

# Section I

## Management's Discussion and Analysis (Unaudited)

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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:

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**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.

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

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**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.

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**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.

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### Strategic Goals and Objectives

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

evaluating results. In this cycle, the Department’s FY 2014 – 2018 Strategic Plan provides the overarching framework for component and function-specific plans as well as annual performance plans, budgets, and reports. The Strategic Plan is available electronically on the Department’s website at: <http://www.justice.gov/jmd/strategic-plan-fiscal-years-2014-2018-0>.

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

| <b>Strategic Goal</b> |   | <b>Strategic Objectives</b>  |
|-----------------------|---|--|
| <b>1</b>              | Prevent Terrorism and Promote the Nation’s Security Consistent with the Rule of Law   | <p><b>1.1</b> Prevent, disrupt, and defeat terrorist operations before they occur by integrating intelligence and law enforcement efforts to achieve a coordinated response to terrorist threats</p> <p><b>1.2</b> Prosecute those involved in terrorists acts</p> <p><b>1.3</b> Investigate and prosecute espionage activity against the United States, strengthen partnerships with potential targets of intelligence intrusions, and proactively prevent insider threats</p> <p><b>1.4</b> 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</p>  |
| <b>2</b>              | Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law   | <p><b>2.1</b> Combat the threat, incidence, and prevalence of violent crime by leveraging strategic partnerships to investigate, arrest, and prosecute violent offenders and illegal firearms traffickers</p> <p><b>2.2</b> Prevent and intervene in crimes against vulnerable populations and uphold the rights of, and improve services to, America’s crime victims</p> <p><b>2.3</b> Disrupt and dismantle major drug trafficking organizations to combat the threat, trafficking, and use of illegal drugs and the diversion of licit drugs</p> <p><b>2.4</b> Investigate and prosecute corruption, economic crimes, and transnational organized crime</p> <p><b>2.5</b> Promote and protect American civil rights by preventing and prosecuting discriminatory practices</p> <p><b>2.6</b> Protect the federal fisc and defend the interests of the United States</p>   |
| <b>3</b>              | Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels | <p><b>3.1</b> Promote and strengthen relationships and strategies for the administration of justice with law enforcement agencies, organizations, prosecutors, and defenders through innovative leadership and programs</p> <p><b>3.2</b> Protect judges, witnesses, and other participants in federal proceedings by anticipating, deterring, and investigating threats of violence</p> <p><b>3.3</b> Provide safe, secure, humane, and cost-effective confinement and transportation of federal detainees and inmates</p> <p><b>3.4</b> 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</p> <p><b>3.5</b> Apprehend fugitives to ensure their appearance for federal judicial proceedings or confinement</p> <p><b>3.6</b> 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</p> <p><b>3.7</b> Adjudicate all immigration cases promptly and impartially in accordance with due process</p> <p><b>3.8</b> 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</p> |

## Organizational Structure

Led by the Attorney General, the Department is comprised of forty separate component organizations. More than 112,000 employees ensure that the Department carries out the individual missions of its components. These include the U.S. Attorneys (USAs) who prosecute offenders and represent the United States government in court; the major investigative agencies – the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), which deter and investigate crimes and arrest criminal suspects; the U.S. Marshals Service (USMS), which protects the federal judiciary, apprehends fugitives, and detains persons in federal custody; the Bureau of Prisons (BOP), which confines convicted offenders; and the National Security Division (NSD), which brings together national security, counterterrorism, counterintelligence, and foreign intelligence surveillance operations under a single authority.

