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

FY 2017

AGENCY FINANCIAL REPORT

U.S. DEPARTMENT OF JUSTICE

DEPARTMENT OVERVIEW

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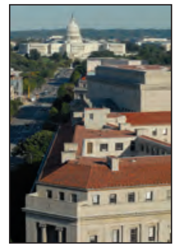

History and Enabling Legislation

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

Strategic Goals

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

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

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

Mission

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

Location

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

Component Organizations

Attorney General
Deputy Attorney General
Associate Attorney General
Antitrust Division (ATR)
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
Bureau of Prisons (BOP)
Civil Division (CIV)
Civil Rights Division (CRT)
Community Oriented Policing Services (COPS)
Community Relations Service (CRS)
Criminal Division (CRM)
Drug Enforcement Administration (DEA)
Environment & Natural Resources Division (ENRD)
Executive Office for Immigration Review (EOIR)
Executive Office for Organized Crime Drug Enforcement Task Forces (OCDETF)
Executive Office for U.S. Attorneys (EOUSA)
Executive Office for U.S. Trustees (UST)
Federal Bureau of Investigation (FBI)
Foreign Claims Settlement Commission (FCSC)
INTERPOL Washington
Justice Management Division (JMD)
National Security Division (NSD)
Office for Access to Justice (A2J)
Office of Information Policy (OIP)
Office of Legal Counsel (OLC)
Office of Legal Policy (OLP)
Office of Legislative Affairs (OLA)
Office of the Inspector General (OIG)
Office of the Pardon Attorney (OPA)
Office of Justice Programs (OJP)
Office of Professional Responsibility (OPR)
Office of Public Affairs
Office of the Solicitor General (OSG)
Office of Tribal Justice (OTJ)
Office on Violence Against Women (OVW)
Professional Responsibility Advisory Office (PRAO)
Tax Division (TAX)
U.S. Attorneys (USAO)
U.S. Marshals Service (USMS)
U.S. Parole Commission (USPC)

U.S. DEPARTMENT OF JUSTICE

FY 2017
Agency Financial
REPORT

November 2017

AFR

U.S. Department of Justice – FY 2017 Agency Financial Report

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AFR

Introduction
(Unaudited)

This Report's Purpose and Reporting Process

The Agency Financial Report (AFR) is the Department of Justice's (DOJ or the Department) principal report conveying to the President, Congress, and the American public its commitment to sound financial management and stewardship of public funds. The AFR reports on the agency end-of-fiscal-year financial position and results that include, but is not limited to, financial statements, notes to the financial statements, and reports of the independent auditors, as well as a performance summary.

The Department's AFR is prepared under the direction of the Department's Chief Financial Officer (CFO). The financial statements contained within this report are prepared by the Department's Justice Management Division, Finance Staff, and audited by an independent public accounting firm under the direction of the Office of the Inspector General (OIG). These financial statements for FY 2017 and FY 2016 report on all accounts and associated activities of each office, bureau, and activity of the Department.

The Department continues to enforce vigorously the broad spectrum of laws of the United States; notably, the fight against terrorism continues to be the highest priority of the Department. The Department's current Strategic Plan for FYs 2014-2018 is available electronically at http://www.justice.gov/jmd/strategic-plan-fiscal-years-2014-2018. The Strategic Plan includes three strategic goals and related objectives, which are referred to throughout this report.

Organization of the Report

Section I – Management's Discussion and Analysis: This section includes summary information about the mission and organization of the Department; resource information; an analysis of the Department's financial statements; an analysis of performance information for the Department's key performance measures; and assurances and information related to internal control and financial management system compliance with government-wide requirements, as required by the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123.

Section II – Financial Section: This section begins with the OIG's Commentary and Summary on the Department's FY 2017 Annual Financial Statements. This section also includes the reports of the Independent Auditors and the Department's consolidated financial statements and related notes.

Section III – Management Section: This section includes the OIG-identified Top Management and Performance Challenges Facing the Department of Justice and the Department of Justice's response to those challenges.

Appendices: This section includes (A) Payment Integrity; (B) Acronyms; and (C) Department Component Websites.

This report is available at https://www.justice.gov/doj/fy-2017-agency-financial-report

Compliance with Legislated Reporting Requirements

This report meets the following legislated reporting requirements:

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

Federal Managers' Financial Integrity Act of 1982 (FMFIA) – Requires federal agencies to annually report on the effectiveness of internal control over operations, reporting, and compliance and whether agency financial management systems comply with government-wide requirements

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

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

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

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

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

SECTION I

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

Section I Management's Discussion and Analysis (Unaudited)

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

Mission

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

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

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

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

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

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

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

Strategic Goals and Objectives

From our mission and core values stem the Department's strategic and annual planning processes. The Department embraces the concepts of performance-based management. At the heart of these concepts is the understanding that improved performance is realized through greater focus on mission, agreement on goals and objectives, and timely reporting of results. In the Department, strategic planning is the first step in an iterative planning and implementation cycle.

Consistent with the Government Performance and Results Modernization Act of 2010 (GPRAMA), the Department is in the process of developing a new Strategic Plan that will guide it during FYs 2018 through 2022. For FY 2017, the Department's strategic goals and objectives were as follows.

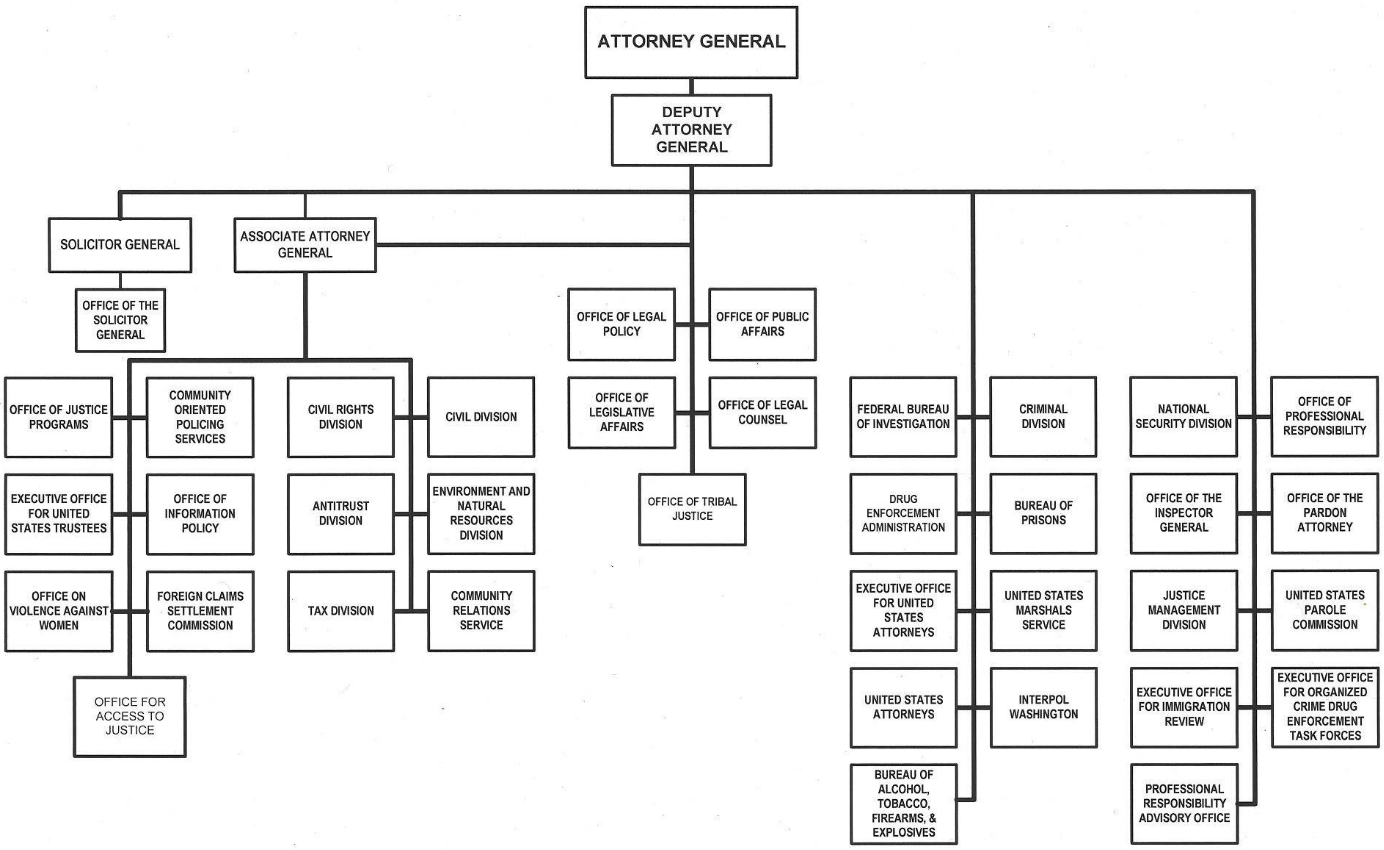
Strategic Goal		Strategic Objectives
1	Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law	**1.1** Prevent, disrupt, and defeat terrorist operations before they occur by integrating intelligence and law enforcement efforts to achieve a coordinated response to terrorist threats **1.2** Prosecute those involved in terrorists acts **1.3** Investigate and prosecute espionage activity against the United States, strengthen partnerships with potential targets of intelligence intrusions, and proactively prevent insider threats **1.4** Combat cyber-based threats and attacks through the use of all available tools, strong public-private partnerships, and the investigation and prosecution of cyber threat actors
2	Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law	**2.1** Combat the threat, incidence, and prevalence of violent crime by leveraging strategic partnerships to investigate, arrest, and prosecute violent offenders and illegal firearms traffickers **2.2** Prevent and intervene in crimes against vulnerable populations and uphold the rights of, and improve services to, America's crime victims **2.3** Disrupt and dismantle major drug trafficking organizations to combat the threat, trafficking, and use of illegal drugs and the diversion of licit drugs **2.4** Investigate and prosecute corruption, economic crimes, and transnational organized crime **2.5** Promote and protect American civil rights by preventing and prosecuting discriminatory practices **2.6** Protect the federal fisc and defend the interests of the United States
3	Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels	**3.1** Promote and strengthen relationships and strategies for the administration of justice with law enforcement agencies, organizations, prosecutors, and defenders through innovative leadership and programs **3.2** Protect judges, witnesses, and other participants in federal proceedings by anticipating, deterring, and investigating threats of violence **3.3** Provide safe, secure, humane, and cost-effective confinement and transportation of federal detainees and inmates **3.4** Reform and strengthen America's criminal justice system by targeting the most serious offenses for federal prosecution, expanding the use of diversion programs, and aiding inmates in reentering society **3.5** Apprehend fugitives to ensure their appearance for federal judicial proceedings or confinement **3.6** Prevent and respond to genocide and mass atrocities and ensure that perpetrators of such crimes are held accountable in the United States, and if appropriate, their home countries **3.7** Adjudicate all immigration cases promptly and impartially in accordance with due process **3.8** Strengthen the government-to-government relationship between tribes and the United States, improve public safety in Indian Country, and honor treaty and trust responsibilities through consistent, coordinated policies, activities, and litigation

Organizational Structure

Led by the Attorney General, the Department is comprised of forty separate component organizations. There are 115,760 employees who ensure that the Department carries out the individual missions of its components. These include the U.S. Attorneys (USAs) who prosecute offenders and represent the United States government in court; the major investigative agencies – the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), which deter and investigate crimes and arrest criminal suspects; the U.S. Marshals Service (USMS), which protects the federal judiciary, apprehends fugitives, and detains persons in federal custody; the Bureau of Prisons (BOP), which confines convicted offenders; and the National Security Division (NSD), which brings together national security, counterterrorism, counterintelligence, and foreign intelligence surveillance operations under a single authority.

