting the Attorney General's top priorities through results-oriented measures related to national security, cybercrime, strengthening relationships with communities, protecting vulnerable people, and fraud and public corruption. As part of the Quarterly Status Review process, the Department reviews and monitors component performance data, along with budget execution and financial information. Additionally, the Department conducts an annual Strategic Objective Review (SOR) which is an annual assessment on the progress toward achieving the strategic objectives as described in the DOJ Strategic Plan. The SOR includes an analysis of both the quality and the progress of performance measures, and often results in planned next steps to either improve existing measures or to create new measures to better show the results of DOJ programs and activities. Moreover, the SOR also includes a comprehensive environmental scan identifying the various risks and challenges relevant to each strategic objective and the Department's actions and next steps to address some of these challenges.

In the case of the FBI, the Bureau agrees that performance-based management is crucial to the success of the organization. The FBI has multiple performance-based management processes in place to drive success. The first process is an Enterprise-based, executive-driven procedure that ensures the FBI is taking the necessary steps to prepare the organization for the next 3-5 years. The second process, known as the Integrated Program

Management (IPM) process, aligns FBI operations to the Director's strategy and ensures the FBI takes the necessary steps to accomplish the mission over the next 1-2 years. The overall goals of both processes are to:

1. Set an overarching plan for what the FBI needs to do to be successful
2. Translate the Enterprise strategy into more actionable goals for specific divisions or field offices
3. Assess the progress the organization is making against defined goals

The Enterprise strategy process starts each year with the FBI Director, Deputy Director, Associate Deputy Director, and other key stakeholders setting the strategic direction of the FBI. The IPM process incorporates the Director's strategy to align each field office's objectives, resources, and performance measures to the FBI's top priorities and strategy.

Throughout the year, the FBI's field and Headquarters program managers track each field office's progress in mitigating its threats and success in implementing its strategy. On an annual basis, operational divisions prioritize national threat issues in order to develop an overall strategic plan. Each strategic plan includes performance measures that are reviewed on a periodic basis to ensure the overall success of a division in implementing its strategy.

Collecting the Right Data

The Department agrees that effective data collection which focuses on collecting the right information is necessary for an adequate performance-based management process. In an effort to ensure the Department is collecting the most useful data that reveals the full scope of its programs, the Office of Budget/Planning and Performance Group completed an in-depth analysis of each component's performance metrics. The Budget Staff completed a full assessment of each performance metric; assessing its value and quality. Following the assessment, the Budget Staff began meeting with components to collaborate with them on developing new, or improving upon existing performance measures that better reflected their work and impact on society. Also as mentioned in the previous section, the Department conducts an annual Strategic Objective Review which includes an environmental scan helping the Department identify specific operation and programmatic needs, by assessing the impact of current and potential challenges facing the Department.

Through the IPM process, the FBI ensures mission success by prioritizing the threats the country faces through its Threat Review and Prioritization (TRP) process. First, FBIHQ reviews each threat and assigns both an "Impact Level" (the likelihood of damage to public safety, critical infrastructure, etc.) and a "Mitigation Level" (the effectiveness of the FBI's current operational activities and understanding of that threat). Field offices complete a similar process to prioritize threats in their local areas, while considering FBIHQ's assessments. Collectively, field offices' TRP results help to contribute to the national understanding of the threat. Each field office uses its TRP as an input for its Field Office Strategic Plan (FOSP), which establishes an agreed-upon series of objectives, measurements, and targets.

After setting expectations and a plan, the FBI must measure its outcomes. The FBI develops measures associated with the threat priorities and the enterprise objectives to track progress and ensure success.
In addition to the IPM process, the FBI leverages advanced analytics to ensure that data is collected effectively, but more importantly that data provides key insights into complex issues. Advanced analytics help discover deeper insights, forecast future outcomes, and make data-informed decisions. The FBI also incorporates interactive dashboards that help provide quick insights into complex data, as well as provide tangible evidence to abstract problems. Examples of driving results with data analytics include using data to: better understand national threats, strategically realign resources, streamline processes, and reduce operational backlogs.

EOUSA regularly provides case data information to Congress, Department of Justice leadership, the Office of Management and Budget, other Federal agencies, and the general public that demonstrates the tremendous efforts of the USAOs in prosecuting wrongdoers, protecting the public, and defending the interests of the United States. EOUSA relies on case-management information to track the prodigious work of the USAOs and to make important resource-allocation decisions concerning the USAOs. In addition, USAO supervisors use case-management reports as tools to manage their offices and staffing needs. Although data can never fully represent the time, effort, and skill required to prosecute and defend cases, they provide objective indicators to assess caseloads and workflows. Accordingly, EOUSA is committed to continuously assessing the type and accuracy of the data it collects.

EOIR has taken many steps to improve evaluation of data for planning and management purposes. For example, EOIR revised reporting of immigration court data and appeal statistics to accurately reflect case processing times, better measure program performance, and inform management decisions and actions. EOIR is currently conducting a workload and staffing analysis to fully understand all resource needs. The analysis will help EOIR determine the most effective way to staff immigration courts and manage workload.

EOIR's Office of Planning, Analysis, and Statistics (OPAS) recently launched a strategic management and analytics capabilities initiative. The initiative includes development of a five-year strategic plan by early 2017 with subsequent business planning, budget formulation, and implementation to follow. EOIR will use performance monitoring and reporting to track the success of the implementation of the strategic plan. Data collection and analysis will occur at each step of the strategic management process. EOIR is also exploring approaches to enhance data quality, standardize analytical and statistical reporting requirements, and expand and align external data collaboration and reconciliation to the fullest extent possible. EOIR is developing analytical tools and models that will forecast operational and/or policy changes and support programmatic planning. These tools will provide flexibility to adapt to shifts in priorities and improve EOIR's ability to conduct proactive analyses.

