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

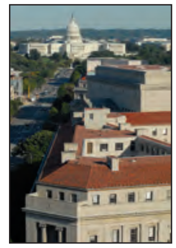
FY 2015

AGENCY FINANCIAL REPORT

U.S. DEPARTMENT OF JUSTICE

Department Overview

www.justice.gov

History and Enabling Legislation

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

Mission

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

Strategic Goals

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

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

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

Location

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

Component Organizations

Attorney General
Deputy Attorney General
Associate Attorney General
Antitrust Division (ATR)
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
Bureau of Prisons (BOP)
Civil Division (CIV)
Civil Rights Division (CRT)
Community Oriented Policing Services (COPS)
Community Relations Service (CRS)
Criminal Division (CRM)
Drug Enforcement Administration (DEA)
Environment & Natural Resources Division (ENRD)
Executive Office for Immigration Review (EOIR)
Executive Office for Organized Crime Drug Enforcement Task Forces (OCDETF)
Executive Office for U.S. Attorneys (EOUSA)
Executive Office for U.S. Trustees (UST)
Federal Bureau of Investigation (FBI)
Foreign Claims Settlement Commission (FCSC)
INTERPOL Washington
Justice Management Division (JMD)
National Security Division (NSD)
Office 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 2015
AGENCY FINANCIAL
REPORT

NOVEMBER 2015

(Updated November 2016)

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

November 12, 2015

A MESSAGE FROM THE ATTORNEY GENERAL

As Attorney General of the United States, it is my honor and my privilege to lead the Department of Justice as we take on some of the most difficult issues facing the American people. From threats against our homeland, to attacks on our information networks; and from tension in our communities, to the scourge of human trafficking, the United States is grappling with a variety of serious, complex, and evolving challenges. On all of these issues, and many more, the Department of Justice is committed to taking strong and effective action.

Our highest priority must always be the security of our nation against threats to our well-being. At the Department of Justice, we are taking decisive action to defuse threats as they emerge and to thwart attacks before they occur – at home, abroad, and online. We are working tirelessly to expose and disrupt plots that target our people, our infrastructure, and our information networks. And we are aggressively investigating and prosecuting individuals for conduct related to foreign-fighter activity and homegrown violent extremism, charging more than 70 individuals since 2013.

Even as we take these important steps to protect our homeland, we are also expanding our focus on combating security threats in cyberspace. We are working with the FBI and the U.S. Secret Service to investigate and prosecute the most serious cyber intrusions. We have created a new cybersecurity unit within our Criminal Division's Computer Crime and Intellectual Property Section and announced a National Security Division outreach initiative to promote information sharing and resilience. And I have personally met with corporate executives and general counsels around the country to raise awareness of cyber-related issues; to encourage strategic collaboration; and to explore new and innovative methods for protecting American consumers and defending our information networks.

Of course, to bring about the stronger nation we seek, we must also empower the communities within our borders by fostering positive relationships between law enforcement officers and the residents we serve. That's why the Department of Justice is advancing vital programs like the National Initiative for Building Community Trust and Justice, which is investing in new modes of training; refining strategies based on rigorous evidence; and working to drive policies that will enhance procedural justice, reduce implicit bias, and encourage racial reconciliation. Our Civil Rights Division is engaging constructively with police departments nationwide to ensure constitutional policing. Our COPS Office's Collaborative Reform Initiative for Technical Assistance is offering expanded service and tailored support. And during the first 100 days of my tenure, I conducted a six-city community policing tour to connect with communities that have made progress in this area and to discuss some of the most effective ways that citizens and law enforcement can join forces to foster trust, to build respect, and to spread mutual understanding.

Beyond our local outreach, we are continuing vital work in criminal justice reform at the federal level. Through the Smart on Crime initiative that my predecessor, Attorney General Eric Holder, launched in 2013, we shifted our approach away from harsh mandatory sentences for low-level drug offenses and refocused on more serious cases and the most violent defendants, while better supporting rehabilitation and reentry programs that can reduce recidivism and promote public safety. We're hoping to make a similarly positive impact in justice reform through a new initiative that will strengthen our ability to go after individual defendants both criminally and civilly in connection with investigations of corporate misconduct. Under our new rules, any company seeking cooperation credit will be required to investigate and identify the individuals involved in the company's misconduct, and then provide all non-privileged evidence about those individuals. These new policies will help us bring wrongdoers to justice, while acting as a deterrent to corporate malfeasance.

Finally, we are committed to ensuring that the law's protections reach our most vulnerable populations. The Department is working tirelessly to support the victims of hate crimes, sexual violence, and human trafficking – a reprehensible offense that is appropriately described as modern-day slavery. Through the Anti-Trafficking Coordination Team Initiative, we're working closely with the Departments of Labor and Homeland Security to strengthen interagency cooperation and to break human trafficking rings. Through our Enhanced Collaborative Model, we're promoting a holistic approach to the broader trafficking challenge by bringing law enforcement together with victims' services groups. And through partnerships with state and local agencies, NGOs, and our foreign law enforcement counterparts, we are assisting victims, reuniting families, and bringing perpetrators to justice.

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 2015 Department of Justice Agency Financial Report contains our audited consolidated financial statements, as required by the Chief Financial Officers Act and the Government Management Reform Act, and a statement of assurance regarding our internal controls and financial management systems, as required by the Federal Managers' Financial Integrity Act (FMFIA).

In FY 2015, the Department earned an unmodified, i.e., "clean" audit opinion on our consolidated financial statements. For the ninth 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 conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2). The Department also assessed whether its financial management systems conform to financial system requirements (FMFIA § 4). Based on the results of the assessments, we can provide qualified assurance that the Department's internal controls and financial management systems meet the objectives of the FMFIA. The assessment of systems did not identify any non-conformances required to be reported under FMFIA § 4; however, the assessment of internal controls identified one programmatic material weakness required to be reported under FMFIA § 2 related to prison crowding. In addition, we can provide reasonable assurance that the Department's internal control over financial reporting met the objectives of OMB Circular A-123, Appendix A.

The financial and performance data presented in this report are complete and reliable, highlighting the Department's accomplishments for the American public. We will not rest on our achievements, but will remain unyielding in our efforts to 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 carry out the entirety of our critical mission.

Loretta E. Lynch
Attorney General

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AFR

U.S. Department of Justice – FY 2015
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 that includes, but is not limited to, financial statements, notes to the financial statements, and reports of the independent auditors, as well as a performance summary. The AFR will be issued on November 12, 2015.

The Department's AFR is prepared under the direction of the Department's Chief Financial Officer (CFO). The financial statements contained within this report are prepared by the Department's Justice Management Division, Finance Staff, and audited by the Office of the Inspector General (OIG). This report also includes the Department's financial statements for FY 2015 and FY 2014 and reports on all accounts and associated activities of each office, bureau, and activity of the Department. The Department's FY 2015 audited financial statements have been consolidated or combined based upon the results of audits undertaken in each of the nine Departmental financial reporting entities.

The Department continues to enforce vigorously the broad spectrum of laws of the United States; notably, the fight against terrorism continues to be the highest priority of the Department. The Department's current Strategic Plan for FYs 2014-2018 is available electronically at http://www.justice.gov/jmd/strategic-plan-fiscal-years-2014-2018. 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 systems conformance with government-wide requirements, as required by the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123.

Section II – Financial Section: This section begins with a message from the Department's CFO and is followed by the OIG's Commentary and Summary on the Department's FY 2015 Annual Financial Statements. This section also includes the reports of the Independent Auditors and the Department's consolidated financial statements and related notes.

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

Appendices (A) Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Report; (B) Improper Payments Information Act, as Amended, Reporting Details; (B) Acronyms; and (C) Department Websites.

This report is available at http://www.justice.gov/ag/fy-2015-agency-financial-report.

Compliance with Legislated Reporting Requirements

This report meets the following legislated reporting requirements:

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

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

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

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

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

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

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

SECTION I

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

Section I Management's Discussion and Analysis (Unaudited)

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

Mission

The mission of the Department of Justice, as reflected in the Strategic Plan for fiscal years (FY) 2014-2018, is as follows:

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

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

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

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

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

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

Strategic Goals and Objectives

From our mission and core values stem the Department's strategic and annual planning processes. The Department embraces the concepts of performance-based management. At the heart of these concepts is the understanding that improved performance is realized through greater focus on mission, agreement on goals and objectives, and timely reporting of results. In the Department, strategic planning is the first step in an iterative planning and implementation cycle. This cycle, which is the center of the Department's efforts to implement performance-based management, involves setting long-term goals and objectives, translating these goals and objectives into budgets and program plans, implementing programs, monitoring performance, and evaluating results. In this cycle, the Department's FY 2014 – 2018 Strategic Plan provides the overarching framework for component and function-specific plans as well as annual performance plans, budgets, and reports. The Strategic Plan is available electronically on the Department's website at: http://www.justice.gov/jmd/strategic2014-2018/index.html.

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

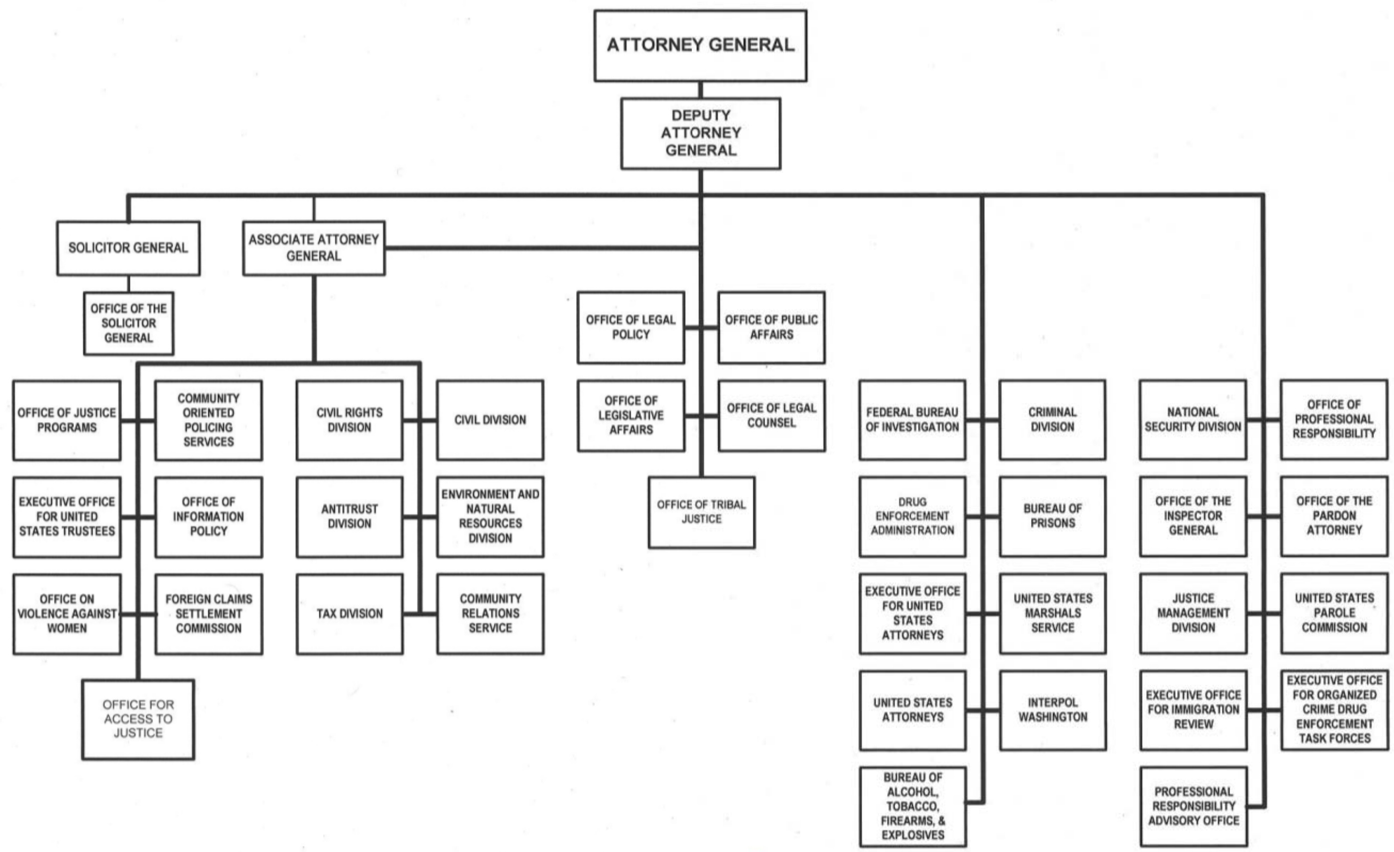
Strategic Goal		**Strategic Objectives**
1	Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law	**1.1** Prevent, disrupt, and defeat terrorist operations before they occur by integrating intelligence and law enforcement efforts to achieve a coordinated response to terrorist 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 114,000 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

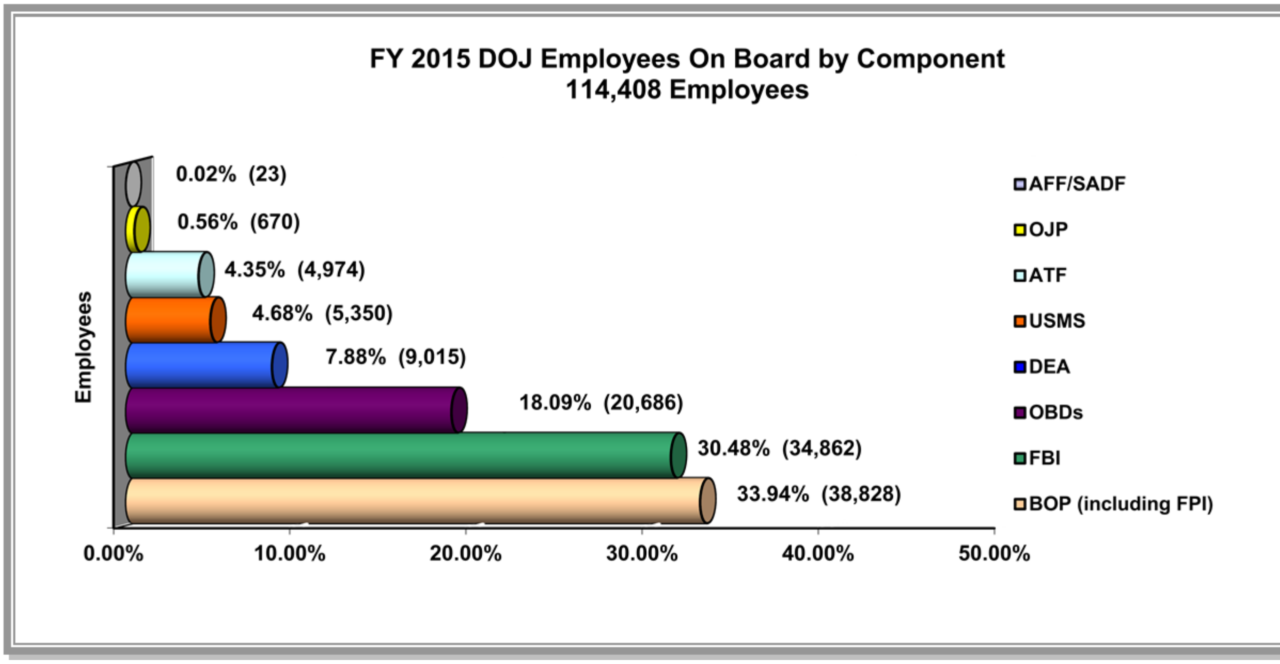
Foreign Claims Settlement Commission
U.S. Parole Commission

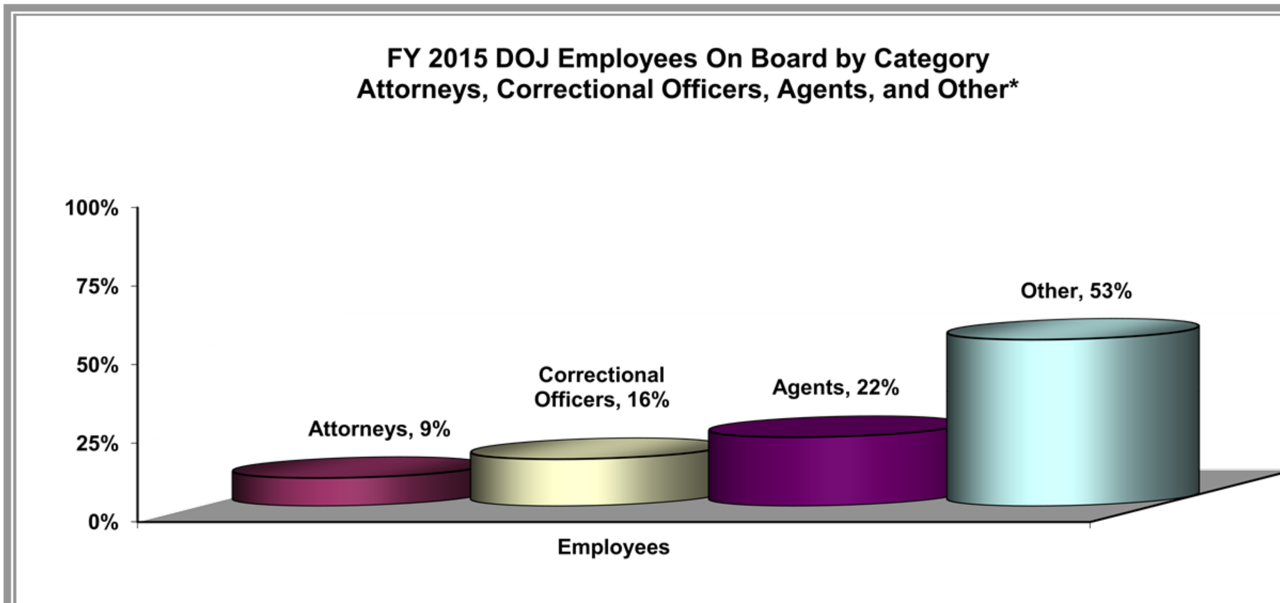
Divisions

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

FY 2015 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2015. The charts on this page reflect employees on board as of September 19, 2015.





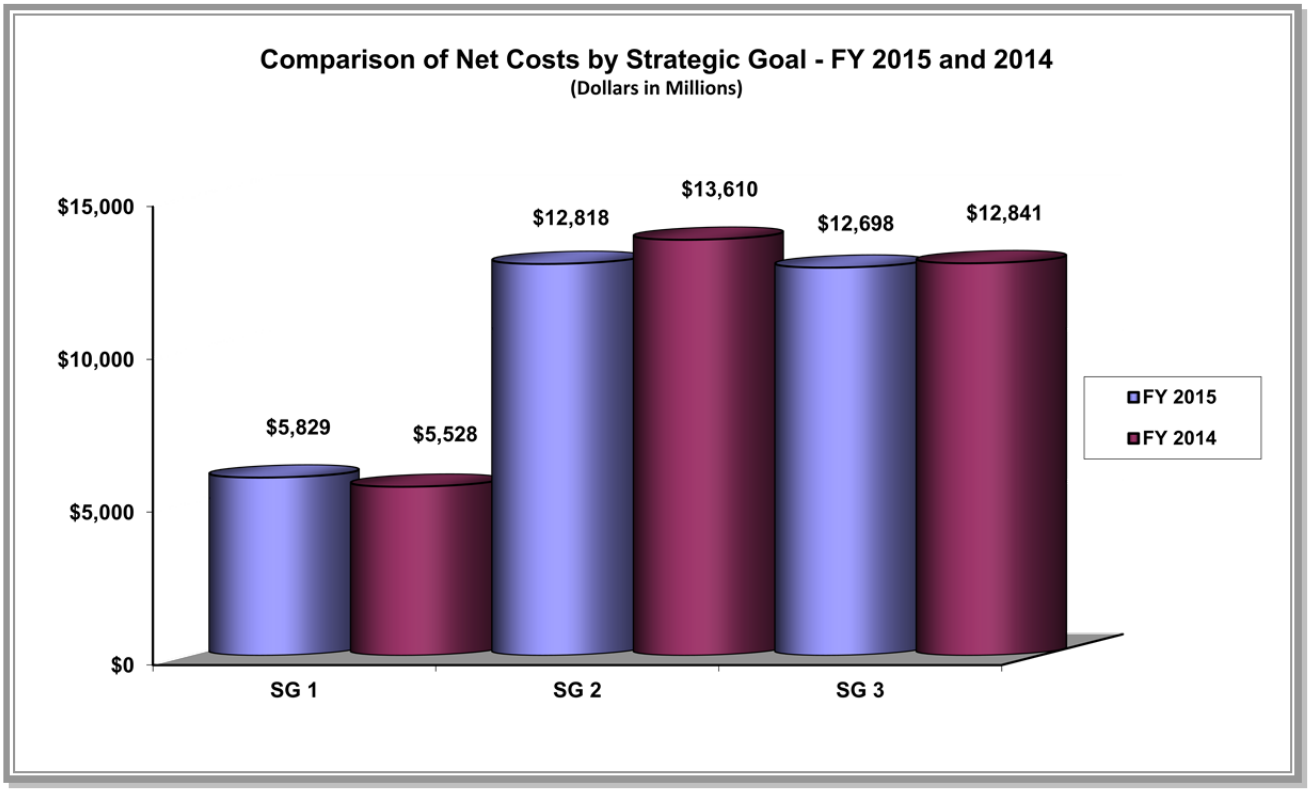
*"Other" includes pay class categories such as paralegals, intelligence analysts, financial managers, procurement officers, evidence technicians, and security specialists.

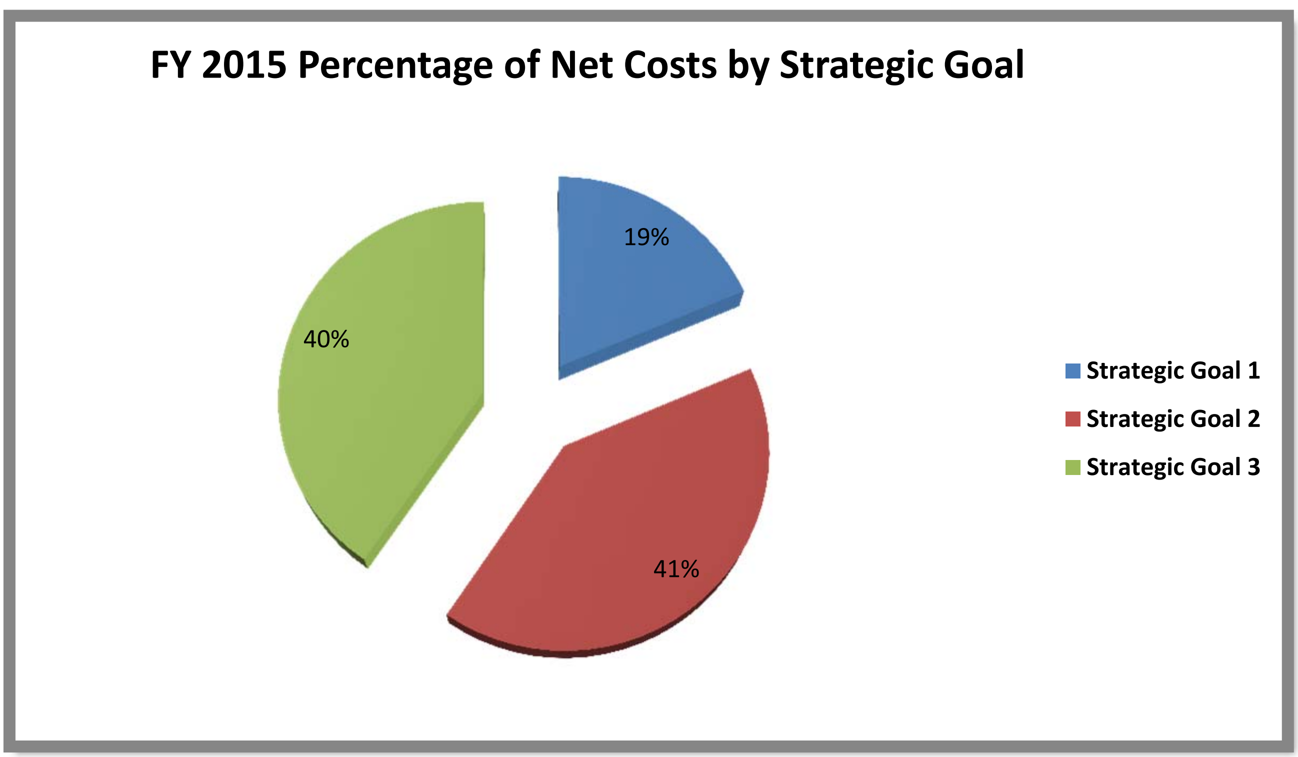
Table 1. Sources of DOJ Resources
(Dollars in Thousands)

Source	FY 2015	FY 2014	% Change
Earned Revenue:	$3,204,126	$3,251,190	**(1.45%)**
Budgetary Financing Sources:			
Appropriations Received	27,469,971	27,997,724	**(1.88%)**
Appropriations Transferred-In/Out	360,483	345,106	**4.46%**
Nonexchange Revenues	2,647,335	3,598,993	**(26.44%)**
Donations and Forfeitures of Cash and Cash Equivalents	1,285,294	4,158,820	**(69.09%)**
Transfers-In/Out Without Reimbursement	1,199,292	(595,090)	**301.53%**
Other Adjustments	(888,767)	(302,829)	**193.49%**
Other Financing Sources:			
Donations and Forfeitures of Property	337,358	308,307	**9.42%**
Transfers-In/Out Without Reimbursement	6,980	3,635	**92.02%**
Imputed Financing from Costs Absorbed by Others	830,074	939,382	**(11.64%)**
Other Financing Sources	(10,836)	(8,193)	**32.26%**
Total DOJ Resources	**$36,441,310**	**$39,697,045**	**(8.20%)**

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

	Strategic Goal (SG)	FY 2015	FY 2014	% Change
1	Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
	Gross Cost	$6,124,370	$5,872,293	
	Less: Earned Revenue	295,555	344,635	
	Net Cost	5,828,815	5,527,658	**5.45%**
2	Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
	Gross Cost	14,299,789	15,247,564	
	Less: Earned Revenue	1,481,475	1,637,361	
	Net Cost	12,818,314	13,610,203	**(5.82%)**
3	Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
	Gross Cost	14,125,262	14,110,427	
	Less: Earned Revenue	1,427,096	1,269,194	
	Net Cost	12,698,166	12,841,233	**(1.11%)**
	Total Gross Cost	**34,549,421**	**35,230,284**	
	Less: Total Earned Revenue	**3,204,126**	**3,251,190**	
	Total Net Cost of Operations	**$31,345,295**	**$31,979,094**	**(1.98%)**


Comparison of Net Costs by Strategic Goal - FY 2015 and 2014
(Dollars in Millions)
$15,000
$10,000
$5,000
$0
$5,829
$5,528
$12,818
$13,610
$12,698
$12,841
SG 1
SG 2
SG 3
FY 2015
FY 2014


FY 2015 Percentage of Net Costs by Strategic Goal
19%
41%
40%
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, 2015 and 2014. 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 2015. 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, 2015, shows $50.8 billion in total assets, an increase of $3.8 billion over the previous year's total assets of $47.0 billion. Fund Balance with U.S. Treasury (FBWT) was $31.2 billion, which represented 61 percent of total assets.

Liabilities: Total Department liabilities were $18.6 billion as of September 30, 2015, an increase of $2.0 billion from the previous year's total liabilities of $16.6 billion. The increase is related to Collections for federal entities by DOJ/Debt Collection Management (DCM) as required by the Federal Debt Recovery Act of 1986, which have not been disbursed and a large deposit recorded in the Seized Asset Deposit Fund by the DOJ prior to September 2015.

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 $31.3 billion for the fiscal year ended September 30, 2015, a decrease of $ 0.7 billion from the previous year's net cost of operations of $32.0 billion. The decrease is related to unpaid obligations established for third party restitution payments established in the previous fiscal year.

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 2015 Combined Statement of Budgetary Resources shows $46.4 billion in total budgetary resources, an increase of $2.3 billion from the previous year's total budgetary resources of $44.1 billion. The increase shown on the Other Adjustment line in Table 1 is primarily attributed to large asset forfeitures and a $1.1 billion expenditure transfer.

Net Outlays: The Department's FY 2015 Combined Statement of Budgetary Resources shows $29.9 billion in net outlays, an increase of $ 0.9 billion from the previous year's total net outlays of $29.0 billion. This increase is primarily related to large asset forfeitures and a $1.1 billion expenditure transfer.

Summary of Performance Information

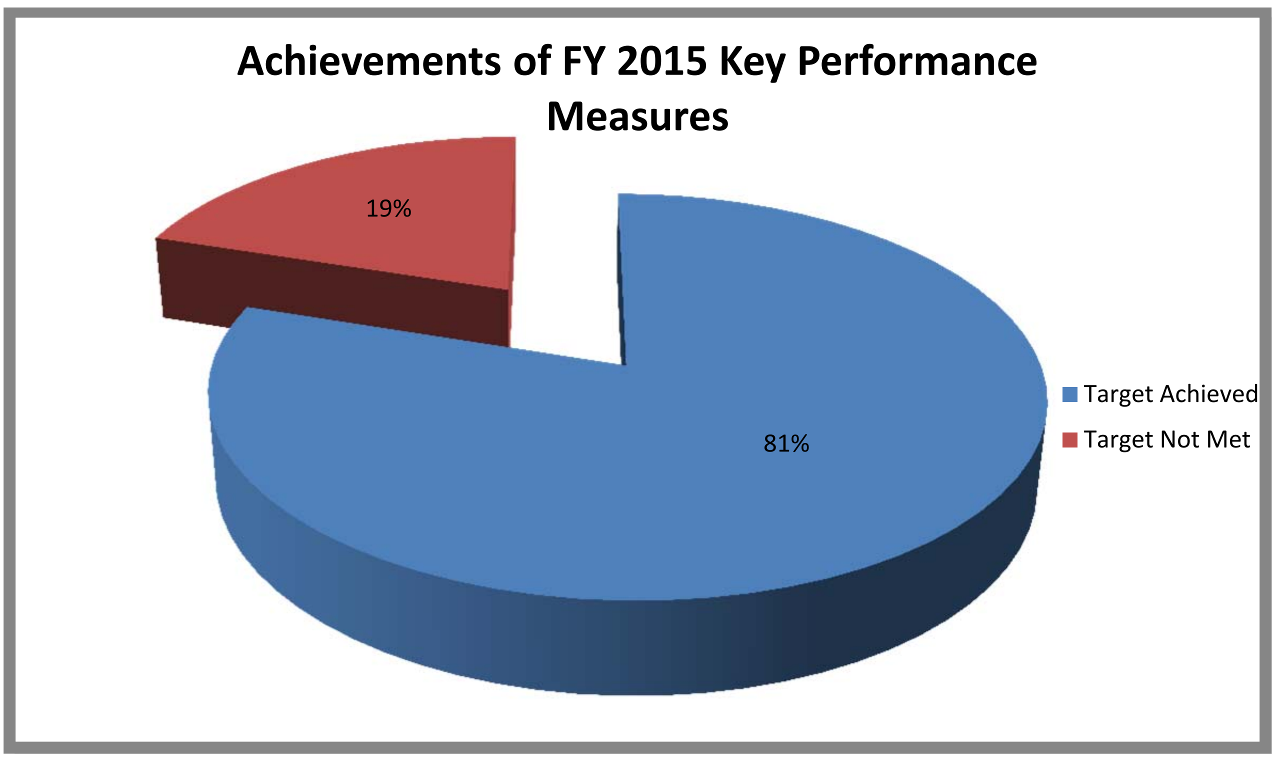
The Government Performance and Results Act Modernization Act of 2010 (GPRAMA) requires an agency's Strategic Plan to be updated every four years and cover a period of not less than four years forward from the fiscal year in which it is submitted.

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 2015 Annual Performance Report/FY 2017 Annual Performance Plan and submitted with the President's Budget in February 2016. The Department strives to present the highest-level outcome-oriented measures available.

During FY 2015, 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, 86 percent of the performance measures have actual data for FY 2015. The Department achieved 81 percent of its key measures that had data available as of September 30, 2015. For some of the performance measures, the actual data will not be available until early 2016. 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 2015 long-term outcome goals (key performance measures).



FY 2015 Long-term Outcome Goals
(Key Performance Measures)

	[ ] Designates the reporting entity	FY 2014 Revised Actual	FY 2015 Target	FY 2015 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]	214	125	440	Met
1.2	Percentage of counterterrorism defendants whose cases were favorably resolved [NSD]	92%	90%	98%	Met
1.3	Percentage of counterespionage actions and disruptions against national counterintelligence priorities that result from FBI outreach [FBI]	7.3%	10%	14%	Met
	Percentage of counterespionage defendants whose cases were favorably resolved [NSD]	98%	90%	100%	Met
1.4	Number of computer intrusion program disruptions and dismantlements [FBI]	2,492	500	479	Not Met
	Percentage of cyber defendants whose cases were favorably resolved [NSD]	N/A*	90%	N/A*	N/A

*There were no cyber cases resolved during FYs 2014 and 2015.

Strategic Objective	[ ] Designates the reporting entity	FY 2014 Revised Actual	FY 2015 Target	FY 2015 Actual	Target Achieved/ Not Achieved
	Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law				
2.1	Number of gangs/criminal enterprise dismantlements (non-CPOT) [FBI]	167	150	153	Met
	Percent of criminal cases favorably resolved [USA, CRM]	93%	90%	93%	Met
2.2	Number of communities with improved capacity for a coordinated response to domestic violence, dating violence, sexual assault, and stalking [OVW]	5,426	5,158	5,176	Met
	Percent of children recovered within 72 hours of an issuance of an AMBER alert [OJP]	96%	90%	94%	Met
2.3	Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data-OCDETF)]				
	Dismantled	208	150	194	Met
	Disrupted	431	350	422	Met
2.4	Number of criminal enterprises engaging in white collar crime dismantled [FBI]	464	368	416	Met
	Percentage of dollar amounts sought by the government recovered [CIV]	85%	85%	85%	Met
2.5	Percent of civil rights cases favorably resolved: criminal cases [CRT]	90%	85%	99%	Met
	Percent of civil rights cases favorably resolved: civil cases [CRT]	99%	85%	86%	Met
2.6	Case resolution for DOJ litigating divisions – percent of criminal cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA]	95%	90%	97%	Met
	Case resolution for DOJ litigating divisions – percent of civil cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA]	96%	80%	85%	Met

Strategic Objective	[ ] Designates the reporting entity	FY 2014 Revised Actual	FY 2015 Target	FY 2015 Actual	Target Achieved/ Not Achieved
	Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels				
3.1	Percent of grantees implementing one or more evidence-based programs [OJP/OJJDP]	64%	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]	30%	24%	23%	Met
3.4	Number of inmate participants in the Residential Drug Abuse Program [BOP]	18,102	18,229	18,304	Met
	Percent of youths who exhibit a desired change in the targeted behavior [OJP]	80%	72%	TBD**	TBD
3.5	Percent and number of USMS federal fugitives apprehended or cleared [USMS]	63%/30,792	58%/31,018	63%/31,202	Met
	Number of red and green notices published on U.S. fugitives and sex offenders [IPOL]	Red-431 Green-655	Red-501 Green-816	Red-402 Green-521	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]	1,237	3,675	4,023	Met
3.7	Percent of Institutional Hearing Program cases completed before release [EOIR]	79%	85%	79%	Not Met
	Percent of detained cases completed within 60 days [EOIR]	74%	80%	71%	Not Met
	Percent of detained appeals completed within 150 days [EOIR]	93%	90%	95%	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]	12	14	11	Not Met
	Number of individuals in Indian Country that are receiving substance abuse treatment services (in-patient or out-patient), including Healing-to-Wellness Court [OJP]	1,124	1,200	TBD***	TBD

**Final actual figure will be available in early 2016.
***Final actual figure will be available at the end of calendar year 2015.