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

U.S. DEPARTMENT OF JUSTICE



Financial Structure

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

Components:

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

***OBDs**

Offices

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

Boards

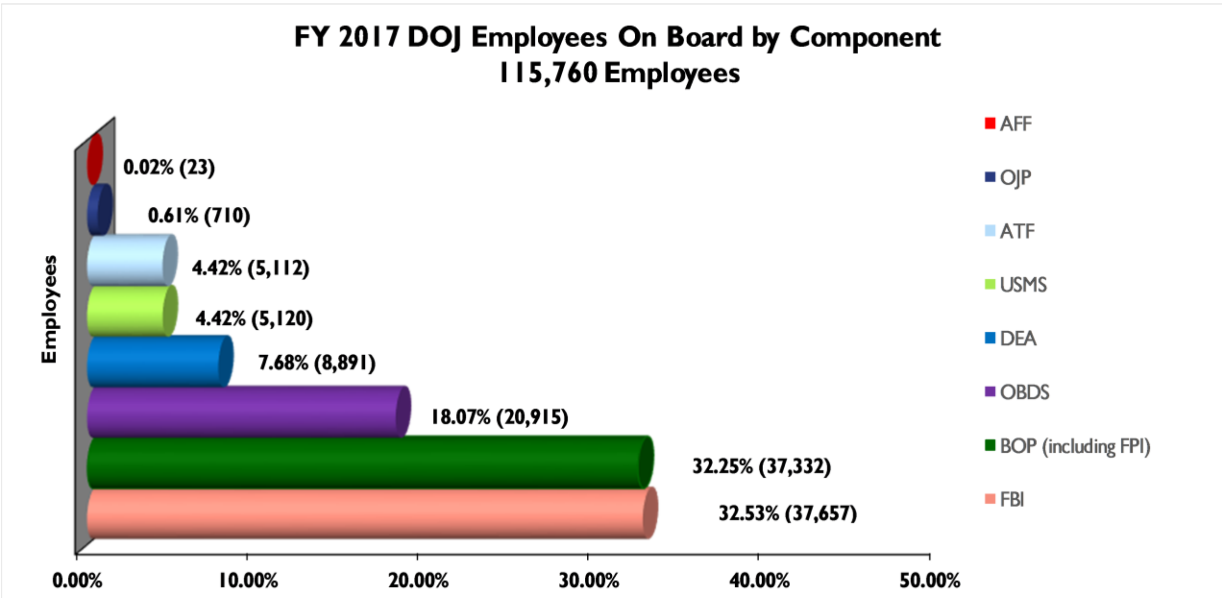
Foreign Claims Settlement Commission
U.S. Parole Commission

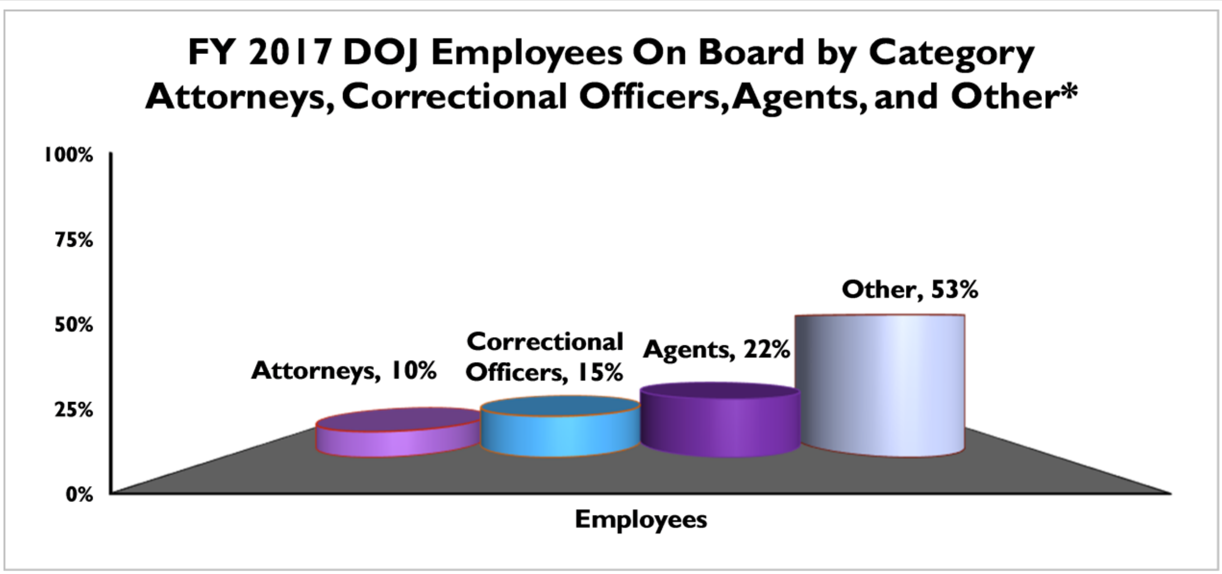
Divisions

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

FY 2017 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2017. The charts on this page reflect employees on board as of September 30, 2017.





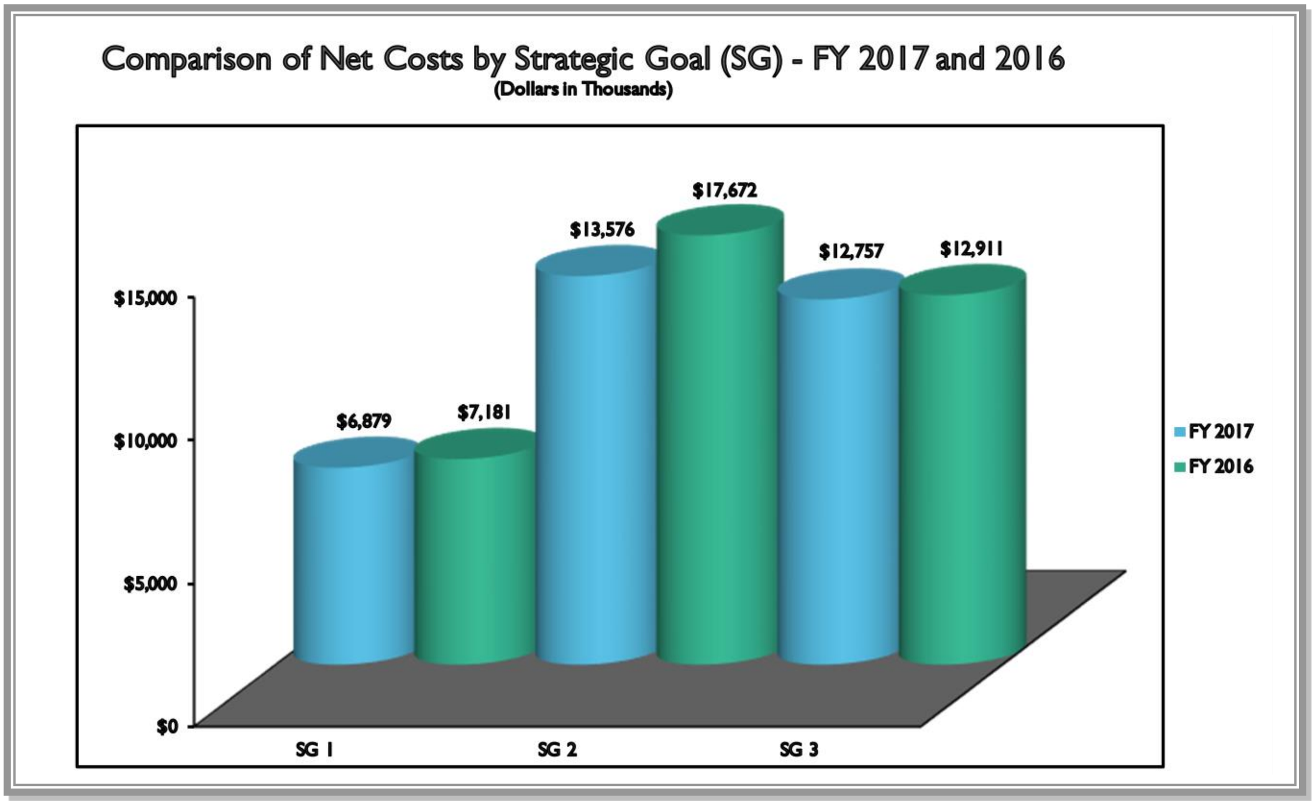
*"Other" includes pay class categories such as paralegals, intelligence analysts, financial managers, procurement officers, evidence technicians, and security specialists.

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

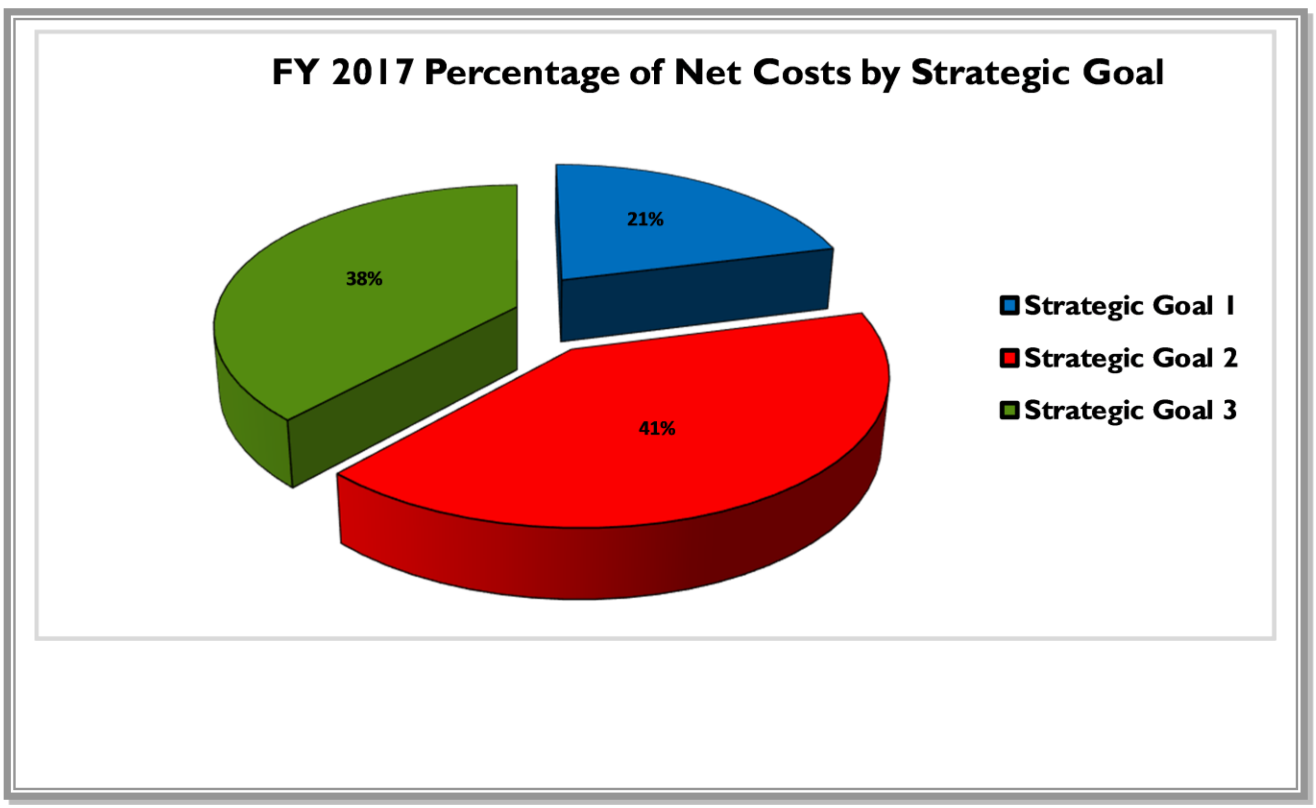
Source	FY 2017	FY 2016	% Change
Earned Revenue:	**$ 2,834,883**	**$ 3,050,988**	**(7.08%)**
Budgetary Financing Sources:			
Appropriations Received	35,463,968	31,668,095	11.99%
Appropriations Transferred-In/Out	1,250,532	378,414	230.47%
Nonexchange Revenues	7,157,288	1,521,189	370.51%
Donations and Forfeitures of Cash and Cash Equivalents	1,378,432	1,764,050	(21.86%)
Transfers-In/Out Without Reimbursement	(496,397)	(1,897,872)	(73.84%)
Other Budgetary Financing Sources	-	(80,767)	(100.00%)
Other Adjustments	(177,123)	(1,221,050)	(85.49%)
Other Financing Sources:			
Donations and Forfeitures of Property	370,007	200,868	84.20%
Transfers-In/Out Without Reimbursement	21,168	(1,619)	(1407.47%)
Imputed Financing	725,702	801,660	(9.48%)
Other Financing Sources	(649,352)	(7,849)	8173.05%
Total DOJ Resources	**$ 47,879,108**	**$ 36,176,107**	**32.35%**

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

Strategic Goal	FY 2017	FY 2016	% Change
1 Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
Gross Cost	$ 7,169,392	$ 7,492,891	
Less: Earned Revenue	290,694	311,505	
Net Cost	6,878,698	7,181,386	(4.21%)
2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	14,882,824	19,009,890	
Less: Earned Revenue	1,307,215	1,338,387	
Net Cost	13,575,609	17,671,503	(23.18%)
3 Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
Gross Cost	13,993,537	14,311,779	
Less: Earned Revenue	1,236,974	1,401,096	
Net Cost	12,756,563	12,910,683	(1.19%)
Total Gross Cost	**36,045,753**	**40,814,560**	
Less: Total Earned Revenue	**2,834,883**	**3,050,988**	
Total Net Cost of Operations	**$ 33,210,870**	**$ 37,763,572**	**(12.06%)**



Comparison of Net Costs by Strategic Goal (SG) - FY 2017 and 2016
(Dollars in Thousands)
$6,879
$7,181
$13,576
$17,672
$12,757
$12,911
$15,000
$10,000
$5,000
$0
SG 1
SG 2
SG 3
FY 2017
FY 2016



FY 2017 Percentage of Net Costs by Strategic Goal
21%
38%
41%
Strategic Goal 1
Strategic Goal 2
Strategic Goal 3

Analysis of Financial Statements

The Department's financial statements, which are provided in Section II of this document, received an unmodified audit opinion for the fiscal years ended September 30, 2017 and 2016. 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 2017. 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, 2017, shows $60.7 billion in total assets, an increase of $12.1 billion over the previous year's total assets of $48.6 billion. The increase was primarily due to increases in the September 11th Victim Compensation Fund funding and Crime Victims Funds receipts. Fund Balance with U.S. Treasury (FBWT) was $43.0 billion, which represented 71% percent of total assets.

Liabilities: Total Department liabilities were $21.4 billion as of September 30, 2017, an increase of $213.0 million from the previous year's total liabilities of $21.2 billion. The increase is primarily related to various large amounts for custodial activities.

Net Cost of Operations: The Consolidated Statement of Net Cost presents Department's gross and net cost by strategic goal. The net cost of the Department's operations totaled $33.2 billion for the fiscal year ended September 30, 2017, a decrease of $4.6 billion from the previous year's net cost of operations of $37.8 billion. The decrease is primarily related to the September 11th Victim Compensation Fund recording of an unfunded liability of $4.6 billion in FY 2016.