Verifying the Data Collected Is Accurate and Reliable

OVW uses a rigorous process for collecting, reviewing, and cleaning grantee data and ensuring that these data are valid, accurate, and reliable measures of grantees' activities. Validation parameters underlie the fields in OVW's reporting forms, notifying the user if an entry is invalid or possibly incorrect. Once the report is submitted, it is reviewed by an OVW Program Specialist for accuracy and alignment with the scope and goals of the project. The Program Specialist can send the report back to the grantee if problems are spotted. Once reports are approved by OVW, the data are transferred to the Measuring Effectiveness Initiative (MEI) at the Muskie School of Public Service at the University of Southern Maine, where the data are analyzed through an intensive process that includes multiple verifications of accuracy.

OVW progress report forms collect ample quantitative and qualitative data that, combined, offer a vivid picture of the scope and impact of the work we fund. The information grantees provide helps OVW monitor individual grantees' progress and adherence to program scope, and identify trends and challenges across programs and over time. New grantees receive in-person and/or web-based training and ongoing technical assistance on how to complete their grant reports. A series of web-based trainings launched in 2016 by OVW and MEI provided hundreds of participants with guidance on writing effective narratives about the life-saving work they do, thereby telling the story behind the numbers.

OVW acknowledges that, despite a rigorous process for reviewing grant reports and verifying the data, some inaccuracies may not be spotted, either due to human error or because identifying the discrepancy would require applying an unwarranted and infeasible level of scrutiny to all grants. OVW does not agree that the example offered in the IG's Top Management and Performance Challenges report is a fair or accurate illustration of this challenge. The report states on page III-35:

> "Our April 2016 audit of the OVW grants awarded to the Native Women's Society of the Great Plains, in Eagle Butte, South Dakota, found that the grantee could not provide adequate documentation to

support the activities recorded in its progress reports."

The referenced audit report says that "[the grantee] did not accurately reflect the number of activities recorded during the progress period or accurately reflect the number of people trained and the breakdown of those trained in progress reports" (p. 14). However, the training numbers reported in the referenced progress reports do not necessarily suggest cause for further scrutiny. That this error was not caught during the review and data validation processes is not a sure indication of a failure on OVW's part. While OVW agrees that enhancing data verification is an important and worthy objective, we do not agree that the example chosen—which points to an apparent miscounting or misreporting of numbers and professions of people trained with grant funds—is evidence supporting that objective.

Analyzing the Data Collected

In the examples cited by the IG**,** a **"**challenge**"** exists because knowing how detention and rehabilitation programs impact recidivism requires following a defendant over the course of time to learn if earlier programs had an influence on positive behavior or negative behavior. For the DEA, this requires greater computer program complexity with more sophisticated data collection over time and greater individual analysis by skilled individuals examining data for a defendant population while knowing earlier program participation by the defendant. This will allow the analyst to conclude whether those earlier programs had an effect on recidivism and conclude program effectiveness. In the other example concerning officer-involved shootings across the nation**,** a national program first needs to exist for such purposes. Such potential future data collection has recently been highlighted due to perceived racial disparity in officer-involved shootings.

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FMFIA Corrective Action Plan

FMFIA SECTION 2 – PROGRAMMATIC MATERIAL WEAKNESS – PRISON CROWDING

U.S. DEPARTMENT OF JUSTICE **Corrective Action Plan** **Issue and Milestone Schedule**	**Report Date** September 30, 2016	
Issue Title Prison Crowding	**Issue ID** 06BOP001	**Component Name** Bureau of Prisons

Issue Category

FMFIA, Section 2	☐	**Significant Deficiency**	☒	**Material Weakness**
FMFIA, Section 4	☐	**Financial Management Systems Do Not Comply with Financial System Requirements**		
OMB A-123, Appendix A	☐	**Significant Deficiency**	☐	**Material Weakness**

Issue Category – SAT Concurrence or Recategorization

Concur

Issue Description

As of September 30, 2016, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 16 percent, down from the 23 percent overcapacity rate as of the end of FY 2015. The impact of the Department's Smart on Crime initiative, legislative changes, and clemency have all contributed to reducing the inmate population and projections; nonetheless, the BOP continues to experience high levels of crowding, particularly at medium and high security institutions. For example, as of September 30, 2016, the overcapacity rate at high security institutions was 31 percent.

Crowding presents safety challenges for both staff and inmates. In addition, crowding has a negative impact on the ability of the BOP to promptly provide inmate treatment and training programs that promote effective re-entry and reduce recidivism.

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 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 overcapacity rate for both FYs 2017 and 2018 is projected to stay at 16 percent – the same rate as at the end of FY 2016; the rate at high security institutions is projected at 32 percent and 28 percent, respectively, for those years. The recent decision by the Department of Justice to phase out contract facilities will impact crowding, but the extent is not known at this time.

The Department's corrective action efforts are not limited to the BOP. 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 promote effective re-entry and reduce recidivism. The BOP will continue to work with the Department on these programs.

