

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 its new Strategic Plan for fiscal years (FY) 2012-2016, is as follows:

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

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

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

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

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

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

Strategic Goals and Objectives

From our mission and core values stem the Department's strategic and annual planning processes. The Department embraces the concepts of performance-based management. At the heart of these concepts is the understanding that improved performance is realized through greater focus on mission, agreement on goals and objectives, and timely reporting of results. In the Department, strategic planning is the first step in an iterative planning and implementation cycle. This cycle, which is the center of the Department's efforts to implement performance-based management, involves setting long-term goals and objectives, translating these goals and objectives into budgets and program plans, implementing programs, monitoring performance, and

evaluating results. In this cycle, the Department’s 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>.

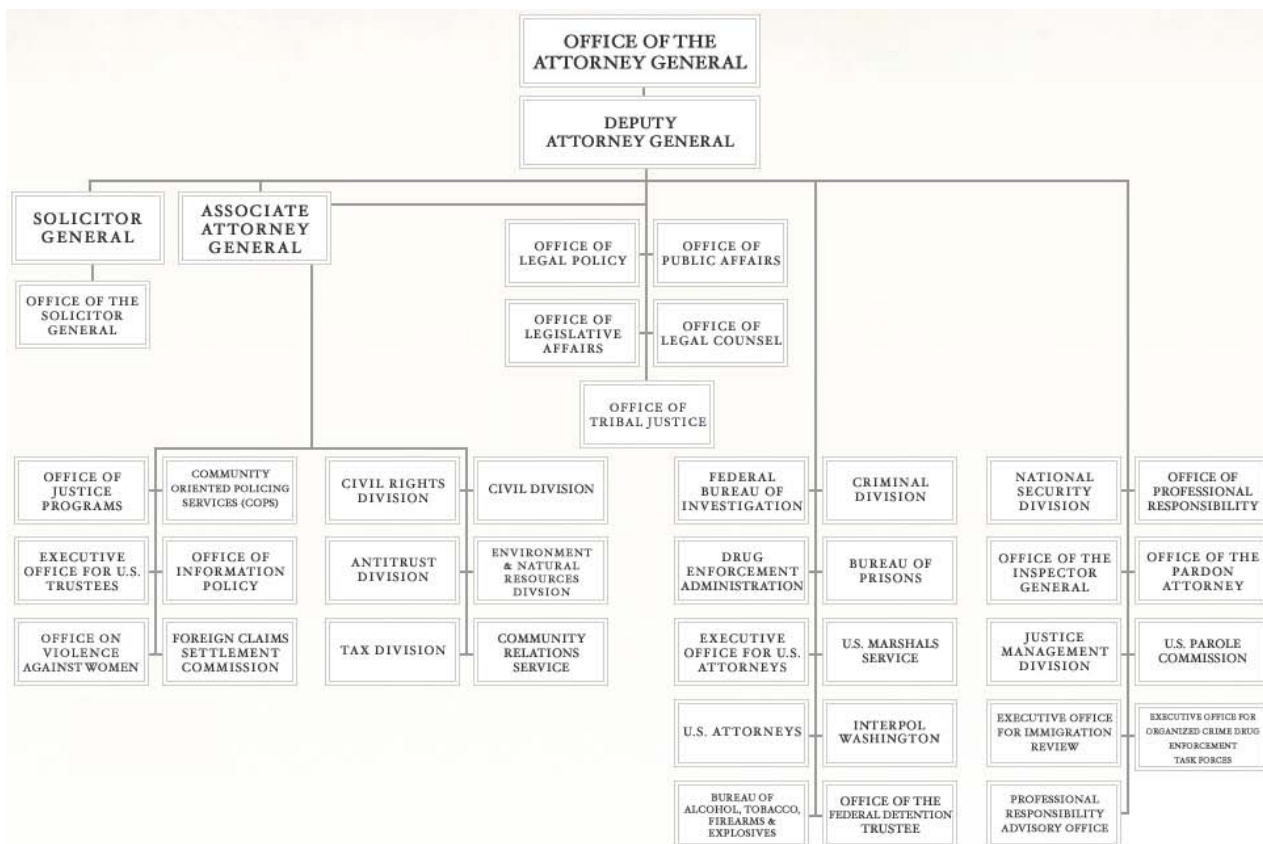
The table below provides an overview of the Department’s strategic goals and objectives.


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

Organizational Structure

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

The Department's litigating divisions represent the rights and interests of the American people and enforce federal criminal and civil laws. The litigating divisions are comprised of the Antitrust (ATR), Civil (CIV), Civil Rights (CRT), Criminal (CRM), Environment and Natural Resources (ENRD), and Tax (TAX) Divisions. The Office of Justice Programs (OJP), the Office on Violence Against Women (OVW), and the Office of Community Oriented Policing Services (COPS) provide leadership and assistance to state, local, and tribal governments. Other major Departmental components include the Executive Office for U.S. Trustees (UST), the Office of the Federal Detention Trustee (OFDT), 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.



Approved by  Date: May 2, 2012
 ERIC H. HOLDER, JR.
 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
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 Federal Detention Trustee
Office of the Inspector General
Office of the Pardon Attorney
Office of the Solicitor General
Office of Tribal Justice
Office on Violence Against Women
Professional Responsibility Advisory Office
U.S. Attorneys
INTERPOL Washington

Boards

Foreign Claims Settlement Commission
U.S. Parole Commission

Divisions

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

FY 2012 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2012. The charts on this page reflect employees on board as of September 22, 2012.