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

Strategic Goal	Description of Major Costs
1	Includes resources dedicated to counterterrorism initiatives for ATF, CRM, DEA, FBI, NSD, USAs, and USMS
2	Includes resources for the AFF/SADF, ATF, BOP, COPS, CRS, DEA, FBI, Foreign Claims Settlement Commission (FCSC), Organized Crime Drug Enforcement Task Forces (OCDETF), OJP, Office of Legal Counsel (OLC), Office of the Pardon Attorney (OPA), Office of the Solicitor General (OSG), OVW, USAs, USMS, INTERPOL Washington, UST, ATR, CIV, CRT, CRM, ENRD,TAX and services to America's crime victims
3	Includes resources for BOP, EOIR, Fees and Expenses of Witnesses, FBI, FPI, OJP, and USMS

Management and administrative costs, including the costs for the Department's leadership offices, JMD, and others, are allocated to each strategic goal based on full-time equivalent (FTE) employment.[1]

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[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 2017 Combined Statement of Budgetary Resources shows $54.0 billion in total budgetary resources, an increase of $5.6 billion from the previous year's total budgetary resources of $48.4 billion. The majority of the increase is related to budgetary authority received for the September 11th Victim Compensation Fund and the United States Victims of State Sponsored Terrorism Fund.

Net Agency Outlays: The Department's FY 2017 Combined Statement of Budgetary Resources shows $33.8 billion in net agency outlays, an increase of $1.5 billion from the previous year's total net agency outlays of $32.3 billion. The increase is primarily due to claimant payments from the September 11th Victim Compensation Fund and the United States Victims of State Sponsored Terrorism Fund.

Summary of Performance Information

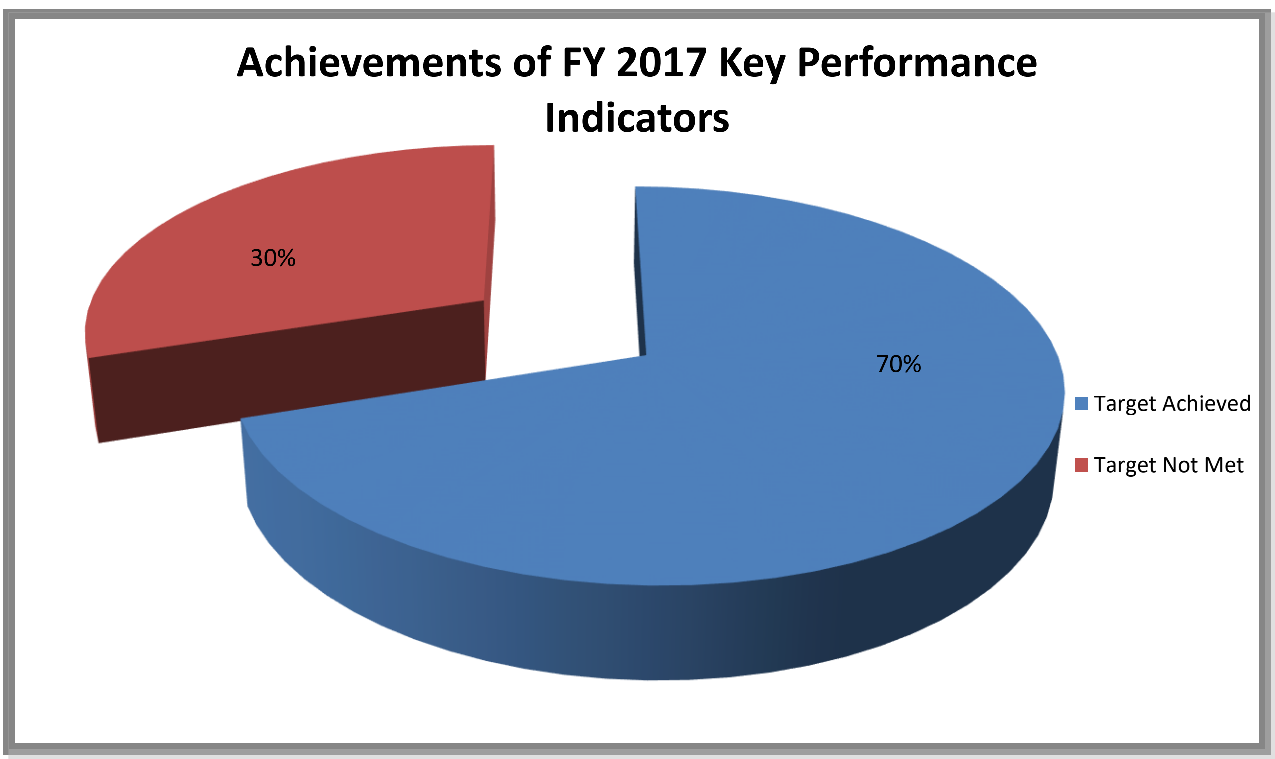
The Government Performance and Results Act Modernization Act of 2010 (GPRAMA) requires an agency's Strategic Plan to be updated every four years and cover a period of not less than four years forward from the fiscal year in which it is submitted.

The Department's FY 2014 – 2018 Strategic Plan, which contains three strategic goals, is used for this report. It includes 30 key performance measures addressing DOJ's priorities toward achieving its long-term outcome goals; the performance measures are summarized in this document. This report provides the final reporting on this Plan and associated measures; the next Strategic Plan will be released with the FY 2019 President's Budget in February 2018, consistent with GPRAMA.

During FY 2017, Departmental leadership continued to display a clear commitment to performance management through the reliance on formal quarterly status reviews. Additionally, Departmental components continued to work on improving the quality and timeliness of financial and performance information that inform quarterly status reporting and operating plans.

For this summary report, 90 percent of the performance measures have actual data for FY 2017. The Department achieved 70 percent of its key measures that had data available as of September 30, 2017. For some of the performance measures, the actual data will not be available until early 2018. 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 2017 long-term outcome goals (key performance indicators).



FY 2017 Long-term Outcome Goals (Key Performance Indicators)

Strategic Objective	[ ] Designates the reporting entity	FY 2016 Revised Actual	FY 2017 Target	FY 2017 Actual	Target Achieved/ Not Met
	Strategic Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law				
1.1	Number of terrorism disruptions [FBI]	460	200	723*	Target Achieved
1.2	Percentage of counterterrorism defendants whose cases were favorably resolved [NSD]	99%	90%	100%	Target Achieved
1.3	Percentage of counterespionage actions and disruptions against national counterintelligence priorities that result from FBI outreach [FBI]	17%	Not Disclosed	Not Disclosed[2]	N/A
	Percentage of counterespionage defendants whose cases were favorably resolved [NSD]	100%	90%	100%	Met
1.4	Number of computer intrusion program disruptions and dismantlements [FBI]	259	500	262*	Not Met
	Percentage of cyber defendants whose cases were favorably resolved [NSD]	100%	90%	100%	Target Achieved

*FY 2017 actual is preliminary.

2 FBI discontinued the counterespionage performance measure. Due to national security reasons, the FBI's Counterintelligence Divisions implemented new Counterintelligence measures and analyses that are classified.

Strategic Objective	[ ] Designates the reporting entity	FY 2016 Revised Actual	FY 2017 Target	FY 2017 Actual	Target Achieved/ Not Met
	Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law				
2.1	Number of gangs/criminal enterprise dismantlements non-Consolidated Priority Organization Target (non-CPOT) [FBI]	123	124	178*	Target Achieved
	Percent of criminal cases favorably resolved [USA, CRM]	93%	90%	93%	Target Achieved
2.2	Number of communities with improved capacity for a coordinated response to domestic violence, dating violence, sexual assault, and stalking [OVW]	5,176	4,050	5,149	Target Achieved
	Percent of children recovered within 72 hours of an issuance of an AMBER alert [OJP]	95%	92%	96%	Target Achieved
2.3	Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data-OCDETF)]				
	Dismantled	185	188	106*	Not Met
	Disrupted	268	233	191*	Not Met
2.4	Number of criminal enterprises engaging in white collar crime dismantled [FBI]	302	400	438*	Target Achieved
	Percentage of dollar amounts sought by the government recovered [CIV]	88%	85%	92%	Target Achieved
2.5	Percent of civil rights cases favorably resolved: criminal cases [CRT]	85%	85%	98%	Target Achieved
	Percent of civil rights cases favorably resolved: civil cases [CRT]	100%	85%	98%	Target Achieved
2.6	Case resolution for DOJ litigating divisions – percent of criminal cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA]	97%	90%	93%	Target Achieved
	Case resolution for DOJ litigating divisions – percent of civil cases favorably resolved [ATR, CIV, CRM, ENRD, TAX, USA]	85%	80%	82%	Target Achieved

*FY 2017 actual is preliminary.
**Final actual figure will be available in early 2018.

Strategic Objective	[ ] Designates the reporting entity	FY 2016 Revised Actual	FY 2017 Target	FY 2017 Actual	Target Achieved/ Not Met
	Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels				
3.1	Percent of grantees implementing one or more evidence-based programs [OJP/OJJDP]	71%	55%	TBD**	TBD
3.2	Assaults against protected court members [USMS]	0	0	0	Target Achieved
3.3	Percent of system-wide crowding in federal prisons [BOP]	16%	13%	13%	Target Achieved
3.4	Number of inmate participants in the Residential Drug Abuse Program [BOP]	17,588	18,591	16,641	Not Met
	Percent of youths who exhibit a desired change in the targeted behavior [OJP]	68%	73%	TBD**	TBD
3.5	Percent and number of USMS federal fugitives apprehended or cleared [USMS]	64%/32,831	60%/29,638	64%/34,261	Target Achieved
	Number of red and green notices published on U.S. fugitives and sex offenders [IPOL]	Red-384 Green-566	Red-346 Green-460	Red-343 Green-538	Not Met[3] Target Achieved
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]	5,695	4,197	5,271	Target Achieved
3.7	Percent of Institutional Hearing Program cases completed before release [EOIR]	72%	85%	79%	Not Met
	Percent of detained cases completed within 60 days [EOIR]	67%	80%	63%	Not Met
	Percent of detained appeals completed within 150 days [EOIR]	98%	90%	94%	Target Achieved
3.8	Number of meetings conducted with the Tribal Nations Leadership Council and the OTJ to further the government-to-government relationship between tribes and the Department, obtain perspective on the Department's activities in Indian Country, and raise issues that have tribal implications [OTJ]	12	10	12	Target Achieved
	Number of individuals in Indian Country that are receiving substance abuse treatment services (in-patient or out-patient), including Healing-to-Wellness Court [OJP]	788	947	TBD**	TBD

**Final actual figure will be available in early 2018.

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3 The number of red and green notices published on U.S. fugitives and sex offenders is reported as a single performance measure. In FY 2017, IPOL partially achieved its target for total notices published – achieving only 99% of its target for red notices published.

Analysis of Systems, Controls, and Legal Compliance

Internal Control and Risk Management in the Department of Justice

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

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

The Department identifies emerging risks and issues through a strong governance framework that consists of a network of oversight councils and internal review teams. These include the Department's Senior Assessment Team, Risk Management Committee, Chief Information Officers Council, Justice Management Division's Internal Review and Evaluation Office and Quality Control and Compliance Group, and Department component internal review and inspections offices. In addition, the Department considers reports issued by the Office of the Inspector General (OIG) and Government Accountability Office (GAO) when assessing risks and internal control.

In FY 2017, the Department made significant strides in developing its Enterprise Risk Management (ERM) program with the goal of integrating ERM with strategic planning and internal control processes to foster better performance-based management and decision-making. The Department convened a Risk Management Committee to identify and prioritize enterprise-wide risks associated with mission and mission-support operations across the Department. The Committee included representatives from material reporting components, a litigating division, and the Justice Management Division (JMD). Discussions of existing and planned management controls associated with the risks led to the development of an initial ERM Risk Profile.[4]

Efforts will continue in FY 2018 to further develop the Department's ERM program, to include implementing a framework for integrating ERM practices with strategy setting and performance management initiatives, consistent with the framework provided in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The governance structure will evolve to incorporate representatives from additional components, and Management Working Groups will be established to support detailed analyses of risks, risk responses, and internal control monitoring. Communication, training, and awareness building will be key areas of focus to leverage existing ERM practices and gain further integration between strategic planning, internal control monitoring, and performance assessment.

The Department's internal control system continues to improve through ongoing assessments and corrective actions implemented by management. The Department's commitment to management excellence, accountability, and compliance with applicable laws and regulations is evidenced by continuing actions to establish effective controls, make sound determinations on corrective actions, and verify and validate the results. This commitment is further evidenced by the many control improvements and actions taken by Department management in response to new legislation, OMB initiatives, and OIG and GAO recommendations.

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[4] The components contributing to the initial risk profile included the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); Bureau of Prisons (BOP); Drug Enforcement Administration (DEA); Federal Bureau of Investigation (FBI); Office of Justice Programs (OJP); United States Marshals Service (USMS); National Security Division (NSD); and the following JMD offices – Budget Staff, Finance Staff, Human Resources Staff, and the Office of the Chief Information Officer.

Management Assurances

Federal Managers' Financial Integrity Act of 1982

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

FMFIA Assurance Statement

Department of Justice management is responsible for managing risks and maintaining effective internal control to meet the objectives of FMFIA § 2 and § 4. In accordance with OMB Circular A-123, the Department conducted its assessment of risk and internal control. Based on the results of the assessment, we can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2017.

The Department of Justice is committed to maintaining strong program and financial management as we continue our mission of fighting terrorism and protecting our communities from crime. We take our program and financial accountability seriously and are dedicated to ensuring that the funds we receive are used in a responsible and transparent manner. We will continue to strengthen our controls in areas identified through the Department's internal review activities and by the Office of the Inspector General and Government Accountability Office. We look forward in FY 2018 to building on our achievements as we continue the important work of the Department.

Jefferson B. Sessions III
Attorney General
November 13, 2017

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. 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 2017, 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 reviews conducted pursuant to the Federal Information Security Management Act (FISMA) 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 section.