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

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

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

Description of Remediation

Increase the number of federal inmate beds to keep pace with the projected inmate population. Efforts to reach this goal include expanding existing institutions, acquiring surplus properties for conversion to correctional facilities, constructing new institutions, 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 operated institutions reached 162,514 and was housed in a capacity of 119,510, resulting in an overcapacity rate of 36 percent.	09/30/2006		09/30/2006
2. As of September 30, 2007, the inmate population in BOP operated institutions reached 167,323 and was housed in a capacity of 122,189, resulting in an overcapacity 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 operated institutions reached 165,964 and was housed in a capacity of 122,366, resulting in an overcapacity 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 operated institutions reached 172,423 and was housed in a capacity of 125,778, resulting in an overcapacity 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 operated institutions reached 173,289 and was housed in a capacity of 126,713, resulting in an overcapacity 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 operated institutions reached 177,934 and was housed in a capacity of 127,795, resulting in an overcapacity 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 operated institutions reached 177,556 and was housed in a capacity of 128,359, resulting in an overcapacity 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 operated institutions reached 176,849 and was housed in a capacity of 129,726, resulting in an overcapacity 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 operated institutions reached 172,742 and was housed in a capacity of 132,803, resulting in an overcapacity rate of 30 percent, a decrease of 6 percent for the year.	09/30/2014		09/30/2014
10. As of September 30, 2015, the inmate population in BOP operated institutions reached 165,134 and was housed in a capacity of 134,470, resulting in an overcapacity rate of 23 percent, a decrease of 7 percent for the year.	09/30/2015		09/30/2015

Milestones	Original Target Date	Current Target Date	Actual Completion Date
11. As of September 30, 2016, the inmate population in BOP operated institutions reached 156,266 and was housed in a capacity of 135,232, resulting in an overcapacity rate of 16 percent, a decrease of 7 percent for the year.	09/30/2016		09/30/2016
12. Planning estimates call for a rated capacity of 135,358 to be reached by the end of FY 2017. The overcapacity rate is projected to be 16 percent at that time, the same rate as at the end of the previous year.	09/30/2017		
13. Planning estimates call for a rated capacity of 135,858 to be reached by the end of FY 2018. The overcapacity rate is projected to be 16 percent at that time, the same rate as at the end of the previous year.	09/30/2018		

Reason for Not Meeting Original Target Completion Date

Funding received through enacted budgets through FY 2011 did not keep pace with the increases in the federal inmate population. Although decreases in the population since then have reduced the overcapacity rate, further reductions in the rate are largely dependent on funding received being consistent with the funding needs identified in the BOP Long Range Capacity Plan.

Status of Funding Available to Achieve Corrective Action

FY 2017 funding is unknown at this point because the FY 2017 budget has not been enacted. The Department of Justice's proposed FY 2018 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 overcapacity 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 530 of the Consolidated Appropriations Act, 2016 (Public Law 114-113), 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 2016.

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 2016, 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). For COPS and OVW, there were no accounts and undisbursed and unobligated balances to report in FY 2016. Thus, the write-up below for COPS and OVW reflect the discussions from last year's report.

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 dedicated group of Grant Program Specialists and Staff Accountants that offer grantees real-time technical assistance on implementation of their grant(s).

Due to the additional reporting requirements and transparency associated with American Recovery and Reinvestment Act of 2009 (ARRA) grant recipients, COPS implemented additional efforts to monitor COPS Hiring Recovery Program (CHRP) grantees. CHRP grantees were encouraged to complete an online grants management training, which included a training track focused on financial reporting and disbursement of funds. CHRP grantees were also notified in 2012 of the September 30, 2015 lapse (5 years after the last unexpired year for ARRA) of undisbursed balances on CHRP awards and reminded that all grant program requirements should be completed by that time and all expensed funds should be disbursed. Finally, in November 2010, COPS began conducting quarterly outreach efforts to CHRP grantees that appear to have discrepancies in the financial and/or programmatic reporting on their awards.

The COPS Grants Administration Division and the COPS Finance Business Unit collaborated to create a notification system to alert grantees that still have available funds at 120 days before the grant end date. The alert encouraged these grantees to review their grant program requirements and take advantage of the impending arrival of an extension letter, as needed. Grant Program Specialists contact grantees several times before the grant end date so that Post-Close requests for extensions can be averted. After reaching the grant end date, COPS Finance staff compares the expenditures listed on the final Financial Status Report with the Financial Management Information System 2 (FMIS2) balance of funds that have previously been disbursed. If there is an eligible disbursement available, the grantee will receive a notice approximately every 30 days instructing them to draw down the eligible balance before the 90 day grace period ends. All CHRP grants were included in this process leading up to the ARRA funds expiration deadline. The COPS Office finished the 2015 fiscal year with a $0 balance of CHRP (ARRA funds) grants. COPS management worked with the Justice Management Division (JMD), Office of Management and Budget (OMB), and the Office of the Vice President (OVP) to ensure that ARRA funds were being disbursed and outlaid in a timely manner.

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 contacted the grantees regarding any concerns or questions. OVW Grant Program Specialists and Financial Analysts offered ARRA grantees technical assistance with implementing any aspect of their grant, including trainings, outreach, site visits and monitoring. The OVW management received and reviewed frequent reports on ARRA grant activity, including obligation and outlay data, and OVW management worked with JMD, OMB, OVP, and the OIG to ensure that ARRA funds were being disbursed and outlayed timely. The OVW ARRA Supplemental Appropriation was cancelled on September 30, 2015, and unobligated balances were returned to Treasury.

2. Method used to track undisbursed balances in expired grant accounts:

COPS utilizes FMIS2 data and data from OJP's Grant Payment Request System (GPRS) to track CHRP undisbursed balances. The COPS Office Staff Accountants also use the Federal Financial Report (SF-425) to compare the reported final expenditures with the actual final drawdowns to identify discrepancies that need attention. 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, were rescinded and returned to the Treasury. The Department may utilize recoveries from the ARRA grants to cover any potential future reconciliation of debt. Unobligated balances were rescinded and transferred using the year-end closing module in Treasury by the end of October 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 2013: 4 accounts; $274.5 in undisbursed and unobligated balances
FY 2014: 4 accounts; $94.1 in undisbursed and unobligated balances
FY 2015: 4 accounts; $40.7 in undisbursed and unobligated balances
FY 2016: 3 accounts; $4.9 in undisbursed and unobligated balances

COPS:
FY 2013: 1 account; $277.5 in undisbursed and unobligated balances
FY 2014: 1 account; $115.1 in undisbursed and unobligated balances
FY 2015: 1 account; $84.4 in undisbursed and unobligated balances
FY 2016: 0 account; 0 undisbursed and unobligated balances