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



## Financial Structure

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

### Components:

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

### OBDs\*:

#### Offices

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

#### Boards

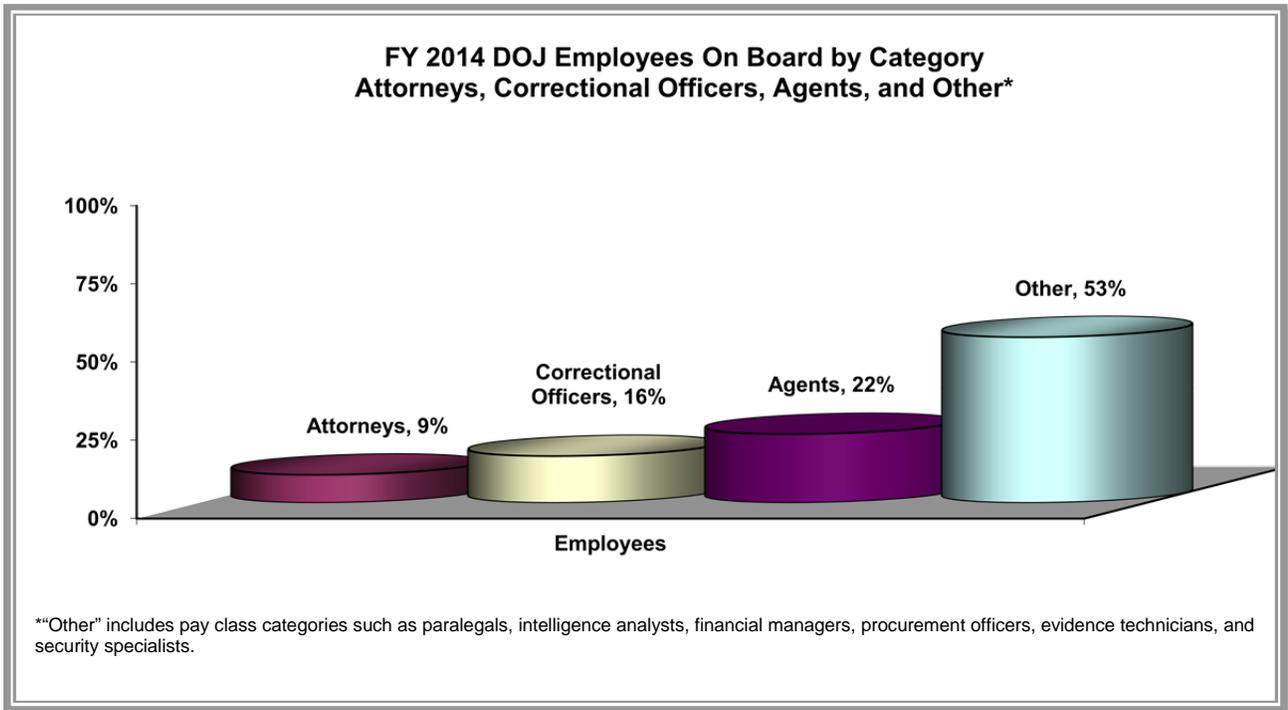
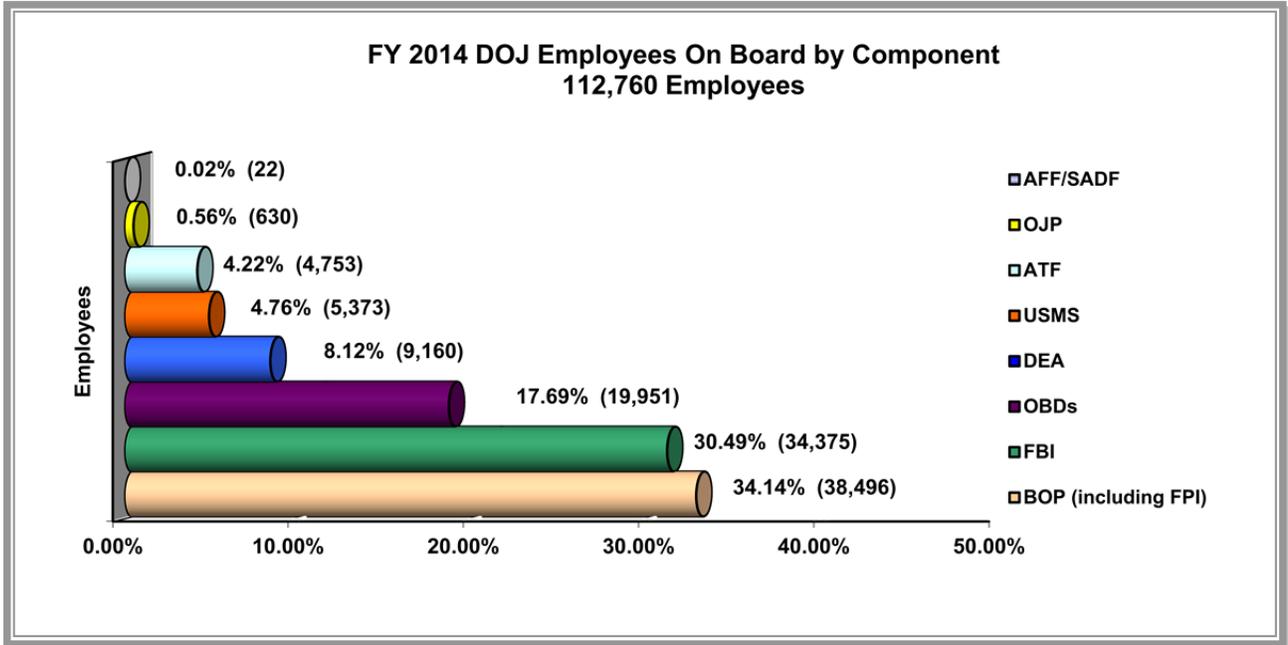
Foreign Claims Settlement Commission  
U.S. Parole Commission