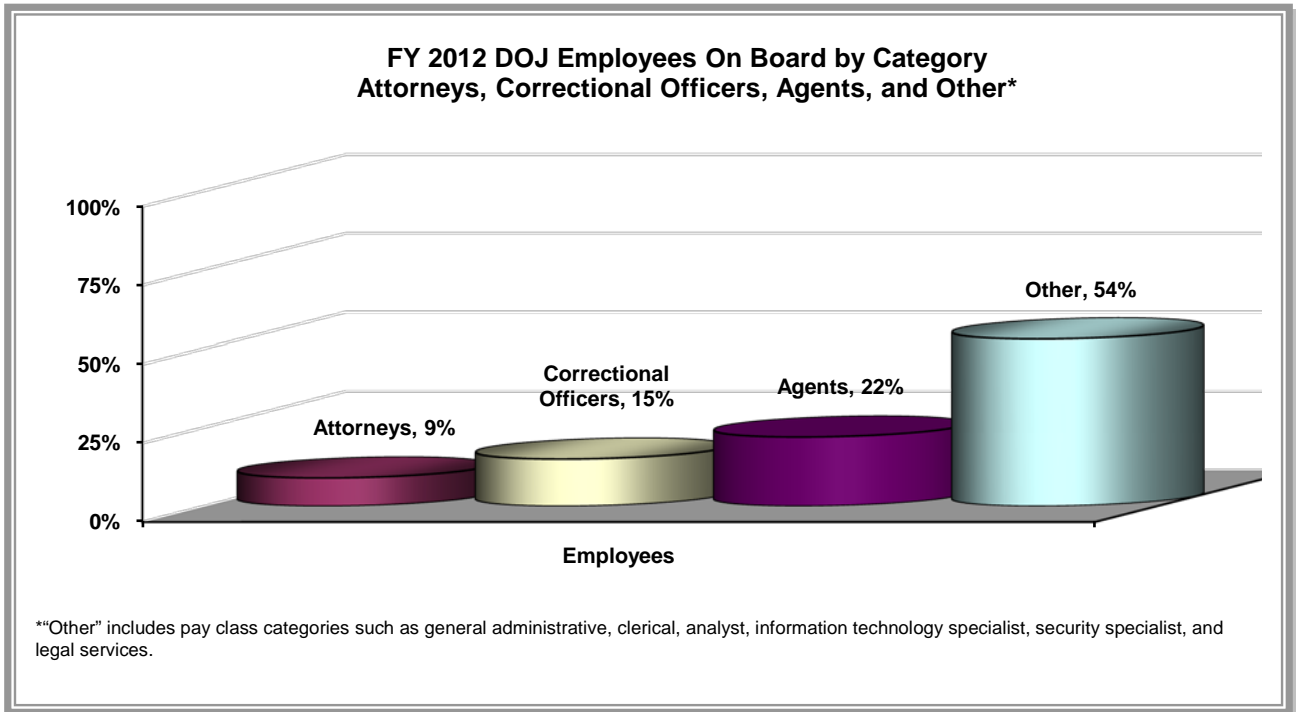
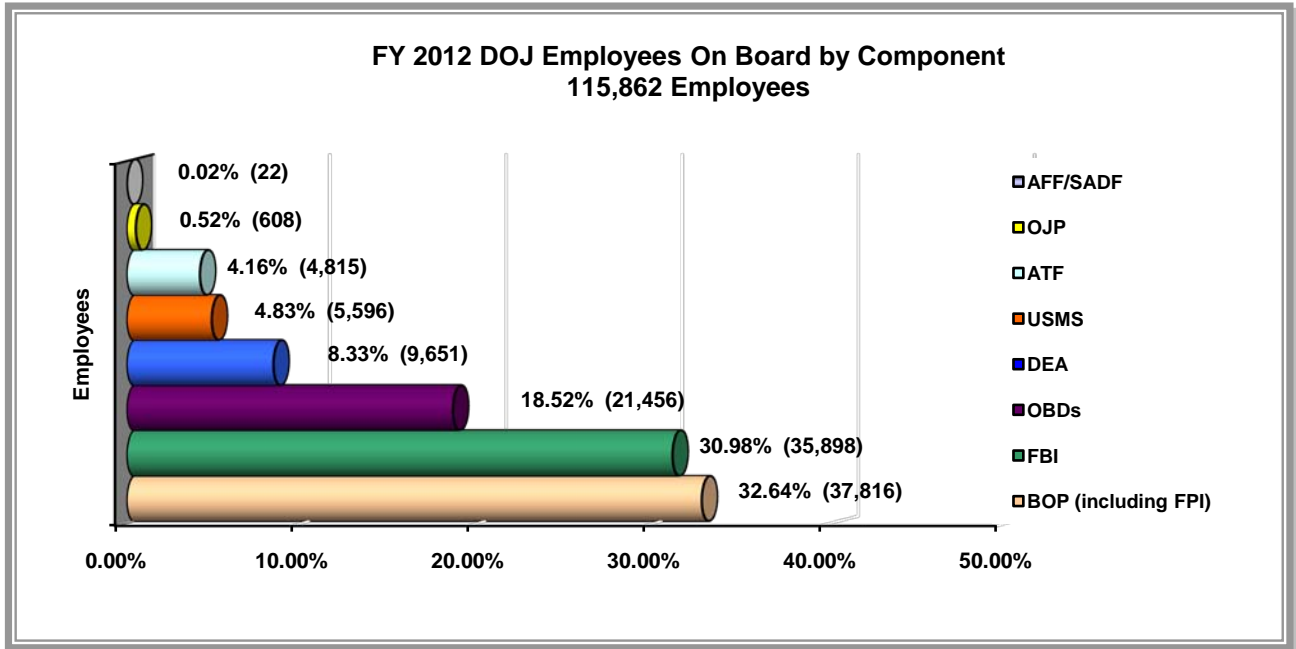