OVW:
FY 2013: 1 account; $23.5 in undisbursed and unobligated balances
FY 2014: 1 account; $11.1 in undisbursed and unobligated balances
FY 2015: 1 account; $10.5 in undisbursed and unobligated balances
FY 2016: 0 account; 0 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 (AFR) or Performance and Accountability Report (PAR).[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. All agencies must assess the improper payment risk level for each program that is not already reporting an improper payment estimate at least once every three years. All programs that are assessed for risk in a given year should be listed in this section. In addition, clearly identify the risk-susceptible programs (i.e., programs that are susceptible to significant improper payments based on statutory thresholds) identified by the agency risk assessments performed in the fiscal year or required by OMB to be included (OMB may determine, on a case-by-case basis, that certain programs that do not meet the statutory threshold requirements may still be subject to the annual reporting requirements). Agencies should briefly describe all of the risk assessments performed in the fiscal year (the risk factors examined should be included in the description). Highlight any changes to the risk assessment methodology or results that occurred since the FY 2015 AFR.

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 2016, the Department disseminated an updated risk assessment survey instrument for Department components to use in assessing risk. The instrument examined disbursement activities against various risk factors, such as payment volume and process complexities, and covered the payment types of contracts, grants, benefits, and other – the latter included custodial payments (payments to non-Federal individuals under programs such as Debt Collection Management) and employee payments (payments to employees for salary, locality pay, travel pay, etc.). In addition, the Department examined overall disbursement activities against some risk factors, such as whether there was a new program for the Department.[2]

The Department's risk assessment methodology for FY 2016 did not change from FY 2015. For FY 2016, the methodology again included assessing risk against various risk factors and for various payment types. In addition, the results of the FY 2016 risk assessment did not change from FY 2015. For FY 2016, the Department-wide risk assessment again determined there were no programs susceptible to significant improper

[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 risk factors examined by the Department and components included the following – Whether there was a New Program for the Department; Whether Payments or Payment Eligibility Decisions are Made Outside of the Department; Major Changes in Funding, Authorities, Practices, or Procedures; Process Complexities; Volume and Dollar Amount of Payments; Inherent Risk; Capability of Personnel; Results of OMB Circular A-123 Assessment, OIG Audits/Reviews, and Other External Audits/Reviews; Results of Recapture Audit Activities; and Results of Monitoring Activities.

payments, i.e., improper payments exceeding the statutory 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 states 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. OMB required agencies to report on the funding received under the Act beginning in FY 2014. In accordance with the requirements, the reporting details in the AFRs for FYs 2014 and 2015, and the reporting details that follow for FY 2016, address Disaster Relief Act funds as susceptible to significant improper payments.

Item II. Sampling and Estimation. Each agency that has programs or activities that are susceptible to significant improper payments based on statutory thresholds and is reporting an improper payment rate under Item III below shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified as being susceptible to significant improper payments. In addition, briefly highlight any changes to any sampling and estimation plans that have occurred since the FY 2015 AFR.

Based on the results of the FY 2016 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2015. Two Department programs received Disaster Relief Act funds in FY 2013 – the Law Enforcement Program and the Prisons and Detention Program. Payments made with those funds are subject to the sampling and estimation requirements mentioned above. However, due to the limited number of FY 2015 payments made with Disaster Relief Act funds, the Department chose to test 100 percent of those payments rather than a sample. The results of testing performed in FY 2016 identified no improper payments; therefore, the improper payment rate for payments made with Disaster Relief Act funds is zero percent.

Item III. Improper Payment Reporting.

A. The table that follows (Table 1) is required for each agency that has programs and activities reporting under OMB Circular A-123, Appendix C or for programs that OMB has automatically deemed susceptible to significant improper payments regardless of whether the program or activity has improper payments exceeding the statutory thresholds. Agencies must include the following information:

- **all programs susceptible to significant improper payments must be listed whether or not an error measurement is being reported;**
- **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);**
- **reduction targets for out years must be lower than CY improper payment percentages as is implied by the word *reduction*, unless otherwise approved by OMB;**
- **if a full cycle of complete program measurement has occurred, then a program is expected to estimate an out year target; out year targets are expected for all programs reporting a CY estimate unless the CY estimate does not represent a baseline estimate for the program or the program has been granted relief from reporting;**
- **agencies shall include the gross estimate of the annual amount of improper payments (i.e., overpayments plus underpayments) and list the total overpayments and underpayments that make up the CY amount;**
- **to report the total amount row in Table 1, the agency shall sum the total dollar columns and then use those totals to calculate the improper payment percentages; and**
- **when reporting the PY information in Table 1, please note that this information must be identical to the information that was reported in the CY columns in the AFR in the previous year; agencies may not alter their PY outlays, %, or $ after their AFR is published without first notifying OMB in writing, and if an agency changes PY information, they should include a short explanation for this change.**

Based on the results of the FY 2016 Department-wide risk assessment, there were no programs susceptible to significant improper payments. The information in Table 1 provides the required reporting details for the Department activities that received funds under the Disaster Relief Act. The table provides outlays (disbursements) for FYs 2015 and 2016, along with estimated outlays for FYs 2017 through 2019. Also, the table provides actual and estimated improper payments through FY 2019. As shown, the gross estimate of the annual amount of improper payments is $0 for FYs 2015 through 2019. The future year improper payment estimates are based on the results of testing performed in FY 2016. In FY 2017, the future year estimates will be revised if testing identifies any payments made with Disaster Relief Act funds as improper.