#### Divisions

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

## FY 2014 Resource Information

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



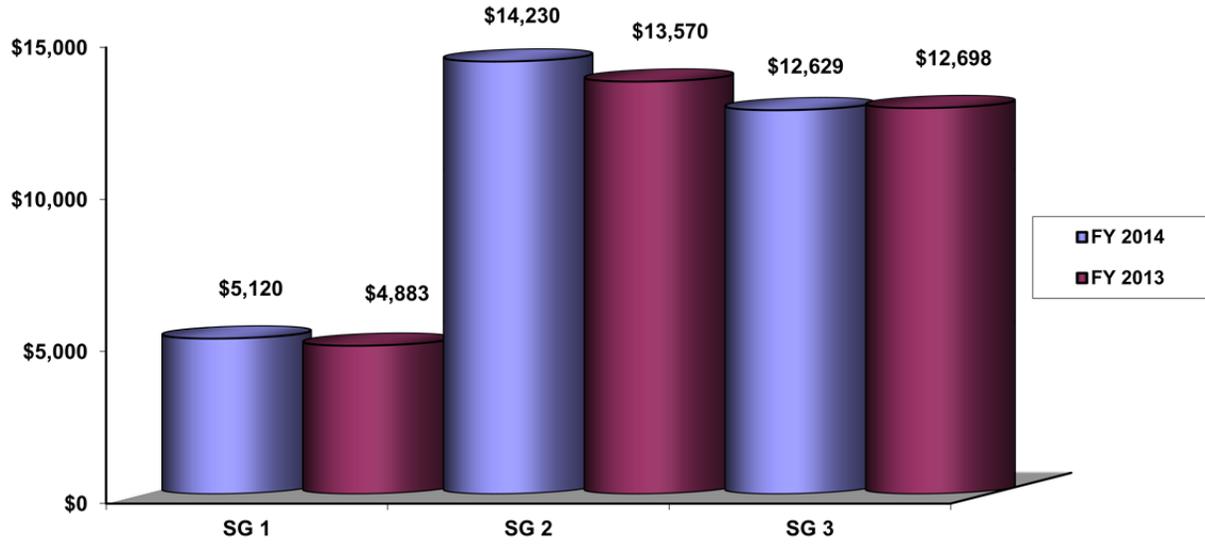
**Table 1. Sources of DOJ Resources**  
(Dollars in Thousands)