Financial Management Systems Strategy, Goals, and Framework

The Department's financial management systems strategy is to ultimately replace the one remaining major non-integrated legacy accounting system in use in the Department with the single, integrated financial management system the Department is deploying – the Unified Financial Management System (UFMS). UFMS delivers standard, core accounting and acquisition processes, as well as the data needed for effective financial and budget management. In FYs 2009 through 2017, the Department made measurable progress in implementing UFMS. In FY 2009, the DEA successfully migrated to UFMS and, importantly, obtained an unqualified audit opinion on its financial statements produced from UFMS. As expected, the DEA project was a large, complex, and difficult migration, but one that helped to lay the foundation for the migrations of the ATF, USMS, AFMS, and FBI that occurred in FYs 2011 through 2014. In FYs 2015 and 2016, the Department continued its planning efforts to ensure the smooth migrations of three components in October 2015 and four components and 10 United States Attorneys' Offices in October 2016.[5] In FY 2017, the Department continued its planning efforts for the FY 2018 migrations of eight components and the remaining United States Attorneys' Offices.[6] 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.

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

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

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

Summary of Financial Statement Audit and Management Assurances

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

Table 3. Summary of Financial Statement Audit

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

Table 4. Summary of Management Assurances

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

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

Compliance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems Comply					
Non-Compliances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	0	0	0	0	0	0
Total Non-Compliances	**0**	**0**	**0**	**0**	**0**	**0**

Compliance with Section 803(a) of Federal Financial Management Improvement Act (FFMIA)		
Compliance with Specific Requirements		
Specific Requirements	**Agency**	**Auditor**
Federal Financial Management System Requirements	No Lack of Compliance Noted	No Lack of Compliance Noted
Applicable Federal Accounting Standards	No Lack of Compliance Noted	No Lack of Compliance Noted
USSGL at Transaction Level	No Lack of Compliance Noted	No Lack of Compliance Noted

Analysis of Legal Compliance

Department of Justice management is committed to ensuring compliance with applicable laws and regulations. In FY 2017, the OIG conducted an examination of the Department's compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act). The DATA Act requires the Inspector General of each Federal agency to review a statistically valid sample of the agency's spending data on USASpending.gov and submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the agency's implementation and use of the government wide financial data standards. The OIG found that the Department submitted complete and timely data to the DATA Act broker system by May 9, 2017, as required by the DATA Act, and the Department successfully implemented and used the government-wide financial data standards. However, the OIG identified a material weakness in internal controls that contributed to the Department being materially noncompliant with standards for the quality and accuracy of the data submitted. Management of the components with findings have reviewed the findings and have already taken corrective actions or actions are underway. The Department will develop a Department-level Corrective Action Plan as part of management's response to the recommendations in the OIG's report.

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

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

National Security

- Going Dark: Criminals and terrorists are using encryption and other anonymous or hidden services to avoid detection, identification and capture. Conducting court-approved intercepts has become more challenging. Providers offer encryption as a selling point. Even when legal authority exists, technical ability is lacking, as are storage and data retention policies. A coordinated strategic response is urgently needed.
- Foreign Intelligence and Insider Threat: Both international and domestic terrorists threaten Americans at home and abroad. Foreign governments and state-sponsored actors threaten U.S. national security through foreign operations and espionage.

Law Enforcement

- Cyber Threat: Cyber issues straddle both national security and criminal areas, with the United States facing daily telecommunications network attacks from a range of nations, criminals and terrorists, all with potentially devastating consequences. The Department of Justice itself is under constant cyber-attack. The threat is pervasive and persistent and the methods of adversaries are always evolving.
- Opioid Epidemic: Drug overdoses are now the leading cause of injury-related deaths in the United States – more than which include prescriptions, heroin and fentanyl.
- Transnational Organized Crime: Transnational criminal organizations pose the greatest threat to national security and the safety of American citizens.

Immigration

- Increasing Workload: The Executive Office for Immigration Review's (EOIR) immigration court caseload continues to increase to record levels, growing by more than 125 percent since FY 2010 to 560,000 cases currently pending adjudication.
- Illegal Aliens: An increase in DHS apprehensions will result in more fugitive investigations for individuals with immigration warrants; more protective investigations and details for members of the judiciary; and more prisoners to receive, process, and detain.
- Immigration Enforcement Prosecutors: Federal prosecution of border crime is an essential part of the nation's defense and security and critical to public safety. U.S. Attorneys' Offices address the criminal and civil caseloads generated by law enforcement activities to ensure aggressive enforcement of all immigration statutes.

Hiring and Staffing

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

Budget Constraints and Uncertainties

- From 2001 to 2010, the Department's discretionary budget rose steadily, from $18 billion to $28 billion. However, since then, the discretionary budget has been largely flat, with components absorbing inflationary costs.

Unpredictable

- Responses to unanticipated natural disasters and their aftermath, such as the three major hurricanes the United States endured in 2017, require the Department to divert resources to deter, investigate, and prosecute disaster-related federal crimes, such as charity fraud, insurance fraud and other crimes.
- Changes in federal laws may affect responsibilities and workload.
- Much of the litigation caseload is defensive. The Department has little control over the number, size, and complexity of the civil lawsuits it must defend.

Limitations of the Financial Statements

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

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

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

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SECTION II
FINANCIAL SECTION

Section II

Financial Section

Overview

The Department's financial statements have been prepared to report the financial position, results of operations, net position, budgetary resources, and custodial activity of the Department pursuant to the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the format suggested in OMB Circular A-136, *Financial Reporting Requirements*. This data outlines not only the costs of programs, but also the costs of achieving individual results by strategic goal. The following section provides the Statements of Net Cost by major program for the Department of Justice, and it is aligned directly with the goals and objectives in the Department's Strategic Plan and Annual Performance Plan.

The Office of the Inspector General's Commentary and Summary, and the Independent Auditors' Reports are the following financial statements:

Consolidated Balance Sheets – Presents resources owned or managed by the Department that are available to provide future economic benefits (assets); amounts owed by the Department that will require payments from those resources or future resources (liabilities) and residual amounts retained by the Department, comprising the difference (net position) as of September 30, 2017 and 2016.

Consolidated Statements of Net Cost – Presents the net cost of Department operations for the fiscal years ended September 30, 2017 and 2016. The Department's net cost of operations includes the gross costs incurred by the Department less any exchange revenue earned from Department activities.

Consolidated Statements of Changes in Net Position – Presents the change in the Department's net position resulting from the net cost of operations, budgetary financing sources other than exchange revenues, and other financing sources for the fiscal years ended September 30, 2017 and 2016.

Combined Statements of Budgetary Resources – Presents the budgetary resources available to the Department, the status of those resources, and the outlay of budgetary resources for the fiscal years ended September 30, 2017 and 2016.

Combined Statements of Custodial Activity – Presents the sources and disposition of non-exchange revenues collected or accrued by the Department on behalf of other recipient entities for the fiscal years ended September 30, 2017 and 2016.

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Office of the Inspector General Commentary and Summary

Audit of the U.S. Department of Justice Annual Financial Statements Fiscal Year 2017

Objective

Pursuant to Section 304(a) of the *Chief Financial Officers Act of 1990*, as expanded by Section 405(b) of the *Government Management Reform Act of 1994*, the Department of Justice (Department or DOJ) Office of the Inspector General (OIG) is required to perform an audit of the Department's annual financial statements.

The objectives of the audit are to opine on the financial statements, report on internal control over financial reporting, and report on compliance and other matters, including compliance with the *Federal Financial Management Improvement Act of 1996* (FFMIA).

Results in Brief

The fiscal year (FY) 2017 audit resulted in an unmodified opinion on the Department's financial statements. The auditors' reports on internal controls over financial reporting, and compliance and other matters did not report any material weaknesses or instances of noncompliance.

The OIG reviewed KPMG LLP's (KPMG) reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards, was not intended to enable us to express, and we do not express, an opinion on the Department's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the Department's financial management systems substantially complied with FFMIA, or conclusions on compliance and other matters. KPMG is responsible for the attached auditors' reports dated November 13, 2017, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

Recommendations

No recommendations were provided in the report.

Audit Results

Under the direction of the OIG, KPMG performed the Department's audit in accordance with auditing standards generally accepted in the United States of America. The FY 2017 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in accordance with U.S. generally accepted accounting principles.

KPMG neither identified any material weaknesses, nor reported any significant deficiencies in the FY 2017 report on internal controls. Additionally, no instances of non-compliance or other matters, including FFMIA, were identified during the audit that are required to be reported under Government Auditing Standards.

The Department's financial statements are comprised of nine reporting entities as described in Note 1.A. to the financial statements. Four of these entities (Assets Forfeiture Fund and Seized Asset Deposit Fund, Federal Bureau of Investigation, Federal Bureau of Prisons, and Federal Prison Industries, Inc.) also prepare separate audited annual financial statements, which are available on the OIG's website shortly after issuance.

Beginning in 2009, the Department has made measurable progress toward implementing the Unified Financial Management System (UFMS). The Department has two final implementations scheduled in October 2018 and 2019, after which the UFMS implementation will be complete. While measurable progress continued to be made, it is important to note that the Department does not yet have a fully unified financial management system to readily support ongoing accounting operations and the preparation of financial statements, in order to achieve the economies of scale that it originally envisioned. As discussed in past years, we believe the most important challenge facing the Department in its financial management is to fully implement an integrated financial management system to replace the remaining major non-integrated legacy accounting system currently being used by three of the Department's nine reporting components.

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on the Financial Statements

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice (Department), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the Federal Bureau of Prisons (BOP), of which statements reflect total assets constituting 11% and 14% of consolidated total assets at September 30, 2017 and 2016, respectively, and total net costs constituting 23% and 20% of consolidated total net costs for the years then ended, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion on the Financial Statements

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice as of September 30, 2017 and 2016, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Interactive Data

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We and the other auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Department Overview, Introduction, Other Information, Management Section, and Appendices is presented for purposes of additional analysis, and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied by us in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the Department's internal control over financial reporting, and our report dated November 13, 2017 on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Washington, D.C.
November 13, 2017

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice (Department), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 13, 2017. We did not audit the financial statements of the Federal Bureau of Prisons (BOP) as of and for the years ended September 30, 2017 and 2016. Those financial statements were audited by other auditors whose report has been furnished to us, and our report, insofar as it relates to the amounts included for that component, is based solely on the report of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2017, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As stated above, we did not audit the fiscal year 2017 financial statements of the BOP. Those financial statements were audited by other auditors whose report thereon, including the other auditors' *Independent Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*, has been furnished to us. Accordingly our report on the Department's internal control over financial reporting, insofar as it relates to that component, is based solely on the report of the other auditors.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our and the other auditors’ audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our and the other auditors’ testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the Department’s internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department’s internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 13, 2017

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

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

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice (Department), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 13, 2017. We did not audit the financial statements of the Federal Bureau of Prisons (BOP) as of and for the years ended September 30, 2017 and 2016. Those financial statements were audited by other auditors whose report has been furnished to us, and our report, insofar as it relates to the amounts included for that component, is based solely on the report of the other auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 17-03.

As stated above, we did not audit the fiscal year 2017 financial statements of the BOP. Those financial statements were audited by other auditors whose report thereon, including the other auditors' *Independent Auditor's Report on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with Government Auditing Standards*, has been furnished to us. Accordingly, our report on the Department's compliance and other matters, insofar as it relates to that component, is based solely on the report of the other auditors.

The Department is currently reviewing three matters regarding potential violations of the *Antideficiency Act* (ADA) as follows:

- There are two potential ADA violations for the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). One potential violation is related to whether congressional notification was necessary prior to funding the relocation of four ATF employees to the Caribbean in fiscal year 2016. The other potential violation is related to an appropriations act restriction on the consolidation or centralization of certain firearm records between fiscal years 2007 and 2009.

- The Office of Justice Programs is evaluating a potential ADA violation related to the period of availability of funds awarded under the *Victims of Crime Act of 1984.*

As of the date of this report, the outcome of these matters, and any resulting ramifications, are not known.

We and the other auditors also performed tests of the Department's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our and the other auditors' tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) federal financial management system requirements, (2) applicable federal accounting standards, and (3) application of the United States Government Standard General Ledger at the transaction level.