Table 1. Sources of DOJ Resources
(Dollars in Thousands)

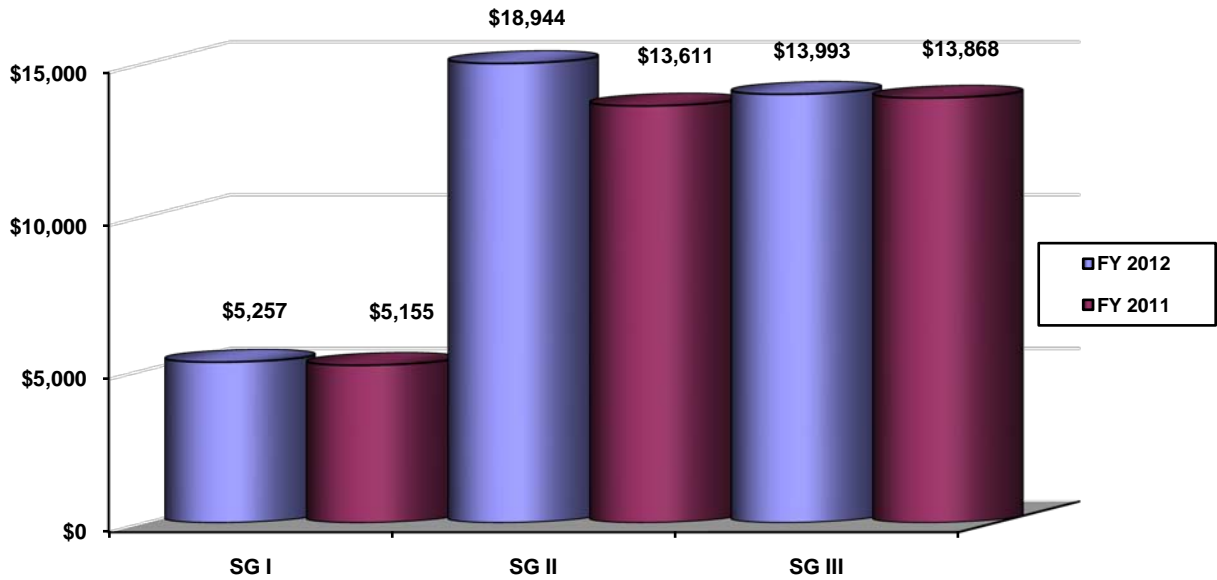
Source	FY 2012	FY 2011	% Change
Earned Revenue:	\$3,115,804	\$3,331,777	-6.5%
Budgetary Financing Sources:			
Appropriations Received	27,693,689	27,479,834	0.8%
Appropriations Transferred-In/Out	330,471	400,839	-17.6%
Nonexchange Revenues	2,803,960	2,004,395	39.9%
Donations and Forfeitures of Cash and Cash Equivalents	4,194,465	1,580,584	165.4%
Transfers-In/Out Without Reimbursement	109,395	113,735	-3.8%
Other Adjustments	(192,761)	(132,256)	-45.7%
Other Financing Sources:			
Donations and Forfeitures of Property	120,275	157,607	-23.7%
Transfers-In/Out Without Reimbursement	(12,623)	44,556	-128.3%
Imputed Financing from Costs Absorbed by Others	878,014	998,485	-12.1%
Other Financing Sources	(5,199)	(4,613)	-12.7%
Total DOJ Resources	\$39,035,490	\$35,974,943	8.5%