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

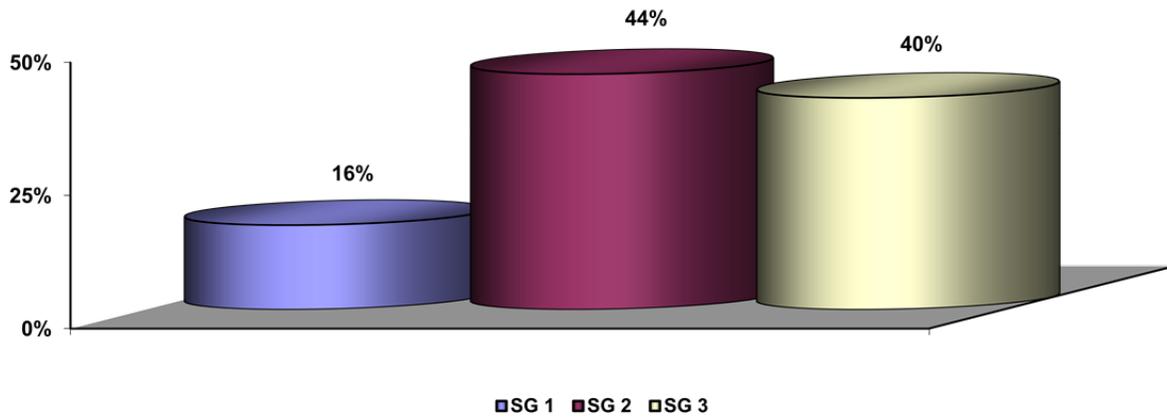
**Table 2. How DOJ Resources Are Spent**  
(Dollars in Thousands)

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

**Comparison of Net Costs by Strategic Goal - FY 2014 and 2013**  
 (Dollars in Millions)



**FY 2014 Percentage of Net Costs by Strategic Goal**



## Analysis of Financial Statements

The Department's financial statements, which are provided in Section II of this document, received an unmodified audit opinion for the fiscal years ended September 30, 2014 and 2013. These statements were prepared from the accounting records of the Department in accordance with the accounting principles generally accepted in the United States and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. These principles are the standards promulgated by the Federal Accounting Standards Advisory Board (FASAB).

The following information highlights the Department's financial position and results of operations in FY 2014. The complete set of financial statements, related notes, and the opinion of the Department's auditors are provided in Section II of this document.

**Assets:** The Department's Consolidated Balance Sheet as of September 30, 2014, shows \$47.0 billion in total assets, an increase of \$5.6 billion over the previous year's total assets of \$41.4 billion. Fund Balance with U.S. Treasury (FBWT) was \$26.9 billion, which represented 57.2 percent of total assets.

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

**Net Cost of Operations:** The Consolidated Statement of Net Cost presents the Department's gross and net cost by strategic goal. The net cost of the Department's operations totaled \$32 billion for the fiscal year ended September 30, 2014, an increase of \$0.8 billion from the previous year's net cost of operations of \$31.2 billion. This increase is related to an overall increase in victim cases related to third party payments and forfeitures.

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

| Strategic Goal | Description of Major Costs  |
|----------------|---|
| <b>1</b>       | Includes resources dedicated to counterterrorism initiatives for ATF, CRM, DEA, FBI, NSD, USAs, and USMS  |
| <b>2</b>       | Includes resources for the AFF/SADF, ATF, BOP, COPS, CRS, DEA, FBI, Foreign Claims Settlement Commission (FCSC), Organized Crime Drug Enforcement Task Forces (OCDEF), 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 |
| <b>3</b>       | 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.<sup>1</sup>