Purpose of this Report

The purpose of this report is solely to describe the scope of our and the other auditors' testing of compliance and the result of that testing, and not to provide an opinion on the Department's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 13, 2017

Principal Financial Statements and Related Notes

See Independent Auditors' Report on the Financial Statements

U. S. Department of Justice
Consolidated Balance Sheets
As of September 30, 2017 and 2016

Dollars in Thousands		2017		2016
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with U.S. Treasury (Note 3)	$	42,967,217	$	30,593,210
Investments, Net (Note 5)		6,707,819		7,488,767
Accounts Receivable, Net (Note 6)		633,814		580,468
Other Assets (Note 10)		167,638		64,510
Total Intragovernmental		50,476,488		38,726,955
Cash and Other Monetary Assets (Note 4)		498,093		267,679
Accounts Receivable, Net (Note 6)		297,074		95,042
Inventory and Related Property, Net (Note 7)		145,786		142,280
Forfeited Property, Net (Note 8)		112,178		110,138
General Property, Plant and Equipment, Net (Note 9)		8,765,528		8,923,762
Advances and Prepayments		355,143		341,037
Other Assets (Note 10)		3,512		598
Total Assets	**$**	**60,653,802**	**$**	**48,607,491**
LIABILITIES (Note 11)				
Intragovernmental				
Accounts Payable	$	360,858	$	316,106
Accrued Federal Employees' Compensation Act Liabilities		278,407		282,383
Custodial Liabilities (Note 21)		2,561,643		899,707
Other Liabilities (Note 15)		376,419		420,156
Total Intragovernmental		3,577,327		1,918,352
Accounts Payable		5,996,230		6,161,623
Accrued Grant Liabilities		414,286		665,975
Actuarial Federal Employees' Compensation Act Liabilities		1,785,919		1,725,538
Accrued Payroll and Benefits		468,990		460,095
Accrued Annual and Compensatory Leave Liabilities		872,085		872,211
Environmental and Disposal Liabilities (Note 12)		75,361		70,387
Deferred Revenue		698,594		674,906
Seized Cash and Monetary Instruments (Note 14)		1,544,366		1,258,666
Contingent Liabilities (Note 16)		50,338		40,431
Radiation Exposure Compensation Act Liabilities (Note 25)		252,401		329,494
September 11th Victim Compensation Fund Liabilities (Note 25)		4,419,221		5,418,196
United States Victims of State Sponsored Terrorism Act Liabilities (Note 25)		738,182		1,025,000
Other Liabilities (Note 15)		482,533		542,003
Total Liabilities	**$**	**21,375,833**	**$**	**21,162,877**
NET POSITION				
Unexpended Appropriations - Funds from Dedicated Collections (Note 17)	$	74,314	$	19,512
Unexpended Appropriations - All Other Funds		15,483,266		9,851,034
Cumulative Results of Operations - Funds from Dedicated Collections (Note 17)		20,038,128		14,788,764
Cumulative Results of Operations - All Other Funds		3,682,261		2,785,304
Total Net Position	**$**	**39,277,969**	**$**	**27,444,614**
Total Liabilities and Net Position	**$**	**60,653,802**	**$**	**48,607,491**

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

U. S. Department of Justice
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2017 and 2016

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 18)
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
Goal 1	**2017**	$ 1,817,042	$ 5,352,350	$ 7,169,392	$ 281,720	$ 8,974	$ 290,694	$ 6,878,698
	2016	$ 1,800,503	$ 5,692,388	$ 7,492,891	$ 302,866	$ 8,639	$ 311,505	$ 7,181,386
Goal 2	**2017**	3,549,018	11,333,806	14,882,824	282,268	1,024,947	1,307,215	13,575,609
	2016	3,619,361	15,390,529	19,009,890	330,444	1,007,943	1,338,387	17,671,503
Goal 3	**2017**	2,897,452	11,096,085	13,993,537	672,549	564,425	1,236,974	12,756,563
	2016	2,894,133	11,417,646	14,311,779	774,123	626,973	1,401,096	12,910,683
Total	**2017**	**$ 8,263,512**	**$ 27,782,241**	**$ 36,045,753**	**$ 1,236,537**	**$ 1,598,346**	**$ 2,834,883**	**$ 33,210,870**
	2016	**$ 8,313,997**	**$ 32,500,563**	**$ 40,814,560**	**$ 1,407,433**	**$ 1,643,555**	**$ 3,050,988**	**$ 37,763,572**

Goal 1 Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law
Goal 2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law
Goal 3 Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels

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

U. S. Department of Justice
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands

	2017			
	Funds from Dedicated Collections	All Other Funds	Eliminations	Total
Cumulative Results of Operations				
Beginning Balances	**$ 14,788,764**	**$ 2,401,556**	**$ 383,748**	**$ 17,574,068**
Budgetary Financing Sources				
Appropriations Used	50,018	30,800,325	-	30,850,343
Nonexchange Revenues	6,642,025	515,263	-	7,157,288
Donations and Forfeitures of Cash and Cash Equivalents	1,216,430	162,002	-	1,378,432
Transfers-In/Out Without Reimbursement	(527,196)	414,547	(383,748)	(496,397)
Other Financing Sources				
Donations and Forfeitures of Property	369,992	15	-	370,007
Transfers-In/Out Without Reimbursement	(3,017)	24,185	-	21,168
Imputed Financing (Note 19)	24,380	719,829	(18,507)	725,702
Other Financing Sources	(2)	(649,350)	-	(649,352)
Total Financing Sources	**7,772,630**	**31,986,816**	**(402,255)**	**39,357,191**
Net Cost of Operations	**(2,523,266)**	**(30,706,111)**	**18,507**	**(33,210,870)**
Net Change	5,249,364	1,280,705	(383,748)	6,146,321
Cumulative Results of Operations	**$ 20,038,128**	**$ 3,682,261**	**$ -**	**$ 23,720,389**
Unexpended Appropriations				
Beginning Balances	**$ 19,512**	**$ 10,234,782**	**$ (383,748)**	**$ 9,870,546**
Budgetary Financing Sources				
Appropriations Received	104,820	35,359,148	-	35,463,968
Appropriations Transferred-In/Out	-	866,784	383,748	1,250,532
Other Adjustments	-	(177,123)	-	(177,123)
Appropriations Used	(50,018)	(30,800,325)	-	(30,850,343)
Total Budgetary Financing Sources	**54,802**	**5,248,484**	**383,748**	**5,687,034**
Unexpended Appropriations	**$ 74,314**	**$ 15,483,266**	**$ -**	**$ 15,557,580**
Net Position	**$ 20,112,442**	**$ 19,165,527**	**$ -**	**$ 39,277,969**

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

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

Dollars in Thousands

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

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

U. S. Department of Justice
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2017 and 2016

Dollars in Thousands	2017	2016
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	$ 6,364,266	$ 6,077,347
Recoveries of Prior Year Unpaid Obligations	1,251,047	964,515
Other Changes in Unobligated Balance	36,461	59,804
Unobligated Balance from Prior Year Budget Authority, Net	7,651,774	7,101,666
Appropriations (discretionary and mandatory)	40,788,752	35,485,436
Spending Authority from Offsetting Collections (discretionary and mandatory)	5,527,517	5,764,286
Total Budgetary Resources	**$ 53,968,043**	**$ 48,351,388**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total) (Note 20)	$ 41,885,462	$ 41,987,122
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	10,764,924	5,141,166
Exempt from Apportionment, Unexpired Accounts	216,924	209,097
Unapportioned, Unexpired Accounts	306,436	300,852
Unexpired Unobligated Balance, End of Year	11,288,284	5,651,115
Expired Unobligated Balance, End of Year	794,297	713,151
Unobligated Balance - End of Year (Total)	12,082,581	6,364,266
Total Status of Budgetary Resources	**$ 53,968,043**	**$ 48,351,388**
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 21,828,507	$ 19,373,423
New Obligations and Upward Adjustments	41,885,462	41,987,122
Outlays, Gross (-)	(40,153,942)	(38,567,523)
Recoveries of Prior Year Unpaid Obligations (-)	(1,251,047)	(964,515)
Unpaid Obligations, End of Year	22,308,980	21,828,507
Uncollected Payments:		
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(1,966,037)	(1,813,652)
Change in Uncollected Payments from Federal Sources	(120,517)	(152,385)
Uncollected Payments from Federal Sources, End of Year (-)	(2,086,554)	(1,966,037)
Memorandum (non-add) Entries:		
Obligated balance, Start of Year	$ 19,862,470	$ 17,559,771
Obligated balance, End of Year	$ 20,222,426	$ 19,862,470
Budgetary Authority and Outlays, Net:		
Budgetary Authority, Gross (discretionary and mandatory)	$ 46,316,269	$ 41,249,722
Less: Actual Offsetting Collections (discretionary and mandatory)	5,640,656	5,682,921
Change in Uncollected Payments from Federal Sources (discretionary and mandatory)	(120,517)	(152,385)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	52,580	74,640
Budget Authority, Net (discretionary and mandatory)	**$ 40,607,676**	**$ 35,489,056**
Outlays, Gross (discretionary and mandatory)	$ 40,153,942	$ 38,567,523
Less: Actual Offsetting Collections (discretionary and mandatory)	5,640,656	5,682,921
Outlays, Net (Total) (discretionary and mandatory)	34,513,286	32,884,602
Less: Distributed Offsetting Receipts	668,308	614,185
Agency Outlays, Net (discretionary and mandatory)	**$ 33,844,978**	**$ 32,270,417**

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

U. S. Department of Justice
Combined Statements of Custodial Activity
For the Year Ended September 30, 2017 and 2016

Dollars in Thousands	2017	2016
Revenue Activity		
Sources of Cash Collections		
Federal Debts, Fines, Penalties and Restitution	$ 14,457,265	$ 13,176,411
Fees and Licenses	49,670	92,124
Miscellaneous	621	1,266
Total Cash Collections	14,507,556	13,269,801
Accrual Adjustments	1,309	(1,575)
Total Custodial Revenue (Note 21)	14,508,865	13,268,226
Disposition of Collections		
Transferred to Federal Agencies		
U.S. Department of Agriculture	(89,477)	(46,897)
U.S. Department of Commerce	(13,116)	(19,732)
U.S. Department of the Interior	(581,891)	(181,310)
U.S. Department of Justice	(43,576)	(18,534)
U.S. Department of Labor	(3,524)	(4,336)
U.S. Postal Service	(3,039)	(16,212)
U.S. Department of State	(954)	(1,683)
U.S. Department of the Treasury	(999,755)	(1,483,057)
Office of Personnel Management	(3,741)	(9,528)
National Credit Union Administration	(40)	(557,751)
Federal Communications Commission	(8,127)	(71)
Social Security Administration	(527)	(916)
Smithsonian Institution	-	(127)
U.S. Department of Veterans Affairs	(82,240)	(18,065)
Equal Employment Opportunity Commission	-	(154)
General Services Administration	(25,707)	(53,647)
Securities and Exchange Commission	(52)	(3)
Federal Deposit Insurance Corporation	(44)	(49)
Railroad Retirement Board	(525)	(303)
Tennessee Valley Authority	-	(2,078)
Environmental Protection Agency	(1,637,315)	(89,678)
U.S. Department of Transportation	(21,464)	(14,320)
U.S. Department of Homeland Security	(186,848)	(114,261)
Agency for International Development	(1,565)	(11,647)
Small Business Administration	(7,387)	(22,617)
U.S. Department of Health and Human Services	(1,083,580)	(1,099,933)
National Aeronautics and Space Administration	(908)	(1,353)
Export-Import Bank of the United States	(1,307)	(1,258)
U.S. Department of Housing and Urban Development	(204,517)	(743,963)
U.S. Department of Energy	(65,394)	(9,744)
U.S. Department of Education	(24,841)	(37,303)
Independent Agencies	(58,518)	(123,522)
Treasury General Fund	(6,796,992)	(8,020,654)
U.S. Department of Defense	(132,403)	(139,543)
Transferred to the Public	(416,983)	(691,925)
(Increase)/Decrease in Amounts Yet to be Transferred	(1,630,036)	640,663
Refunds and Other Payments	(30,604)	(4,706)
Retained by the Reporting Entity	(351,868)	(368,009)
Total Disposition of Collections	(14,508,865)	(13,268,226)
Net Custodial Activity	$ -	$ -

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

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

These notes are an integral part of the financial statements.

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

B. Basis of Presentation

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

C. Basis of Consolidation

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, ATF, BOP, DEA, FBI, FPI, OBDs, OJP and USMS. All significant proprietary intra-departmental transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2017 and 2016, and as such, intra-departmental transactions have not been eliminated.

D. Basis of Accounting

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

Custodial activity reported on the Combined Statements of Custodial Activity is prepared on the modified cash basis. Civil and Criminal Debt Collections are recorded when the Department receives payment from debtors. Accrual adjustments may be necessary to adjust cash collections and refund disbursements.

These notes are an integral part of the financial statements.

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

D. Basis of Accounting (continued)

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

E. Non-Entity Assets

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

F. Fund Balance with U.S. Treasury and Cash and Other Monetary Assets

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

G. Investments

Investments are market-based Treasury securities issued by the Bureau of Fiscal Service. When securities are purchased, the investment is recorded at face value (the value at maturity). The Department's intent is to hold investments to maturity, unless the invested funds are needed to sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. The market value of the investments is the current market value at the end of the reporting period. It is calculated by using the "End of Day" price listed in The FedInvest Price File, which can be found on the Bureau of Fiscal Service website. Investments are reported on the Consolidated Balance Sheets at their net value, the face value plus or minus any unamortized premium or discount. Premiums and discounts are amortized over the life of the Treasury security. The interest method is used for the amortization of premium and discount of Treasury notes and the straight-line method is used for Treasury bills. Amortization is based on the straight-line method over the term of the securities.

The AFF, the U.S. Trustee System Fund, and the Federal Prison Commissary Fund are three Funds from Dedicated Collections that invest in Treasury securities. The Treasury does not set aside assets to pay future expenditures associated with funds from dedicated collections. Instead, the cash generated from Funds from Dedicated Collections is used by the Treasury for general government purposes. When these funds redeem their Treasury securities to make expenditures, the Treasury will finance the expenditures in the same manner that it finances all other expenditures.

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

G. Investments (continued)

Treasury securities are issued to the funds as evidence of fund receipts and provide the funds with the authority to draw upon the U.S. Treasury for future authorized expenditures. Treasury securities held by funds from dedicated collections are an asset of the fund and a liability of the Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements.

The United States Victims of State Sponsored Terrorism Act states that the USVSST Fund shall be invested in the same manner as a trust fund and authorizes the Treasury to manage the investment of the USVSST Fund. The Department of Justice notifies the Treasury promptly of amounts deposited to the USVSST Fund in order to ensure that Treasury may invest such receipts in the account. Treasury, in its administrative discretion, determines how the USVSST Fund will be invested, to ensure that the securities purchased for the USVSST Fund will have maturities suitable to the needs of the USVSST Fund. Interest revenue on investments will be reported on an accrual basis but all other activity in the USVSST Fund will be reported on a cash basis.