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

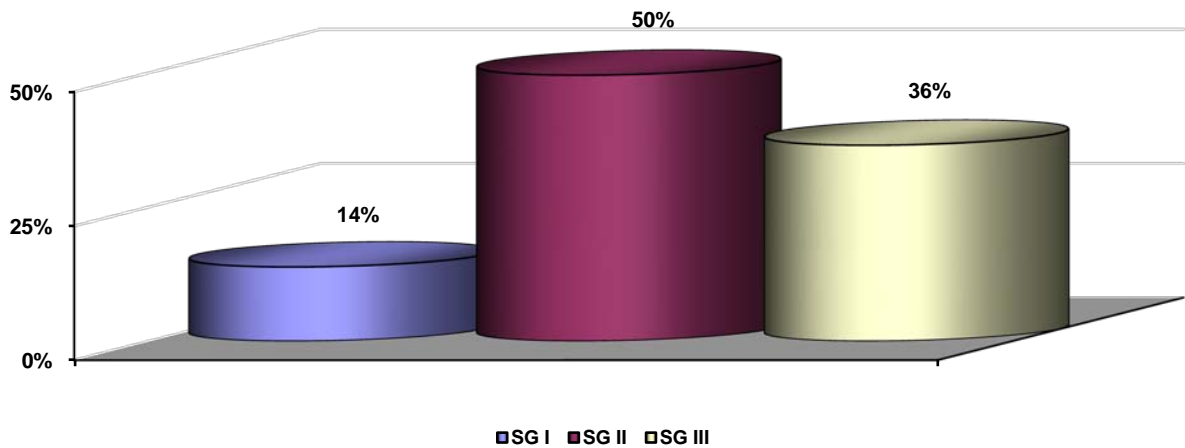
Strategic Goal (SG)	FY 2012	FY 2011	% Change
I Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
Gross Cost	\$5,727,278	\$5,626,149	
Less: Earned Revenue	<u>470,233</u>	<u>470,783</u>	
Net Cost	5,257,045	5,155,366	2.0%
II Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	20,059,682	14,666,708	
Less: Earned Revenue	<u>1,115,263</u>	<u>1,055,269</u>	
Net Cost	18,944,419	13,611,439	39.2%
III Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
Gross Cost	15,523,414	15,674,026	
Less: Earned Revenue	<u>1,530,308</u>	<u>1,805,725</u>	
Net Cost	13,993,106	13,868,301	0.9%
Total Gross Cost	41,310,374	35,966,883	
Less: Total Earned Revenue	<u>3,115,804</u>	<u>3,331,777</u>	
Total Net Cost of Operations	\$38,194,570	\$32,635,106	17.0%

Note: FY 2011 net cost has been reclassified in the current year to align with the Department's FY 2012-2016 Strategic Plan.

Comparison of Net Costs by Strategic Goal - FY 2012 and 2011
(Dollars in Millions)



FY 2012 Percentage of Net Costs by Strategic Goal



Analysis of Financial Statements

The Department's financial statements, which are provided in Section III of this document, received an unqualified audit opinion for the fiscal years ended September 30, 2012 and 2011. These statements were prepared from the accounting records of the Department in conformity 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 2012. The complete set of financial statements, related notes, and the opinion of the Department's auditors are provided in Section III of this document.

Assets: The Department's Consolidated Balance Sheet as of September 30, 2012, shows \$43.2 billion in total assets, an increase of \$398 million over the previous year's total assets of \$42.8 billion. Fund Balance with U.S. Treasury (FBWT) was \$24.7 billion, which represented 57 percent of total assets.

Liabilities: Total Department liabilities were \$15.9 billion as of September 30, 2012, an increase of \$2.7 billion from the previous year's total liabilities of \$13.3 billion. This increase is primarily due to the reactivation of the September 11th Victim Compensation Fund of 2001 and the recognition of related unfunded liabilities.

Net Cost of Operations: The Consolidated Statement of Net Cost presents the Department's gross and net cost by strategic goal. The net cost of the Department's operations totaled \$38.2 billion for the year ended September 30, 2012, an increase of \$5.6 billion (17 percent) from the previous year's net cost of operations of \$32.6 billion. This increase is partially due to the recognition of unfunded expenses related to the reactivation of the September 11th Victim Compensation Fund of 2001.

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

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

Management and administrative costs, including the costs for the Department's leadership offices, JMD, Wireless Management Office, 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 2012 Combined Statement of Budgetary Resources shows \$45.3 billion in total budgetary resources, an increase of \$2.9 billion from the previous year’s total budgetary resources of \$42.4 billion. This increase is primarily related to deposits from the settlement of large cases.

Net Outlays: The Department’s FY 2012 Combined Statement of Budgetary Resources shows \$31.6 billion in net outlays, an increase of \$669 million from the previous year’s total net outlays of \$30.9 billion.

Data Reliability and Validity

The Department views data reliability and validity as critically important in the planning and assessment of its performance. As such, the Department makes every effort to ensure completeness and improve reliability of its performance information by performing “data scrubs” (routine examination of current and historical data sets, as well as looking toward the future for trends) to ensure the data we rely on to make day-to-day management decisions are as accurate and reliable as possible and targets are ambitious enough given the resources provided. In an effort to communicate our data limitations and commitment to providing accurate data, this document includes a discussion of data validation, verification, and any identified data limitations for each performance measure presented. The Department ensures each reporting component providing data for this report meets the following criteria:

At a minimum, performance data are considered reliable if transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained.

Analysis of Performance Information

The Government Performance and Results Act (GPRA) 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 new FY 2012-2016 Strategic Plan, which contains three strategic goals, is used for this report. The Department's Plan also includes 12 key performance measures addressing DOJ's highest priorities toward achieving its long-term outcome goals. The performance measures are included in the Department's annual *Budget and Performance Summary* and reported in this document. The Department's full Performance Report for these measures, including an update on our progress toward meeting the FY 2016 long-term outcome goals, is included in Section II of this document. The Department strives to present the highest-level outcome-oriented measures available and fully report the accomplishments achieved during the reporting period. However, data for the 12 key measures are compiled 30 days after the end of the fiscal year and, occasionally, data for the entire year are not available at the time of publication.