FY 2014 – 2015 Priority Goals

Federal agencies are required to identify a limited number of Priority Goals that are considered priorities for both the Administration and the agency; have high relevance to the public or reflect the achievement of key agency missions; and would produce significant results over a 12 to 24 month timeframe. The Priority Goals represent critical elements of a federal agency's strategic plan and are linked to the larger DOJ policy framework and strategic plan goals.

The Priority Goals align with the FY 2014-2018 Strategic Plan, and are reported on a quarterly basis via http://www.performance.gov. The FY 2014-2015 Priority Goals are:

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

- Disrupt 175 terrorist threats and groups and disrupt and dismantle 600 cyber threat actors

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

Status: The Department of Justice surpassed its 2-year targets for the National Security Priority Goal. The FBI substantially exceeded its 2-year target of disrupting 175 terrorist threats and groups, disrupting a total of 654 in FY 2014-2015 due to several factors: external plotting directed at the homeland and U.S. interests abroad, and increasing threats in other regions. The Department remains proactively positioned to combat a constantly evolving threat landscape.

As part of this goal, the FBI expanded the level of access to the Guardian intelligence-sharing system employed at the classified levels to allow external partners of the United States Intelligence Community (IC) to directly interface with the FBI to share information of value to investigations. The Guardian threat and incident tracking system is now being leveraged by all six federal Cybersecurity Centers and numerous select agencies including the Department of Homeland Security, Department of Defense, and the National Security Agency, for the purpose of coordinating and tracking cyber incidents and for all contact with victim entities. During FY 2014-2015, the total number of Guardian and eGuardian incidents shared between the FBI, IC, and law enforcement community partners was 20,646. The reported numbers underscore the value of Guardian and eGuardian in raising awareness of threats and disrupting terrorist activity before it occur

Throughout FY 2014, the FBI executed its cyber mission by identifying, pursuing, and defeating cyber adversaries targeting global U.S. interests. The FBI surpassed its 2-year target of 600 computer intrusion program disruptions and dismantlements, conducting 2,971 disruptions and dismantlements in FY 2014 - FY 2015 because of significant, coordinated operational activity. A particular case success occurred in May 2014, when the FBI New York Field Office announced the results of the largest law enforcement cyber action in U.S. history. This takedown was of a particularly insidious computer malware known as Blackshades, was sold and distributed to thousands of people in more than 100 countries and used to infect more than half a million computers worldwide.

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

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

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

Status: The Department exceeded its 2-year targets for all three performance measures for the Violent Priority Goal. For the second measure, "Number of entries in NIBIN," the Department was successful in exceeding its FY 2014 and FY 2015 targets by 64,993 records or 37% over its target of 176,248 records. The Department also achieved success in its third performance measure, "Number of "hits" in NIBIN". FY 2014 and FY 2015 targets for this measure were exceeded by 7,691 hits or 31% over its target of 5,884 "hits." As a result of these efforts, 100,719 identified persons in FY 2015 were legally prohibited from possessing firearms due to the expeditious and accurate NICS background check and denial process. In addition during this period, 6,190 federal, state, and local users were trained in NIBIN and 4,527 investigators and analysts were trained to identify how NIBIN can assist them in the investigation process.

An example of a Departmental success in this area is the results achieved by an ATF-led law enforcement operation targeting violent crime. The operation, initiated in Connecticut in 2014, utilized the NIBIN to analyze ballistics evidence in order to target violent criminals and illegal firearm possession and trafficking. Over 80 individuals are expected to or have been charged with various firearms, narcotics, and robbery violations and 74 defendants were charged, or are expected to be charged with various state offenses. In addition, 73 illegal firearms and a large amount of narcotics were removed from the community.

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

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

Criminals who commit financial fraud, be it mortgage fraud, securities, and commodities fraud, or insider trading, victimize the American public by undermining the fairness that is critical to all who participate in our economy – from homeowners and private investors to major business leaders. Similarly, those who defraud Medicare, Medicaid, and other government health care programs defraud every American. Fraudsters take critical resources out of our health care system—thus contributing to the rising cost of healthcare for all Americans and endangering the short-term and long-term solvency of these essential healthcare programs.

The Department will continue to address these critical problems by vigorously investigating and prosecuting both healthcare fraud and financial fraud, in order to protect American businesses, consumers, and taxpayers.

Status: The Department made significant progress in reducing the number of financial and healthcare fraud investigations pending longer than 2 years during the FY 2014-2015 time period. Through the end of 4th quarter FY 2015, the number of pending investigations was 4,801. The goal for this measure is to be at or below the annual target. The FY 2015 4th quarter actual figure is 4% below the FY 2015 annual target of 4,997. Moreover, the FY 2015 end-of-year actual is 7% below the FY 2013 baseline figure of 5,152 investigations. Over the past two years, the numbers of investigations pending longer than 24 months have trended downward due to a greater awareness of the "aging matters" by United States Attorney Offices (USAOs). Data concerning health care fraud and financial fraud matters pending for 24 months or more are now posted on each USAO's internal data page. The data page is updated on a quarterly basis.

The Department will continue to vigorously investigate and prosecute both financial fraud and health care fraud related cases, in order to protect American businesses, consumers, and taxpayers. In September 2015, the Department issued new policy guidance to all Department prosecutors and civil litigators to require that, if a company wants any credit for cooperation, it must identify all individuals involved in the wrongdoing, regardless of their position, status, or seniority in the company, and provide all relevant facts about their misconduct. Fundamentally, this guidance ensures that all Department attorneys are consistent in using the best efforts to hold individual wrongdoers accountable.

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

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

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

Status: The Department exceeded its 2-year targets for five out of its six performance measures. "Opened investigations concerning non-compliant sex offenders" exceeded its two-year target (1,841) by 26 or 1.4%. "Open investigations concerning the sexual exploitation of children" exceeded its two-year target (3,051) by 5,680 or 86%. "Opened investigations concerning human trafficking" exceeded its two-year target (218) by 47 or 22%. "Opened litigation matters concerning the sexual exploitation of children" exceeded its two year target (5,424) by 360 or 7%. "Within 72 hours of an issuance of an AMBER alert, recover at least 90% of the children missing" exceeded its two-year target (90%) by attaining an average recovery rate of 94.6%.) For "Opened litigation matters concerning human trafficking" the Department achieved 89%, or 152, of its two-year target (171). The missed target reflects the temporary fluctuation due to a delay in transitioning duties to newly hired investigators. However, the temporary decline has been offset by subsequent increases.

To address the mistreatment of elderly persons, during FY 2014-2015 the Department launched its Elder Justice website, developed an Elder Justice Research Agenda and a strategy for its implementation. The Office of Justice Program/Bureau of Justice Statistics also began a pilot assessment of criminal victimization of the elderly and disabled adults living in institutionalized group quarters. To continue its efforts to improve federal response to the needs of American Indian and Alaska Native children, the Department completed an assessment of federally-provided services for child victims. The Department also began working with the White House-led Generation Indigenous (GenI) initiative. To serve victims of human trafficking, the Department's Office for Victims of Crime worked with the Office on Violence Against Women and the Department of Health and Human Services to align Victims of Crime Act grantee reporting with the reporting required by these two agencies.

Analysis of Systems, Controls, and Legal Compliance

Internal Control Program in the Department of Justice

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

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

Departmental management continued in FY 2015 to further strengthen and maximize the effectiveness of its annual assessment of internal control over financial reporting. Examples of such actions include:

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

Management Assurances

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (FMFIA or Integrity Act) provides the statutory basis for management's responsibility for and assessment of internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The Integrity Act requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The Integrity Act also requires agencies to annually assess and report on the internal controls that protect the integrity of federal programs (FMFIA § 2) and whether financial management systems conform to related requirements (FMFIA § 4).

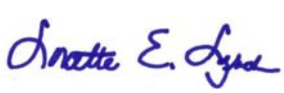
Guidance for implementing the Integrity Act is provided through OMB Circular A-123, *Management's Responsibility for Internal Control*. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial system requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting.

FMFIA Assurance Statement

Department of Justice management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, the Department conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2). The Department also assessed whether its financial management systems conform to financial system requirements (FMFIA § 4). Based on the results of the assessments, we can provide qualified assurance that the Department's internal controls and financial management systems meet the objectives of the FMFIA. The assessment of systems did not identify any non-conformances required to be reported under FMFIA § 4; however, the assessment of internal controls identified one programmatic material weakness required to be reported under FMFIA § 2. This weakness involves the need to reduce crowding in Federal Bureau of Prisons (BOP) institutions. Details of the weakness are provided in the Summary of Material Weakness and Corrective Actions. Other than the exception noted, the internal controls were operating effectively as of September 30, 2015, and the assessment identified no other material weaknesses in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment, we can provide reasonable assurance that the Department's internal control over financial reporting was operating effectively as of June 30, 2015. The assessment did not identify any material weaknesses in the design or operation of the controls.

The Department of Justice is committed to maintaining strong program and financial management as we continue our mission of fighting terrorism and protecting our communities from crime. We take our program and financial accountability seriously and are dedicated to ensuring that 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 12, 2015

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 comply substantially 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. 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 2015, the Department assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they comply substantially with the FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to issues identified during the Department's financial statement audit.
A summary of the Department's compliance with the specific requirements of the FFMIA is provided at the end of this sub-section.

Financial Management Systems Strategy, Goals, and Framework

The Department's financial management systems strategy is to ultimately replace the one remaining major non-integrated legacy accounting system in use in the Department with the single, integrated financial management system the Department is deploying – the Unified Financial Management System (UFMS). UFMS delivers standard, core accounting processes, as well as the data needed for effective financial and budget management. In FYs 2009 through 2015, 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, Asset Forfeiture Management Staff (AFMS), and FBI that occurred in FYs 2011 through 2014. In FY 2015, the Department continued planning efforts to ensure the smooth migrations of three additional components in FY 2016 – the Executive Office for Immigration Review, Office of the Inspector General, and Office of the Pardon Attorney – all of which occurred in October 2015. The UFMS implementation goals leverage lessons learned from previous migrations and are based on and aligned with operational risks and requirements unique to each component.

The Department's UFMS implementation has enabled components to improve financial and budget management and realize increased efficiencies. For example, UFMS has standardized and integrated financial processes to more effectively support accounting operations, provide accurate and timely financial information throughout the year, facilitate preparation of financial statements, and streamline audit processes.

Summary of Financial Statement Audit and Management Assurances

The 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 programmatic operations and financial reporting (FMFIA § 2), conformance with financial system requirements (FMFIA § 4), and compliance with the FFMIA.

Table 3. Summary of Financial Statement Audit

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

Table 4. Summary of Management Assurances

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

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

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

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

Summary of Material Weakness and Corrective Actions

A summary of the material weakness identified in the Department's FY 2015 assessment of the effectiveness of internal control over programmatic operations (FMFIA § 2) follows, along with details regarding corrective actions. The associated Corrective Action Plan is provided in Section III of this document.

Programmatic Material Weakness and Corrective Actions – Prison Crowding

As of September 30, 2015, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 23 percent, down from the 30 percent overcapacity rate as of the end of FY 2014. The impact of the Department's Smart on Crime initiative, legislative changes, and Clemency have all contributed to reducing the inmate population; nonetheless, the BOP continues to experience dangerously high levels of crowding particularly at higher-security institutions.

Crowding presents critical 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. For example, because of years of high overcapacity rates and understaffing, a significant number of inmates are on waiting lists for most inmate programs, to include the GED program with approximately 16,000 inmates on the waiting list. While every effort is being made by the BOP to address the backlog, it will take several years due to limited classroom size and teaching staff, as well as the rising costs associated with offering the program in multiple languages and regularly upgrading computer equipment and training content to ensure the program is aligned with community standards. The FY 2015 budget for the BOP was essentially flat from the FY 2014 level. The proposed FY 2016 budget takes into account the declining inmate population but includes investments in additional staffing and 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.[2] The BOP's formal Corrective Action Plan includes utilizing contract facilities; expanding existing institutions; and acquiring, constructing, and activating new institutions as funding permits. The BOP will continue to validate progress on construction projects at new and existing facilities through on-site inspections or by reviewing monthly construction progress reports.

This material weakness was first reported in 2006. Remediation of the weakness through increasing prison capacity is primarily dependent on funding. Other correctional reforms and alternatives will require policy and/or statutory changes. Other initiatives notwithstanding, if the acquisition, expansion, construction, and activation plans detailed in the BOP's Long Range Capacity Plan are funded as proposed, the overcapacity rates for FYs 2016 and 2017 are projected to be 12 percent and 11 percent, respectively.

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

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[2] The BOP's Long Range Capacity Plan relies on multiple approaches to house the federal inmate population, such as contracting with the private sector and state and local facilities for certain groups of low-security inmates; expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring, constructing, and activating new facilities as funding permits.

Improper Payments Information Act of 2002, as Amended

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments and is committed to the continuous improvement of the overall disbursement management process. A summary follows of actions taken by Departmental management in FY 2015 for continuous implementation of the Improper Payments Information Act of 2002 (IPIA), as amended.[3] Additional details, as well as the Department's submission of the required improper payments reporting, are provided in Appendix B.

Risk Assessment

The IPIA, as amended, and OMB implementing guidance, OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, require agencies to review all programs and activities they administer to identify those that are susceptible to significant improper payments. OMB defines significant improper payments as gross annual improper payments (i.e., the total amount of overpayments plus underpayments) in a program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million, regardless of the improper payment percentage of total program outlays. The Department's top-down approach for assessing the risk of significant improper payments allows the reporting of results by the Department's five mission-aligned programs – Law Enforcement; Litigation; Prisons and Detention; State, Local, Tribal, and Other Assistance; and Administrative, Technology, and Other.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department assessed its programs and activities for susceptibility to significant improper payments. Based on the results of the risk assessment for the period ended September 30, 2015, 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 B addresses the funding received under the Disaster Relief Act as susceptible to significant improper payments.

Payment Recapture Audits

The IPIA, as amended, and OMB implementing guidance require agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends $1 million or more annually – including contracts, grants, and benefit payments – if conducting such audits would be cost-effective. The OMB implementing guidance also requires agencies to establish annual targets for their payment recapture audit programs – based on the rate of recapture – to drive performance. Agencies have the discretion to set their own payment recapture rate targets for review and approval by OMB.

In FY 2015, 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 2017. Based on performance through the period ended September 30, 2015, the Department achieved an annual

[3] 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 94 percent. Additional details, to include the annual recapture rate by type of payment (e.g., contracts and grants), are provided in Appendix B of this document.

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

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

Budget Constraints and Uncertainties

- The Department's mission and its employees are inextricably linked; we cannot fulfill our mission without our employees. As of September 19, 2015, DOJ had nearly 3,548 fewer staff than in January 2011, primarily due to budget constraints and limitations. The Department has fewer staff to conduct investigations, address legal matters, adjudicate immigration cases, and support state, local, and tribal partners. Budget constraints and uncertainties affect not only the Department, but also the Courts and other key participants in the criminal justice system, resulting in delayed access to justice.

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

Technology

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

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

Economy

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

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

Government

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

Globalization

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

Social-Demographic

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

Unpredictable

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

- Changes in federal laws may affect responsibilities and workload.

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

Other Management Information, Initiatives, and Issues

American Recovery and Reinvestment Act

- The Department received $4.0 billion in funding for programs, under the American Recovery and Reinvestment Act (Recovery Act) of 2009. In addition, $2.0 million was provided for the Department's Office of the Inspector General oversight activities related to Recovery Act funding.

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

- Unobligated balances were rescinded and transferred using the year-end closing module in Treasury by the end of October 2015.

- Reporting of performance and financial activity was suspended by the Recovery Accountability and Transparency Board in January 2014.
    - Historical information regarding the Department's Recovery Act activities can be found on: http://www.justice.gov/recovery/.

- The following table summarizes appropriations, obligations, and outlays by component, as of September 30, 2015:

(Dollars in Thousands)

Component	Appropriation Amount	Obligations*	Outlays	Expired Unobligated Balances**
OJP	$2,761,930	$2,735,931	$2,735,931	$25,999
OVW	$225,564	$215,021	$215,021	$10,543
COPS	$1,002,506	$927,880	$927,880	$74,626
ATF	$10,000	$9,365	$9,365	$635
OIG	$2,000	$2,000	$2,000	$0
DOJ Total	**$4,002,000**	**$3,890,197**	**$3,890,197**	**$111,803**

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

Limitations of the Financial Statements

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

While the statements have been prepared from the books and records of the Department in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

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 requirements of OMB Circular A-136, *Financial Reporting Requirements*. This data outlines not only the costs of programs, but also the costs of achieving individual results by strategic goal. The following section provides the Statements of Net Cost by major program for the Department of Justice, and it is aligned directly with the goals and objectives in the Department's Strategic Plan and Annual Performance Plan.

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

Consolidated Balance Sheets – Presents resources owned or managed by the Department that are available to provide future economic benefits (assets); amounts owed by the Department that will require payments from those resources or future resources (liabilities) and residual amounts retained by the Department, comprising the difference (net position) as of September 30, 2015 and 2014.

Consolidated Statements of Net Cost – Presents the net cost of Department operations for the fiscal years ended September 30, 2015 and 2014. 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, 2015 and 2014.

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, 2015 and 2014.

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, 2015 and 2014.

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A Message from the Chief Financial Officer

November 12, 2015

In FY 2015, the Department earned an unmodified "clean" audit opinion on our consolidated financial statements. For the ninth straight year, the auditor's report on internal controls 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. Looking beyond the unmodified audit opinion, the Department's financial managers and I are continuing to pursue improvements in our financial reporting and internal controls.

The Department components work hard to ensure the taxpayer funds they receive are focused on the critical national security and law enforcement activities they perform for the nation. The Department's leadership has challenged our components to find savings across our operations, and components have responded by achieving savings through a wide array of initiatives ranging from the broad use of video teleconferencing, consolidating data centers, and leveraging the EPIC System Portal to provide a central law enforcement collaboration site. The Department's SAVE Council is continuing to look for additional areas we can reduce spending in order to operate as efficiency as possible.

Notable accomplishments this year include the continued work to move more components into the Department's Unified Financial Management System, with the Executive Office of Immigration Review, the Office of the Inspector General, and the Office of the Pardon Attorney going live in the Unified System in October after several months of preparation. In addition, the Department has been an active participant in Treasury's new accounting and reporting initiatives. The Department implemented the Federal Information Technology and Acquisition Reform Act (FITARA) this year and we are also preparing to meet the requirements of Data Act.

Our financial management and information technology professionals at the Department of Justice take their work – their service to the nation, and their accountability to the taxpayers – seriously. Where we find internal control and reporting issues, or cyber security threats and issues, we are committed to addressing them promptly and comprehensively. The auditor internal control reports this year identified several areas where we need improved accounting in various components and in the Assets Forfeiture Fund. We also have identified a suite of actions to harden our systems and improve our resiliency. These are areas which will get prompt attention and focus in FY 2016.

Chief Financial Officer

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U.S. DEPARTMENT OF JUSTICE ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2015*

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, 2015, and September 30, 2014. 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 2015 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 2014, the Department also received an unmodified opinion on its financial statements (OIG Audit Report No. 15-02).

KPMG LLP's FY 2015 auditors' report refers to the report of an other auditor who audited a Department component, the Federal Bureau of Prisons (BOP). During the FY 2016 audit of the BOP, management identified an error in the BOP's FY 2015 financial statements, and the BOP auditor withdrew its FY 2015 auditor's report. The BOP's FY 2015 financial statements were subsequently restated, and the BOP auditor issued its auditor's report on the restated FY 2015 financial statements on November 4, 2016. The error was not material to, and therefore was not corrected in, the Department's FY 2015 financial statements. Due to the withdrawal of the other auditor's FY 2015 auditors' report and the subsequent issuance of the auditor's report on the FY 2015 restated financial statements on November 4, 2016, KPMG LLP updated its auditors' report on the Department's FY 2015 financial statements.

KPMG LLP also updated its reports on internal control over financial reporting and on compliance and other matters. The auditors identified one significant deficiency in the FY 2015 *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. The significant deficiency related to inadequate financial statement preparation and review controls. The auditors detected several reporting errors that were similar and pervasive indicating the Department and certain components need to enhance their existing risk assessment processes to ensure transactions with a higher risk of error are adequately monitored and process-level controls are designed at a level of precision to identify significant errors.

During FYs 2009 through 2015, the Department made measurable progress toward implementing the Unified Financial Management System, which replaced four of five major non-integrated legacy accounting systems. During FY 2015, the Department's planning efforts focused on ensuring the smooth migration of three additional components within the Offices, Boards and Divisions, which occurred in October 2015. However, it is important to note that the Department does not yet have a unified financial management system to readily support ongoing accounting operations and preparation of financial statements, and achieve the economies of scale that it originally envisioned. As discussed in past years, we believe the most important challenge facing the

* This report initially was posted to https://www.justice.gov/ in November 2015. It was updated and re-posted to https://www.justice.gov/ in November 2016, as explained in this updated Commentary and Summary.

Department in its financial management is to fully implement an integrated financial management system to replace the remaining major non-integrated legacy accounting system used by three of the Department's nine reporting components.

No instances of non-compliance or other matters were identified during the audit that are required to be reported under *Government Auditing Standards,* in the FY 2015 *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 with laws and regulations 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.

KPMG

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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, 2015 and 2014, 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 following components of the Department: the Federal Bureau of Investigation (FBI), and the Bureau of Prisons (BOP), of which statements reflect total assets constituting 15% and 13%, respectively, of consolidated total assets at September 30, 2015, and total net costs constituting 28% and 24%, respectively, of consolidated total net costs for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those components, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 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, 2015 and 2014, 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

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 consolidating information, Combined Schedule of Spending, Freeze the Footprint, Civil Monetary Penalty Adjustment for Inflation, and the information in the Introduction, Management Section, and Appendices is presented for purposes of additional analysis, and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Washington, D.C.
November 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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 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, 2015 and 2014, 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 following components of the Department: the Federal Bureau of Investigation (FBI), and the Federal Bureau of Prisons (BOP), 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, 2015, 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 2015 financial statements of the FBI and the BOP. Those financial statements were audited by other auditors whose reports thereon, including the other auditors' *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*, have been furnished to us. Accordingly our report on the Department's internal control over financial reporting, insofar as it relates to those components, is based solely on the reports 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our and the other auditors' audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Exhibit, that we consider to be a significant deficiency.

The Department's Responses to Findings

The Department's response to the significant deficiency identified in our audit and presented in the Exhibit was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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

SIGNIFICANT DEFICIENCY

Improvements Needed in Financial Statement Preparation and Review Controls

The Department and its components make investments in the people, processes, and technology that enable the timely and accurate accounting of the Department's daily operational activities. These operational activities include the personnel, payroll, procurement, grants, budgetary, and funds management activities of the Department and its components. No significant matters came to our attention during our fiscal year (FY) 2015 audit to indicate these operational controls were not operating as designed. However, we did note that the emphasis placed on the Department's financial statement preparation and review processes had not achieved the level of rigor that is required to prepare timely and accurate financial statements in accordance with generally accepted accounting principles, and OMB Circulars A-136 (*Financial Reporting Requirements*) and A-11 (*Preparation, Submission, and Execution of the Budget*).

During our FY 2015 audit, we detected and brought to the attention of the Department and certain components the following reporting errors, for which the underlying causes were similar and pervasive:

- <u>Presentation of sources and disposition of custodial activities:</u> Offices, Boards and Divisions (OBDs) management reported certain sources of collections and the disposition of custodial activities within the incorrect captions on the FY 2014 and draft FY 2015 Statements of Custodial Activities. These errors totaled over $7 billion between the captions of sources of custodial collections, and $5.7 billion between certain trading partners, but did not misstate the total collections or disposition of custodial activities of the OBDs or of the Department.

- <u>Allocation of costs between strategic goals in the Statement of Net Cost:</u> Management of the OBDs, the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), and the Office of Justice Programs (OJP) incorrectly reported certain costs between the strategic goals on the FY 2014 and interim FY 2015 Statements of Net Cost. These errors totaled over $1 billion, but did not misstate the total net cost of any component or the net costs of the Department.

- <u>Accounting for and reporting certain budgetary activity by apportionment category:</u> Management of ATF, the Drug Enforcement Administration (DEA), and the Federal Bureau of Investigation (FBI) incorrectly accounted for and reported the apportionment status of $1 billion in budgetary resources apportioned for obligation in future years (known as Category C apportionments) in the Department's draft FY 2015 Statement of Budgetary Resources. In addition, OBDs' management incorrectly reported obligations incurred between time-based apportionments (known as Category A apportionments) and project-based apportionments (known as Category B apportionments) by $725 million in its FY 2014 footnotes and $600 million in its interim FY 2015 footnotes. These errors did not misstate the total budgetary resources of any individual component or of the Department.

- <u>Accounting for certain transferred budgetary financing sources:</u> Management of the U.S. Marshals Service (USMS) incorrectly accounted for the execution of budgetary financing sources transferred from the Assets Forfeiture Fund/Seized Asset Deposit Fund (AFF/SADF), and misstated its unexpended appropriations by $862 million in its draft FY 2015 financial statements. The amount was recorded and reported in the incorrect component of the USMS' and the Department's net position.

- Accounting for and reporting of unreconciled differences with the U.S. Department of the Treasury (Treasury): ATF management did not perform timely reconciliations of $540 million of its Fund Balance with Treasury during FY 2015, and did not evaluate the impact of unreconciled differences in its financial reports. These amounts were recorded and reported properly in the final FY 2015 financial statements.

Our observations indicate that the Department and certain components need to enhance their existing risk assessment processes to identify and assess the accounting and reporting risks for certain cost allocation methodologies, and for certain complex or unusual classes of transactions. As a result, events and transactions that have a greater likelihood of error are not always receiving an appropriate level of attention, on a proactive basis, for proper or consistent reporting in the Department's or components' financial statements. Further, the Department and certain component have not implemented sufficient monitoring controls to ensure transactions with a higher risk of error are adequately monitored, and process-level controls, such as management's review controls of the financial statements, are not always designed at a level of precision to identify significant errors. Consequently, errors or a combination of errors in the financial statements could go undetected.

Recommendations:

We recommend that the Department and its component management:

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. *(New)*

   Management Response:

   Management concurs with this recommendation and is in the process of establishing procedures to identify new or significant cash collections and ensuring that the program and financial management offices are in agreement with the proper classification. The format of the statement of custodial activity will also undergo a thorough review as part of the annual review of the financial statement preparation guide.

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. *(New)*

   Management Response:

   Management concurs with the recommendation and is in the process of establishing a formal annual review of all cost allocation methodologies to ensure proper reporting of costs by strategic goal.

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. *(New)*

   Management Response:

   Management concurs with the recommendation and is in the process of establishing a formal annual review process involving budget formulation, budget execution and financial reporting to ensure proper, accurate and consistent reporting in the financial statements.

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. *(New)*

   Management Response:

   Management concurs with the recommendation and will implement additional controls to increase the rigor and precision over financial reporting in the Department.

Enhancements made to the Department's annual internal control assessment process should take into consideration the revisions made by the Government Accountability Office's *Standards for Internal Control in the Federal Government*, which was reissued in September 2014 and is effective beginning in FY 2016.

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

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 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, 2015 and 2014, 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 following components of the Department: the Federal Bureau of Investigation (FBI) and the Federal Bureau of Prisons (BOP) 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 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 2015 financial statements of the FBI and the BOP. Those financial statements were audited by other auditors whose reports thereon, including the other auditors' *Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, have been furnished to us. Accordingly, our report on the Department's compliance and other matters, insofar as it relates to those components, is based solely on the reports and findings of the other auditors.

We and the other auditors also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 testing of compliance and the results of that testing, and not to provide an opinion on the Department's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 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, 2015 and 2014

Dollars in Thousands		2015		2014
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with U.S. Treasury (Note 3)	$	31,234,522	$	26,878,549
Investments, Net (Note 5)		7,824,789		8,940,208
Accounts Receivable, Net (Note 6)		498,539		507,672
Other Assets (Note 10)		57,453		74,062
Total Intragovernmental		39,615,303		36,400,491
Cash and Monetary Assets (Note 4)		1,146,230		190,965
Accounts Receivable, Net (Note 6)		83,490		93,326
Inventory and Related Property, Net (Note 7)		169,336		127,349
Forfeited Property, Net (Note 8)		132,420		138,265
General Property, Plant and Equipment, Net (Note 9)		9,269,415		9,678,390
Advances and Prepayments		397,218		379,236
Other Assets (Note 10)		2,069		5,138
Total Assets	**$**	**50,815,481**	**$**	**47,013,160**
LIABILITIES (Note 11)				
Intragovernmental				
Accounts Payable	$	320,091	$	341,756
Accrued Federal Employees' Compensation Act Liabilities		280,176		270,102
Custodial Liabilities (Note 21)		1,490,600		679,965
Other Liabilities (Note 15)		331,895		297,637
Total Intragovernmental		2,422,762		1,589,460
Accounts Payable		6,349,078		5,879,495
Accrued Grant Liabilities		487,492		485,533
Actuarial Federal Employees' Compensation Act Liabilities		1,654,318		1,679,245
Accrued Payroll and Benefits		352,289		310,667
Accrued Annual and Compensatory Leave Liabilities		845,755		823,263
Environmental and Disposal Liabilities (Note 12)		79,802		78,799
Deferred Revenue		680,641		662,462
Seized Cash and Monetary Instruments (Note 14)		2,258,815		1,410,443
Contingent Liabilities (Note 16)		52,413		58,125
Radiation Exposure Compensation Act Liabilities (Note 25)		433,760		561,661
September 11th Victim Compensation Fund (Note 25)		2,579,175		2,700,584
Other Liabilities (Note 15)		440,736		365,753
Total Liabilities	**$**	**18,637,036**	**$**	**16,605,490**
NET POSITION				
Unexpended Appropriations - Funds from Dedicated Collections (Note 17)	$	31,274	$	32,750
Unexpended Appropriations - All Other Funds		9,131,425		9,585,702
Cumulative Results of Operations - Funds from Dedicated Collections (Note 17)		16,328,785		15,511,728
Cumulative Results of Operations - All Other Funds		6,686,961		5,277,490
Total Net Position	**$**	**32,178,445**	**$**	**30,407,670**
Total Liabilities and Net Position	**$**	**50,815,481**	**$**	**47,013,160**

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, 2015 and 2014

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of
		Intra-	With the		Intra-	With the		Operations
	FY	**governmental**	**Public**	**Total**	**governmental**	**Public**	**Total**	**(Note 18)**
Goal 1	**2015**	$ 1,660,919	$ 4,463,451	$ 6,124,370	$ 284,542	$ 11,013	$ 295,555	$ 5,828,815
	2014	$ 1,816,233	$ 4,056,060	$ 5,872,293	$ 336,845	$ 7,790	$ 344,635	$ 5,527,658
Goal 2	**2015**	3,406,947	10,892,842	14,299,789	462,630	1,018,845	1,481,475	12,818,314
	2014	3,345,479	11,902,085	15,247,564	504,561	1,132,800	1,637,361	13,610,203
Goal 3	**2015**	2,853,285	11,271,977	14,125,262	795,805	631,291	1,427,096	12,698,166
	2014	2,676,758	11,433,669	14,110,427	663,325	605,869	1,269,194	12,841,233
Total	**2015**	**$ 7,921,151**	**$ 26,628,270**	**$ 34,549,421**	**$ 1,542,977**	**$ 1,661,149**	**$ 3,204,126**	**$ 31,345,295**
	2014	**$ 7,838,470**	**$ 27,391,814**	**$ 35,230,284**	**$ 1,504,731**	**$ 1,746,459**	**$ 3,251,190**	**$ 31,979,094**

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, 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	**$ 15,511,728**	**$ 5,277,490**	**$ -**	**$ 20,789,218**
Adjustments (Note 26)				
Changes in Accounting Principles	(2,135)	(118,979)	-	**(121,114)**
Beginning Balances, as Adjusted	**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)**	**(28,964,179)**	**19,480**	**(31,345,295)**
Net Change	819,192	1,528,450	-	2,347,642
Cumulative Results of Operations	**$ 16,328,785**	**$ 6,686,961**	**$ -**	**$ 23,015,746**
Net Position	**$ 16,360,059**	**$ 15,818,386**	**$ -**	**$ 32,178,445**

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

U. S. Department of Justice
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2014

Dollars in Thousands

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

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

U. S. Department of Justice
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2015 and 2014

Dollars in Thousands	2015	2014
Budgetary Resources:		
Unobligated Balance, Net, Brought Forward, October 1	$ 5,824,731	$ 3,994,967
Recoveries of Prior Year Unpaid Obligations	798,481	746,225
Other Changes in Unobligated Balance	(125,949)	(2,421)
Unobligated Balance from Prior Year Budget Authority, Net	6,497,263	4,738,771
Appropriations (discretionary and mandatory)	33,043,262	33,649,891
Spending Authority from Offsetting Collections (discretionary and mandatory)	6,894,350	5,709,511
Total Budgetary Resources	**$ 46,434,875**	**$ 44,098,173**
Status of Budgetary Resources:		
Obligations Incurred (Note 20)	$ 40,357,528	$ 38,273,442
Unobligated Balance, End of Year:		
Apportioned	4,773,397	4,712,942
Exempt from Apportionment	175,949	250,958
Unapportioned	1,128,001	860,831
Total Unobligated Balance - End of Year	6,077,347	5,824,731
Total Status of Budgetary Resources	**$ 46,434,875**	**$ 44,098,173**
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, Brought Forward, October 1	$ 17,217,457	$ 14,798,020
Obligations Incurred	40,357,528	38,273,442
Outlays, Gross (-)	(37,403,081)	(35,107,780)
Recoveries of Prior Year Unpaid Obligations (-)	(798,481)	(746,225)
Unpaid Obligations, End of Year	19,373,423	17,217,457
Uncollected Payments:		
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(1,789,405)	(1,666,905)
Change in Uncollected Customer Payments from Federal Sources	(24,247)	(122,500)
Uncollected Customer Payments from Federal Sources, End of Year	(1,813,652)	(1,789,405)
Memorandum (non-add) Entries:		
Obligated balance, Start of Year	$ 15,428,052	$ 13,131,115
Obligated balance, End of Year	$ 17,559,771	$ 15,428,052
Budgetary Authority and Outlays, Net:		
Budgetary Authority, Gross (discretionary and mandatory)	$ 39,937,612	$ 39,359,402
Less: Actual Offsetting Collections (discretionary and mandatory)	6,875,287	5,590,273
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(24,247)	(122,500)
Budget Authority, Net (discretionary and mandatory)	**$ 33,038,078**	**$ 33,646,629**
Outlays, Gross (discretionary and mandatory)	$ 37,403,081	$ 35,107,780
Less: Actual Offsetting Collections (discretionary and mandatory)	6,875,287	5,590,273
Outlays, Net (discretionary and mandatory)	30,527,794	29,517,507
Less: Distributed Offsetting Receipts	629,088	495,904
Agency Outlays, Net (discretionary and mandatory)	**$ 29,898,706**	**$ 29,021,603**

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, 2015 and 2014

Dollars in Thousands	2015	2014
Revenue Activity		
Sources of Cash Collections		
Federal Debts, Fines, Penalties and Restitution	$ 16,856,861	$ 13,894,225
Fees and Licenses	58,215	47,847
Miscellaneous	1,162	6,162
Total Cash Collections	16,916,238	13,948,234
Accrual Adjustments	(242)	1,875
Total Custodial Revenue	16,915,996	13,950,109
Disposition of Collections		
Transferred to Federal Agencies		
Library of Congress	(119)	(356)
U.S. Department of Agriculture	(256,014)	(156,297)
U.S. Department of Commerce	(1,840)	(731)
U.S. Department of the Interior	(104,501)	(35,177)
U.S. Department of Justice	(36,290)	(17,064)
U.S. Department of Labor	(8,842)	(2,245)
U.S. Postal Service	(1,352)	(23,457)
U.S. Department of State	(8)	(4,528)
U.S. Department of the Treasury	(811,596)	(1,301,974)
Office of Personnel Management	(5,024)	(48,872)
National Credit Union Administration	(1)	(1,375,000)
Federal Communications Commission	(345)	6
Social Security Administration	(1,241)	(554)
Smithsonian Institution	(1,711)	(1,277)
U.S. Department of Veterans Affairs	(8,007)	(78,350)
Equal Employment Opportunity Commission	(291)	-
General Services Administration	(36,820)	(29,173)
Securities and Exchange Commission	(135,843)	(3)
Federal Deposit Insurance Corporation	(1,000,355)	(702,050)
Railroad Retirement Board	(335)	(286)
Tennessee Valley Authority	(60)	(438)
Environmental Protection Agency	(1,975,823)	(265,167)
U.S. Department of Transportation	(10,312)	(17,363)
U.S. Department of Homeland Security	(56,750)	(101,451)
Agency for International Development	(812)	(4,101)
Small Business Administration	(17,535)	(12,163)
U.S. Department of Health and Human Services	(960,690)	(1,253,387)
National Aeronautics and Space Administration	(572)	(44)
Export-Import Bank of the United States	(7,653)	(1,908)
U.S. Department of Housing and Urban Development	(1,185,772)	(470,875)
National Archives & Records Administration	(126)	-
U.S. Department of Energy	(4,089)	(6,040)
U.S. Department of Education	(20,364)	(22,929)
Independent Agencies	(61,443)	(78,277)
Treasury General Fund	(8,107,129)	(7,259,668)
U.S. Department of Defense	(159,664)	(88,859)
Transferred to the Public	(668,627)	(502,684)
(Increase)/Decrease in Amounts Yet to be Transferred	(853,578)	562,796
Refunds and Other Payments	(20,682)	(124,378)
Retained by the Reporting Entity	(393,780)	(525,785)
Total Disposition of Collections	(16,915,996)	(13,950,109)
Net Custodial Activity (Note 21)	$ -	$ -

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

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

These notes are an integral part of the financial statements.