H. Accounts Receivable

Net accounts receivable includes reimbursement and refund receivables due from federal agencies and the public, less the allowance for doubtful accounts. Generally, most intragovernmental accounts receivable are considered fully collectible. The allowance for doubtful accounts for public receivables is estimated based on past collection experience and analysis of outstanding receivable balances at year-end.

I. Inventory and Related Property

Inventory is maintained primarily for the manufacture of goods for sale to customers. This inventory is composed of three categories: Raw Materials, Work in Process, and Finished Goods. Raw material inventory value is based upon moving average costs. Inventories are valued at the lower of average cost or market value (LCM) and include materials, labor and manufacturing overhead. Market value is calculated on the basis of the contractual or anticipated selling price, less allowance for administrative expenses. DOJ values its finished goods and sub-assembly items at a standard cost that is periodically adjusted to approximate actual cost. DOJ has established inventory allowances to account for LCM adjustments and obsolete items that may not be utilized in future periods.

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

These notes are an integral part of the financial statements.

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

J. General Property, Plant and Equipment

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

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

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

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

K. Advances and Prepayments

Advances and prepayments, classified as assets on the Consolidated Balance Sheets, consist primarily of funds disbursed to grantees in excess of total expenditures made by those grantees to third parties, funds advanced to state and local participants in the DEA Domestic Cannabis Eradication and Suppression Program, and funds disbursed to finance operations that exceed the total expenditures incurred. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of payment and are recognized as expenses when the goods and services are received.

L. Forfeited and Seized Property

Forfeited property is property for which the title has passed to the U.S. Government. This property is recorded at the estimated fair market value at the time of forfeiture and is not adjusted for any subsequent increases and decreases in estimated fair market value. The value of the property is reduced by the estimated liens of record. The amount ultimately realized from the forfeiture and disposition of these assets could differ from the amounts initially reported. The proceeds from the sale of forfeited property are deposited in the AFF.

These notes are an integral part of the financial statements.

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

L. Forfeited and Seized Property (continued)

Seized property is property that the government has taken possession of, in consequence of a violation of public law. Seized property can include monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. Most seized property is held by the USMS from the point of seizure until its disposition. In certain cases, the investigative agency will keep seized property in its custody if the intention is to place the property into official use after forfeiture or to use the property as evidence in a court proceeding. This property is valued at fair market value upon seizure, or, as soon as reasonably possible when market value could not be readily determined. The fair market value is not adjusted for any subsequent increases and decreases in estimated fair market value. Seized cash and monetary instruments are presented as assets with offsetting liabilities on the Consolidated Balance Sheets. Seized property other than cash and monetary instruments are presented in the footnotes only.

M. Liabilities

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

N. Accrued Grant Liabilities

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

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

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

O. Contingencies and Commitments

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

P. Annual, Sick, and Other Leave

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

Q. Interest on Late Payments

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

R. Retirement Plan

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

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

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

    a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The Department contributes 13.7% of the gross pay for regular employees and 30.1% for law enforcement officers.

These notes are an integral part of the financial statements.

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

R. Retirement Plan (continued)

b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The Department contributes 11.9% of the gross pay for regular employees and 28.4% for law enforcement officers.

c. Employees hired January 1, 2014 or later are covered by the Federal Employees System-Further Revised Annuity Employees (FERS-FRAE). The Department contributes 11.9% of the gross pay for regular employees and 28.4% for law enforcement officers.

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

S. Federal Employee Compensation Benefits

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

Actuarial Liability: The Department of Labor (DOL) calculates the liability of the federal government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value. The resulting federal government liability is then distributed by agency. The Department's portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the Department employees. The Department liability is further allocated to component reporting entities on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total Department payments made over the same period.

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

S. Federal Employee Compensation Benefits (continued)

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to the Department. The cost associated with this liability cannot be met by the Department without further appropriation action.

Accrued Liability: The accrued FECA liability is the amount owed to the DOL for the benefits paid from the FECA SBF directly to Department employees.

T. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the federal government. Costs and earned revenues with the public represent exchange transactions made between the reporting entity and a non-federal entity. With the exception of certain accruals, the classification of revenue or cost as “intragovernmental” or “with the public” is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the federal government to prepare consolidated financial statements, not to match public and intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

U. Revenues and Other Financing Sources

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures.

Additional funding is obtained through exchange revenues, nonexchange revenues, and transfers-in. Appropriations Used are recognized as budgetary financing sources at the time the related program or administrative expenses are incurred. Exchange revenues are recognized when earned, for example, when goods have been delivered or services rendered. Nonexchange revenues are resources that the Government demands or receives, for example, forfeiture revenue and fines and penalties.

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

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

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

U. Revenues and Other Financing Sources (continued)

The Department's deferred revenue includes licenses with DEA that are valid for multiple years. These monies are recorded as liabilities in the financial statements. Deferred revenue also includes forfeited property held for sale. When the property is sold, deferred revenue is reversed and forfeiture revenue in the amount of the gross proceeds of the sale is recorded.

V. Funds from Dedicated Collections

SFFAS No. 27*, Identifying and Reporting Earmarked Funds,* as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds* (SFFAS No. 27, as amended), defines 'Funds from Dedicated Collections' as being financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. The three required criteria for a fund from dedicated collections are:

1) A statute committing the federal government to use specifically identified revenues and/or other financing sources that are originally provided to the federal government by a non-federal source only for designated activities, benefits or purposes;

2) Explicit authority for the funds to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and

3) A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the fund from the federal government's general revenues.

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

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

W. Allocation Transfer of Appropriation

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

The activity related to these transfers, included as part of these financial statements, is highlighted below:

OJP, as the parent, transfers funds from the Crime Victims Fund to the Department of Health and Human Services (HHS). This transfer is required by 42 U.S.C. §10603a {Sec. 14-4A} for *Child Abuse Prevention and Treatment Grants.* Amounts made available by section §10601(d) (2) of this title, for the purposes of this section, are to be obligated and expended by the Secretary of HHS for grants under section §5106c of this title.

OJP receives, as a child entity, allocation transfers of appropriations from the Executive Office of the President. This transfer is authorized by P.L. 111-117 and P.L. 112-74. Per OMB guidance, OJP reports all budgetary and proprietary activity for *Do Right by Youth Pilot* transferred from the Executive Office of the President to OJP.

The Department also allocated funds from BOP, as the parent, to the Public Health Service (PHS), a primary division of the Department of Health and Human Services. PHS provides a portion of medical treatment for federal inmates. The money is designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses.

USMS, as the child, receives allocation transfers of appropriation from the Administrative Office of the U.S. Courts. The allocation transfers are used for costs associated with protective guard services - Court Security Officers at United States courthouses and other facilities housing federal court operations. These costs include their salaries (paid through contracts), equipment, and supplies. This transfer is performed on a periodic basis. Per OMB guidance, the USMS reports all budgetary and proprietary activity transferred from the Administrative Office of the U.S. Courts to the USMS.

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

X. Tax Exempt Status

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

Y. Use of Estimates

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

Z. Reclassifications

The FY 2016 financial statements were reclassified to conform to the FY 2017 Departmental financial statement presentation requirements. These reclassifications have no material effect on total assets, liabilities, net position, change in net position, budgetary resources, or custodial activity as previously reported.

AA. Subsequent Events

Subsequent events and transactions occurring after September 30, 2017 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

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

Note 2. Non-Entity Assets

As of September 30, 2017 and 2016

	2017	2016
Intragovernmental		
Fund Balance with U.S. Treasury	$ 2,729,218	$ 1,101,057
Investments, Net	1,123,000	1,067,000
Total Intragovernmental	3,852,218	2,168,057
With the Public		
Cash and Other Monetary Assets	454,471	226,763
Accounts Receivable, Net	5,273	3,830
Total With the Public	459,744	230,593
Total Non-Entity Assets	4,311,962	2,398,650
Total Entity Assets	56,341,840	46,208,841
Total Assets	$ 60,653,802	$ 48,607,491

These notes are an integral part of the financial statements.

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

Note 3. Fund Balance with U.S. Treasury

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

As of September 30, 2017 and 2016

	2017	2016
Fund Balances		
Trust Funds	$ 93,460	$ 101,648
Special Funds	20,810,519	14,202,065
Revolving Funds	850,416	1,125,824
General Funds	21,125,741	15,085,629
Other Fund Types	87,081	78,044
Total Fund Balances with U.S. Treasury	$ 42,967,217	$ 30,593,210
Status of Fund Balances		
Unobligated Balance - Available	$ 10,276,053	$ 4,501,930
Unobligated Balance - Available in Subsequent Periods	705,795	848,333
Unobligated Balance - Unavailable	1,100,733	1,014,003
Obligated Balance not yet Disbursed	20,222,426	19,862,470
Other Funds (With)/Without Budgetary Resources	10,657,311	4,361,646
Total Status of Fund Balances	$ 42,962,318	$ 30,588,382

Annual and multi-year budget authority expires at the end of its period of availability. During the first through the fifth expired years, the unobligated balance is unavailable and may only be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a legitimate or bona fide need arising in the fiscal year for which the appropriation was made. The unobligated balance for no-year budget authority may be used to incur obligations indefinitely for the purpose specified by the appropriation act. No-year budget authority unobligated balances are still subject to the annual apportionment and allotment process.

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

Unobligated Balance - Unavailable includes amounts appropriated in prior fiscal years that are no longer available to fund new obligations, but can be used for upward adjustments for existing obligations. Other restricted funds include the collections of fees in excess of amounts budgeted for administering the Diversion Control Program. These collections may not be used until authorized by Congress.

Other Funds (With)/Without Budgetary Resources primarily represent the net of 1) investments in short-term securities with budgetary resources, 2) resources temporarily not available pursuant to public law, 3) custodial liabilities, and 4) miscellaneous receipts.

For the fiscal years ended September 30, 2017 and 2016, the respective immaterial variances of $4,899 and $4,828 between Fund Balance with U.S. Treasury line item on the Balance Sheet and Total Status of Fund Balances on the note represent sequestered BOP balances.

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

Note 4. Cash and Other Monetary Assets

As of September 30, 2017 and 2016

	2017	2016
Cash		
Undeposited Collections	$ 186	$ 17
Imprest Funds	43,622	40,903
Seized Cash Deposited	365,644	134,580
Other	32,919	29,444
Total Cash	442,371	204,944
Other Monetary Assets		
Seized Monetary Instruments	55,722	62,735
Total Other Monetary Assets	55,722	62,735
Total Cash and Other Monetary Assets	$ 498,093	$ 267,679

The majority of Other Cash consists of project-generated proceeds from undercover operations.

Note 5. Investments, Net

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
As of September 30, 2017					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 6,672,146	$ 34,940	$ 733	$ 6,707,819	$ 6,705,241
As of September 30, 2016					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 7,461,697	$ 26,309	$ 761	$ 7,488,767	$ 7,493,881

These notes are an integral part of the financial statements.

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

Note 6. Accounts Receivable, Net

As of September 30, 2017 and 2016

	2017	2016
Intragovernmental		
Accounts Receivable	$ 634,065	$ 580,969
Allowance for Uncollectible Accounts	(251)	(501)
Total Intragovernmental	633,814	580,468
With the Public		
Accounts Receivable	310,749	107,668
Allowance for Uncollectible Accounts	(13,675)	(12,626)
Total With the Public	297,074	95,042
Total Accounts Receivable, Net	$ 930,888	$ 675,510

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

The accounts receivable with the public primarily consists of U.S. Victims of State Sponsored Terrorism Fund (USVSST Fund), OBDs U.S. Trustee Chapter 11 quarterly fees, FBI Non-Federal User Fee Program, and FBI National Name Check Program.

Note 7. Inventory and Related Property, Net

As of September 30, 2017 and 2016

	2017	2016
Inventory		
Raw Materials	$ 48,816	$ 52,670
Work in Process	22,388	18,975
Finished Goods	26,930	30,728
Inventory Purchased for Resale	19,131	18,564
Excess, Obsolete, and Unserviceable	18,136	18,835
Inventory Allowance	(10,245)	(15,071)
Operating Materials and Supplies		
Held for Current Use	20,630	17,579
Total Inventory and Related Property, Net	$ 145,786	$ 142,280

These notes are an integral part of the financial statements.

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

Note 8. Forfeited and Seized Property, Net

Analysis of Change in Forfeited Property:

The number of items represents quantities calculated using many different units of measure. If necessary, the adjustments column includes property status and asset group changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category.

Method of Disposition of Forfeited Property:

For the year ended September 30, 2017 and 2016, $93,127 and $132,206 of forfeited property were sold, $1,610 and $1,633 were destroyed or donated, $7,328 and $7,968 were returned to owners, and $276,279 and $62,630 were disposed of by other means, respectively. Other means of disposition include property transferred to other federal agencies for official use or equitable sharing, or property distributed to a state or local agency.

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

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

For the Fiscal Year Ended September 30, 2017

Forfeited Property Category		Beginning Balance	Adjustments (1)	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	333	418	566	(1,037)	280	-	280
	Value	$ 3,078	$ 3,910	$ 270,066	$ (272,158)	$ 4,896	$ (64)	$ 4,832
Real Property	Number	387	1	257	(343)	302	-	302
	Value	$ 71,878	$ 4,701	$ 73,492	$ (75,277)	$ 74,794	$ (1,419)	$ 73,375
Personal Property	Number	2,725	138	3,107	(3,247)	2,723	-	2,723
	Value	$ 38,038	$ (3,165)	$ 30,046	$ (30,909)	$ 34,010	$ (39)	$ 33,971
Non-Valued Firearms	Number	27,999	(513)	15,807	(14,736)	28,557	-	28,557
Total	Number	31,444	44	19,737	(19,363)	31,862	-	31,862
	Value	$ 112,994	$ 5,446	$ 373,604	$ (378,344)	$ 113,700	$ (1,522)	$ 112,178

For the Fiscal Year Ended September 30, 2016

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

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

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

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

Analysis of Change in Seized Property:

Property seized for any purpose other than forfeiture and held by the seizing agency or a custodial agency should be disclosed by the seizing agency. All property seized for forfeiture, including property with evidentiary value, will be reported by the AFF/SADF. The Department has established a reporting threshold of $1 or more for Personal Property seized for evidentiary purposes.