Table 1
Improper Payment Reduction Outlook
(Dollars in Millions)

DOJ Mission-Aligned Program	FY 2015			FY 2016				
	Outlays	Improper Payments %	Improper Payments $	Outlays	Improper Payments %	Improper Payments $	Over-payments $	Under-payments $
Law Enforcement	$0.529	0%	$0	$2.906	0%	$0	$0	$0
Prisons and Detention	$1.395	0%	$0	$0.172	0%	$0	$0	$0
TOTAL	$1.924	0%	$0	$3.078	0%	$0	$0	$0

DOJ Mission-Aligned Program	FY 2017			FY 2018			FY 2019		
	Est. Outlays	Est. Improper Payments $	Est. Improper Payments $	Est. Outlays	Est. Improper Payments %	Est. Improper Payments $	Est. Outlays	Est. Improper Payments %	Est. Improper Payments $
Law Enforcement	$2.609	0%	$0	$0.000	0%	$0	$0.000	0%	$0
Prisons and Detention	$0.000	0%	$0	$0.000	0%	$0	$0.000	0%	$0
TOTAL	$2.609	0%	$0	$0.000	0%	$0	$0.000	0%	$0

B. For high-priority programs, agencies shall provide a summary discussing the supplemental measures, the frequency of each supplemental measurement, the measurement baseline, a discussion of how information from this measurement will help the program reduce improper payments, and the actual or planned targets, including any reasons for meeting, exceeding, or failing to meet the supplemental targets.

Not applicable. OMB has not designated any DOJ programs as high-priority (programs with the most egregious cases of improper payments).

Item IV. Improper Payment Root Cause Categories. Each agency that has programs and activities that have been deemed susceptible to significant improper payments is required to provide an Improper Payment Root Cause Category Matrix (Table 2).

Not applicable. Based on the results of the FY 2016 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 in FYs 2015 and 2016 identified no improper payments; therefore, an analysis and summary of improper payment root causes is not applicable.

Item V. Improper Payment Corrective Actions. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall identify the reasons their programs and

activities are susceptible to significant improper payments and put in place a corrective action plan to reduce them.

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item VI. Internal Controls Over Payments. Each agency that has programs and activities with improper payments exceeding the statutory thresholds is required to briefly summarize the status of internal controls over payments using (1) a single narrative explaining efforts undertaken to provide reasonable assurance that internal controls over payments are in place and operating effectively and (2) a table providing the status of internal controls (Table 3).

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item VII. Accountability. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall describe the steps the agency has taken and plans to take to ensure that agency managers, accountable officers, programs, and States and localities (where appropriate) are held accountable for reducing and recapturing improper payments. Specifically, they should be held accountable for meeting applicable improper payment reduction targets and establishing and maintaining sufficient internal controls that effectively prevent improper payments from being made and promptly detect and recapture any improper payments that are made.

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item VIII. Agency Information Systems and Other Infrastructure. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall 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. 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. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item IX. Barriers. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall describe any statutory or regulatory barriers that may limit the agency's corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item X. Recapture of Improper Payments Reporting.

A. Agencies shall discuss payment recapture audit (or recovery auditing) efforts. 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 collectible;**
- **any actions the agency has taken during the current fiscal year or intends to take in future fiscal years to recapture and/or prevent improper payments;**
- **a list of all agency recapture audit contract programs;**
- **any conditions giving rise to improper payments and how those conditions are being resolved; and**
- **any programs or activities excluded from review under the agency's payment recapture audit program (including any programs or activities for which the agency has determined a payment recapture audit program is not cost-effective).**

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 recapture of improper payments and disposition of recaptured funds. The scope of the program includes all payment types required by the IPIA, as amended, and OMB implementing guidance. Payments to confidential informants are excluded because of the Department's responsibility to protect sensitive law enforcement information. In FY 2016, three components used a recapture audit contractor to supplement internal review efforts to detect improper payments.

The Department's top-down approach for tracking and reporting the results of payment recapture audit activities promotes consistency across the Department in implementing the expanded requirements of the IPIA, as amended. In FY 2016, the Department provided components an updated template to assist them in assessing root causes of improper payments and tracking the recapture of such payments and disposition of recaptured funds.

The root causes for overpayments other than for grants largely fell within the OMB-defined error category of *Administrative or Process Error Made by Federal Agency*. Most errors were user errors, including data entry errors. Department components have implemented actions to address specific areas where improvements could be made. For example, to prevent improper payments, the DEA conducts data analytics on payment data entered into the Unified Financial Management System 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 FBI increased its use of electronic billing and consolidation of invoices.

The root causes for grant overpayments largely fell within the OMB-defined error categories of *Administrative or Process Error Made by State or Local Agency* and *Administrative or Process Error Made by Other Party*. Most errors 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 components that issue grants expanded training and communications informing grantees of their responsibilities related to receiving Federal awards. For example, the 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.

Department components also have taken actions to facilitate the recapture 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 ATF issues demand letters to debtors notifying them of the status of the debt, the payment due date, where to send payment, and the collection actions the ATF can pursue.

In FY 2016, there were 34 overpayments totaling approximately $1.758 million that components determined not to be collectible. The vast majority of these ($1.741 million or 99 percent) were related to expenditures by grantees that were determined not to be collectible due to fiscal distress. Also, there were 2 overpayments totaling $.612 million referred to the Treasury for collection that they determined not to be collectible.

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, 2016, the Department achieved an annual payment recapture rate of 91.4 percent.[3] Table 4 on the following page provides additional detail on the approximate $7.917 million in improper payments identified in FY 2016 through the Department's payment recapture audit program and the approximate $7.239 million of recaptured funds.

B. Agencies shall complete Table 4. Include each program or activity that expends $1 million or more annually and either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit.