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

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

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

## Summary of Performance Information

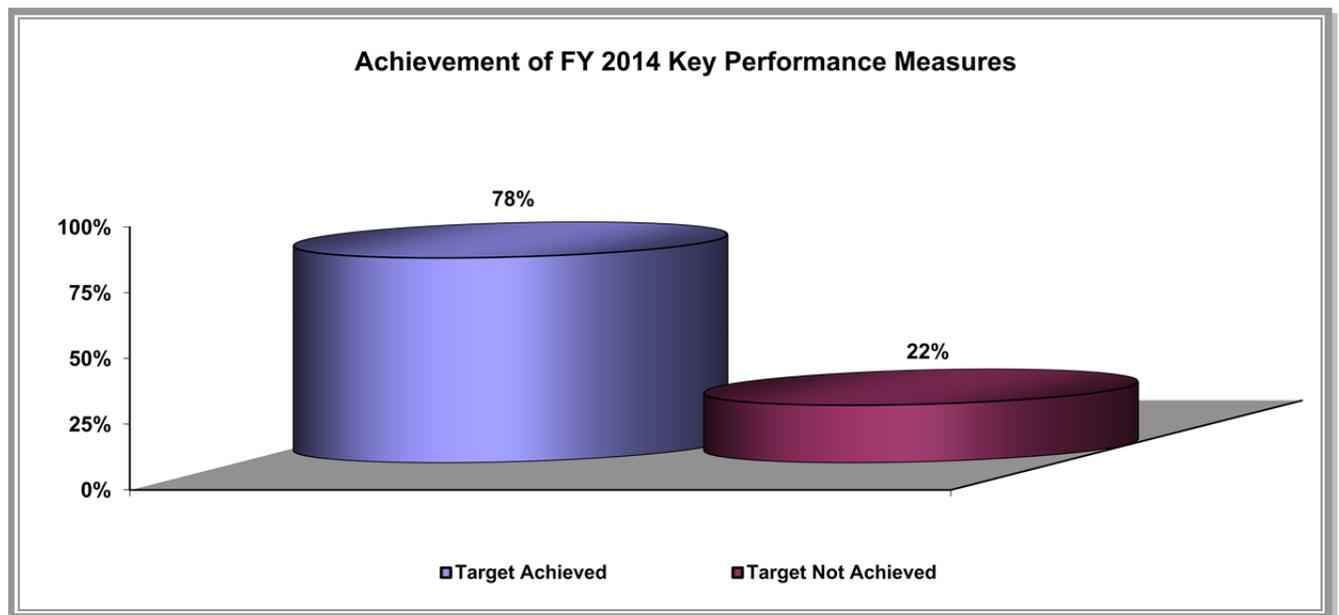
The Government Performance and Results Act Modernization Act of 2010 (GPRAMA) requires an agency's Strategic Plan to be updated every four years and cover a period of not less than four years forward from the fiscal year in which it is submitted.

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

During FY 2014, Departmental leadership continued to display a clear commitment to performance management through the reliance on formal quarterly status reviews. Additionally, Departmental components have worked to improve the quality and timeliness of financial and performance information that inform quarterly status reporting and operating plans.

For this summary report, 84 percent of the performance measures have actual data for FY 2014. The Department achieved 78 percent of its key measures that had data available as of September 30, 2014. For some of the performance measures, the actual data will not be available until early 2015. The Department continues to emphasize long-term and annual performance measure development, placement of key performance indicators on cascading employee work plans, and Department-wide quarterly status reporting.

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



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

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

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

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

\*New measure baselined in FY 2014.

\*\*There were no cyber cases resolved during FY 2014.

\*\*\*Final actual figures will be available in May 2015.

\*\*\*\*Final actual figure will be available in December 2014.

## FY 2014 – 2015 Priority Goals

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

The Department developed a new set of FY 2014-2015 Priority Goals to replace the FY 2012-2013 Priority Goals. The new Priority Goals align with the FY 2014-2018 Strategic Plan, and are reported on a quarterly basis via [www.performance.gov](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 125 terrorist threats and groups and disrupt and dismantle 200 cyber threat actors

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

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

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

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

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

By September 30, 2015, the Department will:

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

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

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

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

Priority Goal 3, Financial and Healthcare Fraud: Reduce financial and healthcare fraud.

By September 30, 2015, the Department of Justice will:

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

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

investigating and prosecuting both healthcare fraud and financial fraud, in order to protect American businesses, consumers, and taxpayers.