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property consists of seized cash, monetary instruments, real property and tangible personal property in the actual or constructive possession of the seizing and the custodial agencies. The Department, until judicially or administratively forfeited, does not legally own such property. Seized evidence includes cash, financial instruments, non-monetary valuables, firearms, and drugs. The AFF/SADF reports property seized for forfeiture and the FBI, DEA, and ATF report property seized for evidence.

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

The DEA, FBI, and ATF have custody of drugs taken as evidence for legal proceedings. In accordance with Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*, the Department reports the total amount of seized drugs by quantity only, as drugs have no value and are destroyed upon resolution of legal proceedings.

Analyzed drug evidence includes cocaine, heroin, marijuana and methamphetamine and represents actual laboratory tested classification and weight in kilograms (KG). Since enforcing the controlled substances laws and regulations of the United States is a primary mission of the DEA, the DEA reports all analyzed drug evidence regardless of seizure weight. However, the enforcement of these laws and regulations is incidental to the missions of the FBI and ATF and therefore they only report those individual seizures exceeding 1 KG in weight.

"Other" primarily consists of substances, both controlled and non-controlled as defined per the Controlled Substances Act, other than those discussed above. "Bulk Drug Evidence" is comprised of controlled substances housed by the DEA in secured storage facilities of which only a sample is taken for laboratory analysis. The actual bulk drug weight may vary from seizure weight due to changes in moisture content over time.

Unanalyzed drug evidence is qualitatively different from analyzed and bulk drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. For these reasons, unanalyzed drug evidence is not reported by the Department. Seized drug evidence must be analyzed and confirmed through laboratory testing to be placed in one of the five categories of drug above.

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

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

“Disposals” occur when seized property is forfeited, returned to parties with a bona fide interest, or destroyed in accordance with federal guidelines.

Method of Disposition of Seized Property:

For the fiscal year ended September 30, 2017 and 2016, $1,116,411 and $1,757,651 of seized property were forfeited, $59,420 and $99,386 were returned to parties with a bonafide interest, and $8,114 and $11,191 were either released to a designated party or transferred to the appropriate federal entity under forfeiture or abandonment procedures. Non-valued property was primarily disposed of through destruction.

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

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

For the Fiscal Year Ended September 30, 2017

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash and Monetary Instruments	Number	10,225	576	7,599	(7,933)	10,467	-	10,467
	Value	$ 1,217,222	$ 15,867	$ 1,351,072	$ (1,083,138)	$ 1,501,023	$ (258,350)	$ 1,242,673
Financial Instruments	Number	416	143	356	(244)	671	-	671
	Value	$ 178,963	$ (63)	$ 33,684	$ (9,918)	$ 202,666	$ (20,141)	$ 182,525
Real Property	Number	83	(17)	102	(83)	85	-	85
	Value	$ 16,085	$ (38)	$ 45,917	$ (27,553)	$ 34,411	$ (14,791)	$ 19,620
Personal Property	Number	5,261	533	3,785	(4,177)	5,402	-	5,402
	Value	$ 113,135	$ (8,212)	$ 87,973	$ (55,076)	$ 137,820	$ (39,365)	$ 98,455
Non-Valued Firearms	Number	22,775	3,228	19,729	(18,751)	26,981	-	26,981
Total	Number	38,760	4,463	31,571	(31,188)	43,606	-	43,606
	Value	$ 1,525,405	$ 7,554	$ 1,518,646	$ (1,175,685)	$ 1,875,920	$ (332,647)	$ 1,543,273

For the Fiscal Year Ended September 30, 2016

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

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

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

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

For the Fiscal Year Ended September 30, 2017

Seized Property Category		Beginning Balance	Adjustments (1)	Seizures	Disposals	Ending Balance
Seized for Evidence						
Seized Monetary Instruments	Value	$ 41,444	$ (6,122)	$ 14,971	$ (6,950)	$ 43,343
Personal Property	Number	358	(21)	84	(93)	328
	Value	$ 4,812	$ (183)	$ 1,979	$ (1,310)	$ 5,298
Non-Valued						
Firearms	Number	54,023	(686)	12,393	(9,851)	55,879
Drug Evidence						
Cocaine	KG	61,519	1,697	90,361	(79,129)	74,448
Heroin	KG	5,438	28	1,659	(1,274)	5,851
Marijuana	KG	10,313	(42)	866	(1,980)	9,157
Bulk Drug Evidence	KG	95,624	955	378,283	(366,324)	108,538
Methamphetamine	KG	16,742	127	6,647	(4,427)	19,089
Other	KG	15,579	45	1,820	(2,775)	14,669
Total Drug Evidence	KG	205,215	2,810	479,636	(455,909)	231,752

For the Fiscal Year Ended September 30, 2016

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

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

These notes are an integral part of the financial statements.

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

Note 9. General Property, Plant and Equipment, Net

As of September 30, 2017

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 184,715	$ -	$ 184,715	N/A
Construction in Progress	375,909	-	375,909	N/A
Buildings, Improvements and Renovations	11,615,934	(6,121,322)	5,494,612	2-50 yrs
Other Structures and Facilities	999,951	(669,880)	330,071	10-50 yrs
Aircraft	630,679	(241,536)	389,143	5-30 yrs
Boats	14,457	(6,435)	8,022	5-25 yrs
Vehicles	381,054	(265,540)	115,514	2-25 yrs
Equipment	1,415,739	(940,919)	474,820	2-25 yrs
Assets Under Capital Lease	90,268	(66,322)	23,946	2-30 yrs
Leasehold Improvements	1,879,158	(1,270,582)	608,576	2-20 yrs
Internal Use Software	2,134,576	(1,563,143)	571,433	2-10 yrs
Internal Use Software in Development	186,544	-	186,544	N/A
Other General Property, Plant and Equipment	3,013	(790)	2,223	10-20 yrs
Total	$ 19,911,997	$ (11,146,469)	$ 8,765,528	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2017	$ 232,294	$ 573,341	$ 805,635

These notes are an integral part of the financial statements.

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

Note 9. General Property, Plant and Equipment, Net (continued)

As of September 30, 2016

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

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

Note 10. Other Assets

As of September 30, 2017 and 2016

	2017	2016
Intragovernmental		
Advances and Prepayments	$ 167,433	$ 64,490
Other Intragovernmental Assets	205	20
Total Intragovernmental	167,638	64,510
Other Assets With the Public	3,512	598
Total Other Assets	$ 171,150	$ 65,108

These notes are an integral part of the financial statements.

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

Note 11. Liabilities not Covered by Budgetary Resources

As of September 30, 2017 and 2016

	2017	2016
Intragovernmental		
Accrued FECA Liabilities	$ 275,598	$ 279,408
Other Unfunded Employment Related Liabilities	904	1,103
Other	2,106	2,761
Total Intragovernmental	278,608	283,272
With the Public		
Actuarial FECA Liabilities	1,785,919	1,725,538
Accrued Annual and Compensatory Leave Liabilities	867,711	866,831
Environmental and Disposal Liabilities (Note 12)	75,361	70,387
Deferred Revenue	585,572	563,888
Contingent Liabilities (Note 16)	50,338	40,431
Capital Lease Liabilities (Note 13)	76	97
Radiation Exposure Compensation Act Liabilities (Note 25)	252,401	329,494
September 11th Victim Compensation Fund Liabilities (Note 25)	-	5,418,196
United States Victims of State Sponsored Terrorism Act Liabilities (Note 25)	215,909	1,025,000
Other	271,997	224,746
Total With the Public	4,105,284	10,264,608
Total Liabilities not Covered by Budgetary Resources	4,383,892	10,547,880
Total Liabilities Covered by Budgetary Resources	16,991,941	10,614,997
Total Liabilities	$ 21,375,833	$ 21,162,877

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

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

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

Note 12. Environmental and Disposal Liabilities

As of September 30, 2017 and 2016

	2017	2016
Firing Ranges		
Beginning Balance, Brought Forward	$ 30,561	$ 29,921
Future Funded Expenses	799	178
Inflation Adjustment	667	462
Total Firing Range Liability	32,027	30,561
Asbestos		
Beginning Balance, Brought Forward	$ 39,826	$ 49,881
New Asbestos	2,718	11
Abatements	(177)	(357)
Inflation Adjustment	900	626
Future Funded Expenses	67	(10,335)
Total Asbestos Liability	$ 43,334	$ 39,826
Total Environmental and Disposal Liabilities	$ 75,361	$ 70,387

Per SFFAS No. 5, *Accounting for Liabilities of the Federal Government*; SFFAS No. 6, *Accounting for Property, Plant, and Equipment*; Technical Release No. 2 *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*; Technical Release No. 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment;* and Technical Release No. 11, *Implementation Guidance on Cleanup Costs Associated with Equipment,* federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

Firing Ranges

The BOP operates firing ranges on 67 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2017 and 2016, the BOP reported the estimated firing range clean-up liability of $29,724 and $29,057, respectively.

The FBI-owned ranges in Quantico and El Toro contain possible contamination. Since no remedial investigation/feasibility study (RI/FS) has been completed and there are no comparable sites, remediation costs are not considered reasonably estimable at this time. For FY 2017, the FBI estimated total firing range liability of $2,303 based on the estimated costs for contamination remediation. As of September 30, 2017 and 2016, the FBI reported the estimated firing range clean-up liability of $2,303 and $1,504, respectively.

These notes are an integral part of the financial statements.

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

Note 12. Environmental and Disposal Liabilities (continued)

Asbestos

BOP conducted a review of 46 institutions that were built prior to 1980; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. As of September 30, 2017 and 2016, the BOP recorded an estimated asbestos clean-up liability of $40,072 and $39,350 respectively, a $722 increase in liability cost for asbestos from the previous year.

The FBI operates facilities in Quantico, Virginia that contain friable and non-friable ACM. The facilities have a useful life of 50 years. The estimated total asbestos liability over the 50 year useful life is $3,327, and is based on the square footage of the facilities that may be contaminated. This value, divided by the useful life and multiplied by the number of years in service, less any current year abatements and adjusted for inflation, is the estimated cleanup liability. As of September 30, 2017 and 2016, the FBI recognized the estimated cleanup liability of $3,262 and $476 respectively. The estimated asbestos cleanup liability is increased each quarter by recording future funded expenses for the asbestos clean-up costs.

There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2017.

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

Note 13. Leases

Capital leases include a Federal Transfer Center (25 year lease term) in Oklahoma City, Oklahoma; and other machinery and equipment that expire over future periods.

Capital Leases	2017	2016
Summary of Assets Under Capital Lease		
Land and Buildings	$ 89,652	$ 89,625
Machinery and Equipment	616	690
Accumulated Amortization	(66,322)	(63,380)
Total Assets Under Capital Lease (Note 9)	$ 23,946	$ 26,935

Future Capital Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2018	$ 38	$ 36	$ 74
2019	38	35	73
2020	-	17	17
Total Future Capital Lease Payments	$ 76	$ 88	$ 164
Less: Imputed Interest	-	(5)	(5)
Less: Executory Costs	-	(44)	(44)
FY 2017 Net Capital Lease Liabilities	$ 76	$ 39	$ 115
FY 2016 Net Capital Lease Liabilities	$ 97	$ 55	$ 152

	2017	2016
Net Capital Lease Liabilities Covered by Budgetary Resources	$ 39	$ 55
Net Capital Lease Liabilities not Covered by Budgetary Resources	$ 76	$ 97

The net capital lease liability not covered by budgetary resources primarily represents the capital lease of the Federal Transfer Center for which the Department received Congressional authority to fund with annual appropriations.

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

Note 13. Leases (continued)

Future Noncancelable Operating Lease Payments

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2018	$ 364,100	$ 7,771	$ 371,871
2019	373,604	143	373,747
2020	377,970	133	378,103
2021	354,299	20	354,319
2022	333,986	-	333,986
After 2022	2,954,354	-	2,954,354
Total Future Noncancelable Operating Lease Payments	$ 4,758,313	$ 8,067	$ 4,766,380

Note 14. Seized Cash and Monetary Instruments

The Seized Cash and Monetary Instruments represent liabilities for seized assets held by the Department pending disposition.

As of September 30, 2017 and 2016

	2017	2016
Investments, Net	$ 1,123,000	$ 1,067,000
Seized Cash Deposited	365,644	134,580
Seized Monetary Instruments	55,722	62,735
Seized Cash in Transit to Forfeiture	-	(5,649)
Total Seized Cash and Monetary Instruments	$ 1,544,366	$ 1,258,666

These notes are an integral part of the financial statements.