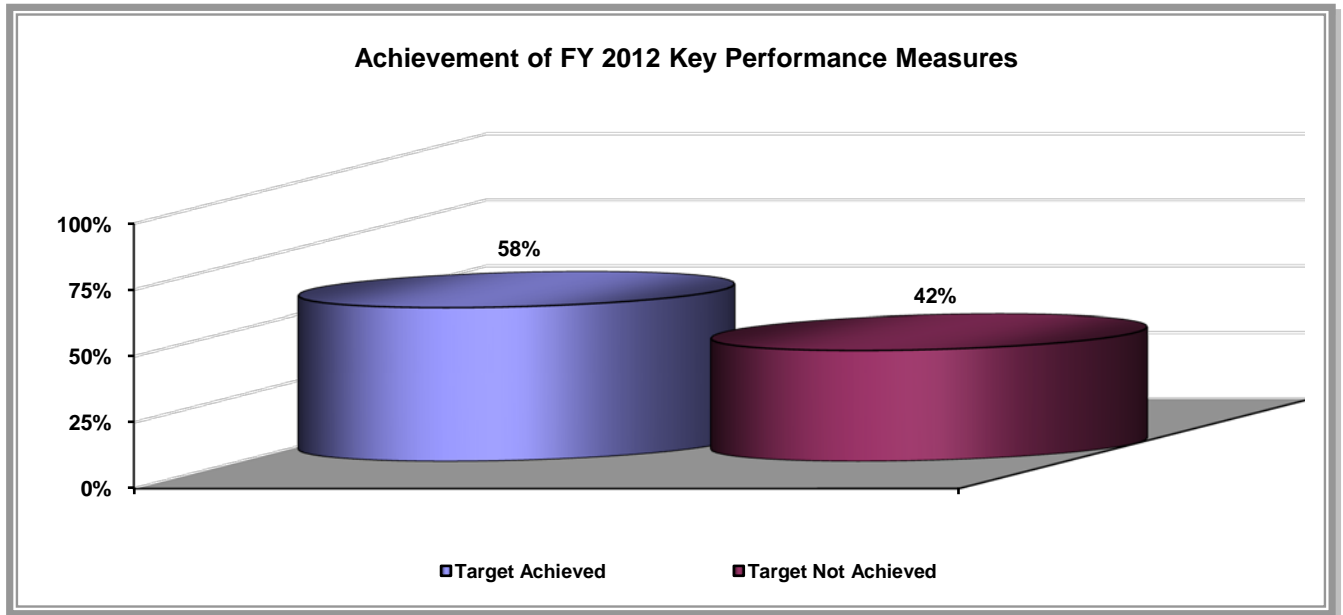
During FY 2012, Departmental leadership continued to display a clear commitment to performance management through the reliance on formal quarterly status reviews. Additionally, Departmental components have worked to improve the quality and timeliness of financial and performance information that inform quarterly status reporting and operating plans.

For this report, 100 percent of the performance measures have actual data for FY 2012. The Department achieved 58 percent of its key measures in FY 2012. In certain cases, FY 2012 data have yet to be finalized and could change the final outcome. The Department continues to emphasize long-term and annual performance measure development, placement of key performance indicators on cascading employee work plans, and Department-wide quarterly status reporting.

In FY 2012, the Department successfully developed and implemented a new web-based performance management system. The Department will continue to examine its performance management system and implement improvements, where necessary. Additional improvement areas include developing trend reports, continuing to improve the quality and utility of performance information and continuing to work with OMB and other federal agencies to develop mechanisms to target and measure efficiency of law enforcement and regulatory programs.

In addition to monitoring its annual progress, the Department continues to monitor progress made toward achieving its FY 2016 long-term outcome goals for each of the 12 key performance measures. As of the close of FY 2012, 11 of 12 of the Department's long-term key measures are on-track for full achievement against its FY 2016 long-term outcome goals (targets). Four full years of performance remain until the Department reports against planned progress, and a number of mechanisms are in place to ensure that the current progress is maintained, including quarterly status reporting and performance-informed budget submissions that request the resources necessary for the Department to reach its goals.

The chart below and the table that follows summarize the Department's achievement of its FY 2012 key performance measures.



	[] Designates the reporting entity	FY 2012 Target	FY 2012 Actual	Target Achieved/ Not Achieved
No.	Strategic Goal I: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
1	Number of counterterrorism intelligence products shared with the U.S. Intelligence Community, state and local Law Enforcement Community partners, and foreign government agencies [FBI]	13,628	12,445	Not Met ¹
	¹ FBI attributes the measure missing its target to lower Intelligence Information Report (IIR) production. FBI emphasized the production of high-value IIRs which addressed priority intelligence gaps or provided actionable intelligence to Intelligence Community and Law Enforcement partners over low-value IIRs which served only to flood the system with non-actionable intelligence or information of little-to-no intelligence value.			
	Strategic Goal II: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
2	Number of criminal enterprises engaging in white-collar crimes dismantled [FBI]	360	409	Met
3	Percent increase in gang arrests resulting from coordination of gang investigations [FBI, ATF, DEA]	2%	-16%	Not Met ²
	² This measure represents collective data from FBI, ATF, and DEA. FBI has yet to report its final number for FY 2012. ATF's actual number in FY 2012 is lower than their FY 2011 baseline number. DEA met its target for the year.			
4	Number of intelligence products to support federal, state, and local law enforcement [FBI]	46	53	Met
5	Number of matters/investigations of child sexual exploitation and human trafficking resolved [CRT, FBI, CRM, USA, USMS]	4,938	4,348	Not Met ³
	³ Cases relating to this measure are trending the same way as all other criminal cases in FY 2012. Overall, criminal cases filed in FY 2012 have dropped when compared to the baseline year, FY 2011.			
	Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data - OCDETF)]			
6	Dismantled	145	171	Met
7	Disrupted	340	446	Met
	Percent of cases favorably resolved: [ENRD, ATR, CRM, USA, TAX, CIV, CRT (Consolidated data - JMD/Budget Staff)]			
8	Criminal Cases	90%	92%	Met
9	Civil Cases	80%	81%	Met
	Strategic Goal III: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
10	Percent of system-wide crowding in federal prisons [BOP]	37%	38%	Not Met ⁴
	⁴ While the target was not met, FY 2012 actual represents a one percent reduction from FY 2011 system-wide crowding rate.			