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

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

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

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

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

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

Status: The Department exceeded its FY 2014 Vulnerable People Priority Goal annual performance measure targets for four out of six of its performance measures. Opened investigations concerning non-compliant sex offenders exceeded the annual target (1,805) by 254 or 14%. Opened litigation matters concerning the sexual exploitation of children exceeded the annual target (5,295) by 645 or 12%. Opened investigations concerning human trafficking exceeded the annual target (216) by 71 or 33%. Within 72 hours of an issuance of an AMBER alert, recover at least 90% of the children reported missing exceeded its annual target (90%) by

attaining a 97% recovery rate. The fifth measure, opened litigation matters concerning human trafficking, achieved 98% (164) of its annual target (167). These matters are a result of referrals from the FBI and agencies outside the Department of Justice. The number of referrals varies and is outside the Department's control. The sixth measure, opened investigations concerning the sexual exploitation of children, achieved 99% of its FY 2014 annual target (3,006). Productivity was negatively impacted in FY 2014 due to the fiscal climate associated with sequestration and the corresponding government shutdown in the 1<sup>st</sup> quarter.

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

## Analysis of Systems, Controls, and Legal Compliance

### Internal Control Program in the Department of Justice

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

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

Departmental management continued in FY 2014 to further strengthen and maximize the effectiveness of its annual assessment of internal control over financial reporting. Examples of such actions include:

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

## Management Assurances

### Federal Managers' Financial Integrity Act of 1982

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

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

### FMFIA Assurance Statement

Department of Justice management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, the Department conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2). The Department also assessed whether its financial management systems conform to financial system requirements (FMFIA § 4). Based on the results of the assessments, we can provide qualified assurance that the Department's internal controls and financial management systems meet the objectives of the FMFIA. The assessment of systems did not identify any non-conformances required to be reported under FMFIA § 4; however, the assessment of internal controls identified one programmatic material weakness required to be reported under FMFIA § 2. This weakness involves the need to reduce the Federal Bureau of Prisons (BOP) crowding rate, currently at 30 percent over the rated capacity. Details of the weakness are provided in the Summary of Material Weakness and Corrective Actions. Other than the exception noted, the internal controls were operating effectively as of September 30, 2014, and the assessment identified no other material weaknesses in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment, we can provide reasonable assurance that the Department's internal control over financial reporting was operating effectively as of June 30, 2014. The assessment did not identify any material weaknesses in the design or operation of the controls. The Department is reviewing a matter related to accounting closeout procedures for canceled appropriations with the Department of the Treasury and OMB and expects to complete the review in FY 2015.

The Department of Justice is committed to maintaining strong program and financial management as we continue our mission of fighting terrorism and protecting our communities from crime. We take our program and financial accountability seriously and are dedicated to ensuring that the funds we receive are used in a responsible and transparent manner. We will continue to strengthen our controls in areas identified through the Department's internal review activities, by the Office of the Inspector General, and by the Government Accountability Office. We look forward in FY 2015 to building on our achievements as we continue the important work of the Department.



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

## **Federal Financial Management Improvement Act of 1996**

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance federal financial management by ensuring that federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with federal financial management system requirements, applicable federal accounting standards, and the application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices. Guidance for implementing the FFMIA is provided through OMB Circular A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*.

### **FFMIA Compliance Determination**

During FY 2014, the Department assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with the FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to issues identified during the Department's financial statement audit. A summary of the Department's compliance with the specific requirements of the FFMIA is provided at the end of this sub-section.

### **Financial Management Systems Strategy, Goals, and Framework**

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

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

### **Summary of Financial Statement Audit and Management Assurances**

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

**Table 3. Summary of Financial Statement Audit**

| Financial Statement Audit Opinion and Material Weaknesses |                          |            |                 |                     |                       |
|---|--------------------------|------------|-----------------|---------------------|-----------------------|
| <b>Audit Opinion</b>                                      | Unmodified               |            |                 |                     |                       |
| <b>Restatement</b>  | No                       |            |                 |                     |                       |
| <b>Material Weaknesses</b>                                | <b>Beginning Balance</b> | <b>New</b> | <b>Resolved</b> | <b>Consolidated</b> | <b>Ending Balance</b> |
| None  | 0                        | 0          | 0               | 0                   | 0                     |
| <b>Total Material Weaknesses</b>                          | <b>0</b>                 | <b>0</b>   | <b>0</b>        | <b>0</b>            | <b>0</b>              |