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

B. Basis of Presentation

These financial statements have been prepared from the books and records of the Department in accordance with United States generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. These financial statements are different from the financial reports prepared pursuant to OMB directives which are used to monitor and control the use of the Department's budgetary resources. The accompanying financial statements include the accounts of all funds under the Department's control. To ensure that the Department financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Inventory and Related Property, Other Assets, and Other Liabilities, as defined by OMB Circular A-136, have been disaggregated on the Consolidated Balance Sheets. These include Forfeited Property, Net; Advances and Prepayments; Accrued Grant Liabilities; Accrued Federal Employees' Compensation Act (FECA) Liabilities; Custodial Liabilities; Accrued Payroll and Benefits; Accrued Annual and Compensatory Leave Liabilities; Deferred Revenue; Seized Cash and Monetary Instruments; Contingent Liabilities; Radiation Exposure Compensation Act (RECA) Liabilities; and September 11th Victim Compensation Fund Liabilities.

C. Basis of Consolidation

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, OBDs, USMS, OJP, DEA, FBI, ATF, BOP, and FPI. All significant proprietary intra-departmental transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2015 and 2014, and as such, intra-departmental transactions have not been eliminated.

D. Basis of Accounting

Transactions are recorded on the accrual and budgetary bases of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements. FPI is non-appropriated and self-sustaining. While FPI performs budgetary accounting in preparing its financial statements, FPI does not record budgetary information at the transaction level.

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

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

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

E. Non-Entity Assets

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

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

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

G. Investments

Investments are market-based Treasury securities issued by the Bureau of Public Debt. When securities are purchased, the investment is recorded at face value (the value at maturity). The Department's intent is to hold investments to maturity, unless the invested funds are needed to sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. The market value of the investments is the current market value at the end of the reporting period. It is calculated by using the "End of Day" price listed in The FedInvest Price File which can be found on the Bureau of Public Debt website. 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, excess, obsolete and/or unserviceable inventory that may not be utilized in future periods.

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

J. General Property, Plant and Equipment

DOJ Financial Management Policy Memorandum (FMPM) 13-12, *Capitalization of General Property, Plant, and Equipment and Internal Use Software*, was issued in FY 2013 with an effective date for reporting periods ending after September 30, 2014. Early implementation of the policy's increased capitalization thresholds were encouraged beginning October 1, 2012. Full implementation was required for all DOJ components by the beginning of FY 2015. In FY 2015, the BOP was granted a waiver to DOJ's Policy Statement 1400.06 (which replaced FMPM 13-12) which allows the BOP authority to maintain their real property threshold. The table below illustrates which portions of the new policy were implemented in fiscal year 2015 and which portions were implemented early.

	FY 2015				Early Implementation			
Department Component	Real Property	Personal Property	Aircraft	Internal Use Software	Real Property	Personal Property	Aircraft	Internal Use Software
Assets Forfeiture Fund (AFF)					√	√	√	√
Offices, Boards, and Divisions (OBDs)					√	√	√	√
United States Marshals Service (USMS)					√	√	√	√
Office of Justice Programs (OJP)					√	√	√	√
Drug Enforcement Administration (DEA)					√	√	√	√
Federal Bureau of Investigation (FBI)					√	√	√	√
Alcohol, Tobacco, and Firearms (ATF)					√	√	√	√
Bureau of Prisons (BOP)	N/A	√	√					√
Federal Prison Industries, Inc. (FPI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

These notes are an integral part of the financial statements.

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

J. General Property, Plant and Equipment (continued)

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

In FY 2015, the BOP was granted a waiver from increasing the capitalization threshold for real property, resulting in the capitalization threshold for real property remaining at $100.

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

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

Except for land, all general PP&E will be capitalized when the cost of acquiring or improving the property meets the threshold noted in the table above and has a useful life of two or more years. Land is capitalized regardless of the acquisition cost. Except for land, all general PP&E is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset. Land is never depreciated. FPI capitalizes personal property acquisitions over $10.

K. Advances and Prepayments

Advances and prepayments, classified as assets on the Consolidated Balance Sheets, consist primarily of funds disbursed to grantees in excess of total expenditures made by those grantees to third parties, funds advanced to state and local participants in the DEA Domestic Cannabis Eradication and Suppression Program, and travel advances issued to federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by the employees during official travel. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of payment and are recognized as expenses when the goods and services are received.

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

L. Forfeited and Seized Property

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

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

M. Liabilities

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

N. Accrued Grant Liabilities

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

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

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

O. Contingencies and Commitments

The Department is involved in various administrative proceedings, legal actions, and claims. The Consolidated Balance Sheets include an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions "probable" and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 16. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered "remote".

P. Annual, Sick, and Other Leave

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

Q. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, the Department pays interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services, whichever is later.

R. Retirement Plan

With few exceptions, employees of the Department are covered by one of the following retirement programs:

1) Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). The Department contributes 7% of the gross pay for regular employees and 7.5% for law enforcement officers.

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

    a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The Department contributes 13.2% of the gross pay for regular employees and 28.8% for law enforcement officers.

These notes are an integral part of the financial statements.

R. Retirement Plan (continued)

b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The Department contributes 11.1% of the gross pay for regular employees and 26.5% 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 11.1% of the gross pay for regular employees and 26.5% 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.

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.

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

S. Federal Employee Compensation Benefits (continued)

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.

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

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

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

U. Revenues and Other Financing Sources (continued)

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.

The following funds meet the definition of a fund from dedicated collections: AFF, U.S. Trustee System Fund, Antitrust Division, Crime Victims Fund, Diversion Control Fee Account, and Federal Prison Commissary Fund.

W. Allocation Transfer of Appropriation

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

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

W. Allocation Transfer of Appropriation (continued)

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 an annual basis. Per OMB guidance, the USMS reports all budgetary and proprietary activity transferred from the Administrative Office of the U.S. Courts to the USMS.

X. Tax Exempt Status

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

Y. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Z. Reclassifications

The FY 2014 financial statements were reclassified to conform to the FY 2015 Departmental financial statement presentation requirements. The 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, 2015 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. On December 18, 2015, the U.S. Congress passed the Consolidated Appropriations Act of 2016. Two significant provisions of this law were: (1) the creation of the Victims of State Sponsored Terrorism Fund, funded primarily by a $1.025 billion appropriation beginning in FY 2017, that provides compensation to individuals who are injured as a result of an international act of terrorism by a state sponsor of terrorism, and (2) the reauthorization of the September 11th Victim Compensation Fund of 2011 that extended the September 11th Victim Compensation Fund for five years, extended the claim filing deadline to December 18, 2020, and increased the total funding amount provided by Congress to cover claims by an additional $4.6 billion, available in FY 2017.

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

Note 2. Non-Entity Assets

As of September 30, 2015 and 2014

	2015	2014
Intragovernmental		
Fund Balance with U.S. Treasury	$ 1,649,177	$ 798,033
Investments, Net	1,267,045	1,357,972
Total Intragovernmental	2,916,222	2,156,005
With the Public		
Cash and Monetary Assets	1,104,136	152,693
Accounts Receivable, Net	4,400	5,079
Total With the Public	1,108,536	157,772
Total Non-Entity Assets	4,024,758	2,313,777
Total Entity Assets	46,790,723	44,699,383
Total Assets	$ 50,815,481	$ 47,013,160

These notes are an integral part of the financial statements.

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

Note 3. Fund Balance with U.S. Treasury

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

As of September 30, 2015 and 2014

	2015	2014
Fund Balances		
Trust Funds	$ 110,820	$ 115,441
Special Funds	15,382,757	13,355,637
Revolving Funds	1,110,897	930,885
General Funds	14,556,369	12,399,905
Other Fund Types	73,679	76,681
Total Fund Balances with U.S. Treasury	$ 31,234,522	$ 26,878,549

	2015	2014
Status of Fund Balances		
Unobligated Balance - Available	$ 3,933,234	$ 4,963,900
Unobligated Balance - Available in Subsequent Periods	1,016,112	-
Unobligated Balance - Unavailable	1,128,001	860,831
Obligated Balance not yet Disbursed	17,559,771	15,428,052
Other Funds (With)/Without Budgetary Resources	7,592,221	5,625,766
Total Status of Fund Balances	$ 31,229,339	$ 26,878,549

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.

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

Note 4. Cash and Monetary Assets

As of September 30, 2015 and 2014

	2015	2014
Cash		
Undeposited Collections	$ 258	$ (74)
Imprest Funds	41,825	38,335
Seized Cash Deposited	1,023,825	79,675
Other Cash	26,012	13,887
Total Cash	1,091,920	131,823
Monetary Assets		
Seized Monetary Instruments	54,310	59,142
Total Monetary Assets	54,310	59,142
Total Cash and Monetary Assets	$ 1,146,230	$ 190,965

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, 2015					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 7,828,448	$ (4,019)	$ 360	$ 7,824,789	$ 7,826,210
As of September 30, 2014					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 8,941,967	$ (1,946)	$ 187	$ 8,940,208	$ 8,940,675

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, 2015 and 2014

	2015	2014
Intragovernmental		
Accounts Receivable	$ 499,316	$ 508,008
Allowance for Uncollectible Accounts	(777)	(336)
Total Intragovernmental	498,539	507,672
With the Public		
Accounts Receivable	98,455	109,424
Allowance for Uncollectible Accounts	(14,965)	(16,098)
Total With the Public	83,490	93,326
Total Accounts Receivable, Net	$ 582,029	$ 600,998

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

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

Note 7. Inventory and Related Property, Net

As of September 30, 2015 and 2014

	2015	2014
Inventory		
Raw Materials	$ 56,842	$ 23,777
Work in Process	29,510	22,673
Finished Goods	47,264	32,976
Inventory Purchased for Resale	19,034	18,410
Excess, Obsolete, and Unserviceable	19,463	27,006
Inventory Allowance	(22,241)	(27,804)
Operating Materials and Supplies		
Held for Current Use	19,464	30,311
Total Inventory and Related Property, Net	$ 169,336	$ 127,349

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

Note 8. Forfeited and Seized Property, Net

Analysis of Change in Forfeited Property:

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

Method of Disposition of Forfeited Property:

During FYs 2015 and 2014, $122,951 and $162,038 of forfeited property were sold, $599 and $6,268 were destroyed or donated, $9,714 and $4,892 were returned to owners, and $204,900 and $127,091 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, 2015

Forfeited Property Category		Beginning Balance	Adjust-ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial	Number	284	469	577	(981)	349	-	349
Instruments	Value	$ 4,907	$ 9,819	$ 188,277	$ (198,617)	$ 4,386	$ -	$ 4,386
Real	Number	458	(15)	384	(364)	463	-	463
Property	Value	$ 88,679	$ (4,585)	$ 88,425	$ (80,903)	$ 91,616	$ (3,200)	$ 88,416
Personal	Number	3,232	78	5,305	(4,769)	3,846	-	3,846
Property	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

For the Fiscal Year Ended September 30, 2014

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

Notes to the 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 2015 and 2014, $1,307,559 and $3,891,912 of seized property were forfeited, $112,889 and $84,256 were returned to parties with a bonafide interest, and $22,943 and $52,107 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 Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property, Net (continued)

For the Fiscal Year Ended September 30, 2015

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash and Monetary Instruments	Value	$1,373,316	$ 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

For the Fiscal Year Ended September 30, 2014

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

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, 2015

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Evidence								
Seized Monetary Instruments	Value	$ 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

For the Fiscal Year Ended September 30, 2014

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

These notes are an integral part of the financial statements.

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

Note 9. General Property, Plant and Equipment, Net

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	10,991,441	(5,386,892)	5,604,549	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	$ 18,709,077	$ (9,439,662)	$ 9,269,415	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2015	$ 173,762	$ 494,098	$ 667,860

Based upon early implementation of DOJ Financial Management Policy Memorandum (FMPM) 13-12, *Capitalization of General Property, Plant and Equipment and Internal Use Software*, the Department revised its method for reporting the capitalization of real property, personal property, and internal use software, which caused a decrease in the PP&E balance by $121,114 as described in Note 26.

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, 2014

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

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

These notes are an integral part of the financial statements.

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

Note 10. Other Assets

As of September 30, 2015 and 2014

	2015	2014
Intragovernmental		
Advances and Prepayments	$ 57,330	$ 74,043
Other Intragovernmental Assets	123	19
Total Intragovernmental	57,453	74,062
Other Assets With the Public	2,069	5,138
Total Other Assets	$ 59,522	$ 79,200

Note 11. Liabilities not Covered by Budgetary Resources

As of September 30, 2015 and 2014

	2015	2014
Intragovernmental		
Accrued FECA Liabilities	$ 276,599	$ 267,054
Other Unfunded Employment Related Liabilities	1,189	1,350
Other	2,879	3,612
Total Intragovernmental	280,667	272,016
With the Public		
Actuarial FECA Liabilities	1,654,318	1,679,245
Accrued Annual and Compensatory Leave Liabilities	839,485	816,376
Environmental and Disposal Liabilities (Note 12)	79,802	78,799
Deferred Revenue	546,938	522,045
Contingent Liabilities (Note 16)	52,413	58,125
Capital Lease Liabilities (Note 13)	129	161
RECA Liabilities (Note 25)	433,760	561,661
September 11th Victim Compensation Fund (Note 25)	2,579,175	2,700,584
Other	144,225	128,773
Total With the Public	6,330,245	6,545,769
Total Liabilities not Covered by Budgetary Resources	6,610,912	6,817,785
Total Liabilities Covered by Budgetary Resources	12,026,124	9,787,705
Total Liabilities	$ 18,637,036	$ 16,605,490

These notes are an integral part of the financial statements.

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

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

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

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

Note 12. Environmental and Disposal Liabilities

As of September 30, 2015 and 2014	2015	2014
Firing Ranges		
Beginning Balance, Brought Forward	$ 29,236	$ 27,820
Future Funded Expenses	495	831
Inflation Adjustment	190	585
Firing Range Liability	29,921	29,236
Asbestos		
Beginning Balance, Brought Forward	$ 49,563	$ 48,856
New Asbestos	31	26
Abatements	(208)	(356)
Inflation Adjustment	262	804
Future Funded Expenses	233	233
Asbestos Liability	$ 49,881	$ 49,563
Total Environmental and Disposal Liabilities	$ 79,802	$ 78,799

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.

Note 12. Environmental and Disposal Liabilities (continued)

Firing Ranges

The BOP operates firing ranges on 67 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2014, BOP determined their estimated clean-up liability to be $28,405. In FY 2015, BOP adjusted the estimated clean-up liability by the current U.S. inflation rate as determined by the U.S. Treasury and as such determined that an estimated firing range clean-up liability of $28,595, based on an inflation rate of 0.7 percent, should be recorded. In FY 2015, the liability cost for firing ranges increased by $190.

The FBI-owned range 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 2015, the FBI estimated total firing range liability of $1,326 based on the estimated costs to conduct a RI/FS, site sampling, and sample analysis at both range facilities in order to determine if contamination is present and what the potential future environmental impacts would be. As of September 30, 2015 and 2014, the FBI reported the estimated firing range clean up liability of $1,326 and $831, 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. The estimated asbestos clean-up liability as of September 30, 2014 was $38,987. In FY 2015, BOP decreased the clean-up liability in the amount of $208 for the abatement of asbestos at 13 locations. In addition, BOP increased the clean-up liability in the amount of $31 due to additional asbestos found at two locations and in the amount of $260 by the current U.S. inflation rate of 0.7 percent as determined by the Treasury. In FY 2015, BOP recorded a clean-up liability in the amount of $39,070, a $83 increase in liability cost for asbestos from the previous year.

The FBI operates facilities in Quantico, Virginia that contain friable and non-friable ACM. The facilities have a useful life of 50 years. The estimated total liability of $11,614 is based on the square footage of the facilities that may be contaminated. This value, divided by the useful life and multiplied by the number of years in service, less current year abatements and adjusted for inflation, is the estimated cleanup liability. As of September 30, 2015 and 2014, the FBI recognized the estimated cleanup liability of $10,811 and $10,576 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, 2015.

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, 2015 and 2014

Capital Leases	2015	2014
Summary of Assets Under Capital Lease		
Land and Buildings	$ 89,625	$ 89,625
Machinery and Equipment	826	775
Accumulated Amortization	(60,506)	(57,514)
Total Assets Under Capital Lease (Note 9)	$ 29,945	$ 32,886

Future Capital Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2016	$ 33	$ 58	$ 91
2017	32	38	70
2018	32	36	68
2019	32	35	67
2020	-	12	12
Total Future Capital Lease Payments	$ 129	$ 179	$ 308
Less: Imputed Interest	-	(16)	(16)
Less: Executory Costs	-	(84)	(84)
FY 2015 Net Capital Lease Liabilities	$ 129	$ 79	$ 208
FY 2014 Net Capital Lease Liabilities	$ 161	$ 30	$ 191

	2015	2014
Net Capital Lease Liabilities Covered by Budgetary Resources	$ 79	$ 30
Net Capital Lease Liabilities not Covered by Budgetary Resources	$ 129	$ 161

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.

Notes to the 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
2016	$ 299,938	$ 145	$ 300,083
2017	338,536	407	338,943
2018	341,351	351	341,702
2019	336,847	8	336,855
2020	327,682	2	327,684
After 2020	2,649,607	-	2,649,607
Total Future Noncancelable Operating Lease Payments	$ 4,293,961	$ 913	$ 4,294,874

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, 2015 and 2014

	2015	2014
Investments, Net	$ 1,180,680	$ 1,271,626
Seized Cash Deposited	1,023,825	79,675
Seized Monetary Instruments	54,310	59,142
Total Seized Cash and Monetary Instruments	$ 2,258,815	$ 1,410,443

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

Note 15. Other Liabilities

As of September 30, 2015 and 2014

	2015	2014
Intragovernmental		
Other Accrued Liabilities	-	(119)
Employer Contributions and Payroll Taxes Payable	$ 120,720	$ 97,534
Other Post-Employment Benefits Due and Payable	770	784
Other Unfunded Employment Related Liabilities	1,190	1,352
Advances from Others	192,216	196,582
Liability for Clearing Accounts	59	(3,488)
Other Liabilities	16,940	4,992
Total Intragovernmental	331,895	297,637
With the Public		
Other Accrued Liabilities	8,353	8,013
Advances from Others	14,076	11,324
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	76,315	79,152
Liability for Clearing Accounts	182	761
Custodial Liabilities	175,619	132,676
Capital Lease Liabilities	129	161
Other Liabilities	166,062	133,666
Total With the Public	440,736	365,753
Total Other Liabilities	$ 772,631	$ 663,390

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

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 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, 2015			
Probable	$ 52,413	$ 52,413	$ 90,648
Reasonably Possible		111,472	172,921
As of September 30, 2014			
Probable	$ 58,125	$ 58,125	$ 108,530
Reasonably Possible		94,714	154,658

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, 2015

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Balance Sheet							
Assets							
Fund Balance with U. S. Treasury	$ 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	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

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

Note 17. Funds from Dedicated Collections (continued)

As of September 30, 2014

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

For the Fiscal Year Ended September 30, 2014

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

These notes are an integral part of the financial statements.

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

Note 17. Funds from Dedicated Collections (continued)

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

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

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

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

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

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

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

Note 18. Net Cost of Operations by Suborganization

For the 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	$ -	$ 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	-	-	7,832,948	-	960,334	608,192	851,705	1,158,146	2,955,417	(241,480)	14,125,262
Less: Earned Revenues	-	-	419,292	-	582,682	564,172	11,651	16,970	54,329	(222,000)	1,427,096
Net Cost of Operations	-	-	7,413,656	-	377,652	44,020	840,054	1,141,176	2,901,088	(19,480)	12,698,166
Net Cost of Operations	$ 1,536,857	$ 1,250,946	$ 7,422,873	$ 2,129,584	$ 8,662,453	$ 44,020	$ 4,988,669	$ 2,277,520	$ 3,051,853	$ (19,480)	$ 31,345,295

For the Year Ended September 30, 2014

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	$ -	$ 395,846	$ -	$ 115,289	$ 5,091,986	$ -	$ 198,486	$ -	$ 98,613	$ (27,927)	$ 5,872,293
Less: Earned Revenues	-	-	-	44,969	310,145	-	17,448	-	-	(27,927)	344,635
Net Cost of Operations	-	395,846	-	70,320	4,781,841	-	181,038	-	98,613	-	5,527,658
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost	3,086,298	881,076	8,717	2,864,381	3,047,534	-	5,185,262	1,079,188	295,178	(1,200,070)	15,247,564
Less: Earned Revenues	14,065	80,692	-	775,537	302,436	-	1,658,542	6,159	-	(1,200,070)	1,637,361
Net Cost of Operations	3,072,233	800,384	8,717	2,088,844	2,745,098	-	3,526,720	1,073,029	295,178	-	13,610,203
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	-	-	7,843,468	-	918,839	543,495	848,381	1,518,908	2,672,976	(235,640)	14,110,427
Less: Earned Revenues	-	-	418,509	-	495,701	478,099	17,621	17,259	57,854	(215,849)	1,269,194
Net Cost of Operations	-	-	7,424,959	-	423,138	65,396	830,760	1,501,649	2,615,122	(19,791)	12,841,233
Net Cost of Operations	$ 3,072,233	$ 1,196,230	$ 7,433,676	$ 2,159,164	$ 7,950,077	$ 65,396	$ 4,538,518	$ 2,574,678	$ 3,008,913	$ (19,791)	$ 31,979,094

Immaterial errors were identified in the FY 2014 Consolidated Statement of Net Cost. The allocation between strategic goals was reclassified to reflect an increase/decrease of $392 million, ($590) million, and $198 million, within strategic goals 1, 2, and 3, respectively. The allocation between strategic goals by component was reclassified to reflect an increase/decrease of $392 million for ATF in goal 1; ($392) million for ATF, ($288) million for OBDs and $90 million for OJP in goal 2; and $288 million for OBDs and ($90) million for OJP in goal 3.

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	33.4%
	Regular Employees Offset	24.5%
	Law Enforcement Officers	57.7%
	Law Enforcement Officers Offset	49.5%
Federal Employees Retirement System (FERS)	Regular Employees	14.8%
	Regular Employees – Revised Annuity Employees (RAE)	15.4%
	Regular Employees – Further Revised Annuity Employees (FRAE)	15.5%
	Law Enforcement Officers	32.8%
	Law Enforcement Officers – RAE	33.5%
	Law Enforcement Officers – FRAE	33.6%

(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, 2015 and 2014

	2015	2014
Imputed Inter-Departmental Financing		
U.S. Treasury Judgment Fund	$ 25,296	$ 33,107
Health Insurance	528,947	499,434
Life Insurance	2,081	2,057
Pension	273,750	404,784
Total Imputed Inter-Departmental	$ 830,074	$ 939,382

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, are the unreimbursed portion of the full costs of goods and services received by a Department component from a providing entity that is part of the Department. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The FPI imputed $19,480 and $19,791 for FYs 2015 and 2014, respectively of unreimbursed costs for BOP warehouse space used in the production of goods by the FPI and for managerial and operational services BOP provided to FPI. These imputed costs have been eliminated from the consolidated financial statements.

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

Note 20. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

	Direct Obligations Incurred	Reimbursable Obligations Incurred	Total Obligations Incurred
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
For the Fiscal Year Ended September 30, 2014			
Apportioned Under			
Category A	$ 29,645,620	$ 4,351,073	$ 33,996,693
Category B	3,541,940	240,728	3,782,668
Exempt from Apportionment	-	494,081	494,081
Total	$ 33,187,560	$ 5,085,882	$ 38,273,442

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

An immaterial error was identified in the Apportionment Categories of Obligations Incurred section of the FY 2014 Note 20, Information Related to the Statement of Budgetary Resources. The allocation between direct and total obligations apportioned under category A and category B authority were reclassified to reflect an increase/(decrease) of $725 million and ($725) million, respectively.

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

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

Status of Undelivered Orders:

Undelivered Orders (UDO) represent the amount of goods and/or services ordered, which have not been actually or constructively received. This amount includes any orders which may have been prepaid or advanced but for which delivery or performance has not yet occurred.

As of September 30, 2015 and 2014

	2015	2014
UDO Obligations Unpaid	$ 11,161,325	$ 9,457,991
UDO Obligations Prepaid/Advanced	443,927	486,644
Total UDO	$ 11,605,252	$ 9,944,635

Permanent Indefinite Appropriations:

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

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

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

These notes are an integral part of the financial statements.

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

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

Permanent Indefinite Appropriations (continued):

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

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

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

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

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

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

Legal Arrangements Affecting Use of Unobligated Balances:

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation under law, unless otherwise restricted 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 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, 2014 is presented below. The reconciliation as of September 30, 2015 is not presented, because the submission of the Budget of the United States (Budget) for FY 2017, which presents the execution of the FY 2015 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 2016.

For the Fiscal Year Ended September 30, 2014 (Dollars in Millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 44,098	$ 38,273	$ 496	$ 29,022
Funds not Reported in the Budget				
Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP	(830)	(122)	-	-
AFF/SADF Forfeiture Activity	26	(4)	-	8
USMS Court Security Funds	(447)	(428)	-	(395)
Distributed Offsetting Receipts	-	-	141	(142)
Special and Trust Fund Receipts	-	-	-	632
Other	(8)	(5)	(1)	-
Budget of the United States Government	$ 42,839	$ 37,714	$ 636	$ 29,125

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.

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

Note 21. Net Custodial Revenue Activity

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

The primary source of the Department's Office of Debt Collection Management (DCM) collections consists of civil litigated matters, e.g., student loan defaults, and health care fraud. 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. 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. These proceeds from the Swiss Bank Program are deposited to the Treasury General Fund.

The USAOs' collect civil fines, penalties, and restitution payments that are incidental to its mission. Specific to the "French bank Credit Lyonnais and French company Artemis settlement fund", the USAOs, by court order were given the investment authority and the settlement funds collected must be invested. The EOUSA invest these funds with the Treasury, Bureau of the Public Debt. Overall, the OBDs custodial collections totaled $16,820,920 and $13,879,953 for the fiscal years ended September 30, 2015 and 2014, respectively. As of September 30, 2015 and 2014, the custodial assets and liabilities recorded by the OBDs on the Consolidated Balance Sheets are $1,661,979 and $807,904, respectively.

For the fiscal years ended September 30, 2015 and 2014, DEA collected $46,394 and $28,284, respectively. DEA's collections include $15 million of the total fees collected for the Diversion Control Program and civil monetary penalties related to violations of the Controlled Substances Act that were incidental to DEA's mission. Since DEA has no statutory authority to use these excess funds, DEA transmits them to the Treasury General Fund. The DEA has a custodial liability for funds that have not yet been transmitted to the Treasury General Fund. As of September 30, 2015 and 2014 balances for custodial liabilities were $4,221 and $4,737, respectively.

As an agent of the federal government and as authorized by 26 U.S.C. § 6301, ATF collects fees from firearms and explosives industries, as well as import, permit and license fees. Special Occupational Taxes are collected from certain firearms businesses. Miscellaneous collections include project-generated proceeds. As ATF is unable to use these collections in its operations, ATF also has the authority to transfer these collections to the Treasury General Fund. The ATF custodial collections totaled $43,669 and $34,548 for the fiscal years ended September 30, 2015 and 2014, respectively. As of September 30, 2015 and 2014, ATF did not have any custodial liabilities.

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

Note 21. Net Custodial Revenue Activity (continued)

The FBI collected $5,214 and $5,405, for the fiscal years ended September 30, 2015 and 2014, respectively, in restitution payments, seized abandoned cash, and project generated proceeds. These collections were incidental to the FBI's mission. Since the FBI does not have statutory authority to use these funds, the FBI remits these funds upon receipt to the U.S. Treasury's General Fund. As of September 30, 2015 and 2014 balances for custodial liabilities were $19 and $0, respectively.

For the fiscal years ended September 30, 2015 and 2014, the BOP collected $41 and $44, respectively, in collections of fines and penalties, confiscated funds, found money on institution grounds, inmate's funds whose whereabouts are unknown and excess meal ticket collections. These collections were incidental to the BOP's mission. Since the BOP does not have statutory authority to use these funds, the BOP remits these funds to the Treasury's General Fund. As of September 30, 2015 and 2014, BOP did not have any custodial liabilities.

An immaterial error was identified in the Dispositions of Collections section of the FY 2014 Statement of Custodial Activities. The Dispositions of Collections to the Department of the Treasury was misstated by $5.7 billion and the Treasury General Fund was misstated by ($5.7) billion.

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, 2015 and 2014

Dollars in Thousands	2015	2014
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury	$ 31,234,522	$ 26,878,549
Investments, Net	7,824,789	8,940,208
Accounts Receivable, Net	498,539	507,672
Other Assets	57,453	74,062
Total Intragovernmental	39,615,303	36,400,491
Cash and Other Monetary Assets	1,146,230	190,965
Accounts Receivable, Net	83,490	93,326
Inventory and Related Property, Net	301,756	265,614
General Property, Plant and Equipment, Net	9,269,415	9,678,390
Other Assets	399,287	384,374
Total Assets	**$ 50,815,481**	**$ 47,013,160**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 320,091	$ 341,756
Other Liabilities	2,102,671	1,247,704
Total Intragovernmental	2,422,762	1,589,460
Accounts Payable	6,349,078	5,879,495
Federal Employee and Veteran Benefits	1,654,318	1,679,245
Environmental and Disposal Liabilities	79,802	78,799
Other Liabilities	8,131,076	7,378,491
Total Liabilities	**$ 18,637,036**	**$ 16,605,490**
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections	$ 31,274	$ 32,750
Unexpended Appropriations - All Other Funds	9,131,425	9,585,702
Cumulative Results of Operations - Funds from Dedicated Collections	16,328,785	15,511,728
Cumulative Results of Operations - All Other Funds	6,686,961	5,277,490
Total Net Position	**$ 32,178,445**	**$ 30,407,670**
Total Liabilities and Net Position	**$ 50,815,481**	**$ 47,013,160**

These notes are an integral part of the financial statements.

Notes to the 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, 2015 and 2014

	2015	2014
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 40,357,528	$ 38,273,442
Less: Spending Authority from Offsetting Collections and Recoveries	7,698,014	6,458,998
Obligations Net of Offsetting Collections and Recoveries	32,659,514	31,814,444
Less: Offsetting Receipts	629,088	495,904
Net Obligations	32,030,426	31,318,540
Other Resources		
Donations and Forfeitures of Property	337,358	308,307
Transfers-In/Out Without Reimbursement	6,980	3,635
Imputed Financing from Costs Absorbed by Others (Note 19)	830,074	939,382
Other	(10,836)	(8,193)
Net Other Resources Used to Finance Activities	1,163,576	1,243,131
Total Resources Used to Finance Activities	33,194,002	32,561,671
Resources Used to Finance Items not Part of the Net Cost of Operations		
Net Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	(1,590,405)	(346,775)
Resources That Fund Expenses Recognized in Prior Periods (Note 24)	(280,142)	(161,335)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	780,657	(440,426)
Resources That Finance the Acquisition of Assets	(716,915)	(694,913)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	(1,205,872)	(31,852)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(3,012,677)	(1,675,301)
Total Resources Used to Finance the Net Cost of Operations	$ 30,181,325	$ 30,886,370

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, 2015 and 2014	2015	2014
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)	$ 84,718	$ 139,051
Depreciation and Amortization	1,050,318	957,904
Revaluation of Assets or Liabilities	31,287	14,897
Other	(2,353)	(19,128)
Total Components of Net Cost of Operations That Did Not Require or Generate Resources in the Current Period	$ 1,163,970	$ 1,092,724
Net Cost of Operations	$ 31,345,295	$ 31,979,094

These notes are an integral part of the financial statements.

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

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

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $6,610,912 and $6,817,785 as of September 30, 2015 and 2014, 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, 2015 and 2014

	2015	2014
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Liabiltites Not Covered by Budgetary Resources:		
Decrease in Accrued Annual and Compensatory Leave Liabilities	$ -	$ (2,656)
Decrease in Actuarial FECA Liabilities	(24,927)	-
Decrease in Contingent Liabilities	(5,712)	-
Decrease in Unfunded Capital Lease Liabilities	(32)	(8,555)
Decrease in RECA Liabilities	(127,901)	(98,804)
Decrease in September 11th Victim Compensation Act Liabilities	(121,409)	(51,128)
Decrease in Other Unfunded Employment Related Liabilities	(161)	(192)
Total Decrease in Liabilities Not Covered by Budgetary Resources	(280,142)	(161,335)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (280,142)	$ (161,335)
Components That Will Require or Generate Resources in Future Periods		
(Increase)/Decrease in Exchange Revenue Receivable from the Public	$ 7,908	$ 6,350
(Increase)/Decrease in Surcharge Revenue Receivable from the Public	3,541	(9,474)
Increase in Liabilities Not Covered by Budgetary Resources:		
Increase in Accrued Annual and Compensatory Leave Liabilities	23,109	-
Increase in Actuarial FECA Liabilities	-	46,629
Increase in Accrued FECA Liabilities	9,545	3,192
Increase in Deferred Revenue	24,893	44,155
Increase in Contingent Liabilities	-	31,554
Increase in Other Liabilities	14,719	14,522
Increase in Environmental and Disposal Liabilities	1,003	2,123
Total Increase in Liabilities Not Covered by Budgetary Resources	73,269	142,175
Total Components that Will Require or Generate Resources in Future Periods	$ 84,718	$ 139,051

These notes are an integral part of the financial statements.

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

Note 25. Compensation Funds

Radiation Exposure Compensation Act

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

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

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

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

The enactment of two pieces of legislation changed the funding sources for RECA claimants. The National Defense Authorization Act for FY 2005 requires that RECA Section 5 claimants (uranium miners, millers, and ore transporters) be paid out of the Department of Labor’s (Labor) Energy Employees Occupational Illness Compensation Fund. The RECA 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 $433,760 and $561,661 for estimated future benefits payable by the Department as of September 30, 2015 and 2014, respectively, to eligible individuals under the Act through FY 2023. The estimated liability is based on activity between FYs 2007 - 2012. 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 2015, based on the approach used in the FY 2014, DOJ refined the approach for selecting the interest rate assumptions. For FY 2015, projected payments were discounted to present value based on nominal discount rates. For FY 2014, projected payments were discounted to present value based on OMB’s real interest rate assumptions.