Table 4 on the following page provides a summary of overpayments identified in FY 2016 through the Department's payment recapture audit activities, as well as overpayments identified outside of such activities, i.e., through audits conducted by the DOJ OIG.[4] The table also provides the annual payment recapture rates for all payment types included in the Department's payment recapture audit program. The rates ranged from 86.4 percent for grants (up from 47.7 percent in FY 2015) to 93.5 percent for benefits (down from 100 percent in FY 2015). In FY 2017, the Department will continue to focus on improving the recapture rate for grants.

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[3] The 91.4 percent annual payment recapture rate is the cumulative rate for all payment types.

[4] The overpayments identified through audits conducted by the OIG do not include all questioned costs. When questioned costs are identified in an OIG audit report, Department 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 recapture include only the questioned costs for which Department management has completed the validation process and determined that the incurred costs should not have been charged to the Government and should be recaptured from the grantee.

Table 4
Overpayment Recaptures with and without Recapture Audit Programs
(Dollars in Millions)

DOJ Mission-Aligned Program	Overpayments Recaptured through Payment Recapture Audits														
	Contracts					Grants					Benefits				
	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target
Administrative, Technology, and Other	$0.218	$0.218	100%	88%	89%	N/A [5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Litigation	$1.624	$1.617	99.6%	88%	89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Law Enforcement	$1.170	$0.823	70.3%	88%	89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State, Local, Tribal, and Other Assistance	$0.005	$0.005	100%	88%	89%	$1.022	$0.883	86.4%	85%	86%	$0.768	$0.718	93.5%	88%	89%
Prisons and Detention	$2.361	$2.318	98.2%	88%	89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	$5.378	$4.981	92.6%	88%	89%	$1.022	$0.883	86.4%	85%	86%	$0.768	$0.718	93.5%	88%	89%

DOJ Mission-Aligned Program	Overpayments Recaptured through Payment Recapture Audits (continued)							Overpayments Recaptured outside of Payment Recapture Audits[7]	
	Other[6]					Total (all payment types)			
	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target	Amount Identified	Amount Recaptured	Amount Identified	Amount Recaptured
Administrative, Technology, and Other	$0.000	$0.000	-	87%	88%	$0.218	$0.218	$0.000	$0.000
Litigation	$0.071	$0.071	100.0%	86%	87%	$1.695	$1.688	$0.598	$0.166
Law Enforcement	$0.668	$0.578	86.5%	86%	87%	$1.838	$1.401	$0.000	$0.000
State, Local, Tribal, and Other Assistance	$0.000	$0.000	-	86%	87%	$1.795	$1.606	$7.639	$4.343
Prisons and Detention	$0.010	$0.008	80.0%	86%	87%	$2.371	$2.326	$0.000	$1.778
TOTAL	$0.749	$0.657	87.7%	86%	87%	$7.917	$7.239	$8.237	$6.287

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[5] A response of *N/A* indicates the payment type is not applicable for the program.

[6] The payment type of *Other* includes custodial payments (payments to non-Federal individuals under programs such as Debt Collection Management) and employee payments (payments to employees for salary, locality pay, travel pay, etc.).

[7] The information in this section of the table provides the overpayments identified through audits conducted by the DOJ OIG and the amounts recaptured. Although the overpayments are identified outside of the Department's payment recapture audit program, component processes to recapture improper payments are the same, regardless of whether they are identified by the OIG or through component payment recapture audit activities.

C. Agencies shall report the following information on their overpayments recaptured through payment recapture audits:

i. a summary of how amounts recaptured through payment recapture audits in the current year have been disposed of (Table 5).

Table 5 provides the disposition information for the overpayments recaptured in FY 2016 through the Department's payment recapture audit activities. As shown in the table, $7.233 million of the $ 7.239 million recaptured (or 99 percent) was returned to the original fund from which the payments were made.

Table 5
Disposition of Funds Recaptured through Payment Recapture Audits
(Dollars in Millions)

DOJ Mission-Aligned Program	Payment Type (includes only the types with overpayments)	Amount Recaptured in FY 2016	Disposition		
			Returned to Original Fund	Payment Recapture Auditor Fees	Returned to the Treasury
Administrative, Technology, and Other	Contracts	$0.218	$0.218	$0.000	$0.000
	Other	$0.000	$0.000	$0.000	$0.000
Litigation	Contracts	$1.617	$1.617	$0.000	$0.000
	Other	$0.071	$0.071	$0.000	$0.000
Law Enforcement	Contracts	$0.823	$0.823	$0.000	$0.000
	Other	$0.578	$0.578	$0.000	$0.000
State, Local, Tribal, and Other Assistance	Contracts	$0.005	$0.005	$0.000	$0.000
	Grants	$0.883	$0.883	$0.000	$0.000
	Benefits	$0.718	$0.718	$0.000	$0.000
	Other	$0.000	$0.000	$0.000	$0.000
Prisons and Detention	Contracts	$2.318	$2.312	$0.000	$0.006
	Other	$0.008	$0.008	$0.000	$0.000
TOTAL		$7.239	$7.233	$0.000	$0.006

ii. 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 recaptured (Table 6).

The Department's payment recapture audit program data covers the cumulative period of FYs 2004 through 2016. Table 6 on the following page provides the aging schedule for the overpayments identified through payment recapture audit activities that were outstanding (not recaptured) as of the end of FY 2016. Of the $ 2.890 million in overpayments that were outstanding more than a year, approximately $.794 million (or approximately 27 percent) has been referred to the Treasury for collection.