**Table 4. Summary of Management Assurances**

| Effectiveness of Internal Control over Programmatic Operations (FMFIA § 2) |   |            |                 |   |                   |                       |
|--|---|------------|-----------------|---|-------------------|-----------------------|
| <b>Statement of Assurance</b>  | Qualified                               |            |                 |   |                   |                       |
| <b>Material Weaknesses</b>   | <b>Beginning Balance</b>                | <b>New</b> | <b>Resolved</b> | <b>Consolidated</b>                     | <b>Reassessed</b> | <b>Ending Balance</b> |
| Prison Crowding  | 1                                       | 0          | 0               | 0                                       | 0                 | 1                     |
| <b>Total Material Weaknesses</b>   | <b>1</b>                                | <b>0</b>   | <b>0</b>        | <b>0</b>                                | <b>0</b>          | <b>1</b>              |
| Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)     |   |            |                 |   |                   |                       |
| <b>Statement of Assurance</b>  | Unqualified                             |            |                 |   |                   |                       |
| <b>Material Weaknesses</b>   | <b>Beginning Balance</b>                | <b>New</b> | <b>Resolved</b> | <b>Consolidated</b>                     | <b>Reassessed</b> | <b>Ending Balance</b> |
| None   | 0                                       | 0          | 0               | 0                                       | 0                 | 0                     |
| <b>Total Material Weaknesses</b>   | <b>0</b>                                | <b>0</b>   | <b>0</b>        | <b>0</b>                                | <b>0</b>          | <b>0</b>              |
| Conformance with Financial Management System Requirements (FMFIA § 4)      |   |            |                 |   |                   |                       |
| <b>Statement of Assurance</b>  | Systems Conform                         |            |                 |   |                   |                       |
| <b>Non-conformances</b>  | <b>Beginning Balance</b>                | <b>New</b> | <b>Resolved</b> | <b>Consolidated</b>                     | <b>Reassessed</b> | <b>Ending Balance</b> |
| None   | 0                                       | 0          | 0               | 0                                       | 0                 | 0                     |
| <b>Total Non-conformances</b>  | <b>0</b>                                | <b>0</b>   | <b>0</b>        | <b>0</b>                                | <b>0</b>          | <b>0</b>              |
| Compliance with Federal Financial Management Improvement Act (FFMIA)       |   |            |                 |   |                   |                       |
| Compliance with Specific Requirements                                      |   |            |                 |   |                   |                       |
| <b>Specific Requirements</b>   | <b>Agency</b>                           |            |                 | <b>Auditor</b>                          |                   |                       |
| <b>System Requirements</b>   | No Lack of Substantial Compliance Noted |            |                 | No Lack of Substantial Compliance Noted |                   |                       |
| <b>Accounting Standards</b>  | No Lack of Substantial Compliance Noted |            |                 | No Lack of Substantial Compliance Noted |                   |                       |
| <b>USSGL at Transaction Level</b>  | No Lack of Substantial Compliance Noted |            |                 | No Lack of Substantial Compliance Noted |                   |                       |

## Summary of Material Weakness and Corrective Actions

A summary of the material weakness identified in the Department's FY 2014 assessment of the effectiveness of internal control over programmatic operations (FMFIA § 2) follows, along with details regarding corrective actions. The associated Corrective Action Plan is provided in Section III of this document.

### Programmatic Material Weakness and Corrective Actions – Prison Crowding

As of September 30, 2014, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 30 percent. The BOP's Long Range Capacity Plan relies on multiple approaches to house the federal inmate population, such as contracting with the private sector and state and local facilities for certain groups of low-security inmates; expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring, constructing, and activating new facilities as funding permits.