(Dollars in Thousands, Except as Noted)

Note 25. Compensation Funds (continued)

September 11th Victim Compensation Fund

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

The Zadroga Act requires that the total amount of Federal funds paid including compensation with respect to claims filed on or after October 3, 2011, shall not exceed $2,775,000. Furthermore, the total amount of Federal funds expended during the period from October 3, 2011, through October 3, 2016, may not exceed $875,000. As of September 30, 2015, the Department of Justice received appropriations of $366,907, which included rescissions of $28,893. Based on OMB's guidance, DOJ should return all apportioned unobligated funds at the end of each fiscal year via Treasury's FMS 2108, Year-End Closing Statement. Summarized financial information about appropriated funds received, donations received from the public, benefit payments disbursed and payable, and the Fund balance is presented below:

As of September 30, 2015 and 2014

		2015	2014
Appropriated Funds Received - Current Year		$ 395,800	$ 200,000
Appropriated Funds Received - Carryforward		10,632	8,728
Rescission		(8,863)	(3,715)
Total Funds Received		$ 397,569	$ 205,013
Less:	Adjudicated Benefit Claims Disbursements	$ 101,472	$ 32,168
	Salaries and Expenses Disbursements	19,950	17,056
	Funds Returned to Treasury	265,528	145,157
	Total Disbursements	386,950	194,381
Fund Balance with Treasury		$ 10,619	$ 10,632
Federal Funds Available for September 11th Victim Compensation Fund		$ 2,700,584	$ 2,751,712
Less:	Change in Unpaid Obligations	347	1,904
	Adjudicated Benefit Claims Disbursements	101,472	32,168
	Salaries and Expenses Disbursements	19,590	17,056
	Total Funded Liabilities	121,409	51,128
Unfunded Liability for September 11th Victim Compensation Fund		$ 2,579,175	$ 2,700,584

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

Note 26. Changes in Accounting Principles

DOJ Financial Management Policy Memorandum, (FMPM) 13-12, Capitalization of General Property, Plant, and Equipment (PP&E) and Internal Use Software (IUS), requires DOJ Components to apply the revised increases to capitalization thresholds for PP&E and IUS. The application of this policy increases efficiency and cost effectiveness of DOJ's property management efforts while maintaining a system of internal controls. The majority of the Department exercised the early implementation option. With the exception of BOP, all other DOJ Components fully implemented FMPM 13-12 by September 30, 2014.

The primary impact of this policy change increased the thresholds for capitalizing and reporting real property, including leasehold improvements; personal property; and internal use software. This change in accounting principle caused a $121,114 reduction in the overall PP&E balance for FY 2015. The pre-FY 2015 effect is recognized in the beginning balances of cumulative results of operations on the Consolidated Statements of Changes in Net Position.

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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, 2015

Dollars in Thousands	AFF/SADF	ATF	BOP	OJP	DEA	FBI	FPI	OBDs	USMS	Combined
Budgetary Resources										
Unobligated Balance, Net, 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	-	(8,752)	(11,498)	(28,526)	(2,984)	(39,791)	-	(20,068)	(14,330)	(125,949)
Unobligated Balance from Prior Year Budget Authority, Net	1,985,417	55,031	314,183	210,063	334,049	1,506,986	182,959	1,567,859	340,716	6,497,263
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)	16,118	87,115	414,282	210,351	522,716	1,204,903	564,172	2,692,556	1,182,137	6,894,350
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:										
Obligations Incurred (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	796,822	251,958	160,498	108,713	518,558	1,609,687	-	1,056,504	270,657	4,773,397
Exempt from Apportionment	-	-	56,121	-	-	-	119,828	-	-	175,949
Unapportioned	219,663	9,805	119,978	10,908	36,228	387,404	-	296,472	47,543	1,128,001
Total Unobligated Balance - End of Year	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
Obligations Incurred	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 Customer Payments from Federal Sources	5,927	4,969	(1,423)	(196)	(7,717)	69,389	(15,272)	(90,187)	10,263	(24,247)
Uncollected Customer 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)	$ 1,758,474	$ 1,517,273	$ 7,333,897	$ 4,187,522	$ 3,235,054	$ 10,194,589	$ 564,172	$ 7,971,339	$ 3,175,292	$ 39,937,612
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 Customer 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)
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

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

Dollars in Thousands	AFF/SADF	ATF	BOP	OJP	DEA	FBI	FPI	OBDs	USMS	Combined
Budgetary Resources										
Unobligated Balance, Net, Brought Forward, October 1	$ 886,738	$ 33,497	$ 273,674	180,633	$ 232,812	$ 1,124,439	$ 198,941	$ 907,841	$ 156,392	$ 3,994,967
Recoveries of Prior Year Unpaid Obligations	71,239	24,952	25,649	74,255	92,113	197,730	-	203,380	56,907	746,225
Other Changes in Unobligated Balance	-	(752)	(15,832)	(6,082)	(42)	(38,515)	-	59,185	(383)	(2,421)
Unobligated Balance from Prior Year Budget Authority, Net	957,977	57,697	283,491	248,806	324,883	1,283,654	198,941	1,170,406	212,916	4,738,771
Appropriations (discretionary and mandatory)	4,079,273	1,179,332	6,859,000	2,345,103	2,392,785	8,345,443	-	5,310,067	3,138,888	33,649,891
Spending Authority from Offsetting Collections (discretionary and mandatory)	14,242	81,307	418,509	206,118	508,288	1,178,873	478,099	2,724,304	99,771	5,709,511
Total Budgetary Resources	$ 5,051,492	$ 1,318,336	$ 7,561,000	$ 2,800,027	$ 3,225,956	$ 10,807,970	$ 677,040	$ 9,204,777	$ 3,451,575	$ 44,098,173
Status of Budgetary Resources:										
Obligations Incurred (Note 20)	$ 3,135,920	$ 1,287,533	$ 7,260,757	2,628,413	$ 2,983,472	$ 9,486,728	$ 494,081	$ 7,843,120	$ 3,153,418	$ 38,273,442
Unobligated Balance, End of Year:										
Apportioned	1,836,188	16,466	102,538	126,569	169,185	1,110,032	-	1,098,150	253,814	4,712,942
Exempt from Apportionment	-	-	67,999	-	-	-	182,959	-	-	250,958
Unapportioned	79,384	14,337	129,706	45,045	73,299	211,210	-	263,507	44,343	860,831
Total Unobligated Balance - End of Year	1,915,572	30,803	300,243	171,614	242,484	1,321,242	182,959	1,361,657	298,157	5,824,731
Total Status of Budgetary Resources:	$ 5,051,492	$ 1,318,336	$ 7,561,000	$ 2,800,027	$ 3,225,956	$ 10,807,970	$ 677,040	$ 9,204,777	$ 3,451,575	$ 44,098,173
Change in Obligated Balance:										
Unpaid Obligations:										
Unpaid obligations, Brought Forward, October 1	$ 3,131,775	$ 194,661	$ 711,297	$ 3,914,916	$ 506,378	$ 2,425,794	$ 118,487	$ 3,335,991	$ 458,721	$ 14,798,020
Obligations Incurred	3,135,920	1,287,533	7,260,757	2,628,413	2,983,472	9,486,728	494,081	7,843,120	3,153,418	38,273,442
Outlays, Gross (-)	(1,383,256)	(1,203,304)	(7,220,477)	(2,564,377)	(2,820,121)	(8,930,952)	(441,107)	(7,456,101)	(3,088,085)	(35,107,780)
Recoveries of Prior Year Unpaid Obligations (-)	(71,239)	(24,952)	(25,649)	(74,255)	(92,113)	(197,730)	-	(203,380)	(56,907)	(746,225)
Unpaid Obligations, End of Year	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
Uncollected Payments:										
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(7,177)	(56,039)	(5,508)	(88,979)	(180,761)	(617,526)	(35,383)	(655,863)	(19,669)	(1,666,905)
Change in Uncollected Customer Payments from Federal Sources	(4,326)	(673)	501	(29,592)	31,193	10,911	12,898	(144,713)	1,301	(122,500)
Uncollected Customer Payments from Federal Sources, End of Year	$ (11,503)	$ (56,712)	$ (5,007)	$ (118,571)	$ (149,568)	$ (606,615)	$ (22,485)	$ (800,576)	$ (18,368)	$ (1,789,405)
Memorandum (non-add) Entries:										
Obligated balance, Start of Year	$ 3,124,598	$ 138,622	$ 705,789	$ 3,825,937	$ 325,617	$ 1,808,268	$ 83,104	$ 2,680,128	$ 439,052	$ 13,131,115
Obligated balance, End 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

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

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

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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, 2015, 2014, 2013, 2012 and 2011

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 2011 through FY 2015 are as follows:

Dollars in Thousands	2015	2014	2013	2012	2011
Recipients of Non-Federal Physical Property:					
Grants to Indian Tribes	$ 16,118	$ 39,431	$ 52,980	$ 97,553	$ 52,339
Grants to States	(84)	(12)	-	84	(1,139)
Total Non-Federal Physical Property	$ 16,034	$ 39,419	$ 52,980	$ 97,637	$ 51,200

Other Information
Unaudited

See Independent Auditors' Report on the Financial Statements

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

Dollars in Thousands	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 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	5,657,964	268,690	2,763,048	75,383	105,998	6,184	234,132	-	9,269,415
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**	**$ 6,761,410**	**$ 1,393,371**	**$ 7,563,425**	**$ 465,694**	**$ 6,353,979**	**$ 18,160,788**	**$ 1,089,176**	**$ (347,143)**	**$ 50,815,481**
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	4,080,993	261,309	3,548,414	308,925	(2,107,424)	3,752	390,901	-	6,686,961
Total Net Position	**$ 1,549,919**	**$ 353,898**	**$ 4,587,274**	**$ 337,148**	**$ 6,180,306**	**$ 308,925**	**$ 620,535**	**$ 17,603,286**	**$ 637,154**	**$ -**	**$ 32,178,445**
Total Liabilities and Net Position	**$ 8,735,401**	**$ 639,380**	**$ 6,761,410**	**$ 1,393,371**	**$ 7,563,425**	**$ 465,694**	**$ 6,353,979**	**$ 18,160,788**	**$ 1,089,176**	**$ (347,143)**	**$ 50,815,481**

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

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

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	-	-	6,007,864	-	669,779	463,095	685,127	1,095,840	2,350,272	-	11,271,977
Subtotal Gross Costs	-	-	7,832,948	-	960,334	608,192	851,705	1,158,146	2,955,417	(241,480)	14,125,262
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	$ -	$ -	$ 7,413,656	$ -	$ 377,652	$ 44,020	$ 840,054	$ 1,141,176	$ 2,901,088	$ (19,480)	$ 12,698,166
Total Net Cost of Operations	**$ 1,536,857**	**$ 1,250,946**	**$ 7,422,873**	**$ 2,129,584**	**$ 8,662,453**	**$ 44,020**	**$ 4,988,669**	**$ 2,277,520**	**$ 3,051,853**	**$ (19,480)**	**$ 31,345,295**

U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2014

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	$ -	$ 127,334	$ -	$ 12,857	$ 1,610,242	$ -	$ 72,247	$ -	$ 21,480	$ (27,927)	$ 1,816,233
Gross Cost - With the Public	-	268,512	-	102,432	3,481,744	-	126,239	-	77,133	-	4,056,060
Subtotal Gross Costs	-	395,846	-	115,289	5,091,986	-	198,486	-	98,613	(27,927)	5,872,293
Earned Revenues - Intragovernmental	-	-	-	44,964	302,342	-	17,466	-	-	(27,927)	336,845
Earned Revenues - With the Public	-	-	-	5	7,803	-	(18)	-	-	-	7,790
Subtotal Earned Revenues	-	-	-	44,969	310,145	-	17,448	-	-	(27,927)	344,635
Subtotal Net Cost of Operations	$ -	$ 395,846	$ -	$ 70,320	$ 4,781,841	$ -	$ 181,038	$ -	$ 98,613	$ -	$ 5,527,658
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost - Intragovernmental	$ 508,771	$ 283,421	$ -	$ 950,691	$ 751,137	$ -	$ 1,908,883	$ 77,384	$ 65,262	$ (1,200,070)	$ 3,345,479
Gross Cost - With the Public	2,577,527	597,655	8,717	1,913,690	2,296,397	-	3,276,379	1,001,804	229,916	-	11,902,085
Subtotal Gross Costs	3,086,298	881,076	8,717	2,864,381	3,047,534	-	5,185,262	1,079,188	295,178	(1,200,070)	15,247,564
Earned Revenues - Intragovernmental	14,065	79,447	-	455,799	297,393	-	851,777	6,150	-	(1,200,070)	504,561
Earned Revenues - With the Public	-	1,245	-	319,738	5,043	-	806,765	9	-	-	1,132,800
Subtotal Earned Revenues	14,065	80,692	-	775,537	302,436	-	1,658,542	6,159	-	(1,200,070)	1,637,361
Subtotal Net Cost of Operations	$ 3,072,233	$ 800,384	$ 8,717	$ 2,088,844	$ 2,745,098	$ -	$ 3,526,720	$ 1,073,029	$ 295,178	$ -	$ 13,610,203
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	$ -	$ -	$ 1,752,810	$ -	$ 284,534	$ 85,469	$ 147,961	$ 108,846	$ 532,778	$ (235,640)	$ 2,676,758
Gross Cost - With the Public	-	-	6,090,658	-	634,305	458,026	700,420	1,410,062	2,140,198	-	11,433,669
Subtotal Gross Costs	-	-	7,843,468	-	918,839	543,495	848,381	1,518,908	2,672,976	(235,640)	14,110,427
Earned Revenues - Intragovernmental	-	-	27,191	-	330,135	432,822	17,592	17,235	54,199	(215,849)	663,325
Earned Revenues - With the Public	-	-	391,318	-	165,566	45,277	29	24	3,655	-	605,869
Subtotal Earned Revenues	-	-	418,509	-	495,701	478,099	17,621	17,259	57,854	(215,849)	1,269,194
Subtotal Net Cost of Operations	$ -	$ -	$ 7,424,959	$ -	$ 423,138	$ 65,396	$ 830,760	$ 1,501,649	$ 2,615,122	$ (19,791)	$ 12,841,233
Total Net Cost of Operations	**$ 3,072,233**	**$ 1,196,230**	**$ 7,433,676**	**$ 2,159,164**	**$ 7,950,077**	**$ 65,396**	**$ 4,538,518**	**$ 2,574,678**	**$ 3,008,913**	**$ (19,791)**	**$ 31,979,094**

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

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	**$ 2,560,848**	**$ -**	**$ 95,380**	**$ (332,973)**	**$ -**	**$ -**	**$ 216,951**	**$ 12,971,522**	**$ -**	**$ -**	**$ 15,511,728**
All Other Funds	**-**	**(24,711)**	**4,403,628**	**(33,804)**	**2,979,505**	**319,993**	**(2,454,243)**	**3,696**	**83,426**	**-**	**5,277,490**
Adjustments:											
Changes in Accounting Principles (Note 26)											
Funds from Dedicated Collections	-	-	(2,135)	-	-	-	-	-	-	-	(2,135)
All Other Funds	-	-	(118,979)	-	-	-	-	-	-	-	(118,979)
Beginning Balances, as Adjusted											
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)	(7,411,833)	(2,135,585)	(8,662,453)	(44,020)	(4,879,537)	(1,527,952)	(3,051,853)	19,480	(28,944,699)
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	(203,656)	295,113	568,909	(11,068)	346,819	56	307,475	-	1,528,450
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**	**4,080,993**	**261,309**	**3,548,414**	**308,925**	**(2,107,424)**	**3,752**	**390,901**	**-**	**6,686,961**
Total All Funds	**$ 1,549,919**	**$ 200,091**	**$ 4,167,777**	**$ (56,302)**	**$ 3,548,414**	**$ 308,925**	**$ (1,959,648)**	**$ 14,865,669**	**$ 390,901**	**$ -**	**$ 23,015,746**
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**	**4,500,490**	**654,759**	**6,180,306**	**308,925**	**441,485**	**2,741,369**	**637,154**	**-**	**15,818,386**
Net Position - Total	**$ 1,549,919**	**$ 353,898**	**$ 4,587,274**	**$ 337,148**	**$ 6,180,306**	**$ 308,925**	**$ 620,535**	**$ 17,603,286**	**$ 637,154**	**$ -**	**$ 32,178,445**

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

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances											
Funds from Dedicated Collections	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 35,768**	**$ -**	**$ -**	**$ -**	**$ 35,768**
All Other Funds	**-**	**131,994**	**437,193**	**386,251**	**1,822,476**	**-**	**2,602,197**	**2,969,711**	**299,299**	**-**	**8,649,121**
Budgetary Financing Sources											
Appropriations Received											
Funds from Dedicated Collections	-	-	-	-	-	-	41,680	-	-	-	41,680
All Other Funds	-	1,179,000	6,859,000	2,018,000	8,343,284	-	5,169,742	1,659,218	2,727,800	-	27,956,044
Appropriations Transferred-In/Out											
All Other Funds	-	(420)	(15,832)	25,195	(34,706)	-	(33,104)	(6,732)	410,705	-	345,106
Other Adjustments											
Funds from Dedicated Collections	-	-	-	-	-	-	317	-	-	-	317
All Other Funds	-	-	-	-	-	-	(206,664)	(66,482)	-	-	(273,146)
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	(45,015)	-	-	-	(45,015)
All Other Funds	-	(1,147,849)	(6,802,729)	(2,013,437)	(7,490,378)	-	(4,788,454)	(1,891,327)	(2,957,249)	-	(27,091,423)
Total Financing Sources											
Funds from Dedicated Collections	**-**	**-**	**-**	**-**	**-**	**-**	**(3,018)**	**-**	**-**	**-**	**(3,018)**
All Other Funds	**-**	**30,731**	**40,439**	**29,758**	**818,200**	**-**	**141,520**	**(305,323)**	**181,256**	**-**	**936,581**
Net Change											
Funds from Dedicated Collections	-	-	-	-	-	-	(3,018)	-	-	-	(3,018)
All Other Funds	-	30,731	40,439	29,758	818,200	-	141,520	(305,323)	181,256	-	936,581
Ending 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**
Total All Funds	**$ -**	**$ 162,725**	**$ 477,632**	**$ 416,009**	**$ 2,640,676**	**$ -**	**$ 2,776,467**	**$ 2,664,388**	**$ 480,555**	**$ -**	**$ 9,618,452**

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

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

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
Combining Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2014

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	$ -	$ 84	$ -	$ 13,284	$ 935	$ -	$ 13,879,922	$ -	$ -	$ 13,894,225
Fees and Licenses	-	32,847	-	15,000	-	-	-	-	-	47,847
Miscellaneous	-	1,617	44	-	4,470	-	31	-	-	6,162
Total Cash Collections	**$ -**	**$ 34,548**	**$ 44**	**$ 28,284**	**$ 5,405**	**$ -**	**$ 13,879,953**	**$ -**	**$ -**	**$ 13,948,234**
Accrual Adjustments	-	(6)	-	1,881	-	-	-	-	-	1,875
Total Custodial Revenue	**$ -**	**$ 34,542**	**$ 44**	**$ 30,165**	**$ 5,405**	**$ -**	**$ 13,879,953**	**$ -**	**$ -**	**$ 13,950,109**
Disposition of Collections										
Transferred to Federal Agencies										
Library of Congress	-	-	-	-	-	-	(356)	-	-	(356)
U.S. Department of Agriculture	-	-	-	-	-	-	(156,297)	-	-	(156,297)
U.S. Department of Commerce	-	-	-	-	-	-	(731)	-	-	(731)
U.S. Department of the Interior	-	-	-	-	-	-	(35,177)	-	-	(35,177)
U.S. Department of Justice	-	-	-	-	-	-	(17,064)	-	-	(17,064)
U.S. Department of Labor	-	-	-	-	-	-	(2,245)	-	-	(2,245)
U.S. Postal Service	-	-	-	-	-	-	(23,457)	-	-	(23,457)
U.S. Department of State	-	-	-	-	-	-	(4,528)	-	-	(4,528)
U.S. Department of the Treasury	-	-	-	-	-	-	(1,301,974)	-	-	(1,301,974)
Office of Personnel Management	-	-	-	-	-	-	(48,872)	-	-	(48,872)
National Credit Union Administration	-	-	-	-	-	-	(1,375,000)	-	-	(1,375,000)
Federal Communications Commission	-	-	-	-	-	-	6	-	-	6
Social Security Administration	-	-	-	-	-	-	(554)	-	-	(554)
Smithsonian Institution	-	-	-	-	-	-	(1,277)	-	-	(1,277)
U.S. Department of Veterans Affairs	-	-	-	-	-	-	(78,350)	-	-	(78,350)
General Services Administration	-	-	-	-	-	-	(29,173)	-	-	(29,173)
Securities and Exchange Commission	-	-	-	-	-	-	(3)	-	-	(3)
Federal Deposit Insurance Corporation	-	-	-	-	-	-	(702,050)	-	-	(702,050)
Railroad Retirement Board	-	-	-	-	-	-	(286)	-	-	(286)
Tennessee Valley Authority	-	-	-	-	-	-	(438)	-	-	(438)
Environmental Protection Agency	-	-	-	-	-	-	(265,167)	-	-	(265,167)
U.S. Department of Transportation	-	-	-	-	-	-	(17,363)	-	-	(17,363)
U.S. Department of Homeland Security	-	-	-	-	-	-	(101,451)	-	-	(101,451)
Agency for International Development	-	-	-	-	-	-	(4,101)	-	-	(4,101)
Small Business Administration	-	-	-	-	-	-	(12,163)	-	-	(12,163)
U.S. Department of Health and Human Services	-	-	-	-	-	-	(1,253,387)	-	-	(1,253,387)
National Aeronautics and Space Administration	-	-	-	-	-	-	(44)	-	-	(44)
Export-Import Bank of the United States	-	-	-	-	-	-	(1,908)	-	-	(1,908)
U.S. Department of Housing and Urban Development	-	-	-	-	-	-	(470,875)	-	-	(470,875)
U.S. Department of Energy	-	-	-	-	-	-	(6,040)	-	-	(6,040)
U.S. Department of Education	-	-	-	-	-	-	(22,929)	-	-	(22,929)
Independent Agencies	-	-	-	-	-	-	(78,277)	-	-	(78,277)
Treasury General Fund	-	(33,951)	(44)	(28,284)	(5,405)	-	(7,191,984)	-	-	(7,259,668)
U.S. Department of Defense	-	-	-	-	-	-	(88,859)	-	-	(88,859)
Transferred to the Public	-	-	-	-	-	-	(502,684)	-	-	(502,684)
(Increase)/Decrease in Amounts Yet to be Transferred	-	-	-	(1,881)	-	-	564,677	-	-	562,796
Refunds and Other Payments	-	(591)	-	-	-	-	(123,787)	-	-	(124,378)
Retained by the Reporting Entity	-	-	-	-	-	-	(525,785)	-	-	(525,785)
Total Disposition Of Collections	-	(34,542)	(44)	(30,165)	(5,405)	-	(13,879,953)	-	-	(13,950,109)
Net Custodial Activity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

U. S. Department of Justice
Combined Schedule of Spending
For the Fiscal Years Ended September 30, 2015 and 2014

Dollars in Thousands			2015		2014
What Money is Available to Spend?					
Total Resources		$	46,434,875	$	44,098,174
Less: Amount Available but Not Agreed to be Spent			4,949,346		4,963,900
Less: Amount Not Available to be Spent			1,128,001		860,832
Total Amounts Agreed to be Spent		**$**	**40,357,528**	**$**	**38,273,442**
How was the Money Spent?					
Personnel Compensation and Benefits					
1100	Personnel Compensation	$	11,424,159	$	10,935,896
1200	Personnel Benefits		4,667,482		4,424,219
1300	Former Personnel		6,873		25,228
Other Program Related Expenses					
2100	Travel & Transportation of Persons		461,115		367,340
2200	Transportation of Things		70,455		66,872
2300	Rent, Communications, and Utilities		3,364,746		3,435,448
2400	Printing and Reproduction		11,699		20,318
2500	Other Contractual Services		12,045,142		13,288,564
2600	Supplies and Materials		1,602,832		1,507,066
3100	Equipment		957,427		1,216,303
3200	Land and Structures		168,366		149,992
4100	Grants, Subsideies, and Contributions		4,162,032		2,614,757
4200	Insurance Claims and Indemnities		302,995		221,318
4300	Interest and Dividends		76		2
4400	Refunds for Forfeited Assets		12,129		119
	Expenditure Transfer to the U.S. Marshals Service		1,100,000		-
Total Amounts Agreed to be Spent		**$**	**40,357,528**	**$**	**38,273,442**
Who did the Money go to?					
For Profit		$	13,690,128	$	13,490,317
Government			9,287,092		9,658,459
Employees			11,389,573		10,909,652
Grants			4,142,032		2,614,757
Other			1,848,703		1,600,257
Total Amounts Agreed to be Spent		**$**	**40,357,528**	**$**	**38,273,442**

U.S. Department of Justice
Freeze the Footprint
For the Fiscal Year Ended September 30, 2015

Under the leadership of the Attorney General, the Department continued its efforts during FY 2015 to freeze its real property footprint and monitor space utilization across the Department. The Department successfully reduced its overall square footage in FY 2014 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 2015, the vast majority of the Department components have diligently maintained or reduced their footprint. These difficult mission related challenges come with the various law enforcement and litigation assignments of the Department to protect federal courthouses, house and secure prisoners awaiting trial, and continue to enforce drug trafficking, immigration laws, and other direct mission activities. These assignments and related activities require special space usage in buildings classified as office space by the General Services Administration.

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

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

Information for the Department is displayed below:

Freeze the Footprint

Freeze the Footprint Baseline Comparison

For the Fiscal Year Ended September 30, 2015			
	FY 2012 Baseline	FY 2014	Change
Square Footage	48,472,795	48,246,273	-0.4673%

Reporting of Operation and Maintenance Costs - Owned and Directly Leased

For the Fiscal Year Ended September 30, 2015			
	FY 2012 Baseline	FY 2014	Change
Operation and Maintenance Costs (in whole dollars)	$ 35,224,094	$ 37,889,864	7.568%

U.S. Department of Justice
Civil Monetary Penalties Inflation Adjustment
For the Fiscal Year Ended September 30, 2015

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				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Transfer of firearm without checking NICS	Brady Law - National Instant Criminal Check System 18 USC 922 (t)(5) PL 103-159 sec. 922(t)	1993	1993	$5,000
Secure gun storage or safety device, violation	Child Safety Lock Act 18 USC 924 (p) PL 109-92 sec. 924(p)	2005	2005	$2,500

Civil Division

Civil Division				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Knowing and willful disclosure, solicitation, or receipt of information with respect to blind trusts	Ethics in Government Act of 1978 5 U.S.C. App. 4 102(f)(6)(C)(i) 28 CFR 85.3(a)(1)	1989	1999	$11,000
Negligent disclosure, solicitation, or receipt of information with respect to blind trusts	Ethics in Government Act of 1978 5 U.S.C. App. 4 102(f)(6)(C)(ii) 28 CFR 85.3(a)(2)	1989	1999	$5,500
Falsification or failure to file required reports	Ethics in Government Act of 1978 5 U.S.C. App. 4 104(a) 28 CFR 85.3(a)(3)	2007	2007	$50,000
Unlawful acquisition or use of public reports	Ethics in Government Act of 1978 5 U.S.C. App. 4 105(c)(2) 28 CFR 85.3(a)(4)	1989	1999	$11,000

Civil Monetary Penalties Inflation Adjustment (continued)

Civil Division (continued)

Civil Division				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Violations of limitations on outside earned income and employment	Ethics Reform Act of 1989 5 U.S.C. App. 4 504(a) 28 CFR 85.3(a)(5)	1989	1999	$11,000
Violation	Financial Institutions Reform, Recovery, and Enforcement Act of 1989 12 U.S.C. 1833a(b)(1) 28 CFR 85.3(a)(6)	1989	1999	$1,100,000
Continuing violations (per day)	Financial Institutions Reform, Recovery, and Enforcement Act of 1989 12 U.S.C. 1833a(b)(2) 28 CFR 85.3(a)(7)(i)	1989	1999	Minimum: $1,100,000 Maximum: $5,500,000
Fraudulent claim for assistance	Foreign Assistance Act of 1961 22 U.S.C. 2399b(a)(3)(A) 28 CFR 85.3(a)(8)	1968	1999	$2,200
Violations	False Claims Act 31 U.S.C. 3729(a) 28 CFR 85.3(a)(9)(i)(ii)	1986	1999	Minimum: $5,500 Maximum: $11,000
Violation involving false claim	Program Fraud Civil Remedies Act 31 U.S.C. 3802(a)(1) 28 CFR 71.3(a)	1986	1999	$5,500
Violation involving false statement	Program Fraud Civil Remedies Act 31 U.S.C. 3802(a)(2) 28 CFR 71.3(f)	1986	1999	$5,500
Violation involving surplus government property	Federal Property and Administrative Services Act of 1949 40 U.S.C. 123(a)(1)(A) formerly: 40 U.S.C. 489(b)(1) 28 CFR 85.3(a)(12) in 1999 rule	1949	1999	$2,200
Violation involving kickbacks	Anti-Kickback Act of 1986 40 U.S.C 8706(a)(1) (B) formerly: 41 U.S.C. 55(a)(1)(B) 28 CFR 85.3 (a)(13) in 1999 rule	1986	1999	$11,000
Prohibition on release and use of certain personal information from State Motor Vehicle Records - Substantial Non-compliance	Driver's Privacy Protection Act of 1994 18 U.S.C 2723(b)	1994	1994	$5,000
Penalties for conflict of interest crimes	Ethics Reform Act of 1989 18 U.S.C 216(b)	1989	1999	$55,000
Violation by an individual	Office of Federal Procurement Policy Act 41 U.S.C 2105(b) formerly: 41 U.S.C 423(e)(2)	1988	1988	$50,000
Violation by an organization	Office of Federal Procurement Policy Act 41 U.S.C 2105(b) formerly: 41 U.S.C 423(e)(2)	1988	1988	$500,000

Civil Monetary Penalties Inflation Adjustment (continued)

Civil Rights Division

Civil Rights Division				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Unfair immigration-related employment practices, per person (First Order)	Immigration Reform and Control Act of 1986 8 USC 1324b(g)(2)(B)(iv)(I) 28 CFR 68.52(d)(1)(viii)	1990	2008	minimum: $375 maximum: $3,200
Unfair immigration-related employment practices, per person (Second Order)	Immigration Reform and Control Act of 1986 8 U.S.C 1324b(g)(2)(B)(iv)(II) 28 CFR 68.52(d)(1)(ix)	1990	2008	minimum: $3,200 maximum: $6,500
Unfair immigration-related employment practices, per person (Subsequent Order)	Immigration Reform and Control Act of 1986 8 U.S.C 1324b(g)(2)(B)(iv)(III) 28 CFR 68.52(d)(1)(x)	1990	2008	minimum: $4,300 maximum: $16,000
Unfair immigration-related employment practices, per person (Document Abuse)	Immigration Reform and Control Act of 1986 8 U.S.C 1324b(g)(2)(B)(iv)(IV) 28 CFR 68.52(d)(1)(xii)	1990	2008	minimum: $110 maximum: $1,100
Nonviolent Physical Obstruction (First Order)	Freedom of Access to Clinic Entrances Act of 1994 18 U.S.C. 248(c)(2)(B)(i) 28 CFR 85.3 (b)(1)(i)	1999	2014	$16,000
Other Violations - Other Than Nonviolent Physical Obstruction (First Order)	Freedom of Access to Clinic Entrances Act of 1994 18 U.S.C. 248(c)(2)(B)	1994	2014	$15,000
Nonviolent Physical Obstruction (Subsequent Order)	Freedom of Access to Clinic Entrances Act of 1994 18 U.S.C. 248(c)(2)(B)(i) 28 CFR 85.3 (b)(2)(i)	1994	2014	$15,000
Other Violations - Other Than Nonviolent Physical Obstruction (Subsequent Order)	Freedom of Access to Clinic Entrances Act of 1994 18 U.S.C. 248(c)(2)(B)	1999	2014	$37,500
Pattern or Practice Violation (First Order)	Fair Housing Act of 1968, as amended in 1988 42 U.S.C. 3614(d)(1)(C)	1999	2014	$75,000
Pattern or Practice Violation (Subsequent Order)	Fair Housing Act of 1968, as amended in 1988 42 U.S.C. 3614(d)(1)(C)	1999	2014	$150,000
Public Accommodations for Individuals with Disabilities (First Order)	Americans With Disabilities Act of 1990 42 USC 12188(b)(2)(C)(i) 28 CFR 36.504(a)(3)(i)	1999	2014	$75,000
Public Accommodations for Individuals with Disabilities (Subsequent Order)	Americans With Disabilities Act of 1990 42 USC 12188(b)(2)(C)(ii) 28 CFR 36.504(a)(3)(ii)	1999	2014	$150,000
First Violation	Servicemembers Civil Relief Act of 2003, as amended 50 U.S.C. App. 597(b)(3)	2010	2014	$60,000
Subsequent Violation	Servicemembers Civil Relief Act of 2003, as amended 50 U.S.C. App. 597(b)(3)	2010	2014	$120,000

Civil Monetary Penalties Inflation Adjustment (continued)

Criminal Division

Criminal Division				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Penalty For Frivolous Assertion of Claim	Civil Asset Forfeiture Reform Act of 2000 PL 106-185 18 U.S.C 983 (h)(1)	2000	2000	minimum: $250 maximum: $5,000
Laundering of Monetary Instruments	Money Laundering Control Act of 1986 PL 99-570, Title I, Subtitle H 18 U.S.C 1956(b)	1986	1986	$10,000
Violation	Ethics Reform Act of 1989 18 U.S.C. 216(b)	1989	1990	$55,000

Drug Enforcement Agency

Drug Enforcement Administration				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Possession of small amounts of controlled substances	Anti-Drug Abuse Act of 1988 21 USC 844a(a) 28 CFR 76.3	1988	1999	$11,000
Drug Abuse, Import or Export	Controlled Substance Import Export Act 21 USC 961(1) 28 CFR 85.3(d)(1)	1970	1999	$27,500
Violations of 842(a)(5) and (10) - Prohibited acts re: controlled substances	Controlled SubstanceAct 21 USC 842(c)(1)(A)	1970	1970	$25,000
Violations of 842(a) - other than (5) and (10) - Prohibited acts re: controlled substances	Controlled SubstanceAct 21 USC 842(c)(1)(B)	1988	1988	$10,000
Violation of 825(e) by importer, exporter, manufacturer, or distributor - False labeling of anabolic steroids	Controlled SubstanceAct 21 USC 842(c)(1)(C)	2014	2014	$500,000
Violation of 825(e) at the retail level - False labeling of anabolic steroids	Controlled SubstanceAct 21 USC 842(c)(1)(D)	2014	2014	$1,000
Violation of 842(a)(11) by a business - Distrubition of laboratory supply with reckless disregard	Controlled SubstanceAct 21 USC 842(c)(2)(C)	1996	1996	$250,000
Maintaining drug-involved premises	Illicit Drug Anti-Proliferation Act of 2003 21 USC 856(d)	2003	2003	$250,000

Civil Monetary Penalties Inflation Adjustment (continued)

Executive Office for Immigration Review

Executive Office for Immigration Review				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Hiring, recruiting and referral employer sanctions (First Order)	Immigration Reform and Control Act of 1986 8 USC 1324a(e)(4)(A)(i) 28 CFR 68.52(c)(1)(i)	1999	2/26/2008	Minimum: $275 Maximum: $2,200
Hiring, recruiting and referral employer sanctions (Second Order)	Immigration Reform and Control Act of 1986 8 USC 1324a(e)(4)(A)(ii) 28 CFR 68.52(c)(1)(ii)	1999	2/26/2008	Minimum: $2,200 Maximum: $5,500
Hiring, recruiting and referral employer sanctions (Subsequent Order)	Immigration Reform and Control Act of 1986 8 USC 1324a(e)(4)(A)(iii) 28 CFR 68.52(c)(1)(iii)	1999	2/26/2008	Minimum: $3,300 Maximum: $11,000
Paperwork Violation	Immigration Reform and Control Act of 1986 8 USC 1324a(e)(5) 28 CFR 68.52(c)(5)	1999	2/26/2008	Minimum: $110 Maximum: $1,100
Violation/Prohibition of Indemnity Bonds	Immigration Reform and Control Act of 1986 8 USC 1324a(g)(2) 28 CFR 68.52(c)(7)	1999	2/26/2008	$1,100
Document Fraud (First Order)	Immigration Reform and Control Act of 1986 8 USC 1324c(d)(3)(A) 28 CFR 68.52(e)(1)(i)	1999	2/26/2008	Minimum: $275 Maximum: $2,200
Document Fraud (Subsequent Order)	Immigration Reform and Control Act of 1986 8 USC 1324c(d)(3)(B) 28 CFR 68.52(e)(1)(ii)	1999	2/26/2008	Minimum: $2,200 Maximum: $5,500

Federal Bureau of Investigation

Federal Bureau of Investigation				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Violation	National Motor Vehicle Title Identification System 49 USC 30505 PL 103-272(1)(e)	1994	1994	$1,000

Civil Monetary Penalties Inflation Adjustment (continued)

Office of Justice Program

Office of Justice Program				
Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
State and Local CHRI Systems - Right to Privacy Violation	Omnibus Crime Control and Safe Streets Act of 1968 & The Victims of Crime Act 42 USC 3789g(d) 20 CFR 20.25	1979	1999	$14,000
Revealing Research or Statistical Information	Omnibus Crime Control and Safe Streets Act of 1968 & The Victims of Crime Act 42 USC 10604(d) 20 CFR 22.29	1999	1999	Minimum: $10,000 Maximum: $11,000

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SECTION III
MANAGEMENT SECTION

(UNAUDITED)

Section III Management Section (Unaudited)

Overview

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

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

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OIG Top Management and Performance Challenges Facing the Department of Justice

November 10, 2015

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 2015 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 eight challenges that we believe represent the most pressing concerns for the Department:

- Achieving Balance and Containing Costs in a Significantly Overcrowded Federal Prison System
- Enhancing Cybersecurity in an Era of Increasing Threats
- Building Trust and Improving Police-Community Relationships
- Safeguarding National Security Consistent with Civil Rights and Liberties
- Ensuring Effective Oversight of Law Enforcement Programs
- Promoting Public Confidence by Ensuring Ethical Conduct throughout the Department
- Effectively Implementing Performance-Based Management
- Protecting Taxpayer Funds from Mismanagement and Misuse

We believe addressing the federal prison crisis and cybersecurity threats are particular challenges that will continue to occupy much of the Department's attention and require vigilance in the foreseeable future. In addition, we have identified a new challenge, *Building Trust and Improving Police-Community Relationships*, as an emerging issue where the Department must demonstrate leadership, provide support, and exercise oversight in its capacity as the federal agency charged with enforcing the law. Meeting all of these challenges will require the Department to develop innovative solutions and exercise careful oversight to ensure the effectiveness of its operations.