Table 6
Aging of Outstanding Overpayments Identified in Payment Recapture Audits
(Dollars in Millions)

DOJ Mission-Aligned Program	Payment Type (includes only the types with outstanding improper payments)	Amount Outstanding (0 to 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount Determined to Not be Collectible
Administrative, Technology, and Other	Contracts	$0.000	$0.000	$0.355	$0.000
	Other	$0.000	$0.000	$0.004	$0.000
Litigation	Contracts	$0.007	$0.000	$0.291	$0.000
	Other	$0.000	$0.000	$0.001	$0.000
Law Enforcement	Contracts	$0.092	$0.284	$0.113	$0.000
	Other	$0.150	$0.048	$0.113	$0.000
State, Local, Tribal, and Other Assistance	Grants	$0.046	$0.094	$1.996	$0.208
	Contracts	$0.050	$0.000	$0.000	$0.000
Prisons and Detention	Contracts	$0.232	$0.016	$0.017	$0.612
	Other	$0.002	$0.000	$0.000	$0.000
TOTAL		$0.579	$0.442	$2.890 (of which $.794 million has been referred to the Treasury for collection)	$0.820

Item XI. Additional Comments. Agencies may provide additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified as a result of IPIA, IPERA, and/or IPERIA 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 2017, the Department will continue its efforts to further reduce improper payments.

Item XII. Agency Reduction of Improper Payments with the Do Not Pay Initiative. IPERIA requires pre-payment and pre-award reviews by each agency to determine program or award eligibility and to prevent improper payments before the release of any Federal funds. The procedures must ensure that a thorough review on eligibility occurs with relevant information in available databases.

IPERIA also requires OMB to submit to the Congress an annual report, which may be included as part of 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, all agencies shall provide a brief narrative discussing the agency's actions attributable to the Do Not Pay Initiative and respective databases on an annual basis, regardless of the agency's susceptibility to improper payments. This narrative shall include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identify the frequency of corrections or identification of incorrect information; and include the table summarizing the results of the Do Not Pay Initiative in preventing improper payments (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, continuous

monitoring, etc.) or how and when the agency plans to begin using the databases, as appropriate. Agencies should list their efforts separately from the screening of payments performed through the tools offered by the Treasury Do Not Pay Business Center (e.g., agencies that receive death data directly from SSA). The databases include:

- **the Death Master File of the Social Security Administration (DMF);**
- **the General Services Administration's Excluded Parties List System (EPLS) or the updated System for Award Management (SAM);**
- **the Debt Check Database of the Department of the Treasury (Debt Check);**
- **the Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development (CAIVRS);**
- **the List of Excluded Individuals/Entities of the Office of Inspector General of the Department of Health and Human Services (LEIE); and**
- **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 benefits and compensation paid to recipients who are screened thoroughly during the application process. Examples of benefit and compensation payment programs include the Public Safety Officers' Benefits program, Radiation Exposure Compensation Program, and September 11th Victim Compensation Fund. The Department uses conclusive matching against the Excluded Parties List System (SAM Exclusions) to identify vendors who may need to be deactivated from system vendor tables. Contracting Officers use SAM Exclusions as part of the pre-award vendor screening process, as required by the Federal Acquisition Regulation. Grant-making components may optionally use SAM Exclusions as part of the grant application review process.

In FY 2015, the Department began a Do Not Pay Initiative pilot involving a limited number of United States Attorneys' Offices. A goal of the pilot was to prevent improper payments made from the Judgment Fund – a fund administered by the Department of the Treasury that is available to pay compromise settlements in lieu of a lawsuit. The pilot involves pre-screening payments data against the Death Master File database, as well as a non-IPERIA listed Do Not Pay database, to identify payments that, if made, would be improper.[8] After achieving success through the pilot, the Department expanded the pilot in FY 2016 to 64 United States Attorneys' Offices. By the end of FY 2017, it is anticipated that all 94 United States Attorneys' Offices will have the capability to pre-screen Judgment Fund payments data.

The table on the following page summarizes how the Department uses the IPERIA listed Do Not Pay databases, if applicable.

[8] Judgment Fund payments data are pre-screened against a non-IPERIA listed database maintained by the Office of Foreign Asset Control, a financial intelligence and enforcement agency of the Department of the Treasury charged with planning and execution of economic and trade sanctions in support of United States national security and foreign policy objectives.

Table 7.1
Department of Justice Use of Do Not Pay Databases

Do Not Pay Database	DOJ Use
Death Master File	Post-payment comparison (including benefits/compensation, grants, vendor payments, and employee payments) as part of Payment Integration reporting. Pre-screening by 64 United States Attorneys' Offices of Treasury Judgment Fund payments data.
Excluded Parties List System (SAM Exclusions)	DOJ uses conclusive matching against SAM Exclusions to identify vendors who may need to be deactivated from system vendor tables. Contracting Officers use SAM Exclusions as part of the pre-award vendor screening process, as required by the Federal Acquisition Regulation. Grant-making components may optionally use SAM Exclusions as part of the grant application review process.
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. how the agency has incorporated databases not listed in IPERIA into existing business processes and programs to prevent improper payments (e.g., online searches, batch processing, or continuous monitoring).

As mentioned, the United States Attorneys' Offices pre-screening of Treasury Judgment Fund payments data includes a non-IPERIA listed database maintained by the Treasury Department, and the pre-screening is performed with a goal of preventing improper payments.

C. any process improvements attributable to the Do Not Pay Initiative for the previous FY (e.g., improved controls over awards, reduction in FTE required for monitoring, or improvements in review documentation), as appropriate.

The expansion in FY 2016 of the pre-screening of Treasury Judgment Fund payments data has provided an additional level of control for 64 of the 94 United States Attorneys' Offices.

D. the frequency of corrections or identification of incorrect information provided to the original source agencies as described in OMB Memorandum M-13-20 (Note: This applies to original source agencies and Treasury);

The Department is an original source agency for data in CAIVRS. To date, the Department has not been made aware of nor identified any incorrect information in CAIVRS that requires correction.