[] Designates the reporting entity		FY 2012 Target	FY 2012 Actual	Target Achieved/ Not Achieved
11	Number of inmate participants in the Residual Drug Abuse Program [BOP]	18,500 (baseline)	14,482	Not Met ⁵
⁵ <i>New methodology was developed in FY 2012 to calculate RDAP participation to reduce potential for double-counting of inmates. The more precise methodology has resulted in the number of participants during FY 2012 less than the initial target number.</i>				
12	Number and percent of primary felony fugitives apprehended or cleared [USMS]	34,421 52%	36,229 50%	Met

FY 2012 – 2013 Priority Goals

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

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

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

- **By the end of 2013, increase the number of intelligence products shared with the U.S. Intelligence Community and state and local Law Enforcement Community partners by 6 percent**
- **By the end of 2013, increase the number of intelligence products shared with foreign government agencies by 6 percent**

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

- **Status:** The Department met its FY 2012 target for increasing the number of intelligence products shared with foreign government agencies, but missed its FY 2012 target for increasing the number of intelligence products shared with the U.S. Intelligence Community and state and local Law Enforcement Community Partners.

The number of intelligence products shared with foreign government agencies decreased from 1,860 to 1,795 from the third to the fourth quarter of FY 2012, but exceeded its fourth quarter target by 200 percent. In comparison, intelligence products shared in FY 2011 for the third and fourth quarters were 850 and 801, respectively. Shared Counterterrorism Division (CTD) intelligence products include a wide variety of disseminations to foreign governments. Coordination and cooperation with foreign partners serve the interests of FBI CTD to identify upcoming threats and better monitor the activities of known entities. CTD Executive Management has identified the need for increased communications with Foreign Governments, and as such, CTD has pushed for increased contact.

The number of intelligence products shared with the U.S. Intelligence Community and state and local Law Enforcement Community partners increased from 3,061 to 3,347 from the third to the fourth quarter of FY 2012, and missed its fourth quarter target by only 2%. In comparison, intelligence products shared in FY 2011 for the third and fourth quarter were 3,434 and 3,642, respectively. The FBI CTD recognizes coordination and collaboration with Other Government Agency (OGA), Intelligence Community (IC), and domestic Law Enforcement (LE) partners is essential to mitigating

the domestic and international threat. CTD attributes the measure missing its fourth quarter target to lower Intelligence Information Report (IIR) production. Based on feedback received from OGA, IC, and LE partners, CTD emphasized the production of high-value IIRs which addressed priority intelligence gaps or provided actionable intelligence to IC and LE partners over low-value IIRs which served only to flood the system with non-actionable intelligence or information of little-to-no intelligence value. This change has been well-received by OGA, IC, and LE partners. CTD Executive Management will continue to focus on increased intelligence sharing in the effort to combat the terrorist threat.

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

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

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

- **Status:** The percentage of program youth who exhibited a change in targeted behaviors while participating in DOJ prevention programs to reduce youth crime and violence (including gangs) is targeted annually and actual data is reported in the first and third quarters due to data collection cycles. In FY 2012, the Department reported that 67% of program youth exhibited a change in targeted behaviors, exceeding the FY 2012 target of 65%. In FY 2011, 63% of program youth exhibited a change in targeted behaviors.

The Department exceeded its FY 2012 target for the number of gang cases supported by the Gang Unit, and the National Gang Targeting, Enforcement & Coordination Center/Operations Section: Gangs (GangTECC/OSG) in FY 2012 by 169 or 22%. In FY 2011, the Department increased the number of cases supported by 192 cases or 26%.

The Department exceeded its FY 2012 target to produce intelligence products in support of federal, state, and local investigations that are focused on gangs posing a significant threat to communities by 7 or 16%. In FY 2012, the number of intelligence products produced increased from FY 2011 by 8 or 18%.

Priority Goal 3, Protect the American people from Financial and Healthcare fraud: In order to efficiently and effectively address financial fraud and healthcare fraud, by the end of FY 2013, increase by 5 percent over FY 2011 levels, the number of investigations completed per Department of Justice attorney working on financial fraud and healthcare fraud cases; additionally, institute a system for tracking compliance by corporate defendants with the terms of judgments, consent decrees, settlements, deferred prosecution agreements, and non-prosecution agreements.