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

Attachment.

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TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF JUSTICE

Office of the Inspector General

Source: BOP website

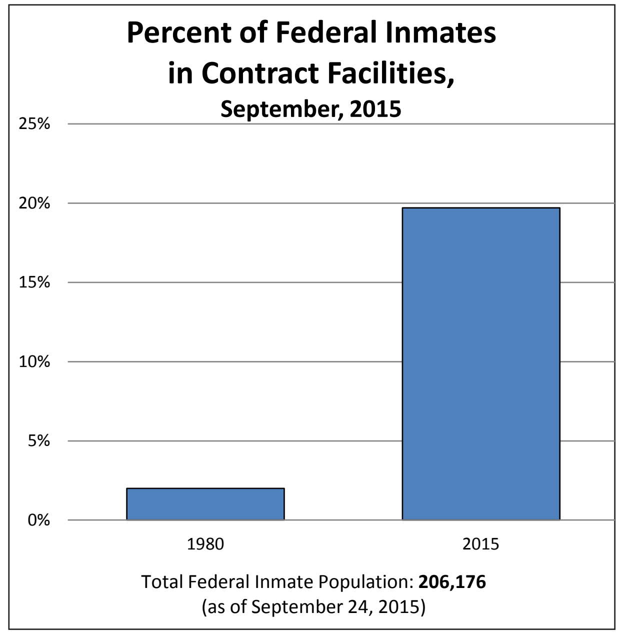
1. Achieving Balance and Containing Costs in a Significantly Overcrowded Federal Prison System

Though the number of federal inmates has declined for a second year in a row, the Department of Justice (Department or DOJ) continues to face a crisis in the federal prison system. Continued high rates of overcrowding both negatively impact the safety and security of staff and inmates and drive costs upward. While the Federal Bureau of Prisons (BOP) must ensure a secure environment and meet the medical and programming needs of its inmates, it must also balance these activities with regard to cost. However, meeting this challenge is complicated by the fact that the BOP exercises little control over the number of inmates it must house. The Department must therefore pursue a comprehensive approach to managing its federal inmate population, in order to find an appropriate balance that addresses the safety of the public, staff, and inmates in the federal prison system while holding costs to manageable levels.

Improving Prison Safety and Security

Ensuring the safety and security of the BOP staff, inmates, and the public is critical. The BOP continues to face dangerous levels of overcrowding at its institutions, which poses threats to both staff and inmates. While the BOP has experienced some reduction in the inmate population in the past 2 years, the fiscal year (FY) 2014 Agency Financial Report has once again identified prison overcrowding as a programmatic material weakness, as it has done in every such report since FY 2006. Moreover, although overall overcrowding decreased from 33 percent in June 2014 to 26 percent in August 2015, overcrowding at high security institutions has actually increased from 42 percent to 51 percent. This presents a particularly significant concern because more than 90 percent of high security inmates have a history of violence, making confinement in such conditions especially problematic. In addition, the BOP has acknowledged that its inmate-to-correctional officer ratio remains undesirably high, and indicated that at times it has had to rely on non-custody staff to assist in covering security posts.

The difficulties in ensuring safe and secure incarceration of federal inmates apply not only to BOP-managed institutions, but also to contract facilities. As of September 2015, nearly 20 percent of federal inmates were housed in contract facilities, an increase from 2 percent of the inmate population in 1980. This total includes approximately 24,000 inmates housed in BOP's 13 privately-managed contract prisons. Although contract prisons may in some cases help to alleviate overcrowding of BOP facilities, contract prisons also can present safety and security risks for staff and inmates. For example, a riot perpetrated by approximately 2,000 inmates at the privately-managed Willacy Correctional Center earlier this year resulted in staff injuries and extensive property damage. Soon afterwards, the BOP cancelled the Willacy contract and transferred its inmates to other facilities. There have been riots at other BOP contract prisons in recent years, including one in 2009 and another in 2012 that resulted in the death of a correctional officer, severe injuries to both staff and inmates, and extensive property damage. The Office of the Inspector General (OIG) is completing a review examining how the BOP monitors its contract prisons and whether contract performance meets inmate safety and security requirements. The OIG will also evaluate how contract prisons and similar BOP institutions compare in an analysis of inmate safety and security data. The BOP and the Department need to ensure that contract facilities provide a safe and secure environment for inmates, staff, and the public, and that they do so in a cost effective manner.



Source: BOP

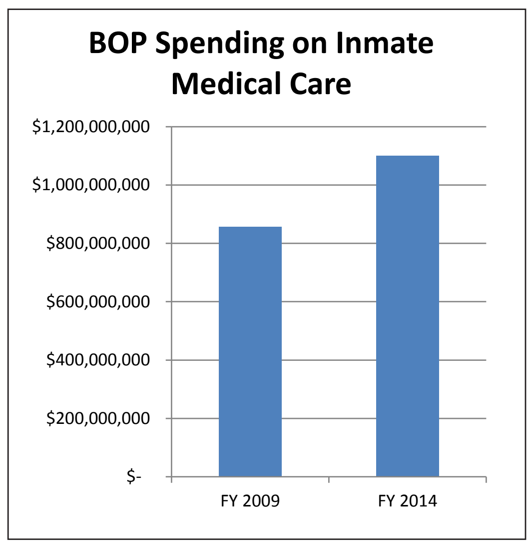
The use of segregated housing in both contract facilities and BOP institutions raises significant challenges. As mentioned in last year's management challenges report, the BOP underwent an independent assessment of its use of restrictive housing, including both single-inmate and multiple-inmate cells. The assessment, completed in December 2014, resulted in over 20 findings, including concerns regarding the use of restrictive housing for inmates with severe mental illnesses. The report also concluded that the BOP needed to improve its mental health diagnoses, offer more effective treatment, and provide sufficient psychiatric staffing. While the BOP uses restrictive housing primarily to confine dangerous inmates, it must weigh the use of this option, particularly for those with mental illnesses, given the potential negative psychological effects attendant with such types of confinement. The 2014 report recommended moving seriously mentally ill inmates into alternative units to reduce the number of inmates placed in restrictive housing. The OIG is currently conducting an evaluation of the screening, monitoring, and treatment of mentally ill inmates in BOP's restrictive housing units, evaluating costs and mental illness trends across several restrictive housing units. This review should help inform the BOP's efforts in this area, which implicate the difficult task of ensuring the safety and security of the facility while not undermining the mental health and rights of its inmates.

Preventing the introduction of contraband is another challenge to ensuring safety and security in BOP facilities. Cell phones are a particularly dangerous contraband item in a prison because inmates can use the devices to carry out criminal activities – such as coordinating additional contraband smuggling; threatening and intimidating witnesses, victims, and public officials; and orchestrating escape attempts. To help prevent the introduction of contraband, the BOP has introduced various technologies, including piloting in September 2014 the use of Millimeter Wave Scanners for contraband detection at six institutions. Also, in July 2013, over 10 years after a January 2003 OIG report recommended that the BOP implement a staff entrance and search policy, the BOP implemented new staff entrance and search procedures that authorized random pat searches of staff and their belongings. However, as a result of a recent Federal Labor Relations Authority ruling that concluded, in substance, that staff search policies were not negotiated properly, the BOP rescinded the 2013 search policy and reinstated the prior procedures. The OIG continues to investigate and present for prosecution an ongoing stream of cases involving the introduction of contraband into BOP facilities, and we are engaged in an ongoing review of the BOP's contraband interdiction efforts, to include an evaluation of staff searches as well as physical security measures, including random pat searches and TSA-style body scanners. The results of these cases and our review should be instructive for the BOP as it continues to battle against new and innovative means of introducing dangerous contraband that threaten the safety and security of inmates and staff.

Containing the Cost of the Federal Prison System

While the Department faces the challenge of maintaining safety and security in the federal prison system, it must also look for ways to contain ballooning costs. As the costs to operate and maintain the federal prison system continue to grow, less funding will be available for the Department's other critical law enforcement and national security missions, making effective management of the federal prison system a significant challenge the Department cannot ignore. The BOP currently has the largest budget of any Department component other than the Federal Bureau of Investigation (FBI), accounting for more than 25 percent of the Department's discretionary budget in FY 2015, and employing 34 percent of the Department's staff. The BOP's enacted budget was nearly $7 billion in FY 2015, an 11-percent increase since FY 2009, despite a decline in the federal prison population from 214,149 in FY 2014 to 206,176 in FY 2015 – its lowest level in 6 years. Further, the BOP has requested an additional 6-percent increase for next year, despite projecting that its population will decrease by an additional 12,000 inmates.

The Department must isolate the chief drivers of these uncontrolled costs and consider innovative solutions that might help to contain them. As mentioned in last year's management challenges report, inmate medical costs are a major factor in BOP's overall rising costs and thus an area that must be monitored closely. In FY 2014, the BOP spent $1.1 billion on inmate medical care, an increase of almost 30 percent in 5 years. One factor that has significantly contributed to the increase in medical costs is the sustained growth of an aging inmate population – a 2015 OIG report found that the oldest BOP inmates cost an average of $30,609 each or 65 percent more than the youngest ones. As a result, we recommended revising the requirements that limit the availability of compassionate release for aging inmates. One consequence of the increase in the aging inmate population is BOP's increased need for inpatient treatment beds, which has grown by 67 percent since 2003. In addition, the BOP is spending significantly more to meet the needs of aging inmates with serious diseases.



Source: BOP

The Department must also assess the cost-effectiveness of the BOP's increasing reliance upon contract services to provide more facility space and supplement medical care. The BOP contracts with 13 prisons owned by either county governments or private prison companies to confine inmates who are primarily low security, foreign nationals with less than 90 months remaining in their sentences. In the past 5 years, spending for contract prisons increased by more than 30 percent, to $639 million in FY 2014. The BOP needs to remain vigilant in assessing the cost effectiveness of procuring contract services, particularly in light of reforms to reduce its overall inmate population. As the OIG's 2015 audit of the Reeves County, Texas contract prison showed, the Department must conduct careful oversight of these contracts. In auditing that contract alone, we found nearly $3 million in questioned costs. Our work has also found that the BOP struggles to meet the medical needs of its inmates with its own staff and must use contracts to supplement the medical care it provides. According to BOP data, spending for inmate medical services provided by contract providers increased 27 percent from $258 million in FY 2010 to $327 million in FY 2014. The OIG is currently examining factors that contribute to BOP's medical staffing challenges as well as the financial impact of using contract medical care. We believe that this analysis should help the BOP identify ways to address this pressing issue.

Properly Evaluating Other Department Programs and Policies Can Better Address the Prison Crisis

The challenges to the federal prison system cannot be corrected by the BOP alone, as it has only limited control over the number of inmates it is charged with safely housing. Instead, multiple Department-level efforts must come together if there is any hope of seriously addressing these safety, security, and cost concerns. To address these and other challenges, the Department launched the Smart on Crime initiative in August 2013, with the goal of reforming the federal criminal justice system by curbing reliance on incarceration for less dangerous offenders. The initiative proposes taking a comprehensive approach to the criminal justice process by focusing on five key goals: (1) prioritize prosecutions to focus on the most serious cases; (2) reform sentencing to eliminate unfair disparities and reduce overburdened prisons; (3) pursue alternatives to incarceration for low-level, non-violent crimes; (4) improve reentry to curb repeat offenses and re-victimization; and (5) provide “surge” resources to aid violence prevention and protect the most vulnerable populations. Proposed reforms include requiring districts to modify their guidelines for when federal prosecutions should be brought, limiting the use of mandatory minimums and enhancements for repeat offenders for low-level, non-violent drug defendants, and enhancing prevention and reentry efforts at each U.S. Attorney's office.

The Smart on Crime initiative also aims to explore cost-effective reforms to the federal prison system that will allow law enforcement to redirect scarce federal resources toward violence prevention. For example, a 2014 Government Accountability Office (GAO) report estimated that 370,985 beds and $4.1 billion could be saved in the next several years through retroactively reducing prison sentences for inmates currently incarcerated for certain drug offenses. The GAO found that other options, such as not bringing charges that carry mandatory minimum sentences in cases involving low-level, non-violent drug offenders, would have less of an impact, but still could provide relief for the federal prison system as well as redirect resources to crime prevention.

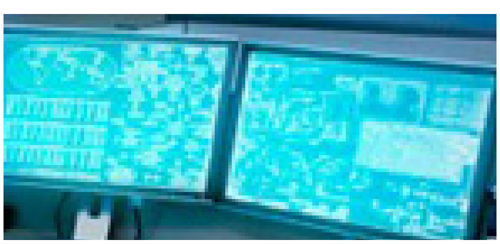
As an outgrowth of the Smart on Crime initiative, the Department established its new clemency initiative in April 2014. Under this initiative, the Department indicated that it will prioritize clemency applications for non-violent, low-level inmates who petition to have their sentences commuted or reduced by the President. In addition, as part of Smart on Crime, the Department has announced its intention to expand the use of pre-trial diversion and drug court programs to provide alternatives to incarceration and reduce recidivism. These two alternatives enable prosecutors, judges, and probation officers to divert certain offenders from traditional criminal justice proceedings into programs designed to address the underlying causes for criminal behavior or otherwise provide appropriate sanctions and remedies without the need in many cases for incarceration or even criminal convictions. The OIG is currently evaluating the use of these programs within the various U.S. Attorneys' Offices.

We have found that the Department could better utilize other programs and policies related to the goals of the Smart on Crime initiative. In August 2013, as part of the Smart on Crime efforts, the BOP expanded its Compassionate Release Program. This change allowed inmates age 65 and older to request a reduction in sentence if they meet certain criteria. However, our subsequent report on the BOP's aging inmate population found that during the first year after the new BOP policy was implemented, only 2 of the 348 inmates who applied were released under the new provisions. The OIG found that the Department imposed several restrictive requirements, including a rule that inmates requesting a non-medical compassionate release must have already served 10 years and 75 percent of their sentences to be eligible for compassionate release. By excluding inmates with sentences of less than 10 years, this change significantly reduced the number of inmates who could apply and, as a consequence, excluded many who committed lesser, non-violent offenses. Similarly, in an August 2015 follow-up report on the Department's international treaty transfer program, the OIG found that the number of inmates transferred under the program had actually decreased, despite a substantial increase in both awareness of the program and the number of inmates applying for such transfers. The OIG's follow-up report recommended that Department leadership boost the effectiveness of this program by actively engaging with treaty transfer partners, including the Department of State and foreign government representatives.

Among the more difficult challenges that the Department faces is adequately measuring whether these various initiatives will ultimately meet its goal of reducing the prison population and containing costs. In many reports we have found that the Department needs better recordkeeping to be able to evaluate and direct its efforts. This was confirmed in a 2015 GAO report, which recommended that the Department modify its 16 Smart on Crime indicators to better track whether the program was having much success. In fact, the last BOP study on the overall recidivism rate for federal inmates occurred more than 20 years ago, which is concerning given the BOP spends hundreds of millions of dollars annually on reentry programs and residential reentry centers to improve rehabilitation efforts. As we describe more fully below, the Department must develop the capability to accurately assess its initiatives and programs in order to properly measure their outcomes and efficacy, and that is particularly true given the limited resources available to conduct law enforcement and incarceration efforts within the Department.

In sum, a multi-faceted approach is necessary to address the persistent crisis in the federal prison system. The Department has taken several steps by pursuing programs and policies including its Smart on Crime initiative. Yet, the Department needs to collect the correct information to continuously evaluate whether these initiatives are reaching their goals, and put in place policies and practices designed to achieve them. The BOP must also continue to work collaboratively with other Department components to develop better methods to fully utilize its own programs, prevent the introduction of contraband, provide effective management of contract services, and address staffing and other challenges to the safety and security of its facilities.

2. Enhancing Cybersecurity in an Era of Increasing Threats


Source: FBI website

The Department, working closely with its private sector, law enforcement, and global partners, must be persistent and innovative in defending the nation's cyber resources from intrusions and attacks. In September 2015, Director of National Intelligence James Clapper testified that cyber threats pose one of the gravest national security risks to the United States. Further, a September 2015 GAO report concluded that federal agencies' information and systems remain at a high risk of unauthorized access, use, disclosure, modification, and disruption, while also noting an increasing number of cyber incidents and breaches of personal information at federal agencies. As recent events have shown, increasingly sophisticated attacks can result in significant releases of information and potential damage to national security. The breaches of Office of Personnel Management (OPM) data compromised the personal information of more than 22 million people, and resulted in the disclosure of fingerprints and other highly sensitive data from background investigations of more than 5.6 million current, former, and prospective federal employees and contractors. That, combined with reported cyberattacks on other government agencies, clearly demonstrates that the federal government is vulnerable. The danger to private industry and American citizens is equally clear and present: private and public organizations as well as individual citizens continue to be victimized by cyberattacks. For example, earlier this year, a publicly reported cyberattack on health insurer Anthem Inc., exposed private data, including names and Social Security numbers, of nearly 80 million people. Other reported attacks on Target, Bank of America, and Sony, among others, are all too regular reminders of the critical need to better shield our nation's Information Technology resources.

Source: DOJ OIG

Among the greatest challenges the Department faces in this area is that malicious actors are increasingly relying on encryption and other technological advances to remain elusive and thwart the government's efforts to isolate and mitigate cyber threats. FBI Director James Comey recently warned in testimony before the Senate Judiciary Committee that advances in encryption technology are allowing our adversaries to "go dark." The growing use of single-key encryption on smartphones and other devices restricts access and prevents communications providers from providing law enforcement with stored data, even if they obtain a court order. As it looks for ways to combat cybercrime and intrusions despite encryption technologies, the Department needs to find ways to assure citizens it will not violate their privacy rights – underscoring the inherent tension between cybersecurity, civil liberties, and national security. While strong encryption protects the right of Americans to communicate in private, free of government surveillance, allowing device users sole control over their data greatly limits law enforcement's ability to find and retrieve significant evidence that may reside on a smartphone, a tablet, or a laptop. This, in turn, has the potential to leave crime and national security threats undetected. The government must work with private industry to shape an encryption policy that strives to ensure that privacy and security can co-exist.

As it devotes increased attention, resources, and personnel to its cybersecurity efforts, the Department needs to maximize their impact by developing and implementing a cohesive strategy to tackle this problem. In its FY 2016 budget, the Department requested an additional $26.8 million to confront computer intrusions and cybercrimes and protect the Department's information networks from both internal and external threats. In May 2015, Assistant Attorney General Leslie Caldwell announced the creation of a new Cybersecurity Unit within the Criminal Division's Computer Crime and Intellectual Property Section. This unit is charged with assisting other government agencies and the private sector to develop and implement their cybersecurity plans consistent with federal law. This is in addition to the National Cyber Investigative Joint Task Force, run by the FBI under a presidential directive that makes the Department the focal point for coordinating, integrating, and sharing information on cyber threat investigations across 19 U.S. agencies and foreign partners. In October 2012, the FBI also launched its Next Generation Cyber Initiative (NextGen) and has requested nearly $500 million for NextGen and its growing capabilities for the upcoming fiscal year. The goals of this initiative include improving cyber skills for agency personnel and strengthening public and private partnerships. The initiative has narrowed the focus of the FBI's Cyber Division to work solely on cyber intrusions that pose the greatest threat to national security and on being proactive in preventing future attacks.

But even as it works to expand the ranks of its cybersecurity team, the Department continues to face challenges recruiting and retaining highly-qualified candidates to do this work, as detailed in our July 2015 audit of NextGen. We found that the FBI failed to hire 52 of the 134 computer scientists that it was authorized to hire, and that 5 of the 56 field offices did not have a computer scientist assigned to that office's

Cyber Task Force. Among other hiring challenges the audit identified were that the FBI's background investigations are more onerous than those used by many private sector employers, and it was difficult to retain top talent because private sector entities often pay higher salaries. Addressing these systemic challenges will be difficult, but it will be essential if the FBI and the Department are to play the leading role in combating this threat.

Building closer relationships with the private sector, state and local law enforcement, and global partners is another way the Department can work toward its cybersecurity goals. Despite the Department's emphasis in its FY 2014-2018 Strategic Plan on establishing successful relationships with other law enforcement agencies and developing strong private-public partnerships, it continues to face challenges partnering and sharing information about cyber matters with private sector entities, in part because of privacy concerns and a general distrust of government. Our July 2015 NextGen audit found that few state and local law enforcement agencies are motivated to join their local Cyber Task Force for a variety of reasons that must be addressed by the FBI in order to foster greater participation. The audit also found that although the FBI is working to develop strategies to enhance outreach to private sector entities, it continues to face challenges partnering and sharing information with these entities. The OIG is currently reviewing the FBI's strategy to mitigate cyber threats through an approach for identifying the perpetrators and their tradecraft, intent, capabilities, and affiliation. Those findings should help to further inform the Department's efforts in this critical area.

Given that those posing cyber threats know no boundaries, the Department has recognized the importance of working closely with other countries to boost cybersecurity. In September 2015, Attorney General Loretta Lynch announced that combating cybercrime was one of her top priorities and pledged that the Department was prepared to play a global leadership role in this effort. In remarks at Europol, in the Hague, the Attorney General highlighted Department efforts to improve global cooperation by (a) establishing permanent Cyber Assistant Legal Attaché positions in London, Ottawa, and Canberra, and adding five new temporary positions; (b) hiring 38 additional attorneys and 26 professional staff to the Office of International Affairs Mutual Legal Assistance Treaty Modernization project, with the goal of facilitating the transfer of information regarding international cyber issues; and (c) temporarily assigning a U.S. prosecutor to sit at Eurojust, the European Union's Judicial Cooperation Unit, and work with Europol's European Cybercrime Centre. The Attorney General also announced that the United States and the European Union had initiated the "Umbrella" Data Privacy and Protection Agreement, designed to enhance the ability of law enforcement and prosecutorial agencies on both sides of the Atlantic to combat crime and terrorism while protecting personal privacy. These are positive steps, but the Department must continue to push forward to develop and expand effective partnerships with private entities and state, local, and foreign governments, as they are all critically necessary partners in the Department's cybersecurity efforts.

While looking outward, the Department cannot lose sight of the critical need to make sure its own cyber defenses are robust. Following the OPM breach, the Office of Management and Budget (OMB) directed agencies to patch critical vulnerabilities, review and tightly limit the number of privileged users with access to authorized systems, and dramatically accelerate the use of strong authentication, especially for such privileged users. Following OMB's directive, the White House reported that federal civilian agencies increased their use of strong authentication (such as smartcards) for privileged and unprivileged users from 42 percent to 72 percent. The Justice Department, however, had among the worst overall compliance records for the percentage of employees using smartcards during the third quarter of FY 2015 – though it has since made significant improvements, increasing to 64 percent of privileged and unprivileged users in compliance by the fourth quarter. Given both the very sensitive nature of the information that it controls, and its role at the forefront of the effort to combat cyber threats, the Department must continue to make progress to be a leader in these critical areas.

The Department must also ensure that recommendations to address the security and operations of its systems are promptly implemented. Pursuant to the Federal Information Security Modernization Act of 2002 (FISMA), each Inspector General performs an annual independent evaluation of the agency's information security programs and practices. For FY 2014, the OIG provided 56 recommendations on five Department components' information security programs which included one classified, and five unclassified systems. For FY 2015, the OIG also reviewed the security programs of five Department components, which included two classified systems, and four sensitive but unclassified systems. We plan to complete reports evaluating each of these systems as well as reports on each Department component's information security program. Meanwhile, OMB has worked with the Chief Information Officers Council and the Council of the Inspectors General on Integrity and Efficiency to improve the reporting process and clarify FISMA reporting guidance for the inspector general community. We support the FISMA reform effort and believe it will help us provide more meaningful guidance to the Department on how it can be better prepared to prevent intrusions.

In an era of ever-increasing cyber threats, the Department will be challenged to sustain a focused, well-coordinated, and robust cybersecurity approach for the foreseeable future. The Department must continue to emphasize protection of its own data and computer systems, while marshalling the necessary resources to lead the effort to combat cybercrime, identify and investigate perpetrators, and engage the private sector and its state, local, and global partners in this crucial effort.

3. Building Trust and Improving Police-Community Relationships

Source: OJP website

Among the most pressing challenges facing the Department is determining how it can most effectively assist in the vital task of mending the apparent growing divide between some of the nation's communities and their police departments. The recent riots in Ferguson and Baltimore following the deaths of unarmed African-Americans during encounters with police – as well as several attacks resulting in the deaths of law enforcement officers in Houston and Brooklyn – highlight the tension and the potential erosion of trust between law enforcement officers and the people they serve in certain communities across the country. This tension and a resulting lack of trust has the potential to negatively impact the ability of law enforcement to function effectively, thereby affecting the safety of those communities, and possibly trigger other undesirable collateral consequences, including the loss of police morale that could further endanger public safety. As Attorney General Lynch recognized in remarks earlier this year, the country has seen "too frequently how relationships between communities and law enforcement can grow strained; how trust can be broken or lost; and how simmering tensions can erupt into unrest." In order to provide leadership fighting crime, the Department must be able to rely on strong partnerships with state and local police departments. Only then can it gather street-level intelligence and benefit from the assistance of those officers closest to emerging threats. But if communities lose trust and confidence in their local police, or the police lose trust and confidence in local leaders, that will inevitably impact the ability of federal agents and prosecutors to join with local law enforcement to protect the citizenry. Further, if police experience lower morale due to a lack of support – perceived or otherwise – and deteriorating relationships with citizens in their communities, they may fear retribution or otherwise be less likely to aggressively fight crime. Recognizing this, Attorney General Lynch toured the nation earlier this year stressing that "restoring trust where it has eroded," while fostering relationships between police and the communities they serve, is one of her top priorities as Attorney General. The Attorney General also has emphasized the critical role police officers play in ensuring public safety and stressed they merit the Department's full support.

As the federal agency charged with enforcing the law, the Department can play a leadership role through cooperative law enforcement operations, grant funding of state and local efforts, knowledge and information sharing, and framing national discourse – not only with its own federal law enforcement components, the FBI, the Drug Enforcement Administration (DEA), the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), and the U.S. Marshals Service (USMS), but also with state and local police. These partnerships will, in turn, help the Department be a more effective leader in protecting Americans from both domestic and international threats, thereby creating and maintaining safer communities across the country.

The Department's task then is to determine how best to assist in solving a problem that is largely local in nature, when it has limited resources to share, limited jurisdiction upon which to act, and limited control over most aspects of crime fighting. We believe there are at least four areas where the Department can play a critical role: (a) providing leadership in improving the national dialogue between law enforcement and their communities; (b) offering and coordinating federal grants and guidance to local police departments to fund equipment, training, and reforms; (c) monitoring and assisting with the reform of police departments that are found to have engaged in a pattern or practice of unlawful misconduct, to include violating their citizens' civil rights; and (d) investigating and prosecuting law enforcement officers, whether local, state, or federal, who violate federal civil rights laws.

Source: DOJ OIG

In its leadership role, the Department must find ways to use the tools it has to help guide and oversee changes needed at the community level. Shortly after the events and protests in Ferguson, the Department launched a national initiative to build trust between law enforcement and local communities. Through a 3-year $4.75 million grant, the National Initiative for Building Community Trust and Justice, launched in September 2014, the Department designed "a new approach to training, policy development, and research geared toward advancing procedural justice, promoting racial reconciliation, and eliminating implicit bias." The Attorney General has pointed out that an increased effort in leadership and police-community partnerships led to a collaboration that has "transformed" certain cities. Additionally, the President signed Executive Order 13684 to establish the Task Force on 21st Century Policing to focus on improving policing practices. The task force recommended further research and suggested action items for law enforcement agencies, stakeholders, and the Department. Among its recommendations were that law enforcement agencies establish a culture of transparency and public trust by creating a more diverse workforce and making all department policies available to the public. These initiatives suggest a path the Department can follow to lead a national dialogue to develop and promote proactive solutions in this area.

Another of the Department's challenges is to use available resources to foster partnerships with state and local law enforcement agencies in order to support law enforcement and oversee improvement at the community level. DOJ components such as the Office of Justice Programs (OJP) and the Office of Community Oriented Policing Services (COPS) provide federal leadership and coordination in developing the nation's capacity to prevent and control crime, administer justice, and advance public safety through community policing. These grant-making components can direct funding for training, equipment, and support to law enforcement entities across the country in furtherance of Department goals. The Department recently announced grant funding for its Smart Policing Initiative, with the goal of helping local law enforcement agencies reduce crime and earn the confidence of the citizens they serve. In September 2014 COPS also announced $124 million in awards to fund 950 community policing officers at 215 law enforcement agencies across the country. COPS subsequently released a resource guide for police agencies highlighting training, leadership, and initiatives available for local communities. In addition, in May 2015, the Department announced a $20 million Body-Worn Camera Pilot program administered by OJP and designed to fund such programs in 73 local and tribal agencies across the country. The program's goals are to improve safety, reduce crime, and build community trust through the purchase of body-worn cameras, training and technical support to the recipient agencies, and identification of best practices.

Along these lines, to help evaluate what steps the Department can take to help reduce violence in local communities, the OIG has begun a review of the Department's violent crime initiatives. This review will evaluate the Department's strategic planning and accountability measures in combating violent crime, including coordination across Department prosecution, law enforcement, and grant-making components.

But as the Department wrestles with where and how it should invest to achieve the greatest impact with grants to local police departments, a major impediment is that it lacks complete and accurate data on issues driving the circumstances facing local law enforcement. In February 2015, FBI Director Comey stated that "the first step to understanding what is really going on in our communities and in our country is to gather more and better data related to those we arrest, those we confront for breaking the law and jeopardizing public safety, and those who confront us." Currently, complete figures on the number of "justifiable homicides" are unavailable because law enforcement agencies only voluntarily report this data. The FBI cannot completely track data on the number of incidents in which force is used by or against police officers. Without complete and accurate data, the Department and the American people do not have a complete picture of the nature of the problem, which undermines the potential effectiveness of any steps developed to address it. The Department has taken some early steps to help address this issue. In October 2015, the Attorney General announced that the FBI and the Bureau of Justice Statistics, in collaboration with major policing organizations, are working to expand and standardize relevant data collection. Going forward, the Department must improve the collection and analysis of data from local law enforcement agencies to determine the true nature of violent crime, "use of force," and officer-involved shootings.

In addition to providing supportive resources to police departments, the Department, through its Civil Rights Division (CRT), plays a critical role in ensuring that police departments use their powers consistent with the Constitution. CRT has investigated law enforcement agencies nationwide to address allegations of excessive force; unlawful stops, searches, or arrests; and discriminatory policing. Through these "pattern and practice" investigations, CRT endeavors to create models for effective and constitutional policing nationwide. The reforms sought by CRT at the departments it investigates can provide significant, systemic relief; increase community confidence in law enforcement; and improve officer and agency accountability. For example, after a CRT investigation showed that officers regularly used excessive force against Latinos in East Haven, Connecticut, city officials took steps to improve police-community relations. Among the reforms they adopted were requiring all officers to wear body cameras, holding regular community meetings, having school-based officers check on children, and creating a citizens' police academy. The Attorney General singled out the city's efforts as a model for improving relations between police and the community.

Source: DOJ

In the past 6 years, according to the Department, CRT has opened "pattern and practice" investigations in 22 police departments across the country. CRT and U.S. Attorneys' Offices also criminally prosecute law enforcement officers across the country for violating individuals' civil rights. Ultimately, civil rights investigations of police departments and criminal prosecutions of police officers are only two tools to help build trust in local law enforcement, and the Department needs to evaluate what methods will be most effective in helping the nation address the larger issues at stake.

The Department must work through these critical issues to determine how to best use its limited but substantial resources to help foster partnerships, support law enforcement efforts across the country, and ensure confidence in community-police relations. Effective policing at the state and local level contributes significantly to the success of law enforcement efforts at the federal level. By dedicating resources for funding, oversight, and leadership, the Department can strengthen relationships among federal, state, and local agencies and benefit from the collective knowledge obtained at all levels of law enforcement in order to combat crime and address emerging threats.

4. Safeguarding National Security Consistent with Civil Rights and Liberties

Source: DOJ OIG

Terrorism continues to pose a fundamental threat to the national security of the United States, along with jeopardizing the peace and safety of individuals throughout the world. Protecting U.S. citizens against acts of terrorism is a top priority in the Department's FY 2014-2018 Strategic Plan, and must continue to be a central focus. FBI Director Comey stated that "the threats posed by foreign fighters, including those recruited from the United States, traveling to join the Islamic State of Iraq and the Levant (ISIL) and from homegrown violent extremists…remain the biggest priorities and challenges for the FBI, the U.S. Intelligence Community, and our foreign, state, and local partners." Recent acts perpetrated abroad by ISIL and al-Qaeda affiliates, as well as domestic acts perpetrated by homegrown violent extremists in Texas and Tennessee earlier this year, demonstrate all too well the need for the Department and its components to remain on guard to try to disrupt this persistent threat.