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

This material weakness was first reported in 2006. Remediation of the weakness through increasing prison capacity is primarily dependent on funding. Other correctional reforms and alternatives will require policy and/or statutory changes. Other initiatives notwithstanding, if the acquisition, expansion, construction, and activation plans detailed in the BOP's Long Range Capacity Plan are funded as proposed, the over-crowding rate for FY 2016 is projected to be 17 percent.

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

## Improper Payments Information Act of 2002, as Amended

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments and is committed to the continuous improvement of the overall disbursement management process. A summary follows of actions taken by Departmental management in FY 2014 for continuous implementation of the Improper Payments Information Act of 2002 (IPIA), as amended.<sup>2</sup> Additional details, as well as the Department's submission of the required improper payments reporting, are provided in Appendix A.

### Risk Assessment

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

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department assessed its programs and activities for susceptibility to significant improper payments. Based on the results of the risk assessment for the period ended September 30, 2014, the Department concluded there were no programs susceptible to significant improper payments.

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

### Payment Recapture Audits

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

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

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<sup>2</sup> The IPIA was amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

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

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

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

### **Budget Constraints and Uncertainties**

- The Department's mission and its employees are inextricably linked; we cannot fulfill our mission without our employees. As of September 20, 2014, DOJ had nearly 5,200 fewer staff than in January 2011, primarily due to budget constraints and limitations. The Department has fewer staff to conduct investigations, address legal matters, adjudicate immigration cases, and support state, local, and tribal partners. Budget constraints and uncertainties affect not only the Department, but also the Courts and other key participants in the criminal justice system, resulting in delayed access to justice.
- While the Bipartisan Budget Act of 2013 enacted by Congress halted sequestration for FY 2014 and FY 2015, continued uncertainty remains for the years beyond. Budget cuts through sequestration or appropriation limitations in FY 2016 would be detrimental to the Department and would result in significant operating challenges.

### **Technology**

- Advances in high-speed telecommunications, computers, and other technologies are creating new opportunities for criminals, new classes of crimes, and new challenges for law enforcement.
- Growing dependence on technology is creating an increasing vulnerability to illegal acts, especially white collar crime and terrorism.

### **Economy**

- Amount of regulation and the pace of economic growth and globalization are changing the volume and nature of anti-competitive behavior.
- The interconnected nature of the world's economy is increasing opportunities for criminal activity, including money laundering, white collar crime, and alien smuggling, as well as the complexity and scope of civil justice matters.

### **Government**

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

### **Globalization**

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

## Social-Demographic

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

## Unpredictable

- Responses to unanticipated natural disasters and their aftermath require the Department to divert resources to deter, investigate, and prosecute disaster-related federal crimes, such as charity fraud, insurance fraud and other crimes.
- Changes in federal laws may affect responsibilities and workload.
- Much of the litigation caseload is defensive. The Department has little control over the number, size, and complexity of the civil lawsuits it must defend.

## Other Management Information, Initiatives, and Issues

### American Recovery and Reinvestment Act

- The Department received \$4.0 billion in funding for programs, under the American Recovery and Reinvestment Act (Recovery Act) of 2009. In addition, \$2.0 million was provided for the Department's Office of the Inspector General oversight activities related to Recovery Act funding.
- In September 2011, OMB directed agencies to complete Recovery Act activities by September 30, 2013. For the majority of the Department's programs, funds were expended and programmatic activities came to an end by that date. However, the Department received a waiver from this directive for a few of its inherently long-term assistance efforts, such as increasing tribal prison capacity and adding to the number of officers on the streets. Recovery Act funds will continue to support these long-term programs through FY 2015.
- Unobligated balances will be rescinded and transferred to the Treasury by the end of FY 2015.
- Reporting of performance and financial activity was suspended by the Recovery Accountability and Transparency Board in January 2014.
  - Historical information regarding the Department's Recovery Act activities can be found on: <http://www.justice.gov/recovery/>; government-wide Recovery Act information can also be found on: <http://www.recovery.gov/arra/Pages/default.aspx>.

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

(Dollars in Thousands)

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

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

\*\*Balances reflect Recoveries.

## Limitations of the Financial Statements

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

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

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

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