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

- **Status:** The Department did not achieve its FY 2012 goal of increasing by 2.5% the number of investigations completed per DOJ attorney working on financial fraud and healthcare fraud cases. The target for FY 2012 was 11.92 investigations per attorney. However, actual results show only 10.28 investigations per attorney. Several factors have contributed to the decline in the number of investigations completed in FY 2012. Over the last several years, including the baseline year, FY 2011, the number of health care fraud and financial fraud cases reached all-time highs. The complexity of these health care fraud and financial fraud cases continues to increase, e.g., number of defendants and methods of fraud. As complexity increases, more attorney effort is expended on these complex cases, thereby reducing the overall number of investigations completed. Finally, the Speedy Trial Act necessitates that priority be placed on existing cases. Therefore, the availability of attorneys to devote effort to new matters is further limited.

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

- **open investigations concerning non-compliant sex offenders, sexual exploitation of children, and human trafficking**
- **matters/investigations resolved concerning sexual exploitation of children and human trafficking**
- **number of children depicted in child pornography that are identified by the FBI**

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

- **Status:** Overall, DOJ is on track to achieve this goal. Five out of six performance measures for this goal exceeded their FY 2012 annual targets. At the beginning of FY 2012, the USMS brought on-board additional full time sex offender investigative coordinators to focus on non-compliant sex offenders, and it exceeded its FY 2012 annual target (1,305) for *Open investigations concerning non-compliant sex*

offenders by 17% (1,531); this is a 19 % increase as compared to the FY 2011 activity. *Open investigations concerning human trafficking* exceeded its annual target of 188 by 37%t (258); this is a 41% increase compared to the FY 2011 activity. *Matters/investigations resolved concerning human trafficking* exceeded its annual target of 83 by 29% (107); this is a 34% increase as compared to the FY 2011 activity. *Number of children depicted in child pornography that are identified by the FBI* exceeded its annual target of 175 by 37 percent (239). This is one less than identified in FY 2011. *Open investigations concerning sexual exploitation of children* surpassed its FY 2012 annual target (560) by 41 percent (792); this is 45% increase as compared to the FY 2011 activity. *Matters/investigations resolved concerning sexual exploitation of children*, reached only 87% (4,245) of its FY 2012 annual target (4,855); this is a 10% decrease as compared to the FY 2011 activity.

There are three factors contributing to the slower progress in *resolving matters/investigations concerning the sexual exploitation of children*. First, the Criminal Division resolved an unusually large number of matters in FY 2011 (a particularly large international child pornography ring was investigated and charged in FY 2011, resulting in a large number of matters resolved) that produced a particularly high FY 2011 baseline. Second, due to increasing sophistication of many offenders' use of technologies to help evade detection, it often is taking more time to investigate individual matters. Third, the difficulty in replacing experienced child exploitation prosecutors may be another reason that DOJ is slightly below expectations on this performance measure.

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) 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 recommendations, as discussed later in this section and in Appendix A.

Departmental management continued in FY 2012 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, the Department can provide qualified assurance that its internal controls and financial management systems meet the objectives of the FMFIA. The assessment of systems did not identify any non-conformances required to be reported under FMFIA § 4; however, the assessment of internal controls identified one programmatic material weakness required to be reported under FMFIA § 2. This weakness involves the need to reduce the Federal Bureau of Prisons (BOP) crowding rate, currently at 38 percent over the rated capacity. Details of the weakness are provided in the section Summary of Material Weakness and Corrective Actions. Other than the exception noted, the internal controls were operating effectively as of September 30, 2012, and the assessment identified no other material weaknesses in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment, the Department can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2012, and the assessment identified no material weaknesses in the design or operation of the controls.

The Department of Justice is committed to maintaining strong program and financial management as we continue our mission of fighting terrorism and protecting our communities from crime. We take our program and financial accountability seriously and are dedicated to ensuring that funds received are expended responsibly and in a transparent manner. We will continue to strengthen controls in areas where we are aware of concerns identified through the Department's internal review activities or by the Office of the Inspector General and Government Accountability Office. We look forward in FY 2013 to building on our achievements as we continue the important work of the Department.



Eric H. Holder, Jr.
Attorney General
November 9, 2012

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance federal financial management by ensuring that federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with federal financial management system requirements, applicable federal accounting standards, and the application of the U.S. Government Standard General Ledger at the transaction level. Guidance for implementing the FFMIA is provided through OMB Circular A-127, *Financial Management Systems*.

FFMIA Compliance Determination

During FY 2012, the Department assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with the FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to issues identified during the Department's financial statement audit. A summary of the Department's compliance with the specific requirements of the FFMIA is provided at the end of this sub-section.

Financial Management Systems Strategy, Goals, and Framework

The Department's financial management systems strategy is to ultimately replace the three remaining major non-integrated legacy accounting systems in use in the Department with the single, integrated financial management system the Department is deploying – the Unified Financial Management System (UFMS). UFMS delivers standard, core accounting processes, as well as the data needed for effective financial and budget management. In FYs 2009 through 2012, the Department made measurable progress in implementing UFMS. In FY 2009, the DEA successfully migrated to UFMS and, importantly, obtained an unqualified audit opinion on its financial statements produced from UFMS that year and in every year since. As expected, the DEA project was a large, complex, and difficult migration, but one that helped to lay the foundation for the migration of the ATF, which occurred in FY 2011, and the migrations of the USMS and FBI, which are underway and scheduled for completion in FYs 2013 and 2014, respectively. The migration of the USMS will replace one of the three major non-integrated legacy accounting systems, leaving two in use in the Department. The UFMS implementation goals, such as the migrations of the USMS and FBI, leverage lessons learned from previous migrations and are based on and aligned with operational risks and requirements unique to each component.