The Department's proposed FY 2016 budget allocates $4.4 billion to national security efforts to counter both international and domestic terrorism, improve information sharing and collaboration within the Intelligence Community, counter violent extremism and domestic radicalization, and enhance cybersecurity. Additionally, the ongoing discussions over the government's surveillance efforts and the passage of what is commonly referred to as the USA FREEDOM Act of 2015 have drawn significant additional attention to the challenge of operating critical national security programs consistent with the public's expectation of privacy. In light of the potential magnitude and serious nature of the threats posed to the public, it is particularly important for the Department to act effectively and aggressively while ensuring that the civil rights and civil liberties of American citizens are protected.

The Department continues to focus much of its efforts on fighting international terrorism. In a June 2015 hearing before the House Homeland Security Committee, the FBI stated that one of the highest priorities for the FBI and the Intelligence Community is to stop homegrown violent extremists, who may be inspired by foreign terrorist ideologies to attack the United States from within. Yet domestic terrorist attacks by individuals motivated by U.S.-based extremist ideologies also remain a serious threat. In response to the threat of domestic terrorism, in 2014 then-Attorney General Eric Holder re-established the Domestic Terrorism Executive Committee to assess and share information about ongoing domestic terror threats. In October 2015, the Department announced the appointment of a new Domestic Terrorism Counsel to serve as the main point of contact for U.S. Attorneys working on domestic terrorism matters. The Department's FY 2016 budget request also includes $15 million to implement the Countering Violent Extremism Initiative to address both types of threats to the homeland. It is important that the Department continue to develop and work on these and other initiatives to identify and disrupt potential acts of terrorism – a priority that is particularly crucial in light of a March 2015 report by the 9/11 Commission that found limited resources and inconsistent implementation of the FBI's programs to counter violent extremism.

Another challenge for the Department is to prioritize the appropriate sharing of national security information among its components and the Intelligence Community so that responsible officials have the necessary information to act in a timely manner against terrorist threats. Department leadership has publicly agreed and, in its FY 2016 budget request, included additional resources to enhance collaboration with the intelligence community through improved information technology infrastructure and counterintelligence programs. Our ongoing joint review with the Inspectors General of the Intelligence Community and Department of Homeland Security involves oversight of some of these efforts. This joint review is designed to determine whether counterterrorism information is adequately and appropriately shared with all participating agencies, and identify any gaps or duplication of effort in this area.

As the Department continues its important work to protect Americans from national security threats at home and abroad, it must be sure not to impair the civil liberties of those it is protecting. Earlier this year, Congress passed the USA FREEDOM Act, which, among other things, altered the government's authority to conduct electronic surveillance and use other forms of information gathering for foreign intelligence, counterterrorism, and criminal purposes. The Department must continually strive to achieve the appropriate balance between its national security efforts and respect for the privacy interests of American citizens, a topic the OIG has focused on in some of our national security oversight work. As required by the USA FREEDOM Act, the OIG currently is reviewing the FBI's use of Section 215 orders under the Foreign Intelligence Surveillance Act (FISA) between 2012 and 2014. This review is examining, among other things, the effectiveness of Section 215 as an investigative tool and the FBI's compliance with the final standard minimization procedures adopted by the Attorney General in March 2013 for handling non-publicly available information concerning U.S. persons that is produced in response to Section 215 orders. Previous OIG reviews of the FBI's use of Section 215 orders found that the interim minimization procedures that had been adopted by the FBI in September 2006 did not provide specific enough guidance to agents for the handling of non-publicly available U.S. person information. As a result, the FBI and the Department did not meet the requirements of the statute requiring the Department adopt minimization procedures. However, we found that by 2013 the Department had adopted final minimization procedures for Section 215 materials. The OIG also is reviewing the FBI's use of information derived from the National Security Agency's (NSA) collection of telephony metadata obtained from certain telecommunications service providers under Section 215. This review will examine the FBI's procedures for retaining, analyzing, and disseminating leads the NSA develops from the metadata, and any changes that have been made to these procedures over time. The review also will examine how FBI field offices respond to leads, the scope and type of information field offices collect as a result of any investigative activity based on those leads, and the role those leads have had in FBI counterterrorism efforts.

Source: DOJ OIG

The Department's use of other investigative tools to enhance its national security efforts, particularly those involving broad data collection, also requires close monitoring due to the risk of gathering data that is outside that allowed by federal law. In January 2015, a partially declassified version of our September 2012 report on the FBI's use of Section 702 of the FISA Amendments Act was publicly released in response to

Freedom of Information Act (FOIA) litigation. Section 702 authorizes the targeting of non-U.S. persons reasonably believed to be located outside the United States for the purpose of acquiring foreign intelligence information. In this report, the OIG reviewed (a) the number of disseminated FBI intelligence reports containing a reference to a U.S. person, (b) the number of U.S. person identities subsequently disseminated, (c) the number of targets later determined to be located in the United States, (d) whether communications of such targets were reviewed, and (e) whether the FBI complied with the targeting and minimization procedures required under the Act. Our report highlighted the challenges inherent in balancing national security interests with civil rights and liberties. In our ongoing work, we continue to evaluate whether the Department is meeting this challenge.

As it employs a variety of strategies to protect the American people from terrorist threats, the Department has the responsibility to ensure that it uses its national security powers both effectively and appropriately, and protects the American people from improper infringements on their civil liberties. The recent public debate over the government's collection of telephony metadata in bulk, as well as the passage of the USA FREEDOM Act to curtail such collection activities, underscores the challenge the Department faces in this area. It must resolve the tension that can exist between national security and civil liberties, striking a balance that will allow the Department to act both forcefully and lawfully in an area where the stakes could not be higher.

5. Ensuring Effective Oversight of Law Enforcement Programs


Source: OJP website

Careful and responsible management of federal law enforcement programs presents a unique challenge to the Department, both domestically and internationally. Many of these programs are not subject to significant public scrutiny, which only heightens the need for effective internal oversight.

One of the Department's constant challenges is balancing the potential risks inherent in its investigative strategies with its law enforcement mission to protect public safety. Perhaps the best recent example of where these two goals can collide was highlighted in our 2012 Fast and Furious report. In it, we found that ATF failed to exercise sufficient oversight of sensitive activities involving firearms trafficking that posed a danger to the public and presented other risks. In response to our review, ATF established a Monitored Case Program to provide greater oversight and coordination of sensitive investigations. We are currently conducting a follow-up review to evaluate the measures the Department and ATF have taken since our 2012 report, including the Monitored Case Program. We are also evaluating the effectiveness of that program in a separate review of several ATF storefront undercover operations that continued or began after the inception of the Monitored Case Program.

Another example where the Department must balance its law enforcement efforts with public safety is in its administration of the Federal Witness Security (WITSEC) Program. The program must ensure the security of witnesses who may be critical to federal prosecutions without unduly increasing threats to the public. Our March 2015 audit on the handling of sex offenders in the WITSEC Program found that the Department had not used adequate safeguards to protect and notify appropriate law enforcement agencies about the risks posed by these participants. The audit also identified a loophole in the program that left law enforcement agencies uninformed about certain participants who subsequently left the program. In a May 2013 report, we found that Department components responsible for administering the WITSEC program did not inform the Terrorist Screening Center of new identities provided to known or suspected terrorists in the program, and thus their new, government-provided names were not included on the terrorist watchlist. We currently are conducting a follow-up audit to assess whether this problem continues and determine if the Department has appropriate procedures in place to mitigate the risk to the public.

Monitoring the use of confidential informants poses a similar challenge for the Department's law enforcement components. While agents rely on their sources to provide valuable information, they also need to make sure the sources do not take advantage of their status and break the law. The level of secrecy necessary for confidential source programs to be successful adds to the difficulty of closely monitoring their use. As a result, the need for components to follow uniform guidelines is essential if Department leaders are to be assured the programs are working as designed. But in our July 2015 audit of the DEA's Confidential Source Program, we found that the DEA's policies did not align with Attorney General Guidelines for reviewing, approving, and revoking a confidential source's authorization to conduct "otherwise illegal activity" as part of their cooperation with the government. Moreover, we found instances where sources actually were provided Federal Employees' Compensation Act benefits without appropriate processes in place for reviewing the claims and determining eligibility. We are continuing our examination of the DEA's Confidential Source Program, and are also conducting a review of ATF's management of its policies and practices for the identification and approval of confidential informants and its overall oversight of its confidential source program, in order to determine whether these sensitive law enforcement programs are operated appropriately.

Recent tragic events further emphasize the crucial need for effective oversight of law enforcement programs, particularly those that can help curb violent crimes. FBI Director Comey stated after the June 17, 2015, fatal shootings of nine parishioners in a Charleston church that the alleged killer "should not have been able to legally buy that gun that day." This event brought attention to potential shortcomings in the processes in place for the National Instant Criminal Background Check System (NICS) – which is administered in part by the FBI and provides criminal background checks in support of the Brady Handgun Violence Prevention Act of 1993. The Department must do everything it can to ensure that the background check process works effectively and protects the public's interests. We are currently auditing NICS to evaluate its effectiveness – among other issues, this audit will focus on how the FBI refers NICS purchase denials to ATF, ATF's review of those referrals, and whether prosecutions result from this process.

With agents and attorneys stationed in more than 140 countries, the Department also must have effective mechanisms in place to carefully oversee law enforcement personnel working abroad. Our work has shown the problems that result when Department employees do a poor job of representing their agency and their nation overseas. In January 2015, the OIG completed a review of policies and training governing the off-duty conduct of Department employees working in foreign countries. We found that the Department had not revisited off-duty policies or training in any comprehensive manner since 1996, even though the need for revision had been recognized. We also found that policies and training did not clearly communicate what employees could and could not do while off duty. In response to our report, in October 2015, the Department issued new policies and guidelines governing off-duty conduct and ethics to address the issues we identified as needing attention.

Source: DOJ OIG

Carrying out dangerous law enforcement missions overseas also presents complex challenges for both agents on the ground and their managers back in the United States, particularly if events do not unfold as planned. We are currently conducting a joint review, along with the Department of State OIG, examining the post-incident responses by DEA and Department of State personnel to three drug interdiction missions in Honduras in 2012 that all involved the use of deadly force. This joint review will address many aspects of such international operations, including pertinent pre-incident planning, rules of engagement governing the use of deadly force, and post-incident investigative and review efforts. It will also evaluate the accuracy of information provided to Congress and the public regarding these incidents. Effective management of such dangerous operations is critical to their success, and to the Department's international law enforcement efforts.

Another challenge throughout the Department's law enforcement components is to adequately address and respond to allegations of employee sexual harassment or misconduct. In March 2015, we issued a report that determined this was an area where the Department needed to focus more attention. This review was conducted in response to congressional inquiries after allegations arose regarding the conduct of U.S. government personnel, including DEA agents, during the President's 2012 trip to Colombia. We found that component supervisors did not always comply with their component policies, and did not report allegations of sexual harassment and misconduct to their respective internal affairs offices, as required. We also found that while the FBI had adequate offense tables to address these violations, ATF, DEA, and USMS did not. Additionally, we concluded that none of the four law enforcement components properly used their offense tables for charging employees with sexual harassment and sexual misconduct offenses. We further found that all four components had inadequate policies and procedures regarding employees sending sexually explicit text messages and images. These failures may hamper the components' ability to conduct misconduct investigations, fulfill their discovery obligations, and deter misconduct. The Department must put in place policies and procedures to ensure that such misconduct by its employees is handled appropriately.

The Department's ability to monitor asset seizure activities, which are often carried out in conjunction with state and local law enforcement, has also gained renewed public attention this past year. These sensitive seizure actions require effective management to ensure that the Department's authorities are used appropriately. For instance, the DEA conducts significant interdiction operations at mass transportation facilities, but our January 2015 review of the DEA's use of cold consent encounters found that the DEA does not centrally manage or coordinate training, policy, and operational requirements, which contributed to confusion regarding appropriate procedures for these encounters and searches. Our current work includes a review of the Department's oversight of its asset seizure activities, particularly seizures that may be forfeited administratively. This review is also examining the Department's implementation of an Attorney General order, issued in January 2015, that limited the ability of federal agencies to adopt seizures made by state and local law enforcement. Given the risks to civil liberties and public confidence in law enforcement attendant with such activities, the Department must ensure that they are carried out appropriately.

Adding to the Department's oversight challenges is the need to integrate rapidly evolving technologies into rules and policies designed for a pre-digital era. In March 2015, the OIG issued its second audit report regarding the Department's use of Unmanned Aircraft Systems (UAS), or drones, in law enforcement operations. We identified discrete program management challenges in the FBI's use of drones, and found that the FBI and Federal Aviation Administration (FAA) had drafted rules that expand the locations and times that the FBI could operate its drones without first requesting written FAA permission. In May 2015, the Department issued agency-wide guidance restricting the use of drones to only properly authorized investigations and activities. While the Department has taken steps to formalize its oversight of this particular technology, it must remain vigilant in adapting its management efforts as advanced technological tools, and their use by law enforcement, evolve. In that regard, the Department also recently issued policy guidance governing the use of cell site simulators, sometimes known as "Stingrays." Cell-site simulators function as cell towers and are used by law enforcement to transmit cell signals – including those from non-target devices – to locate or identify cellular devices in a particular area. The new policy requires Department components to obtain a search warrant supported by probable cause before using cell-site simulators, with exceptions for certain exigent or exceptional circumstances. Use of other technologies to collect and store vast amounts of data, such as that collected by license plate readers, may reveal an individual's movements or travel patterns. Use of these technologies will require the Department to balance public safety and privacy interests, to ensure these tools are used effectively and responsibly.

6. Promoting Public Confidence by Ensuring Ethical Conduct throughout the Department


Source: DOJ OIG

In order to carry out the crucial mission of enforcing the law, defending the interests of the United States, and protecting the public, the Department's employees must ensure that their behavior and motives are ethical and beyond reproach. Failure to meet these core expectations undermines the Department's credibility, presents security risks, and diminishes the Department's effectiveness.

The Department continues to face challenges in holding all of its senior officials to the highest standards of ethical conduct and must ensure the consequences of wrongdoing are clearly understood. To assist the Department in doing this, in June 2015 the OIG began posting on our public website summaries of certain high level employee misconduct findings that did not result in a criminal prosecution. This should help ensure public confidence that government employees who commit wrongdoing are held accountable.

Eradicating nepotism and favoritism in hiring throughout the Department remains a challenge for management. In February 2015, the OIG reported that senior level managers at the International Criminal Police Organization (INTERPOL) in Washington violated the Standards of Ethical Conduct in 2011 and 2012 when they used their positions to benefit friends and acquaintances by placing them in unpaid intern positions that provided significant advantage when they subsequently competed for paid contractor and full-time positions. The OIG also found that INTERPOL's Executive Officer exploited his position by working to obtain positions for his son and three others. Separately, an OIG investigation revealed that in 2014 an Assistant Director at the USMS improperly influenced the hiring of a contract employee with whom the official had a prior romantic and ongoing personal relationship. As we reported in last year's challenges, in September 2014 the Deputy Attorney General directed all DOJ components to adopt uniform hiring procedures and disclosure forms following two previous OIG investigations that revealed multiple violations of the prohibition against nepotism and other personnel rules. We believe these steps will help reduce nepotism and favoritism in Department hiring going forward, but that the problem persists and the Department must continue to work to address it so that employees and the public understand and believe that hiring is based on merit and not personal connections or other improper considerations.

Strong controls and oversight of law enforcement remain an important issue for the Department as it seeks to maintain its reputation as an organization that prizes integrity. Yet, several OIG investigations in the past year highlight that the Department still struggles to meet different aspects of that challenge. In particular, the Department must remain vigilant in ensuring its employees safeguard sensitive information they encounter in their daily work. The consequences of failures in this area are illustrated by former FBI Special Agent Robert Lustyik, who pleaded guilty to selling confidential law enforcement information regarding a foreign politician for use by his political rival. In March and September 2015, Lustyik was convicted of corruption in two different federal cases and sentenced to consecutive 10- and 5-year prison sentences respectively following separate OIG investigations in Utah and New York. Another ongoing challenge for the Department is maintaining adequate evidence controls to prevent tampering or other agent misconduct, which can undo successful criminal prosecutions. In July 2015, former FBI Special Agent Matthew Lowry was sentenced to 3 years in prison after an OIG investigation revealed that he stole drug evidence while working as an agent between 2013 and 2014. Lowry's misconduct tainted several investigations, requiring prosecutors in the District of Columbia to dismiss cases against more than two dozen convicted drug dealers, and to forego the prosecution of 26 others. Similarly, the Department must also implement controls to prevent employees from inappropriately enriching themselves with Department funds. A former DEA employee was sentenced to 2 years in prison and ordered to pay restitution in the amount of $113,841 after an OIG investigation revealed she had applied for and used credit cards issued to fictitious DEA employees. And the Department must also closely monitor undercover operations, particularly those in emerging areas. This challenge is exemplified by former DEA Special Agent Carl Force, who pleaded guilty to extortion, money laundering, and obstruction of justice in connection with his theft of $700,000 in bitcoins, a form of electronic currency. Force stole the bitcoins while working undercover, as part of the multi-agency Electronic Crimes Task Force, to investigate the Silk Road, an online marketplace selling illegal drugs and other contraband.

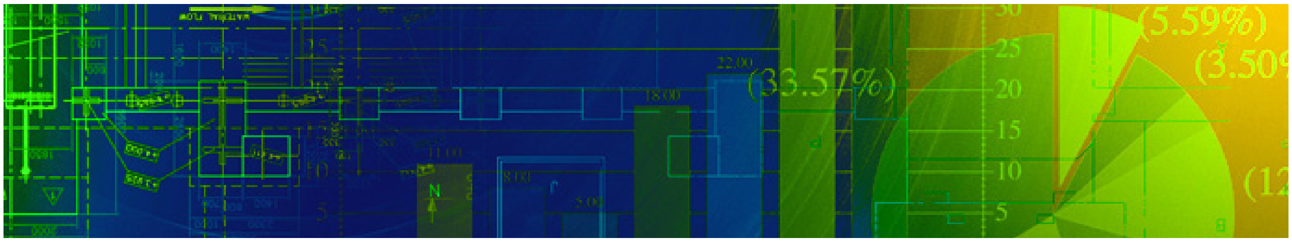
A valuable resource for the Department in combating these challenges are whistleblowers, who perform a critical public service in bringing to light information that safeguards the Department against fraud, waste, and misconduct. The OIG remains committed to supporting the efforts of whistleblowers and ensuring that they are fully aware of their rights and protections from reprisal. For FBI employees, there is a separate regulatory scheme through which whistleblowers pursue allegations of reprisal within DOJ. However, a January 2015 report by GAO found that there was significant room for improvement in the Department's process, particularly with regard to the scope of the persons to whom disclosures can be made and be considered protected, and the timeliness of the Department's handling of these important matters. At the OIG, the number of FBI whistleblower retaliation complaints has risen dramatically in recent years. This increase will likely accelerate in the future due to the OIG's expanded training and education efforts, including partnering with the FBI to create a new mandatory training program for all FBI employees, as well as a recent DOJ proposal, supported by the OIG, to increase the list of officials to whom protected disclosures may be made under the FBI whistleblower regulation. The Department will face a growing challenge in handling an expanding docket of these matters in a timely fashion so that any appropriate remedies are not rendered moot by the passage of time or otherwise.

Source: DOJ OIG

For the Department's leaders to be effective in managing agency programs, they must be able to rely on accurate, real-time information regarding which programs are working and which need improvement. But as recent experience has shown, those goals can be thwarted if the Department denies or delays the OIG's access to all of its records, as required by the Inspector General Act. In recent years, several OIG reviews were delayed by Department components that withheld certain information requested by the OIG, including (a) an evaluation of how the Department's law enforcement components handled sexual harassment allegations, (b) an audit of the DEA's policies and oversight over its higher risk confidential sources, and (c) a multi-agency review of the government's sharing of information leading up to the Boston Marathon bombing. For Department leadership to be able to benefit from the OIG's work in improving the integrity and efficiency of the Department's operations, our office must be able to engage in independent oversight. This also fosters public trust in government. In July, the DOJ Office of Legal Counsel (OLC) issued an opinion concluding that the Inspector General Act did not authorize the DOJ OIG to have independent access to grand jury, wiretap, and certain credit information. Immediately following the issuance of OLC's opinion, the OIG requested that Congress promptly pass legislation, supported by the entire IG community, to ensure that Inspectors General have independent access to the information they need to perform their critical duties. Both the Attorney General and the Deputy Attorney General have expressed their support for this effort and the Department should make every effort to ensure this important principle remains at the core of the law that ensures IGs can perform their critical duties.

Another issue that continues to draw widespread scrutiny is the process for how the Department handles complaints regarding the conduct of Department attorneys when they are acting as such. A December 2014 GAO report found the Department does not do enough to ensure that attorneys who have engaged in professional misconduct serve the discipline imposed. The GAO report acknowledged that the Executive Office for U.S. Attorneys (EOUSA) revised its procedures for documenting attorney discipline after a February 2014 OIG review of that component's flawed disciplinary system. But the GAO report also found that poor recordkeeping still hampered EOUSA's ability to ensure that discipline decisions were consistent and that discipline was actually imposed. More fundamentally, the GAO report also noted that Congress and others, including the American Bar Association, continue to voice concerns that the Department's underlying process for disciplining attorneys lacks transparency. The GAO report noted that some members of Congress have called for the OIG to have jurisdiction over professional misconduct investigations against DOJ attorneys on the grounds that the OIG's statutory and operational independence from the Department would better ensure that sufficient and timely information on attorney misconduct is provided to the public. Similarly, the independent, non-partisan Project on Government Oversight called in a March 2014 report for jurisdiction over attorney misconduct within the Department to be transferred to the OIG, just as it exists at other agencies throughout the federal government, based on our statutory independence and transparency. As mentioned above, the OIG regularly posts summaries of employee misconduct findings on its website, including those involving Assistant U.S. Attorneys. By contrast, the Department's Office of Professional Responsibility (OPR), which has exclusive jurisdiction to investigate Department attorneys for alleged misconduct arising from litigation-related activities, discloses only summary data and examples in its Annual Reports, and the most recent annual report available on its public website describes misconduct that occurred more than 2 years ago. The Department faces a significant challenge in ensuring the public credibility and transparency of investigations of its attorneys who are themselves at the forefront of carrying out the laws.


Source: DOJ OIG



Source: COPS website

7. Effectively Implementing Performance-Based Management

Performance-based management continues to be a challenge for not only the Department, but also the entire federal government. The Government Performance and Results Modernization Act of 2010 (GPRA) and corresponding guidance in the Office of Management and Budget's Circular No. A-11 emphasize priority-setting, cross-organizational collaboration to achieve shared goals, as well as the use and analysis of goals and measurements to improve outcomes. GPRA also requires federal agencies to establish priorities, conduct quarterly data-driven reviews to measure performance, and use Performance.gov as a vehicle to report this information to the public. As the Department implements these GPRA requirements, it must work to develop, collect, and analyze meaningful and outcome-oriented performance metrics.

The Department has over 40 components that administer programs with a wide range of important goals, including prevention of terrorism, promotion of national security, reduction of violent crime, and enforcement of federal laws. Measuring programmatic outcomes is frequently not easy with these types of programs, but the Department must continue to develop the means to identify and collect data related to performance measures. In short, collecting the right data, and then using it to evaluate performance and improve management of programs, will aid the Department in accomplishing its strategic goals.

The Department has begun implementing the tenets of performance-based management with the development of four priority goals and a focus on results that can be accomplished within 12 to 24 months. The Department reported to the public, via Performance.gov, that as of March 2015 it exceeded all priority goals in the areas of national security, violent crime, and financial and healthcare fraud, while noting it still needed to do more to protect vulnerable victims. However, our work has found that the Department must improve the reliability of the data it collects and must better analyze this data to improve its tracking and assessment of operational performance.

Many of the Department's current performance goals and indicators focus on inputs, workload, or processes, rather than focusing on outcomes and results. For example, several of the Department's performance measures, such as the reduction of the number of financial and healthcare fraud investigations pending longer than 2 years, focus on workload as opposed to outcomes. While they may provide information about the number and duration of financial and healthcare fraud investigations, these measures fail to convey the significance and impact of the Department's efforts to reduce these types of crime. Results-oriented measures are critically important if the Department is to effectively monitor whether its programs, initiatives, and operations are accomplishing their intended goals. The Department must capture information that meaningfully links its inputs to outcomes in order to properly direct its efforts and show the value of its programs to taxpayers.

As an example, a June 2015 GAO report found that while the Department has created "key indicators" intended to measure the success of its Smart on Crime initiative, these indicators generally do not show whether the Department is making progress toward the initiative's goals. Specifically, the GAO found that

7 of the 16 indicators are confusing or do not represent the information the indicator name implies, and that 13 of the 16 indicators lack contextual information needed to appropriately interpret their results. In the same report, the GAO reviewed the performance measures for the Department's Clemency Initiative and reported that, even though the goal is to expeditiously process clemency petitions, the Department is not tracking how long, on average, each step in the review process takes. In addition, the GAO concluded that the BOP does not have a comprehensive plan in place to gauge the success of the nearly 20 reentry programs designed to reduce recidivism. Research indicates that improved data collection and clearly defined goals and progress measures can assist agencies such as the Department in more effectively measuring their efforts.

Our work has also identified repeated instances where the Department does not collect the right information needed to inform program decisions and therefore struggles to make meaningful program improvements. For example, our January 2015 review of the DEA's cold consent encounters at mass transit facilities found that task force agents do not collect demographic information about each encounter they conduct or encounters that do not result in drug or money seizures. As a result, the DEA cannot assess whether it is conducting these encounters in an unbiased or effective manner. We identified another example of inadequate data collection and analysis during our November 2014 audit of the Department's international fugitive removal efforts. In this audit, we found that the Department should adopt a fully-informed decision-making process that considers several factors including the cost of bringing an international fugitive to the United States to face justice. However, we found that the USMS did not maintain complete and accurate cost data associated with its international fugitive removal efforts and, therefore, could not do this. Findings such as these indicate a continued need for the Department to embrace performance-based management by asking the right questions that generate data directly relevant to the requirements and goals of its programs.

Reliable data is an essential building block to effective performance-based management and has proven to be elusive at times for the Department. In its 2014 Annual Performance Report, the Department said it views data reliability and validity as critically important in the planning and assessment of its performance and that every effort is made to ensure the completeness and reliability of its data. Yet, the OIG continues to find examples where the Department has failed to collect accurate and reliable data. As the Inspector General noted in recent testimony before Congress about the BOP, the absence of reliable data impinges on the OIG's mission as well as the Department's ability to evaluate the effectiveness of its programs and to make necessary improvements. For example, during several of our reviews, the OIG was unable to obtain recidivism data from the BOP for federal inmates. If it had better data, the Department could better focus its limited resources and make strategic investments in programs that show progress in reducing incarceration costs, deterring crime, and improving public safety.

Source: DOJ

Further, the OIG has found that on many occasions when the Department does try to collect data, the data is inaccurate, unreliable, or simply goes unused, thereby impacting its ability to effectively manage and assess its operations. For example, our June 2015 review of the U.S. Attorneys' Offices' (USAOs) debt collection program found insufficient data entry controls for the Department's debt collection tracking system. As a result, the system did not contain sufficiently reliable information to enable the USAOs and the Executive Office for U.S. Attorneys (EOUSA) to accurately assess the performance of their Financial Litigation Units and the debt collection program as a whole. This deficiency was coupled with the failure of the debt collection tracking system to capture all the information needed to sufficiently evaluate debt collection performance across the USAOs. As a result, the USAOs and the EOUSA could not rely on the data they collected to inform management decisions for the USAOs' debt collection program. This report also identified staffing issues that limited the ability of Assistant U.S. Attorneys to track debt collection matters. Given that the U.S. Treasury is owed more than $1 billion, it is important that the Department prioritize its data collection in this area so it can better track down the money the federal government is owed.

Having accurate metrics, good data, and strong analysis is valuable, but if the Department does not have enough talented personnel to carry out its goals, its program performance inevitably will suffer. To improve its performance, the Department needs to do a better job investing wisely in human capital. Since January 2011, the Department has had to operate with fewer staff for many reasons, including budget constraints and difficulties in the hiring process. A January 2014 GAO report found that 28 percent of employees working for the Department in 2012 will be eligible to retire by September 2017. In light of the Department's request to Congress for funding to add 580 positions during FY 2015 and another 1,598 positions in FY 2016, it needs to find strategies to ensure that it is wisely planning for new hires and investing in human capital so that programs have the personnel they need to be successful.

Performance-based management remains an ongoing challenge for the Department. Improving the Department's collection and analysis of program performance measures is critical, as is collecting more reliable data. Enhancing these areas will assist the Department in more effectively measuring its programs and allocating its resources, and as a result, achieve more of its strategic management goals. The OIG is taking steps to apply data analytics models to Department data with the goal of better assessing the effectiveness and efficiency of the Department's programs and operations, along with improving the OIG's ability to identify waste, fraud, and abuse. However, the success of the OIG's efforts will depend, at least in part, on the quality and relevance of the data the Department collects.

8. Protecting Taxpayer Funds from Mismanagement and Misuse


Source: Office for Victims of Crime website

With an FY 2015 budget of $26.2 billion, the Department must act as a responsible steward of not only the funds it uses internally but also funds it distributes to outside parties through contracts and grants. To ensure that it earns the public's trust, it is imperative that the Department diligently protect taxpayer funds, manage its own resources wisely, and seek ways to improve the economy and efficiency of agency programs.

The Department faces significant challenges in using and monitoring funds within its control. In FY 2015, the OIG's audit-related efforts resulted in 79 reports that contained approximately $53 million in questioned costs, reported over $4 million in funds that should be put to better use, and made more than 300 recommendations for management improvements. Our work has highlighted shortcomings in the Department's management and oversight of tax dollars – particularly funds distributed through contracts and grants. Our reports show this remains a continuing challenge for the Department.

Funds Spent within the Department

The Department expends millions of taxpayer dollars on its internal operations and programs and must handle these funds efficiently and responsibly. Yet, recent OIG work has shown that there is room for improvement in the Department's management of its spending in a wide variety of areas. For example, in the OIG's audit of the Department's use of extended Temporary Duty (TDY) travel, we found that the FBI, Criminal Division, National Security Division, and the Executive Office for United States Attorneys and U.S. Attorneys' Offices, made extensive use of extended TDY. Based on the limited data available, we estimated that these components combined spent more than $54 million on 4,788 extended TDY events between FY 2012 and the first quarter of FY 2014. However, we found that the components are not adequately tracking extended TDY, and that they may be inappropriately relying on it to respond to staffing or other issues, using it when it is not warranted and not using it when it is. Similarly, the OIG's March 2015 audit of the Department's Unmanned Aircraft Systems (UAS) provided another example of poor fiscal management.

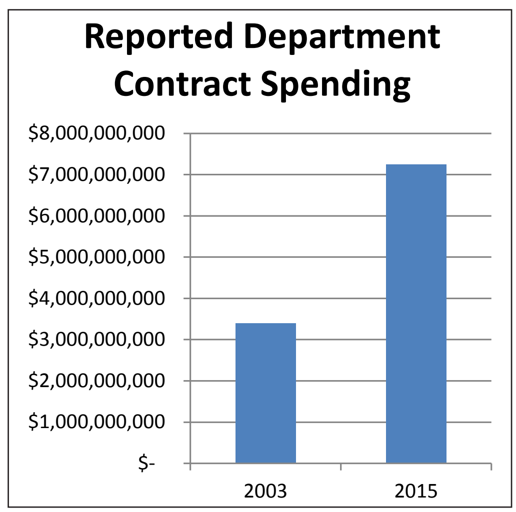
We found that ATF spent approximately $600,000 on UAS vehicles (commonly referred to as "drones"), but never flew them operationally. We also found that less than a week after ATF suspended its UAS program in June 2014 and disposed of its drones, a separate unit within ATF purchased five small commercial drones for approximately $15,000 without coordinating with ATF's UAS program office.

More broadly, the Department faces a significant challenge ensuring that it puts in place policies and procedures sufficient to make its stated commitment to collecting federal criminal and civil debts – the principal balance and interest on which totaled some $114.6 billion in FY 2014 – into a reality. In a report reviewing the debt collection program of the U.S. Attorneys' Offices, the OIG found that, despite acknowledging the importance of this effort, the USAOs failed to prioritize debt collection activity, which resulted in insufficient attorney and support staffing and ineffective collaboration within the USAO, thereby hindering collection efforts. If the Department is to effectively manage its budget in times of limited funding, it cannot afford to fail in this important area.

Despite these challenges, the Department has made important progress controlling costs in other areas, as shown by the OIG's most recent report on Conference Planning and Reporting Requirements. Between FY 2010 and 2014, DOJ conference costs fell by about $72 million, as the number of conferences attended fell from 1,740 to 445. This is one example of how, across all components, the Department should continue to identify ways to run its programs more effectively and efficiently.

Funds Spent via Contracts and Grants

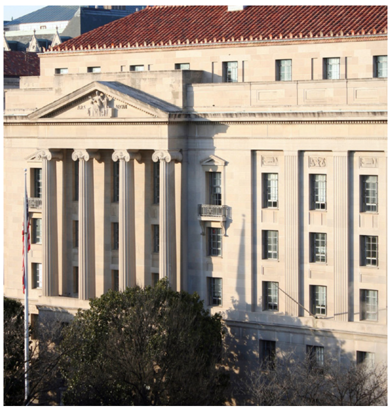
Given the scope of its procurements and awards, the Department also faces a vast oversight challenge as it seeks to ensure that it awards contracts and grants wisely and judiciously, and that the recipients use these funds to achieve their intended purpose. According to data from the government's USAspending.gov website, Department spending on contracts with outside companies increased dramatically over the past decade, more than doubling between FY 2003 and FY 2013. The exposure of such widespread government contracting remains real given the Department reportedly spent over $7 billion on contracts during FY 2015. This requires vigilant and continuous risk-based management and oversight of the Department's contracts. The primary responsibility for performing this function inevitably rests with the Department, though to help ensure that this occurs, the OIG continues to hire personnel with specialized knowledge about government contracts to help it monitor the Department's efforts in light of the significant tax dollars spent in this area.



Source: USAspending.gov

One area of significant exposure where the OIG has recently focused attention is the Department's use of high-dollar contracts to run privately-managed prisons, which housed approximately 24,000 inmates, or 12 percent of the BOP's inmate population, as of September 2015. In April 2015, the OIG issued a report on the Reeves County Detention Center in Pecos, Texas, one of BOP's largest private prison contracts, questioning its use of $2 million and its plans for unnecessarily spending another $1 million. Currently, we are also conducting two audits of contracts for prisons operated by the Corrections Corporation of America (CCA) – the BOP contract award to CCA to operate the Adams County Correctional Center in Natchez, Mississippi, and the USMS contract awarded to CCA to operate the Leavenworth Detention Center in Leavenworth, Kansas. We are also conducting a broader review of the Department's efforts to monitor its extensive use of contract prisons. The Department must ensure that these funds are spent wisely and result in institutions that are safe and secure.

Grant funding also continues to present a significant risk for mismanagement and misuse due to the sheer volume of recipients and money involved, along with program objectives that are often hard to quantify and results that are not adequately measured. According to USAspending.gov, from FY 2010 through FY 2014, the Department awarded approximately $13 billion in grants to thousands of recipients. Our recent OIG work has identified several instances when Department components exercised limited monitoring of grants and conducted few site visits. Additionally, we have found further breakdowns in monitoring at the subgrantee level, when grant recipients distribute the funds to third parties and do not adequately ensure they fulfill grant conditions. The Department must undertake robust efforts in this area to ensure that the billions it gives out in grants are appropriately spent and that the public receives the expected and desired return on its investment.