E. a thoughtful analysis linking agency efforts in establishing internal controls and reducing improper payment rates through the Do Not Pay Initiative, as appropriate. When applicable, this analysis will link the improper payments caused by failing to verify appropriate data prior to payment reported in the Improper Payment Root Cause Category Matrix (Table 2) above to reviews with databases (whether included in IPERIA or not) in Table 7; and

The Do Not Pay Initiative has served to reinforce existing internal controls. For example, when a vendor is discovered through continuous monitoring to have a conclusive match with the SAM Exclusions database, staff review the vendor record in the relevant financial system table and take appropriate action to prevent improper payments to the vendor in the future. This process reinforces the existing control, i.e., the review by Contracting Officers of a vendor's status in SAM.

In FY 2016, the Department reported two improper payments for the Radiation Exposure Compensation Program. For each payment, program staff had reviewed the Social Security Administration's Death Master File before approving the payment; however, the recipient died between the date of review and date of payment.

F. include the table (Table 7) reflecting the dollar amounts and number of payments reviewed for improper payments between October 1, 2015 through September 30, 2016 (FY 2016). Agencies should complete the table, in numbers and dollars, with payment reviews for all databases, and state the databases used for payment screening (whether included in IPERIA or not).

The following table summarizes the Department's results for FY 2016 of the Do Not Pay Initiative in preventing improper payments.

Table 7
Results of the Do Not Pay Initiative in Preventing Improper Payments
October 1, 2015 – September 30, 2016
(Dollars in Millions)

Reviews	Number of Payments Reviewed for Possible Improper Payments	Dollars of Payments Reviewed for Possible Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Potential Improper Payments Reviewed and Determined Accurate	Dollars of Potential Improper Payments Reviewed and Determined Accurate
Reviews with the Do Not Pay Databases (DMF and SAM Exclusions)	1,446,681	$16,965.152	0	$0	69	$2.058
Reviews with Databases Not Listed in IPERIA as Do Not Pay Databases	Data not available during pilot	$0.000	0	$0	0	$0.000

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
ALAT	Assistant Legal Attaché
APR	Annual Performance Report
ARRA	American Recovery and Reinvestment Act
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
ATR	Antitrust Division
AUSA	Assistant United States Attorney

B

BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BOP	Bureau of Prisons
Budget	Budget of the United States

C

CAP	Cross-Agency Priority
CCA	Corrections Corporation of America
CCIPS	Computer Crime & Intellectual Property Section
CDCS	Consolidated Debt Collection System
CFO	Chief Financial Officer
CHP	COPS Hiring Program
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
CS	Confidential Source
CSCATL	Correctional Systems and Correctional Alternatives for Tribal Lands
CSRS	Civil Service Retirement System
CVF	Crime Victims Fund

D

DATA Act	Digital Accountability and Transparency Act
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
DOJ	Department of Justice
DOL	Department of Labor
DTEC	Domestic Terrorism Executive Committee

E

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

F

FAR	Federal Acquisition Regulations
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FBWT	Fund Balance with U.S. Treasury
FCRA	Fair Credit Reporting Act
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
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FISA	Foreign Intelligence Surveillance Act
FISMA	Federal Information Security Management Act
FLU	Financial Litigation Unit
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
GAT	Grant Assessment Tool
GED	General Educational Development
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GPRAMA	GPRA Modernization Act of 2010
GPRS	Grant Payment Request System

H

HVE	Homegrown Violent Extremism

I

IC	Intelligence Community
IC4	Internet Cyber Crime Coordination Cell
IG	Inspector General
InTC	Insider Threat Center
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
IUS	Internal Use Software

J

JMD	Justice Management Division

K

KG	Kilogram
KST	Known or Suspected Terrorists

L

LCM	Lower of average cost or market value

M

MCO	Mission Critical Operation
MSPB	Merit Systems Protection Board

N

N/A	Not Applicable
NIBIN	National Integrated Ballistic Information Network
NIBRS	National Incident-Based Reporting System
NICS	National Instant Criminal Background Check System
NSA	National Security Agency
NSD	National Security Division
NSCS	National Security Cyber Specialist

O

OBDs	Offices, Boards and Divisions
OCDETF	Organized Crime Drug Enforcement Task Forces
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OEO	Office of Enforcement Operations
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
OVC	Office of Victims of Crime
OVP	Office of the Vice President
OVW	Office on Violence Against Women

P

PHS	Public Health Services
PIV	Personal Identity Verification
PMRU	Professional Misconduct Review Unit
PRDOJ	Puerto Rico Department of Justice
PSOB Act	Public Safety Officers' Benefits Act of 1976
PY	Prior Year/Previous Year

R

RCA	Reports Consolidation Act of 2000
RCFL	Regional Computer Forensics Laboratory
RECA	Radiation Exposure Compensation Act
RPP	Release Preparation Program

S

SADF	Seized Asset Deposit Fund
SBF	Special Benefits Fund
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SG	Strategic Goal
SMI	Serious Mental Illness
SOD	Special Operations Division
STEM	Science, Technology, Engineering, and Mathematics
STOP	Services, Training, Officers, Prosecutors

T

TAX	Tax Division
TDY	Temporary Duty
TSA	Transportation Security Administration
TSP	Thrift Savings Plan
Trust Fund	Federal Prison Commissary Fund

U

UAS	Unmanned Aircraft Systems
UCR	Uniform Crime Reporting
UDO	Undelivered Orders
UFMS	Unified Financial Management System
USA FREEDOM ACT	Uniting and Strengthening America by Fulfilling Rights and Ensuring Effective Discipline Over Monitoring Act of 2015
USAs	United States Attorneys
USAO	United States Attorneys' Offices
USMS	United States Marshals Service
USP	United States Penitentiary
USSGL	U.S. Standard General Ledger
UST	United States Trustees

V

VOI/TIS	Violent Offender Incarceration and Truth-In Sentencing
VRN	Violence Reduction Network

W

WITSEC	Witness Security

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	www.justice.gov/crs
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 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
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