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

Summary of Financial Statement Audit and Management Assurances

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

Table 3. Summary of Financial Statement Audit

Financial Statement Audit Opinion and Material Weaknesses					
Audit Opinion	Unqualified				
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)						
Overall Substantial Compliance	Agency			Auditor		
	Yes			Yes		
Compliance with Specific Requirements						
Systems Requirements	Yes					
Accounting Standards	Yes					
USSGL at Transaction Level	Yes					

Summary of Material Weakness and Corrective Actions

A summary of the material weakness identified in the Department's FY 2012 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 IV of this document.

Programmatic Material Weakness and Corrective Actions – Prison Crowding

As of September 30, 2012, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 38 percent. The BOP's Long Range Capacity Plan relies on multiple approaches to house the increasing federal inmate population, such as contracting with the private sector and state and local facilities for certain groups of low-security inmates; expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring, constructing, and activating new facilities as funding permits.

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

This material weakness was first reported in 2006. Remediation of the weakness through increasing prison capacity is primarily dependent on funding. Other correctional reforms and alternatives will require policy and/or statutory changes. Other initiatives notwithstanding, if the acquisition, expansion, construction, and activation plans detailed in the BOP's Long Range Capacity Plan are funded as proposed, the over-crowding rate for FY 2018 is projected to be 44 percent.

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

Improper Payments Elimination and Recovery Act of 2010

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments and is committed to the continuous improvement of the overall disbursement management process. A summary of actions taken by Departmental management in FY 2012 to implement the Improper Payments Elimination and Recovery Act (IPERA) follow. Additional details, as well as the Department's submission of the required improper payments reporting, are provided in Appendix A of this document.

Risk Assessment

The IPERA and OMB April 2011 implementing guidance, OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, require agencies to review all programs and activities they administer to identify those that are susceptible to significant improper payments. OMB defines significant improper payments as gross annual improper payments (i.e., the total amount of overpayments plus underpayments) in a program exceeding (1) both 2.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million, regardless of the improper payment percentage of total program outlays. The Department's top-down approach for assessing the risk of significant improper payments allows the reporting of results by the Department's five mission-aligned programs – Law Enforcement; Litigation; Prisons and Detention; State, Local, Tribal, and Other Assistance; and Administrative, Technology, and Other.

In accordance with the IPERA and OMB implementing guidance, the Department assessed its programs and activities for susceptibility to significant improper payments. Based on the results of the risk assessment for the year ended September 30, 2012, the Department concluded there were no programs susceptible to significant improper payments, i.e., improper payments exceeding the OMB thresholds of both 2.5 percent of program outlays and \$10 million or \$100 million.

Payment Recapture Audits

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

In FY 2011, the Department expanded the scope of its payment recapture audits to contracts, grants, and benefit and other payments as required by the IPERA and OMB implementing guidance. The Department also established annual payment recovery rate targets through FY 2014 to drive performance. In FY 2012, the Department updated its targets and added an annual target for FY 2015.

In accordance with the IPERA and OMB implementing guidance, the Department measured payment recapture performance. Based on performance through the year ended September 30, 2012, the Department achieved a payment recovery rate of 93 percent for the cumulative period of FYs 2004 through 2012. Additional details, to include the Department's annual payment recovery rate, are provided in Appendix A.

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

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

James Zadroga 9/11 Health and Compensation Act of 2010

- DOJ workload could potentially increase resulting from the James Zadroga 9/11 Health and Compensation Act of 2010. The Act provides compensation to any individual (or personal representative of a deceased individual) who suffered physical harm as a result of the terror-related aircraft crashes of September 11, 2001, or the debris removal efforts that took place in the immediate aftermath.

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

- Overseas Contingency Operations require continual adjustments to new conditions. The Department is determined to confront proactively new challenges in its efforts to protect the Nation.
- Responses to unanticipated natural disasters and their aftermath require the Department to divert resources to deter, investigate, and prosecute disaster-related federal crimes, such as charity fraud, insurance fraud and other crimes.
- Changes in federal laws may affect responsibilities and workload.
- Much of the litigation caseload is defensive. The Department has little control over the number, size, and complexity of the civil lawsuits it must defend.

Other Management Information, Initiatives, and Issues

American Recovery and Reinvestment Act

- The Department received \$4.0 billion in funding for programs, under the American Recovery and Reinvestment Act of 2009. In addition, \$2.0 million was provided for the Department's Office of the Inspector General oversight activities related to Recovery Act funding. The Department is fully committed to ensuring that the funds received are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Act.
- Additional information regarding the Department's Recovery Act activities can be found on: <http://www.justice.gov/recovery/>; government-wide Recovery Act information can also be found on: <http://www.recovery.gov/Pages/home.aspx>.
- The following table summarizes appropriations, obligations, and outlays by component, as of September 30, 2012:

(Dollars in Thousands)

Component	Appropriation Amount	Obligations	Outlays
OJP	\$2,761,930	\$2,761,172	\$2,510,180
OVW	\$225,564	\$221,911	\$201,947
COPS	\$1,002,506	\$989,458	\$724,151
ATF	\$10,000	\$9,713	\$9,475
OIG	\$2,000	\$1,800	\$1,800
DOJ Total	\$4,002,000	\$3,984,054	\$3,447,553

Limitations of the Financial Statements

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

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

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

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