Source: DOJ OIG

One particular area where the Department will face increased responsibility is in its management of the Crime Victims Fund (CVF). In December 2014, Congress authorized the Department to use up to $2.36 billion of the current CVF balance. This more than triples the amount of CVF funds the Department was authorized to expend compared to FY 2014. This increase will allow the Department to distribute significantly more CVF grant funds through victim compensation and assistance grant programs. The OIG currently is auditing the Department's risks in managing the increase in CVF grant funds and we anticipate being active in auditing those receiving the CVF grants in the future. But the challenge remains for the Department to effectively and efficiently manage such vast expenditures in order to ensure that the goals Congress set for these grants are met in a timely fashion.

The Department's failure to effectively oversee grant awards was exemplified in an audit of grants awarded to the Navajo Division of Public Safety by the Office of Justice Programs, Bureau of Justice Assistance. In that audit, we found $35 million in questioned costs focused on the construction of correctional facilities in two Arizona locations with capacities that were at least 250 percent larger than needed. Similarly, the OIG's audit of $77.5 million in grants to the Puerto Rico Department of Justice (PRDOJ) questioned over $5 million, including millions in funds that were drawn down and not expended and others that were never used, despite the difficult economic and criminal justice challenges on the island. We also found that the PRDOJ failed to accomplish a significant portion of the grant-funded projects, something the Department failed to identify or address.

These are just examples, but the lesson is clear: both contracts and grants continue to present significant management and oversight challenges for the Department, and it must find new and better ways to interact with funding recipients to ensure that funds are expended for their stated purposes. At the most extreme end of the spectrum the OIG's Fraud Detection Office has uncovered issues including improper consultant payments, conflicts of interest, and embezzlement, affirming the need for vigilance in these areas. The OIG conducts integrity briefings for thousands of participants every year to help bring these issues to the fore, but it is ultimately up to the Department to ensure that its funding is spent responsibly.

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MANAGEMENT'S RESPONSE TO THE FY 2015 OFFICE OF THE INSPECTOR GENERAL'S REPORT ON THE TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF JUSTICE

The Department of Justice 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. Achieving Balance and Containing Costs in a Significantly Overcrowded Federal Prison System.

Although the number of federal inmates has declined for a second year, the federal detention and prison spending remains a large share of the Department's budget due to the overall size of the inmate population. The Department continues to look for ways to safely house inmates while managing rising costs.

The Federal Bureau of Prisons (BOP) continues to work on recruiting and filling Correctional Officer positions at all facilities, in particular at the Medium and High Security levels. BOP continues to examine all mission critical posts and realign staff to ensure adequate coverage is provided within resources. Recognizing the risk of violent offenders at high security prisons, BOP included a request for 714 additional correctional officers for housing units at the High Security level in the FY 2016 President's request. BOP has established a National Recruiter Position to work with Regional Recruiters, Human Resource Managers, and Diversity Management staff to expand and enhance recruitment efforts in all disciplines.

BOP agrees with the OIG that while contract prisons help alleviate overcrowding at BOP facilities, they are a short term solution. The Department acknowledges while there was significant property damage at the privately run Willacy Correction Center earlier this year, the staff injuries reported were not serious.

Restrictive housing plays an important role in helping BOP operate safe, orderly, and humane institutions. Although BOP always seeks to place inmates in the least restrictive setting possible, there are some cases where a prisoner poses a threat to the safety and security of prisons, or requires protection from other inmates, and therefore must be housed in a more controlled environment. BOP continues to review its policies in this area, with a particular focus on identifying the safest and most psychologically appropriate way to house inmates with serious mental illness (SMI) who cannot function in general population and who may pose a serious danger to other inmates and staff. BOP has recently implemented numerous policy changes to enhance the care and treatment of prisoners with SMI, including the creation of residential mental health treatment units at the United States Penitentiaries (USP) in Atlanta, Georgia and Allenwood, Pennsylvania, as well as a residential treatment unit at the USP in Florence, Colorado for inmates with borderline personality disorders. The Department remains committed to continuing to review these policies and practices.

BOP continues to implement new advanced technology to combat the introduction of contraband. BOP was the first corrections entity to install the CEIA 601 Plus Walk-Thru Metal Detectors, which have a higher sensitivity to stainless steel, aluminum, and ferrous metals which can be networked to better identify the presence of contraband. BOP deployed units to 18 penitentiaries and installed 123 SecurPass Whole Body Imaging devices at institutions, which can be effectively used during intake screening to determine if inmates have contraband secreted inside their body cavities. BOP has deployed thermal fencing at sites where contraband was previously introduced at the fence line. The thermal fencing has proven effective at detecting when persons attempt to scale or throw contraband over the fence, but also effective in alerting staff in real-time so those persons can be arrested onsite. BOP continues to explore cellphone detection devices and other contraband detection technology.

Containing the Cost of the Federal Prison System

As noted in previous reports, medical costs are a primary driver in the increase in prison expenditures. The aging prison population is a growing consumer of medical services. The Department and BOP have and will continue to implement all prudent mechanisms to reduce these healthcare costs without sacrificing the appropriate standard of care.

The report states that BOP's budget increased by 11 percent from the FY 2009 level. During the same time period, the inmate population increased every year except for FY 2014 and FY 2015. Also during that same time period, the BOP experienced dangerously high levels of crowding particularly at higher security institutions. Through increased resources for additional staff and newly activated institutions, BOP enhanced institution safety and security while reducing dangerously high crowding levels.

BOP's budget supports critical funding for inmate programs that have proven to reduce recidivism and thus limit future incarceration costs. BOP's ability to provide inmates with these vital programs is contingent upon adequate funding levels to support the salaries and benefits of the staff that conduct these programs. BOP has a significant number of inmates on waiting lists for most of the available inmate programs, including General Educational Development (GED) classes. The GED program currently impacts 35 to 40 percent of the BOP population and has a backlog of more than 10,000 inmates waiting to participate in the program. With the inmate population declining, BOP will be better able to offer programing to inmates and reduce waiting lists. However, BOP is faced with rising costs of GED programs that are now administered via computers and offered in Spanish. The cost of keeping computer equipment and other resources modern is necessary in order to align the program with community standards. BOP would like to increase the programs that support successful reentry into the community and ultimately reduce recidivism among inmates.

The OIG recognized in their report medical costs and aging prison populations are major factors in BOP's overall rising costs. It should be noted that the increases in BOP health care expenditures are analogous to industry-wide increases, but on a significantly lower scale. For example, the per capita health care cost for BOP in FY 2014 was $6,176 while the per capita National Health Expenditures rate reported by the Centers for Medicare and Medicaid Services for 2013 was $9,255. BOP enters into contracts for medical specialty services which cannot be provided within prison clinics because it would be cost-prohibitive to hire the variety of medical specialists needed. OIG does not acknowledge the industry-wide increases in health care costs, nor the challenge of recruiting and retaining medical staff in remote locations, a shrinking health care labor market, and the difficulty to compete with industry salaries for many health care professions.

Properly Evaluating Other Department Programs and Policies Can Better Address the Prison Crisis

The Department is working to isolate and contain the growing operational costs and frequently looks beyond BOP to each component to offer assistance with cost cutting ideas.

The Government Accountability Office noted in a 2014 report the Department could save over $4 billion in the next several years through retroactively reducing prison sentences, a statement to which the Department concurs. As part of the Smart on Crime initiative, the Department announced approximately 6,000 non-violent drug offenders will be released early from prison. The release of these is anticipated to occur between October 30 and November 2 and the U.S. Sentencing Commission estimates more than 8,000 defendants will be eligible for release the following year. Since the BOP expanded its Compassionate Release program in 2013, the number of federal inmates released under the program has increased significantly. For example, between January 2013 and November 2015, the BOP approved 242 inmates for compassionate release, a marked increase from 2012 and 2011, when only 39 and 29 inmates were approved for release under this program, respectively. The BOP works to ensure that if an inmate sufficiently meets all of the stated criteria and does not pose a known risk to the community, he or she is recommended for compassionate release. The Department continues to assess the effectiveness of the Compassionate Release program.

Since the initial review of the International Prisoner Transfer Program in 2011, the Department has expended considerable effort and made significant progress to improve the program, including, as the OIG acknowledges, increasing the number of applications and improving the overall management of the program. The Department fully concurs with all recommendations set forth in the August 2015 follow-up report and has taken steps to implement them. It is important to recognize that the voluntary nature of the transfer program, the lack of treaty agreements with all foreign countries represented by the foreign national inmate population, and restrictive criteria imposed by treaty nations significantly limit the number of inmates eligible for transfer. Even after the Department has approved the application of eligible inmates, the number transferred may be limited because receiving countries may still deny the transfer or fail to provide a decision in time to make transfer of an inmate practicable. Nonetheless, the Department remains committed to increasing the number of approved transfers.

The Department agrees that identifying additional data collection opportunities and developing new data indicators to incorporate into Smart on Crime performance measures will help better achieve the goals of this initiative. The Department has already commenced discussions with the U.S. Sentencing Commission on new, more granular data elements and hope to incorporate those elements into our indicators in the coming months. In addition, the Department is incorporating regular BOP population, staffing data and estimates into relevant indicators. While measuring data and indicators for the Smart on Crime initiative is important, the Department also believes that prosecutors should investigate and charge federal crimes when justice and public safety demands it. And prosecutors should and will make these individualized decisions without concern for the overall federal prison population, without concern for a charging decision's effect on a "measurable target," and without concern for any other incentive. The Department remains actively engaged on this issue.

2. Enhancing Cybersecurity in an Era of Increasing Threats.

Cybersecurity attacks, including from criminals, terrorists, and nation-states and their agents, are considered a major national security and public safety threat. In order to protect the Nation from cyber-threats, the Department has adopted a comprehensive approach that is built upon the full spectrum of its criminal and national security authorities, tools, and capabilities. The Department investigates and prosecutes large-scale data breaches, transnational criminal cyber organizations, terrorists, and nation state actors, and other categories of hackers who deploy sophisticated tools to steal from and damage computer networks. Additionally, the Department develops and implements national cyber policies and regularly collaborates with agencies within the intelligence and defense communities to detect, deter, and interdict cyber threats before they become actual events or criminal cases.

The Department agrees with many of the challenges identified by the OIG in its report, particularly with the value of developing and implementing a cohesive strategy to address cyber security. In 2014, the Department developed a multi-year cyber threat strategic plan, and continues to refine its cyber strategy to ensure that its structure, activities, and vision are up-to date to confront the dynamic threats identified by OIG. The Department's Criminal Division (CRM) launched the Cybersecurity Unit in December 2014 to ensure that the cybersecurity expertise that resides in the Division's Computer Crime & Intellectual Property Section (CCIPS) supplements government-wide efforts to make computer networks more resilient and data more secure. The Cybersecurity Unit works closely with National Security Division (NSD), and the United States Attorney Office (USAO) community to maximize the impact of the Department's cyber security efforts.

In order to improve the ability of federal prosecutors to deter, detect, and disrupt cyber threats, EOUSA's Office of Legal Education continued to host training courses throughout the year. These courses are prepared and taught by leading experts from NSD, CCIPS, the USAO community and outside experts and are designed to directly address issues with investigations and prosecutions in cybersecurity. During FY2015, these courses included, among others, the Computer Hacking and Intellectual Property Prosecutors Training and the National Security Cyber Specialist (NSCS) Training. The NSCS network, established in 2012, coordinates the responses to cyber threats — including economic espionage and trade secret theft — being conducted by nation-state actors or terrorists, or in a manner that otherwise significantly impacts national security. Each USAO has at least one Assistant United States Attorney (AUSA) assigned to the NSCS network who provides technical and specialized assistance to his or her colleagues within the district and is a point of contact for NSD and CCIPS for information sharing, outreach, and de-confliction purposes.

To recruit and retain highly-qualified cyber-skilled candidates, the FBI has launched several initiatives, including partnering with academic institutions known for computer science and computer engineering programs to identify students with the necessary skills to help the mission of the FBI's Cyber Division. Additionally, the FBI has partnered with professional and trade associations in these fields as well as with professional training groups to identify individuals who have worked in this industry and have practical field experience. To more actively target candidates, the FBI has also created new marketing and recruiting materials and tools and has conducted a more targeted approach of scientists and engineers.

Encryption is increasingly present within the tools and techniques utilized by malicious actors encountered throughout law enforcement. When properly implemented, encryption has the unique ability of enabling criminals to operate in plain site without risk of being caught because encrypted data is obscured from potential victims and law enforcement. While the Department understands consumer concerns about privacy, law enforcement must also have the ability to lawfully access plain text in order to successfully isolate and mitigate cyber threats. DOJ encourages the use of managed encryption, which applies strong encryption in a manner consistent with industry best practices, but which also allows for decryption if illegal activity occurs. The Department also encourages development of new multi-party encryption standards, which could secure data in a manner consistent with industry best practices, and requires multiple parties to agree in order to allow for decryption by providing their portion of encryption keys. These new standards could mitigate perceived weaknesses of current managed encryption practices.

The Department strongly agrees with the OIG that effective partnerships outside of the federal government are critical to confronting the cyber threat. DOJ conducts outreach to inform companies and the general public about nascent threats and DOJ works with other federal departments and agencies to inform companies and individuals that they have been victimized so that they can better protect themselves. The Department collaborates with both Intelligence Community (IC) and law enforcement partners to share cyber threat information with the private sector. Within the FBI's Cyber Division, the Cyber Outreach Section proactively developed trusted partnerships with many private sector companies and industry associations and is able to share timely information and grow relationships, particularly focusing on dispelling misconceptions regarding privacy concerns. The FBI coordinates investigative and operational responses to cyber events, and disseminates messages containing intelligence and threat indicators to both IC partners and the private sector, when appropriate. The FBI also helps to coordinate the Government's response to computer intrusion activity and notification of victims.

In the past year, NSD announced strategic changes designed to put additional focus on the protection of national assets from the threats of nation states, including cyber threats. These changes included creating a new Deputy Assistant Attorney General position focusing on protecting national assets and naming the first Director of the Division's Protection of National Assets Outreach Program. Pursuant to this increased focus, NSD leadership and other attorneys have reached out to senior managers and counsel at hundreds of companies over the last year to educate them about the Department's resources and efforts to combat economic espionage and trade secret theft and other national security threats. These outreach efforts have included presentations at universities and think tanks, cybersecurity summits and roundtable discussions, as well as one-on-one meetings with senior executives at Fortune 500 and other companies. NSD's National Cyber Security Specialists Network also periodically disseminated resources to its members nationwide to facilitate their outreach to companies and other organizations in their home districts and facilitated FBI field offices' efforts to educate AUSAs on the national security threats in their districts and to include them in FBI's outreach efforts in their districts. The USAO community and the CRM also conduct public and industry outreach and awareness activities.

To further enhance international law enforcement cooperation during FY 2015 the FBI expanded its Cyber Assistant Legal Attaché (ALAT) program. Cyber ALATs are embedded with foreign host nation law enforcement or intelligence agencies to facilitate information sharing, increase cooperation on investigations, and improve relationships with foreign partners. FBI also established the Internet Cyber Crime Coordination Cell (IC4) to bring together the most significant international and domestic partners in the fight against cybercrime and house them in one space at Mission Ridge in Chantilly, Virginia. The Mission Ridge facility will allow domestic and international partners to have permanent subject matter expert detailees placed within IC4 and is designed to allow detailees to have connectivity to their own agency's databases.

Safeguarding the government's systems, data, and personnel is of great importance to the DOJ mission; as shown through our progress on mandatory Personal Identity Verification (PIV) implementation during the past year. We have instituted greater rigor in our compliance tracking by moving away from manual self-reporting to leveraging automation to capture mandatory PIV adoption in real time. During the third quarter of FY 2015, one of our Components underwent a major infrastructure upgrade, we introduced new hardware and software along with the retirement of legacy systems, and we adjusted our total user count by adding an Intelligence Community Component to the totals; these actions together accounted for the temporary decline in our PIV metrics. However, by year-end, not only has this temporary dip been restored, but the Department has also achieved a major milestone with Bureau of Prisons reaching 100% mandatory PIV login. By the end of the fourth quarter, the Department's overall percentage was 64% mandatory PIV card compliance, which is a substantial improvement over the FY2014 end-of-year result of 29%.

The Department is committed to closing the gap on PIV compliance. This effort, especially with a organization our size, requires continuing investment and focus to ensure that mandatory PIV adoption, including any backend infrastructure and physical access requirements, are fully implemented at all Components and all field offices. We are working with the last remaining Components to develop appropriate plans of action and milestones that will move DOJ to the forefront of PIV usage.

DOJ has successfully leveraged OMB's Cross-Agency Priority (CAP) goals and FISMA metrics to enhance our efficiency and effectiveness in detecting and mitigating security weaknesses. For example, based on FISMA requirements, DOJ implemented an automated asset, configuration and vulnerability management solution across the entire enterprise. The Department has a centralized and near real-time view of our cyber security posture synthesized into an effective risk management dashboard for our executives' use. This dashboard captures where each of the 40 component agencies and offices stand in terms of quantity and types of assets, their vulnerability exposure as measured by outstanding patches and software versions, and the degree to which the environments are hardened based on their secure configuration baselines. DOJ has successfully transformed this FISMA compliance requirement into an effective tool to provide actionable intelligence, and reduced the Department's overall vulnerability footprint by over 50%.

DOJ strives to stay abreast of cybersecurity issues and improve the protection of its critical systems and information from attack and compromise. One of the major areas of focus for our continuous monitoring program is the identification of out-of-date software and its subsequent retirement or upgrade. These legacy systems are difficult to patch, do not easily accept automated monitoring and reporting, and frequently cannot utilize the most up-to-date software.

DOJ and its Components historically have worked together with OIG on its FISMA system assessments. Previous year plans of actions and milestones mitigation plans remain outstanding and DOJ continues to work closely with each affected Component to validate the plans and schedule for resolution and help remove impediments to closure. When OIG issues the reports and recommendations for FY 2015, we will coordinate with each affected Component to develop strong and actionable plan of action and milestones along with an agreed upon timeframe for resolution for each new finding. This proactive approach will improve the Department's cybersecurity posture and allow it to be better prepared to prevent intrusions.

3. Building Trust and Improving Police-Community Relationships.

Recent police-involved shootings and other use of force incidents in places like Baltimore, Maryland, Ferguson, Missouri, and New York City offer a stark illustration of the ongoing need to bridge the gap between law enforcement and the communities they serve and to bolster effective, accountable policing in all communities. Consequently, the Department devotes substantial resources to ensuring that policing is done in accordance with the Constitution, and to help local police departments and the communities they serve build trust where it has eroded.

The Department recognizes that the role of law enforcement is not only to enforce the law, but also to preserve the peace, minimize harm, and sustain community trust. DOJ's grant-making components oversee many successful programs that foster partnerships with state and local law enforcement agencies: OJP's National Initiative for Building Community Trust and Justice, an Administration priority, aids in building community trust in selected pilot sites by implementing strategies addressing implicit bias, procedural justice, and racial reconciliation; the National Forum on Youth Violence Prevention is a network of communities and federal agencies that work together, share information, and build local capacity to prevent and reduce youth violence; and the Violence Reduction Network provides a comprehensive approach to violence reduction that leverages existing resources across DOJ components to reduce crime in some of the country's most violent cities.

By forging state, local, and tribal partnerships among police, prosecutors, judges, victim advocates, health care providers, faith leaders, and others, Office on Violence Against Women (OVW) Services, Training, Officers, Prosecutors (STOP) Formula Grants to States and Grants to Encourage Arrest and Enforcement of Protection Orders help provide victims with the protection and services they need to pursue safe and healthy lives while improving communities' capacity to hold offenders accountable for their crimes. Promoting partnerships between law enforcement and the community is central to the mission of the Office of Community Oriented Policing Services (COPS Office) as crime reduction and community satisfaction are co-dependent entities. To support this effort, the COPS Office manages the COPS Hiring Program to assist state, local, and tribal law enforcement agencies who face economic challenges of keeping their communities safe while maintaining sufficient sworn personnel levels in a changing economic climate. Additionally, the COPS Office continues to partner with grantees to develop innovative publications and resources on a diverse range of topics such as hate crimes, drug market interventions, and identifying hot spots of juvenile offenses.

In addition to supporting national efforts to implement the recommendations outlined in the President's Task Force on 21st Century Policing, the Department, through the COPS Office, released the After-Action Assessment of the Police Response to the August 2014 Demonstrations in Ferguson, Missouri. This assessment, among many other things, highlighted the need for both accountability and transparency as critical components to building and maintaining trust within a community. Following these principles, the Department remains committed to transparency and the Freedom of Information Act process, and is also developing a Fair and Impartial Policing training program for federal law enforcement officers that is based on the COPS Office Fair and Impartial Policing suite of curricula and resources.

The Department's Community Relations Service (CRS) assists in reducing or mitigating conflicts by forging relationships with community leaders, school district officials, and local, city, and state law enforcement and elected officials. CRS works at the grassroots level to assist communities though facilitated dialogue services to help communities open lines of communication among stakeholder groups. CRS also offers consultation services to help communities respond more effectively to conflicts and improve their ability to address underlying issues.

The Department is actively working to improve the collection and analysis of data from local law enforcement agencies. Through the Collaborative Reform and Critical Response Initiative, the COPS Office continues to work with law enforcement agencies to reevaluate the collection and analysis of data in multiple areas such as use of force, traffic stops, and officer involved shootings. The Bureau of Justice Statistics (BJS) and the FBI are working to improve the collection and analysis of crime data through the National Crime Statistics-

Exchange, which aims to improve crime statistics from local police agencies by creating a national system of incident-based crime statistics on crimes known to the police. This system will allow for detailed descriptions of the incidents of violent crimes, including their attributes such as victim-offender relationship, use of a weapon, injury to victims, location and time of day, and other factors. The Arrest-Related Deaths Program is another BJS-FBI collaboration that aims to collect incident-based data on law enforcement use of force that results in serious injury or death, as well as all discharges of weapons at a human subject. This incident-based system would capture data on the characteristics of subjects in the incidents, some attributes of the officers, and the circumstances surrounding the incident. The National Crime Victimization Survey currently obtains data on crimes not reported to the police as well as those reported to the police.

FBI Director Comey has made Uniform Crime Reporting (UCR) Crime Data Modernization one of his top priorities. There is now a dedicated team focused on transitioning law enforcement agencies and UCR state programs that contribute statistical information to the UCR Program to the National Incident-Based Reporting System (NIBRS). The detail available on the incident-level data in NIBRS will enable users to gain better insight into the nature of violent crime, as well as property crimes and crimes against society. The UCR Crime Data Modernization Team is also addressing the lack of information on law enforcement use of force. The FBI UCR Program has proposed the expansion of current data collections to include law enforcement uses of force that result in the death of or serious physical injury to a person, or when the law enforcement officer discharges a firearm at a person.

The Department, through the Civil Rights Division, 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. These cases are very resource intensive, requiring a team of two to four attorneys, an investigator, and paralegal support to complete. To accomplish its complex and difficult enforcement mission to address unconstitutional policing, CRT must: carefully vet a multitude of facts, complaints and allegations to determine when to open an investigation; conduct a fair and thorough investigation, including reviewing thousands of pages of documents, analyzing stop and arrest data, and interviewing police staff and community stakeholders; prepare a publicly-released findings letter when violations are found; engage in sometimes extensive negotiations with jurisdictions to enter a consent decree or settlement agreement that will eliminate the pattern or practice of unconstitutional conduct; monitor implementation of the consent decree or settlement agreement; and, close cases once the pattern or practice has been eliminated.

The Department must carefully assess how to deploy its limited resources to achieve lasting reform. DOJ is limited in the number of new cases that it can bring while fulfilling its obligations in existing cases. CRT works closely with 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.

4. Safeguarding National Security Consistent with Civil Rights and Liberties.

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

DOJ continues to take steps to ensure that it not only focuses on international terrorism but domestic terrorism as well. The Domestic Terrorism Executive Committee (DTEC), was reconstituted late last fiscal year, and now meets on a quarterly basis. The DTEC is co-chaired by a member of the U.S. Attorney community, the NSD, and the FBI, and is designed to ensure collaboration and communication between law enforcement agencies and components regarding the threat of domestic terrorism. The committee provides a national-level forum for members of the Justice Department, the FBI, and a number of other law enforcement agencies, including several other departments -- Homeland Security, Treasury, Interior, and Agriculture -- to assess and share information about domestic terrorism threats and trends they see from their different vantage points. Within DOJ, the NSD created a new position – counsel for domestic terrorism matters – to assist with its important ongoing work to address and combat domestic terrorism. This domestic terrorism counsel will serve as NSD's main point of contact for U.S. Attorneys working on domestic terrorism matters, and will not only help ensure that domestic terrorism cases are properly coordinated, but will also play a key role in NSD's headquarters-level efforts to identify trends to help shape strategy, and to analyze legal gaps or enhancements required to ensure that DOJ can combat these threats. The domestic terrorism counsel will also play an important role with the DTEC by providing its members with insights from cases and trends from around the country

The Department continues to engage in outreach at the local level to foster trust, improve awareness, and educate communities about violence risk factors in order to stop radicalization to violence before it starts. DOJ has been extremely active in community based outreach across a broad range of issues. During the last three years alone, our United States Attorneys have leveraged their unique convening authorities to lead more than 2,500 engagement-related events in their communities.

The Department is working with our partners to build on past successes. DOJ, the Department of Homeland Security, and the National Counterterrorism Center selected three pilot regions to identify promising practices that will inform and inspire community-led efforts throughout the nation. The key to the pilot programs is to broaden the base of community leaders and key stakeholders involved at the local level to help eliminate conditions that lead to alienation and violent extremism, and to empower young people and other vulnerable communities to reject destructive ideologies. The Department is also exploring the possibility of post-conviction programs that might allow for sentencing relief under certain circumstances.

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

5. Ensuring Effective Oversight of Law Enforcement Programs.

As the nation's largest law enforcement agency, the Department is responsible for enforcing federal law while maintaining respect for privacy, civil liberties, and civil rights. Appropriate oversight of the Department's law enforcement components is essential to ensuring the consistent enforcement of federal law. The Department has numerous mechanisms that exist to establish and maintain a consistent approach to law enforcement across all components with a focus on the Department's strategic and law enforcement priorities. The Attorney General has established guidelines that direct the law enforcement components in the development of policies governing sensitive enforcement methods and tools.

The Department takes very seriously the principle that public service is a public trust, and requires all employees to adhere to certain ethical standards at all times. In response to the January 2015 OIG report, the Department issued more specific guidelines governing off-duty conduct and ethics. The first was a policy issued by Attorney General Holder in April 2015 expressly prohibiting the solicitation, procurement, or acceptance of prostitution, even on personal time and even where such conduct is legal or tolerated in a particular domestic or foreign jurisdiction. Second, an Ethics Handbook for Off-Duty Conduct (Handbook) was developed by the Justice Management Division's Departmental Ethics Office and issued in August

2015. The Handbook summarizes the principal ethics laws and regulations governing the off-duty conduct of all DOJ employees. Included in the Handbook are rules regarding: misuse of official position, political activities, outside activities (including outside employment), acceptance of gifts, entertainment and favors, conflicts of interest, and special rules for supervisors, special government employees, and attorneys.

In October 2015, the Deputy Attorney General directed all component heads to review and improve their policies and training programs relating to off-duty conduct, with particular focus on ensuring that allegations are properly and promptly investigated and that component charging practices and procedures are tightened and made more effective. This directive included a document entitled *Recommended Practices for Guiding Employee Off-Duty Conduct*, which identified leading practices for components to address the issue of inappropriate off-duty behavior. Further, each component was directed to report to the Departmental Ethics Office its plans to incorporate the guidelines in the component's training. Also in October 2015, the Assistant Attorney General for Administration issued a memorandum for all Department employees regarding off-duty conduct. The memorandum informed employees that they may be disciplined for off-duty conduct if there is a nexus between the offending conduct and the employee's job-related responsibilities. Certain positions, such as law enforcement and attorneys, were warned specifically that their conduct is subject to closer scrutiny with greater potential discipline for off-duty misconduct reflecting on honesty and integrity. Finally, the memorandum noted that marijuana is still a controlled substance under federal law, and all federal employees are required to refrain from the use of illegal drugs even during off duty time. The memorandum was emailed to all Department employees on October 8, 2015, and attached the Ethics Handbook described above. Together, these policies clearly communicate~~d~~ to employees appropriate off duty behavior.

The Department also recognizes that certain law enforcement activities carry potential risks. With regard to the Witness Security (WITSEC) Program, witnesses who are considered for relocation services must be subjected to an intensive vetting process, including a psychological examination, prior to being admitted into the Program. Witnesses are admitted into the Program only after the sponsoring law enforcement agency, the sponsoring United States Attorney, and the United States Marshals Service have provided detailed information and assessments to the CRM's Office of Enforcement Operations (OEO), and after OEO, based on that information and those assessments, has determined that the witness and family members are suitable for the Program, and that the need to admit the witness and family members outweighs the risk to the public and the relocation community. In the OIG review of the WITSEC program, the OIG noted that special consideration should be given to the potential admission of convicted sex offenders and terrorists into the Program. The Department agreed with the OIG's recommendations and has formalized and implemented Program protocols to mitigate the public safety risks posed by such Program participants, in addition to enhancing the sharing of risk information with other law enforcement officers. The Department believes that these changes were necessary, will provide additional security to the public, and will ensure greater internal oversight.

Regarding the use of confidential sources, the Drug Enforcement Administration (DEA) and CRM have undertaken a comprehensive review of DEA's confidential source policy. The policy is being revised to ensure that it is fully consistent with the *Attorney General's Guidelines Regarding the Use of Confidential Sources*. The revised policy will address the concerns raised by the OIG in its July 2015 Report, and it will ensure that the risks of using a confidential source are fully evaluated and considered before he or she is used and that adequate supervision is provided whenever a confidential source provides assistance. The revised policy is currently being reviewed by senior DOJ and DEA leadership. The FBI's use of Confidential Human Sources is governed by the *Attorney General's Guidelines Regarding the Use of FBI Confidential Human Sources* and by FBI policy, which specifically address the oversight required to effectively manage the risk that an FBI confidential source will take advantage of his/her status and break the law. The guidelines seek to manage this risk from the beginning of the FBI's operational relationship with the confidential source by requiring that, unless specifically authorized, the source is informed not to engage in criminal activity because he/she has no immunity from prosecution for any unauthorized criminal activity. This admonishment must be provided by at least one FBI agent with another government official present as a witness, and sets a clear expectation that the source will not be protected by the FBI if he/she engages in unauthorized criminal activity.

The Department appreciates the complexities, nuance, and risks associated with international law enforcement activities. DEA in particular has long followed a systematic, comprehensive operational planning and approval process that incorporates risk management assessments and guidance from senior DEA and DOJ leaders. DEA also remains mindful of evolving risk assessment requirements within DOJ, as well as developing best practices among U.S. interagency partners. Accordingly, the Department works continually to refine its operational planning practices, and to enhance its risk and consequence management efforts.

Through outreach, training, conferences, and active participation in various state and judicial venues, the Department is working toward timelier reporting of full and accurate criminal history records via the National Instant Criminal Background Check System (NICS). DOJ is auditing NICS to evaluate its effectiveness; focusing on how the FBI refers NICS purchase denials to the ATF, the ATF's review of those referrals, and whether prosecutions result from this process. The Department also supports states in the modernization of state records management systems so that final dispositions can be received electronically and is surging resources to reduce the number of delayed NICS transactions and allow executive management to better assess resource allocation. The FBI plans to deploy its "New NICS" in January 2016, which will provide processing efficiencies, timely system updates, and improved data sharing. In addition, the Department is evaluating options to search additional FBI databases that may prove beneficial in resolving delayed transactions.

Because the integrity of the Department is dependent upon the conduct of its individual employees, DOJ regards allegations of employee sexual harassment or misconduct in its law enforcement components very seriously. As the OIG stated, the FBI's offense table clearly addresses allegations of sexual misconduct and sexual harassment. The FBI Office of Professional Responsibility takes great care to ensure that the misconduct results in an appropriate and consistent disciplinary response. In response to the OIG report, ATF updated its table of penalties to include new offense categories for solicitation of prostitutes and inappropriate workplace relationships, as well as a category for sexual misconduct, and also instituted a mandatory Standards of Conduct training. The U.S. Marshals Service (USMS) supervisors and managers are required to report all allegations of sexual misconduct and sexual harassment to headquarters, and all employees are required read and acknowledge their understanding of the Code of Professional Responsibility. Following the OIG report, DEA reviewed its standards of conduct and disciplinary policies, examined and evaluated the offense categories specifically designed to address sexual misconduct and sexual harassment, and revised the table of offenses to coincide with other law enforcement components. As of October 2015, DEA has completed all actions required by the OIG.

Asset forfeiture is an important tool in law enforcement, and as such the Department ensures that its asset seizure programs and activities are effectively monitored, directed, and supervised. Following the Attorney General's order in January 2015, the Department strengthened federal oversight in state and local asset seizures in which the DOJ agencies were involved. A pivotal aspect of the Attorney General's order was determining whether there was federal law enforcement oversight and participation at the time of the seizure by state and local law enforcement officers. In response, DOJ promulgated additional guidance on February 10, 2015, in Policy Directive 15-2, which provided factors to consider when deciding whether a seizure qualified as a task force or joint investigation seizure and required a two-step approval process to ensure that the forfeiture was permissible under the Attorney General's order. The FBI has conducted field training at various field offices and a national Asset Forfeiture training to various Chief Division Counsels, Assistant Division Counsels, Agents, and other FBI employees to ensure compliance with the new policy, while DEA effectively implements training, policy and operational requirements for law enforcement personnel regarding interdiction operations at mass transportation facilities worldwide.

Regarding the Department's use of Unmanned Aircraft Systems in law enforcement operations, on June 29, 2015 the FBI and the Federal Aviation Administration (FAA) signed a memorandum of understanding that expands the locations and times that the FBI can operate its drones without first requesting written FAA permission.

6. Promoting Public Confidence by Ensuring Ethical Conduct throughout the Department.

As noted above, the Department takes very seriously the principle that public service is a public trust, and requires all employees to adhere to certain ethical standards at all times. While it is impossible for any organization as large and complex as the Department to maintain a perfect record, DOJ strives to vigilantly maintain the integrity of its employees in order to ensure public confidence in the administration of justice.

The Department has made significant improvements in the hiring process for full time employees, contractors and interns and has closed the previous weakness identified in the OIG report related to INTERPOL Washington. INTERPOL Washington has restructured its administrative management team by reassigning the duties of the previous Executive Officer position to newly created Chief Financial Officer and Administrative Officer positions. These new senior management positions now share oversight responsibility over all administrative, human resources, and financial business processes. All INTERPOL Washington supervisors and participants in the hiring process are required to complete mandatory Human Resource and Hiring training courses, and every selected new employee, contractor, and intern must complete and sign a DOJ/Justice management Division (JMD) Disclosure Form to disclose the names of any family members who are currently employed by the Department. The disclosure form, in addition to the independent review conducted by JMD Human Resources, provides sufficient internal and external controls to prevent future nepotism or favoritism in INTERPOL Washington's hiring practices. Regarding the OIG report on a case of USMS favoritism in hiring, JMD is currently reviewing USMS hiring case files and policies. The USMS has provided JMD with requested available hiring cases dating back to 2010 as well as policies and standard operating procedures. The review is ongoing and the USMS will continue to provide requested information and records.

The Department agrees that it must ensure that its employees safeguard sensitive information they encounter in the course of their duties and has taken multiple actions to mitigate this type of threat. The FBI established the Insider Threat Center (InTC) in FY 2015 to centralize coordination of the Insider Threat Program, including issues related to the safeguarding of sensitive information. The FBI developed a new, all personnel training module that covers the handling and safeguarding of sensitive information among other insider threat topics. Additionally, the InTC is developing a referral system to automate a risk-based review of FBI personnel that exhibit behaviors consistent with those associated with insider threats. FBI has revised its policy on handling drug evidence in response to the lack of controls identified by OIG as part of the Lowry investigation. The newly published Field Evidence Management Policy Guide, effective in April of 2015, adds additional restrictions on drug handling and transporting including additional requirements for supervisor approval. DEA has implemented additional controls to help detect any potential fraud, including a bi-weekly reconciliation of the list of travel card holders obtained directly from the bank with DEA's employment records, and review of that reconciliation by the Financial Integrity Section. In addition to ensuring that travel cards are active only for employees and task force officers on board and that this process is segregated and performed independently, routine delinquency monitoring has also been segregated and is performed completely independent. DEA is also pursuing preventative controls, including having the bank run credit worthiness checks on each application submitted and requiring multi-person approvals on credit card applications. DEA has established ethical guidelines for its employees that form the basis for the Standards of Conduct issued and acknowledged annually by every DEA employee. Supervisors and employees alike are required to report violations of the Standards of Conduct to their respective supervisors or the Office of Professional Responsibility; failure to report such allegations may result in serious sanctions for the subject employee. The Office of Professional Responsibility refers every allegation of misconduct to both the DOJ OIG and to the DEA Office of Security Programs for review.

The Department recognizes the important role played by whistleblowers. To help educate employees about their rights as whistleblowers, in April 2014, the Deputy Attorney General sent a memo to all employees that discussed the importance of reporting waste, fraud, and abuse and provided a link to a training video on whistleblowers' rights created by the OIG. The Department has also taken a number of steps to improve the process for FBI employees who report complaints. Specifically, Department has provided additional resources to the Office of Attorney Recruitment and Management, ensured access to alternative dispute resolution, and the FBI has created a new training program for all FBI employees. Additionally, the Department has committed to drafting new regulations to update its whistleblower protection procedures for FBI employees, including proposing to expand the list of officials to whom a protected disclosure may be made.

In response to the OIG's statement that on occasion they were not provided timely access to certain records, the Department has repeatedly stated its commitment to ensuring that the OIG has access to the information it needs to perform its oversight mission effectively. In every instance where the OIG has sought access to legally-restricted material – such as grand jury material protected by Federal Rule of Criminal Procedure 6(e), Title III wiretap information, or materials protected by the Fair Credit Reporting Act – from the Department, the Attorney General or the Deputy Attorney General has ensured that the OIG obtained the requested material. In keeping with our commitment, the Department has been working to draft a legislative proposal that would guarantee that its OIG has access to the information it needs to conduct its investigations and reviews, including information protected from disclosure by statutes such as the Federal Wiretap Act, Rule 6(e) of the Federal Rules of Criminal Procedure, and section 626 of the Fair Credit Reporting Act (FCRA). On November 3, 2015, the Department provided to Congress draft legislation to ensure that OIG receives the documents it needs to complete its reviews. We look forward to working with OIG and Congress to address this important issue.

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

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

The Department takes seriously the need to take effective disciplinary action against employees who have engaged in misconduct, especially attorneys who have committed professional misconduct. That is just one reason why the Department created the Professional Misconduct Review Unit (PMRU). In announcing the creation of the PMRU on January 14, 2011, the Attorney General noted that Department attorneys are dedicated to the cause of justice, and demonstrate on a daily basis their commitment to the highest ethical standards. The PMRU is dedicated exclusively to the fair, but expeditious resolution of disciplinary matters arising out of findings of professional misconduct by OPR. This singular focus has allowed the PMRU to increase the timeliness of resolutions and to ensure the consistent and equitable treatment of similarly-situated employees. Moreover, the PMRU has provided Department attorneys with a fair and transparent opportunity to respond to OPR's findings of professional misconduct and any disciplinary actions arising from such findings. The PMRU established a record of efficiently and effectively handling the matters referred to it and its operations are fully consistent with the requirements of federal law and regulations. To build on the PMRU's success, the Deputy Attorney General issued a memorandum on January 30, 2015, that extends the PMRU's disciplinary and bar referral authority to attorneys who work in nearly all Department of Justice components. This expansion ensured timely and consistent resolutions of misconduct allegations throughout the Department.

7. Effectively Implementing Performance-Based Management.

The Department is committed to the development of results-oriented performance measurement and has processes in place to monitor and improve its measures. As stated in the OIG's 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 recently published new FY 2016-2017 Priority Goals through performance.gov, reflecting the Attorney General's top priorities through results-oriented measures related to national security, cybercrime, strengthening relationships with communities, 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, per the Strategic Objective Review, the Department conducts an annual assessment on the progress toward achieving the strategic objectives described in the DOJ Strategic Plan. The Strategic Objective Review 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.

The Department agrees that better recordkeeping is important to help assess the results of its initiatives. In regards to Smart on Crime, the Department will continue to assess, clarify, and provide greater context concerning the 16 indicators to make them more accessible and understandable. However, it is worth noting that these indicators were not initially designed for the purpose of incentivizing prosecutorial conduct by setting measurable targets or goals. The Department must be careful in the way it measures performance, mindful that in some instances, requiring certain results-oriented outcomes could potentially violate professional standards of ethical conduct or lead to unintended and possibly adverse consequences. In particular, DOJ is reluctant to set goals or targets for discretionary prosecutorial activity, such as charging or declining cases or initiating diversion programs. Nevertheless, current data has allowed the Department to make some helpful preliminary assessments of Smart on Crime: (1) drug defendants are being charged with a crime carrying a mandatory minimum sentence twenty percent less frequently than before the Smart on Crime Initiative; (2) fewer defendants were charged with federal crimes in 2015, as compared to prior years; and (3) overall sentences in drug cases have been reduced post-Smart on Crime.

To address data on recidivism, BOP has developed an evaluation plan that includes all national reentry programs. BOP has completed the research methodology for the Residential Sex Offender Treatment Program evaluation, which will evaluate rates of recidivism as measured by whether a treatment subject or comparison subject was arrested after release from prison for a sexual offense or for another offense. Comparison subjects, chosen from a pool of untreated sex offenders considered for residential treatment, were selected to approximate the characteristics of treatment subjects. The first of the periodic examinations of recidivism are near completion, with more to come over time.

Regarding the Department's debt collection program, the Consolidated Debt Collection System (CDCS) was not designed to be a case tracking system, performance management system, or business management tool for EOUSA and the Financial Litigation Units (FLUs) in the various USAOs. Rather, the CDCS is a debt collection Information Technology system that assists FLUs and other applicable personnel in establishing debts, corresponding with debtors through the generation and mailing of documents, recording account balances and the accrual of interest, recording payments received from debtors, and performing other financial and administrative tasks associated with the collection of debts. The Department initiated work on an analytics capability in 2013 to better use information stored in CDCS to assist EOUSA with improving debt collection. Since that time, several reporting dashboards have been created that allow EOUSA to compare debt collection performance between entities and measure debt collection effectiveness. The Debt Collection Management Staff is experimenting with estimating debt collectability and working to add new variables that will improve accuracy and reliability of this information.

The Department of Justice *Human Capital Strategic Plan for 2015-2018* includes the goal of Strengthening the DOJ Workforce. To operationalize the strategic plan, the Department has annual Strategic Human Capital Objectives that include initiatives such as increasing the number of new hires by renewing focus on the Pathways program, establishing a DOJ Recent Graduates program, and utilizing all available authorities to hire the highest quality workforce in the most efficient manner possible while upholding the Merit Systems Principles and avoiding Prohibited Personnel Practices. These objectives demonstrate that the Department recognizes the need to plan for the future DOJ workforce, and is taking action to provide the necessary infrastructure for hiring and developing new talent.

The Department is also actively participating in the government-wide Executive Steering Committee on Closing Skill Gaps in Mission Critical Occupations (MCOs). The Committee has identified government-wide and agency-specific mission critical occupations, and is working to identify high-risk MCOs and develop strategies, set targets, monitor progress, and evaluate results in mitigating those risks. The Department recently established and filled a position dedicated to strategic human capital management. In part, this position is responsible for providing data and supporting workforce planning initiatives for DOJ MCOs. DOJ is enhancing the utility of HRStat data-driven reviews by involving stakeholders from outside the Human Capital community to enrich their understanding of Human Capital strategic goals and objectives. As part of the Department's quarterly HRStat review, JMD Human Resources and DOJ components will report progress in closing any skill gaps for MCOs, and will reach out to stakeholders from those occupational communities to share data regarding the health and vitality of their occupations. These actions demonstrate that the Department is fully engaged in strategic workforce planning for DOJ's current and future workforce.

8. Protecting Taxpayer Funds from Mismanagement and Misuse.

The Department concurs with the OIG that there are numerous opportunities for improved efficiency to save taxpayer dollars. To that end, the Department takes proactive measures to continually assess areas in which it might create savings and improved monitoring of funds within the Department's control. DOJ takes very seriously its responsibility to protect taxpayer dollars, and has taken numerous steps in recent years to ensure that Department resources are being managed efficiently and effectively.

Funds Spent within the Department

The OIG stated in its report that the FBI, Criminal Division, National Security Division (NSD) and Executive Office for U.S. Attorneys and U.S. Attorney's Offices have made extensive use of Temporary Duty (TDY) but did not adequately track extended TDY. Travel and extended travel are often required to accomplish the mission of the Department's components. JMD Finance has drafted and will soon finalize and issue Department-wide travel policy that addresses the concerns made by the OIG. These new travel policies will allow for better tracking of expenses and extended travel provisions and will allow for stronger oversight and control of the Division's resources. In anticipation of the new travel policy, components have instituted controls and procedures to manage travel and control costs. FBI employees on TDYs, including joint duty assignments, are tracked in the FBI's human resources system, HRSource. Both CRM and EOUSA put into place new processes to report and track extended TDY. EOUSA management has also sought a written opinion from the Internal Revenue Service on the taxability of housing provided to detailees at the National

Advocacy Center. Finally, NSD has made significant changes to its extended TDY record-keeping practices to ensure accuracy and consistency.

The OIG found that the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) spent approximately $600,000 on Unmanned Aircraft Systems (UAS) vehicles, commonly referred to as drones, but never flew them operationally. A week after ATF suspended its UAS program and disposed of the drones, another ATF staff spent approximately $15,000 for five commercial drones. ATF issued a policy requiring the purchase of UAS to be approved by the Deputy Assistant Director for Programs and coordinated through the Special Operations Division (SOD). Further, the policy requires SOD to conduct a needs analysis prior to the purchase of UAS. OIG considered these actions sufficient and closed the recommendation.

EOUSA agrees with the OIG that sufficient resources should be allocated to the debt collection function, however in balancing competing resource demands, the collectability of outstanding debt must also be considered in determining the appropriate staffing levels. EOUSA recognizes the potential benefits of more effective asset recovery collaboration within the U.S. Attorneys' offices and has commenced a comprehensive review to identify practices and strategies that would enhance its debt collection efforts. EOUSA is committed to developing and implementing new and innovative debt collection policies, practices, and resources that will take full advantage of technological advances and leverage existing resources to fulfill its debt collection mission.

Funds Spent via Contracts and Grants

The Office of Justice Programs (OJP) agrees that proper oversight of grant funds and administering those funds in the most fair and transparent way possible is critical; as such, grant oversight is unequivocally one of OJP's highest priorities. OJP integrates programmatic, financial, and administrative oversight throughout the grant lifecycle. OJP consistently exceeds its statutory requirement to conduct comprehensive monitoring of not less than 10 percent of total award dollars. In FY 2015, OJP completed in-depth programmatic monitoring of nearly 800 grants totaling $1.1 billion, 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 of its nearly 7,000 active grants. 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 2015, OJP's Office of the Chief Financial Officer (OCFO) monitored and reviewed approximately $1.4 billion (more than 10 percent) of active grant awards. This included on-site financial monitoring of 482 grants totaling $951 million, and 433 desk reviews totaling more than $461 million. As a result, OCFO identified almost $19 million in questioned costs and is pursuing corrective action with the grantees. In FY 2015, 505 grantees successfully completed OJP's on-line grants financial management training, 169 grantees attended OJP's in-person financial training seminars, and an additional 601 grantees attended special ad hoc training sessions customized to their needs.

OJP's Office of Audit, Assessment, and Management manages the DOJ-wide high-risk grantee designation process. DOJ's high-risk process provides for increased oversight and monitoring, as well as additional special conditions that restrict use of existing and/or new grant funds without prior formal approval. The COPS Office is also required by statute to monitor 10 percent of its active award portfolio each year and they use many of the same procedures as OJP, including a risk-based, data-driven approach to their oversight and monitoring. The COPS Office reports consistently accomplishing this goal each year.

OJP recognizes the increased risk presented with the additional funding appropriated under the Crime Victims Fund (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) are taking 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 in FY 2016 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 is enhancing its 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 within a new performance management system.

OJP is working with OIG to resolve outstanding issues regarding jail construction grants to the Navajo Nation and is working with OIG to resolve outstanding issues. OJP, OVW, and COPS Office are developing training videos for tribes on the DOJ grant award process and how to develop and implement sound grant management practices. Elements of the series include an overview of the DOJ grants lifecycle, as well as grant fraud, waste, and abuse. The Department anticipates the videos will be released in early 2016.

The OIG report cited concerns with OJP's oversight of grant awards. In FY 2015, DOJ worked with 125 grantees designated as high-risk, including the Puerto Rico Department of Justice (PRDOJ). Based on OIG's findings for PRDOJ, coupled with the Commonwealth's financial climate, OJP took immediate action to protect the federal funds awarded to Puerto Rico, including designating the entire Commonwealth as a DOJ high-risk grantee, imposing immediate holds on Puerto Rico's access to existing and new grant awards, and adding new award special conditions to Puerto Rico's remaining open grants, which permits the drawdown of funds by formal request and approval only. DOJ leadership is actively involved in the White House interagency task force on Puerto Rico, which was established to address issues with Puerto Rico. OJP provides frequent updates to DOJ leadership on the status of Puerto Rico's grants, including programmatic and financial data.

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, 2015	
Issue Title Prison Crowding	**Issue ID** 06BOP001	**Component Name** Bureau of Prisons

Issue Category

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

Issue Category – SAT Concurrence or Recategorization

Concur

Issue Description

As of September 30, 2015, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 23 percent, down from an overcapacity rate of 30 percent as of the end of FY 2014. The impact of the Department's Smart on Crime initiative, legislative changes, and Clemency have all contributed to reducing the inmate population; nonetheless, the BOP continues to experience dangerously high levels of crowding particularly at higher-security institutions.

Crowding presents critical 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. For example, because of years of high overcapacity rates and understaffing, a significant number of inmates are on waiting lists for most inmate programs, to include the GED program with approximately 16,000 inmates on the waiting list. While every effort is being made by the BOP to address the backlog, it will take several years due to limited classroom size and teaching staff, as well as the rising costs associated with offering the program in multiple languages and regularly upgrading computer equipment and training content to ensure the program is aligned with community standards. The FY 2015 budget for the BOP was essentially flat from the FY 2014 level. The proposed FY 2016 budget takes into account the declining inmate population but includes investments in additional staffing and 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.[1] The BOP's formal Corrective Action Plan includes utilizing contract facilities; expanding existing institutions; and acquiring, constructing, and activating new institutions as funding permits. The BOP will continue to validate progress on construction projects at new and existing facilities through on-site inspections or by reviewing monthly construction progress reports.

This material weakness was first reported in 2006. Remediation of the weakness through increasing prison capacity is primarily dependent on funding. Other correctional reforms and alternatives will require policy and/or statutory changes. Other initiatives notwithstanding, if the acquisition, expansion, construction, and activation plans detailed in the BOP's Long Range Capacity Plan are funded as proposed, the overcapacity rates for FYs 2016 and 2017 are projected to be 12 percent and 11 percent, respectively.

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

[1] The BOP's Long Range Capacity Plan relies on multiple approaches to house the federal inmate population, such as contracting with the private sector and state and local facilities for certain groups of low-security inmates; expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring, constructing, and activating new facilities as funding permits.

Business Process Area (N/A for Section 2 and Section 4 issues)			
Not Applicable			
Date First Identified	**Original Target Completion Date**	**Current Target Completion Date**	**Actual Completion Date**
2006	09/30/2012	Dependent on funding	

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

Description of Remediation

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

Milestones	Original Target Date	Current Target Date	Actual Completion Date
1. As of September 30, 2006, the inmate population in BOP owned and operated institutions reached 162,514 and was housed in a capacity of 119,510, resulting in an over-crowding rate of 36 percent.	09/30/2006		09/30/2006
2. As of September 30, 2007, the inmate population in BOP owned and operated institutions reached 167,323 and was housed in a capacity of 122,189, resulting in an over-crowding rate of 37 percent, an increase of 1 percent for the year.	09/30/2007		09/30/2007
3. As of September 30, 2008, the inmate population in BOP owned and operated institutions reached 165,964 and was housed in a capacity of 122,366, resulting in an over-crowding rate of 36 percent, a decrease of 1 percent for the year.	09/30/2008		09/30/2008
4. As of September 30, 2009, the inmate population in BOP owned and operated institutions reached 172,423 and was housed in a capacity of 125,778, resulting in an over-crowding rate of 37 percent, an increase of 1 percent for the year.	09/30/2009		09/30/2009
5. As of September 30, 2010, the inmate population in BOP owned and operated institutions reached 173,289 and was housed in a capacity of 126,713, resulting in an over-crowding rate of 37 percent, the same rate as at the end of the previous year.	09/30/2010		09/30/2010
6. As of September 30, 2011, the inmate population in BOP owned and operated institutions reached 177,934 and was housed in a capacity of 127,795, resulting in an over-crowding rate of 39 percent, an increase of 2 percent for the year.	09/30/2011		09/30/2011
7. As of September 30, 2012, the inmate population in BOP owned and operated institutions reached 177,556 and was housed in a capacity of 128,359, resulting in an over-crowding rate of 38 percent, a decrease of 1 percent for the year.	09/30/2012		09/30/2012
8. As of September 30, 2013, the inmate population in BOP owned and operated institutions reached 176,849 and was housed in a capacity of 129,726, resulting in an over-crowding rate of 36 percent, a decrease of 2 percent for the year.	09/30/2013		09/30/2013
9. As of September 30, 2014, the inmate population in BOP owned and operated institutions reached 172,742, and was housed in a capacity of 132,803, resulting in an over-crowding rate of 30 percent, a decrease of 6 percent for the year.	09/30/2014		09/30/2014
10. As of September 30, 2015, the inmate population in BOP owned and operated institutions reached 165,164 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. Planning estimates call for a rated capacity of 135,174 to be reached by the end of FY 2016. The over-crowding rate is projected to be 13 percent at that time, a decrease of 10 percent for the year.	09/30/2016		
12. Planning estimates call for a rated capacity of 136,250 to be reached by the end of FY 2017. The overcapacity rate is projected to be 11 percent at that time, a decrease of 2 percent for the year.	09/30/2017		

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 on 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 2016 funding is unknown at this point because the FY 2016 budget has not been enacted. The Department of Justice's proposed FY 2017 budget for BOP is under review at the Office of Management and Budget.

Planned Measures to Prevent Recurrence

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

Validation Indicator

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

Organizations Responsible for Corrective Action

BOP Administration Division and Program Review Division

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Undisbursed Balances in Expired Grant Accounts

Section 536 of the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2012 (Act) of the Consolidated Appropriations Act, 2010 (Pub. Law 112-55) requires certain departments, agencies, and instrumentalities of the United States Government receiving appropriations under the Act to track undisbursed balances in expired grant accounts for FY 2015.

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 2015, the below information is required to be reported in the Agency Financial Reports and annual performance plans/budgets with regard to undisbursed balances in expired grant accounts: 1) details on future action the department, agency, or instrumentality will take to resolve undisbursed balances in expired grant accounts; 2) the method that the department, agency, or instrumentality uses to track undisbursed balances in expired grant accounts; 3) identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States; 4) in the preceding three fiscal years, details on the total number of expired grant accounts with undisbursed balances (on the first day of each fiscal year) for the department, agency, or instrumentality and the total finances that have not been obligated to a specific project remaining in the accounts.

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

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

COPS closely monitors the financial activity of all its grantees. This includes requiring all grant recipients to report the financial expenditures for all COPS awards on a quarterly basis. COPS has a 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 2012: 5 accounts; $485.6 in undisbursed and unobligated balances
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

COPS:
FY 2012: 1 account; $580.3 in undisbursed and unobligated balances
FY 2013: 1 account; $277.5 in undisbursed and unobligated balances
FY 2014: 1 account; $115.1 in undisbursed and unobligated balances
FY 2015: 1 account; $84.4 in undisbursed and unobligated balances

OVW:
FY 2012: 1 account; $63.2 in undisbursed and unobligated balances
FY 2013: 1 account; $23.5 in undisbursed and unobligated balances
FY 2014: 1 account; $11.1 in undisbursed and unobligated balances
FY 2015: 1 account; $10.5 in undisbursed and unobligated balances

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APPENDICES

(UNAUDITED)

APPENDIX A

Office of the Inspector General
Analysis and Summary of Actions Necessary to Close the Report

The Office of the Inspector General (OIG) provided a draft of the *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* to the Department of Justice (Department). The Department's response is incorporated in the *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* of this final report. The following provides the report's recommendations, the status of the recommendations, the OIG's analysis of the response, and a summary of actions necessary to close the report.

Recommendation:

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.**

   Resolved. The Department concurred with our recommendation. The Department stated in its response that it is in the process of establishing procedures to identify new or significant cash collections and ensuring that the program and financial management offices are in agreement with proper classification. The Department also stated that the format of the statement of custodial activity will also undergo a thorough review as part of the annual review of the financial statement preparation guide.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that the Department has properly implemented procedures to identify new or significant cash collections and proper classification.

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.**

   Resolved. The Department concurred with our recommendation. The Department stated in its response that it is in the process of establishing a formal annual review of all cost allocation methodologies to ensure proper reporting of costs by strategic goal.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that the Department has implemented a formal process of verifying cost allocation methodologies against strategic goal objectives.

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.**

   Resolved. The Department concurred with our recommendation. The Department stated in its response that it is in the process of establishing a formal annual review process involving budget formulation, budget execution, and financial reporting to ensure proper, accurate, and consistent reporting in the financial statements.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that the Department adequately reviews the complex or unusual transactions that occur to ensure proper, accurate, and consistent reporting in the financial statements and footnotes.

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.**

   Resolved. The Department concurred with our recommendation. The Department stated in its response that it will implement additional controls to increase the rigor and precision over financial reporting.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that the Department has implemented additional controls over certain components to increase rigor and precision over financial reporting.

APPENDIX B

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 2014 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 2015, the Department disseminated an updated risk assessment survey instrument for Department components to use in conducting the required risk assessment. The instrument examined disbursement activities against eight risk factors, such as payment volume and process complexity, and covered commercial payments, custodial payments, benefit and assistance payments, grants and cooperative agreements, and employee disbursements.[2]

The Department's risk assessment methodology for FY 2015 did not change from FY 2014. For FY 2015, the methodology again included assessing risk against various risk factors and for various payment types. In addition, the results of the FY 2015 risk assessment did not change from FY 2014. For FY 2015, the Department-wide risk assessment again determined there were no programs susceptible to significant improper 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.

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

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

In FY 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 AFR for FY 2014 and the reporting details that follow for FY 2015 address Disaster Relief Act funds as susceptible to significant improper payments.

Item II. Statistical Sampling. 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 2014 AFR.

Based on the results of the FY 2015 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2014. Two Department programs received Disaster Relief Act funding – the Law Enforcement Program and the Prisons and Detention Program. As required by OMB implementing guidance, the Department designed a sampling methodology to obtain a statistically valid estimate of the annual amount of improper payments made with Disaster Relief Act funds. The Department submitted the methodology to OMB for review, and OMB's feedback did not require any updates to the methodology. The sample was designed as a single stage stratified random sample. Payment amounts were used to define the stratum boundaries. A single certainty (or take-all) stratum was used for payment amounts that were large relative to the rest of the data. The remaining payments were stratified based upon payment amounts and randomly selected. Due to the limited number of FY 2014 payments associated with the Law Enforcement Program, 100 percent of payments made with Disaster Relief Act funds for this program were tested, rather than a sample.

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

Item III. 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;**
- **where no measurement is provided, the agency should indicate the date by which a measurement is expected and add a note to explain why there was no measurement;**
- **if the Current Year (CY) is the baseline measurement year, and there is no Previous Year (PY) information to report, indicate by either "Note" or "N/A" in the PY column;**
- **if any of the dollar amounts included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible;**
- **agencies are expected to report on CY activity, and if not feasible then PY activity is acceptable if approved by OMB (agencies should include future year outlay and improper payment estimates for CY+1, +2, and +3; future year outlay estimates should**

match the outlay estimates for those years as reported in the most recent President's Budget); and

- **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.**

Based on the results of the FY 2015 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 2014 and 2015, along with estimated outlays for FYs 2016 through 2018. Also, the table provides actual and estimated improper payments through FY 2018. As shown, the gross estimate of the annual amount of improper payments is $0 for FYs 2014 through 2018. The future year improper payment estimates are based on the results of testing performed in FY 2015. In FY 2016, 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 2014			FY 2015				
	Outlays	Improper Payments %	Improper Payments $	Outlays	Improper Payments %	Improper Payments $	Over-payments $	Under-payments $
Law Enforcement	$2.245	0%	$0	$0.529	0%	$0	$0	$0
Prisons and Detention	$1.348	0%	$0	$1.395	0%	$0	$0	$0

DOJ Mission-Aligned Program	FY 2016			FY 2017			FY 2018		
	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	$2.244	0%	$0	$2.114	0%	$0	$0.000	0%	$0
Prisons and Detention	$0.172	0%	$0	$0.000	0%	$0	$0.000	0%	$0

B. For high-priority programs, agencies shall provide a basic 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 2015 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 2014 and 2015 identified no improper payments; therefore, an analysis and summary of improper payment root causes was not applicable.

Item V. 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 2015 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 2015 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 2015 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 2015 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 2015 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 2015, five 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 2015, 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 2015, there were four overpayments totaling approximately $199,000 that components determined not to be collectible. Three related to expenditures by grantees totaling approximately $184,000 (or 92 percent) that were determined not to be collectible due to fiscal distress. The fourth was determined not to be collectible due to lengthy collection efforts being unsuccessful.

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, 2015, the Department achieved an annual payment recapture rate of 94 percent.[3] Table 4 on the following page provides additional detail on the approximate $9.5 million in improper payments identified in FY 2015 through the Department's payment recapture audit program and the approximate $8.9 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 2015 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 rate for grants was approximately 48 percent, while the rate for all other payment types ranged from approximately 92 percent to 100 percent. The lower rate for grants is attributed in part to factors that extend the time frame for receiving recaptured grant funds; e.g., some grantees have been placed on multi-year repayment programs based on ability to pay and other factors. The lower rate is also attributed to the identification of one overpayment totaling approximately $316,000 on September 9, 2015, which did not allow enough time for the collection process to be completed by fiscal year-end (September 30), and the three overpayments mentioned above totaling approximately $184,000 that were determined not to be collectible. In FY 2016, the Department will focus on improving the recapture rate for grants and sustaining the high recapture rates for all other payment types.

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[3] The 94 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
Improper Payment Recaptures with and without Audit Programs
(Dollars in Millions)

DOJ Mission-Aligned Program	Overpayments Recaptured through Payment Recapture Audits														
	Contracts					Grants					Benefits				
	Amount Identified	Amount Recaptured	FY 2015 Recapture Rate	FY 2016 Target	FY 2017 Target	Amount Identified	Amount Recaptured	FY 2015 Recapture Rate	FY 2016 Target	FY 2017 Target	Amount Identified	Amount Recaptured	FY 2015 Recapture Rate	FY 2016 Target	FY 2017 Target
Administrative, Technology, and Other	$0.564	$0.563	99.8%	87%	88%	N/A[5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Litigation	$1.164	$0.925	79.5%	87%	88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Law Enforcement	$1.915	$2.179	113.8%[6]	87%	88%	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	$0.130	$0.131	100.8%[6]	87%	88%	$0.967	$0.461	47.7%	85%	85%	$0.043	$0.043	100.0%	87%	88%
Prisons and Detention	$4.206	$4.157	98.8%	87%	88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	$7.979	$7.955	99.7%	87%	88%	$0.967	$0.461	47.7%	85%	85%	$0.043	$0.043	100%	87%	88%

DOJ Mission-Aligned Program	Overpayments Recaptured through Payment Recapture Audits (continued)								Overpayments Recaptured outside of Payment Recapture Audits[8]	
	Other[7]					Total (all payment types)				
	Amount Identified	Amount Recaptured	FY 2015 Recapture Rate	FY 2016 Target	FY 2017 Target	Amount Identified	Amount Recaptured		Amount Identified	Amount Recaptured
Administrative, Technology, and Other	$0.027	$0.022	81.5%	86%	87%	$0.591	$0.585		$0.000	$0.000
Litigation	$0.052	$0.053	101.9%[6]	85%	86%	$1.216	$0.978		$0.450	$0.413
Law Enforcement	$0.391	$0.356	91.0%	85%	86%	$2.306	$2.535		$0.016	$0.016
State, Local, Tribal, and Other Assistance	$0.000	$0.000	-	85%	86%	$1.140	$0.635		$10.393	$6.656
Prisons and Detention	$0.001	$0.001	100.0%	85%	86%	$4.207	$4.158		$2.029	$0.000
TOTAL	$0.471	$0.432	91.7%	85%	86%	$9.460	$8.891		$12.888	$7.085

5 An N/A response indicates the payment type is not applicable for the program.

6 The improper payments recaptured exceeded the improper payments identified due to the recapture during FY 2015 of improper payments identified in previous years.

7 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.).

8 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 2015 through the Department's payment recapture audit activities. As shown in the table, $8.887 million of the $8.891 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 2015	Disposition	
			Returned to Original Fund	Payment Recapture Auditor Fees
Administrative, Technology, and Other	Contracts	$0.563	$0.563	
	Other	$0.022	$0.022	
Litigation	Contracts	$0.925	$0.924	$0.001
	Other	$0.053	$0.053	
Law Enforcement	Contracts	$2.179	$2.179	
	Other	$0.356	$0.356	
State, Local, Tribal, and Other Assistance	Contracts	$0.131	$0.131	
	Grants	$0.461	$0.461	
	Benefits	$0.043	$0.043	
Prisons and Detention	Contracts	$4.157	$4.154	$0.003
	Other	$0.001	$0.001	
TOTAL		$8.891	$8.887	$0.004

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 2015. 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 2015. Of the $3.4 million in overpayments that were outstanding more than a year, approximately $2.8 million (or approximately 82 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	$0.003	$0.000	$0.352	$0.000
	Other	$0.000	$0.004	$0.000	$0.000
Litigation	Contracts	$0.252	$0.004	$0.034	$0.000
	Other	$0.001	$0.000	$0.000	$0.000
Law Enforcement	Contracts	$0.074	$0.016	$0.057	$0.000
	Other	$0.075	$0.078	$0.080	$0.000
State, Local, Tribal, and Other Assistance	Grants	$0.357	$0.008	$2.234	$0.184
Prisons and Detention	Contracts	$0.229	$0.004	$0.616	$0.015
TOTAL		$0.991	$0.114	$3.373 (of which $2.780 million has been referred to the Treasury for collection)	$0.199

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 2016, 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 of available databases.

IPERIA also requires OMB to submit to the Congress an annual report, which may be included as part of another report submitted to Congress by the Director, regarding the operation of the Do Not Pay Initiative, which shall (A) include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards and (B) provide the frequency of corrections or identification of incorrect information. To support this requirement, 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 payments to recipients who are screened thoroughly during the application process. The Department's vendor payments are made following a review of vendor eligibility in SAM, as required by the Federal Acquisition Regulation. Therefore, the Department's implementation of the Do Not Pay Portal has primarily consisted of post-payment screening and vendor table continuous matching. The following table summarizes how the Department uses the IPERIA listed Do Not Pay databases, if applicable.

Department of Justice Use of Do Not Pay Databases

Do Not Pay Database	DOJ Use
Death Master File	Post-payment comparison (including benefits, grants, vendor payments, and employee payments) as part of Payment Integration reporting.
Excluded Parties List System (SAM Exclusions)	Contracting Officers use SAM Exclusions as part of the pre-award vendor screening process. Grant-making components may optionally use SAM Exclusions as part of grant application review process. DOJ uses conclusive SAM Exclusions matching to identify vendors who may need to be deactivated from system vendor tables.
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).

The Department has not incorporated databases not listed in IPERIA into existing business processes and programs to prevent improper payments and does not plan to because the listed IPERIA databases provide comprehensive information to support a thorough review on eligibility to prevent improper payments before the release of DOJ funds.

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.

Prior to FY 2015, the Department only had access to the unrestricted version of the SAM Exclusions List, which was unable to provide conclusive matching for vendors without DUNS numbers (used for about half of the Department's payments). Through the use of the Treasury's Payment Application Modernization /Do Not Pay Payment Integration, which uses the restricted SAM Exclusions List for matching, the Department has received improved SAM Exclusions post-payment matching.

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

The Department is in the process of becoming a source agency for CAIVRS and did not provide data for CAIVRS during FY 2015. Therefore, there were neither corrections nor identification of incorrect information during FY 2015.

E. a thoughtful analysis linking agency efforts in establishing internal controls and reducing improper payment rates to the Do Not Pay Initiative, as appropriate.

The Do Not Pay Initiative has served mainly 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 future obligations from being processed for the vendor. This process reinforces the existing control, i.e., the review by contracting staff of a vendor's status in SAM.

F. include the table (Table 7) reflecting the dollar amounts and number of payments reviewed for improper payments during FY 2015.

The following table summarizes the Department's use of the IPERIA listed Do Not Pay databases applicable to DOJ programs in FY 2015, as well as the results of the reviews.

Table 7
Results of the Do Not Pay Initiative in Preventing Improper Payments
($ in Millions)

Reviews	Number of Payments Reviewed for Improper Payments	Dollars of Payments Reviewed for Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Potential Improper Payments Reviewed and Determined Accurate	Dollars of Potential Improper Payments Reviewed and Determined Accurate
Reviews with the IPERIA Listed Databases (DMF and SAM Exclusions)	1,459,236	$15,340.520	0	$0	0	$0
Reviews with Databases Not Listed in IPERIA	0	$0	0	$0	0	$0

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Appendix C

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

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
CHRP	COPS Hiring Recovery Program (under Recovery Act)
CIV	Civil Division
COPS	Office of Community Oriented Policing Services
CPCLO	Chief Privacy and Civil Liberties Officer
CPOT	Consolidated Priority Organization Target
CRM	Criminal Division
CRS	Community Relations Service
CRT	Civil Rights Division
CSCATL	Correctional Systems and Correctional Alternatives for Tribal Lands
CSRS	Civil Service Retirement System
CVF	Crime Victims Fund

D

DCM	Debt Collection Management

DEA	Drug Enforcement Administration
Department, The	Department of Justice
Disaster Relief	Disaster Relief Appropriations Act of 2013Act
DMF	Death Master File
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

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
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
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

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

L

LCM	Lower of average cost or market value

M

MCO	Mission Critical Operation

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
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
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
RECA	Radiation Exposure Compensation Act
Recovery Act	American Recovery and Reinvestment Act of 2009

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
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

W

WITSEC	Witness Security

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APPENDIX D

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
Office for Victims of Crime (OJP)	www.ojp.usdoj.gov/ovc/
Office on Violence Against Women	www.ovw.usdoj.gov/
Tax Division	www.justice.gov/tax/
U.S. Attorneys	www.justice.gov/usao/
U.S. Marshals Service	www.justice.gov/marshals/
U.S. Parole Commission	www.justice.gov/uspc/

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We Welcome Your Comments and Suggestions!

Thank you for your interest in the ***Department of Justice FY 2015 Agency Financial Report.*** We welcome your comments and suggestions on how we can improve this report for FY 2016. Please email any comments to: performance@usdoj.gov

This document is available on the Internet at:
http://www.justice.gov/ag/fy-2015-agency-financial-report

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