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

Note 15. Other Liabilities

As of September 30, 2017 and 2016

	2017	2016
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 164,266	$ 161,738
Other Post-Employment Benefits Due and Payable	1,820	2,095
Other Unfunded Employment Related Liabilities	903	1,103
Advances from Others	188,047	219,226
Liability for Clearing Accounts	8,002	(4,878)
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	1,948	6,975
Other Liabilities	11,433	33,897
Total Intragovernmental	$ 376,419	$ 420,156
With the Public		
Other Accrued Liabilities	$ 13,180	$ 7,172
Advances from Others	8,505	12,388
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	79,391	76,031
Liability for Clearing Accounts	55	256
Custodial Liabilities	93,949	125,849
Capital Leases Liabilities	115	152
Other Liabilities	287,338	320,155
Total With the Public	$ 482,533	$ 542,003
Total Other Liabilities	$ 858,952	$ 962,159

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

The majority of Intragovernmental Other Liabilities are composed of employer contributions payables, payroll taxes payables, other liabilities without related budgetary obligations, tenant allowances for operating leases, monies received from prisoner funds, and certain receipts of cash that are in suspense, clearing, deposit, or general fund accounts that are owed to the Treasury.

Most of the Other Liabilities with the Public are composed of future funded energy savings performance contracts and utilities. In addition, Other Liabilities with the Public consists of project-generated proceeds from undercover operations. The proceeds not subject to forfeiture will be returned to the Department of Treasury General Fund at the conclusion of the project.

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

These notes are an integral part of the financial statements.

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

Note 16. Contingencies and Commitments

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2017			
Probable	$ 50,338	$ 50,338	$ 80,737
Reasonably Possible		91,754	226,894
As of September 30, 2016			
Probable	$ 40,431	$ 40,431	$ 61,780
Reasonably Possible		611,504	1,200,375

These notes are an integral part of the financial statements.

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

Note 17. Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Government's general revenues. See SFFAS No. 27, as amended, for the required criteria for funds from dedicated collections.

As of September 30, 2017

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Domestic Trafficking Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Balance Sheet								
Assets								
Fund Balance with U. S. Treasury	$ 1,389,918	$ 68,044	$ 20,312	$ 18,523,475	$ 483	$ 303,927	$ 62,469	$ 20,368,628
Investments, Net	5,249,550	-	-	-	-	-	-	5,249,550
Other Assets	120,841	38,680	1,511	19,595	-	9,430	25,259	215,316
Total Assets	$ 6,760,309	$ 106,724	$ 21,823	$ 18,543,070	$ 483	$ 313,357	$ 87,728	$ 25,833,494
Liabilities								
Accounts Payable	$ 4,709,115	$ 8,681	$ 7,583	$ 62,235	$ -	$ 11,494	$ 9,185	$ 4,808,293
Other Liabilities	115,364	17,753	12,711	151,509	-	603,999	11,423	912,759
Total Liabilities	$ 4,824,479	$ 26,434	$ 20,294	$ 213,744	$ -	$ 615,493	$ 20,608	$ 5,721,052
Net Position								
Unexpended Appropriations	$ -	$ 65,283	$ 9,031	$ -	$ -	$ -	$ -	$ 74,314
Cumulative Results of Operations	1,935,830	15,007	(7,502)	18,329,326	483	(302,136)	67,120	20,038,128
Total Net Position	$ 1,935,830	$ 80,290	$ 1,529	$ 18,329,326	$ 483	$ (302,136)	$ 67,120	$ 20,112,442
Total Liabilities and Net Position	$ 6,760,309	$ 106,724	$ 21,823	$ 18,543,070	$ 483	$ 313,357	$ 87,728	$ 25,833,494

For the Fiscal Year Ended September 30, 2017

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Domestic Trafficking Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Funds from Dedicated Collections
Statement of Net Cost								
Gross Cost of Operations	$ 979,509	$ 227,579	$ 180,700	$ 1,404,505	$ -	$ 392,459	$ 355,925	$ 3,540,677
Less: Earned Revenues	14,723	152,701	125,682	-	-	380,531	343,774	1,017,411
Net Cost of Operations	$ 964,786	$ 74,878	$ 55,018	$ 1,404,505	$ -	$ 11,928	$ 12,151	$ 2,523,266
Statement of Changes in Net Position								
Net Position Beginning of Period	$ 1,460,226	$ 83,512	$ 12,810	$ 13,475,326	$ 131	$ (298,918)	$ 75,189	$ 14,808,276
Budgetary Financing Sources	1,072,102	65,583	39,537	6,258,505	352	-	-	7,436,079
Other Financing Sources	368,288	6,073	4,200	-	-	8,710	4,082	391,353
Total Financing Sources	1,440,390	71,656	43,737	6,258,505	352	8,710	4,082	7,827,432
Net Cost of Operations	(964,786)	(74,878)	(55,018)	(1,404,505)	-	(11,928)	(12,151)	(2,523,266)
Net Change	475,604	(3,222)	(11,281)	4,854,000	352	(3,218)	(8,069)	5,304,166
Net Position End of Period	$ 1,935,830	$ 80,290	$ 1,529	$ 18,329,326	$ 483	$ (302,136)	$ 67,120	$ 20,112,442

These notes are an integral part of the financial statements.

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

Note 17. Funds from Dedicated Collections (continued)

As of September 30, 2016

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

For the Fiscal Year Ended September 30, 2016

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

These notes are an integral part of the financial statements.

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

Note 17. Funds from Dedicated Collections (continued)

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

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

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

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

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

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

Note 17. Funds from Dedicated Collections (continued)

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

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

Note 18. Net Cost of Operations by Suborganization

For the Fiscal Year Ended September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost	$ -	$ 444,626	$ -	$ 71,749	$ 5,696,716	$ -	$ 896,328	$ -	$ 89,193	$ (29,220)	$ 7,169,392
Less: Earned Revenues	-	-	-	6,731	305,503	-	7,680	-	-	(29,220)	290,694
Net Cost of Operations	-	444,626	-	65,018	5,391,213	-	888,648	-	89,193	-	6,878,698
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost	979,509	944,830	10,366	2,968,048	3,676,740	-	5,559,894	1,917,853	40,577	(1,214,993)	14,882,824
Less: Earned Revenues	14,723	91,448	-	794,906	217,759	-	1,394,259	9,113	-	(1,214,993)	1,307,215
Net Cost of Operations	964,786	853,382	10,366	2,173,142	3,458,981	-	4,165,635	1,908,740	40,577	-	13,575,609
Goal 3: Ensure and Support the Fair, Impartial , Efficient and Transparent Administration of Justice at the Federal, State, Local, Tribal and International Levels											
Gross Cost	-	-	7,941,552	-	811,696	592,296	923,415	931,405	3,046,016	(252,843)	13,993,537
Less: Earned Revenues	-	-	370,622	-	440,826	586,650	1,860	15,366	55,986	(234,336)	1,236,974
Net Cost of Operations	-	-	7,570,930	-	370,870	5,646	921,555	916,039	2,990,030	(18,507)	12,756,563
Net Cost of Operations	$ 964,786	$ 1,298,008	$ 7,581,296	$ 2,238,160	$ 9,221,064	$ 5,646	$ 5,975,838	$ 2,824,779	$ 3,119,800	$ (18,507)	$ 33,210,870

For the Fiscal Year Ended September 30, 2016

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

These notes are an integral part of the financial statements.

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

Note 19. Imputed Financing

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the Department from a providing entity that is not part of the Department. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS No.4, Managerial Cost Accounting Concepts and Standards*, the material Imputed Inter-Departmental financing sources currently recognized by the Department include the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), and the Federal Pension plans that are paid by other federal entities, and any un-reimbursed payments made from the Treasury Judgment Fund on behalf of the Department. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. §1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate the cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. The cost factors are as follows:

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees	32.8%
	Regular Employees Offset	24.2%
	Law Enforcement Officers	56.4%
	Law Enforcement Officers Offset	48.5%
Federal Employees Retirement System (FERS)	Regular Employees	14.7%
	Regular Employees – Revised Annuity Employees (RAE)	15.3%
	Regular Employees – Further Revised Annuity Employees (FRAE)	15.4%
	Law Enforcement Officers	32.5%
	Law Enforcement Officers – RAE	33.2%
	Law Enforcement Officers – FRAE	33.3%

These notes are an integral part of the financial statements.

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

Note 19. Imputed Financing (continued)

The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits, which include health and life insurance that are paid by other federal entities, must also be recorded.

For the Fiscal Years Ended September 30, 2017 and 2016

	2017	2016
Imputed Inter-Departmental Financing		
U.S. Treasury Judgment Fund	$ 21,373	$ 23,986
Health Insurance	543,105	606,936
Life Insurance	2,175	2,153
Pension	159,049	168,585
Total Imputed Inter-Departmental	$ 725,702	$ 801,660

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, are the unreimbursed portion of the full costs of goods and services received by a Department component from a providing entity that is part of the Department. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The FPI's imputed costs relates to unreimbursed costs for BOP warehouse space used in the production of goods by the FPI and for managerial and operational services BOP provided to FPI. These imputed costs have been eliminated from the consolidated financial statements. For FYs 2017 and 2016, the FPI imputed costs were $18,507 and $18,109, respectively.

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

Note 20. Information Related to the Statement of Budgetary Resources

Apportionment Categories of New Obligations and Upward Adjustments:

	Direct New Obligations and Upward Adjustments	Reimbursable New Obligations and Upward Adjustments	Total New Obligations and Upward Adjustments
For the Fiscal Year Ended September 30, 2017			
Apportioned Under			
Category A	$ 33,637,879	$ 4,167,011	$ 37,804,890
Category B	3,164,431	283,322	3,447,753
Exempt from Apportionment	-	632,819	632,819
Total	$ 36,802,310	$ 5,083,152	$ 41,885,462
For the Fiscal Year Ended September 30, 2016			
Apportioned Under			
Category A	$ 34,823,087	$ 4,179,162	$ 39,002,249
Category B	2,141,876	271,261	2,413,137
Exempt from Apportionment	-	571,736	571,736
Total	$ 36,964,963	$ 5,022,159	$ 41,987,122

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

These notes are an integral part of the financial statements.

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

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

Status of Undelivered Orders:

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

As of September 30, 2017 and 2016

	2017	2016
UDO Obligations Unpaid	$ 14,110,025	$ 13,234,382
UDO Obligations Prepaid/Advanced	535,512	423,347
Total UDO	$ 14,645,537	$ 13,657,729

Permanent Indefinite Appropriations:

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

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

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

These notes are an integral part of the financial statements.

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

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

Permanent Indefinite Appropriations (continued):

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

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

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

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

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

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

- Congress established a permanent indefinite appropriation in the Department's 1988 appropriations act that provides for payment of "all necessary expenses of investigations and prosecutions by independent counsel" appointed under either the now-expired independent counsel provisions of the Ethics in Government Act of 1978, "or other law." See 28 USC § 591 note. The Deputy Attorney General appointed Special Counsel Robert Mueller under "other" legal authority (28 U.S.C. §§ 509, 510 and 515), which allows the Department to use this appropriation for all costs incurred by the Special Counsel's activities under his appointment.

These notes are an integral part of the financial statements.

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

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

Legal Arrangements Affecting Use of Unobligated Balances:

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation under law, unless otherwise restricted or apportioned under Category C. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, no-year, and subsequent year basis. Appropriated funds shall expire on the last day of availability and are no longer available for new obligations. Unobligated balances in unexpired fund symbols are available in the next fiscal year for new obligations unless some restrictions had been placed on those funds by law. Amounts in expired fund symbols are unavailable for new obligations, but may be used to adjust previously established obligations.

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

The reconciliation as of September 30, 2016 is presented below. The reconciliation as of September 30, 2017 is not presented, because the submission of the Budget of the United States (Budget) for FY 2019, which presents the execution of the FY 2017 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website and will be available in early February 2018.

For the Fiscal Year Ended September 30, 2016 (Dollars in Millions)	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 48,351	$ 41,988	$ 614	$ 32,270
Funds not Reported in the Budget				
Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP	(871)	(175)	-	(3)
AFF/SADF Forfeiture Activity	2	2	-	-
USMS Court Security Funds	(484)	(463)	-	(447)
Distributed Offsetting Receipts	-	-	(7)	18
Special and Trust Fund Receipts	-	-	-	598
Other	(2)	(1)	1	(5)
Budget of the United States Government	$ 46,996	$ 41,351	$ 608	$ 32,431

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department SBR and the Budget of the United States Government.

These notes are an integral part of the financial statements.

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

Note 21. Net Custodial Revenue Activity

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

OBDs' Office of Debt Collection Management (DCM) is the primary source of collections for the Department, and civil litigated matters (e.g., student loan defaults, financial and health care fraud). The DCM also processes certain payments on criminal debts as an accommodation for the BOP and the Clerks of the U.S. District Courts. The BOP aggregates collections of inmate criminal debt by correction facility, and the DCM sorts the collections by judicial district and disburses payments to the respective Clerks of the U.S. Court. The DCM may accept wire transfers or other payments on a criminal debt, in rare cases, if a Clerk of the U.S. Court is unable to do so. In addition, other negligible custodial collections occur for interest, fines, and penalties. Lastly, the DCM processed collections of criminal funds related to the Department's Swiss Bank Program. The proceeds from the Swiss Bank Program were deposited to the Treasury General Fund. On December 29, 2016, the Justice Department announced that it had reached the final resolutions under the Swiss Bank Program, the program is no longer operational as of September 30, 2017.

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

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

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

BOP collects fines and penalties, confiscated funds, found money on institution grounds, inmate's funds whose whereabouts are unknown and excess meal ticket collections. These collections were incidental to the BOP's mission.

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

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

Note 21. Net Custodial Revenue Activity (continued)

As of September 30, 2017 and 2016, the Department reported total custodial revenue on the SCA in the amounts of $14,508,865 and $13,268,226, respectively. The custodial revenue represented $14,507,556 and $13,269,801 in custodial collections and $1,309 and $(1,575) in accrual adjustments. The custodial collections that have yet to be disbursed are included in the assets and liabilities sections on the balance sheet. As of September 30, 2017 and 2016, the assets and liabilities related to custodial activity were $2,655,592 and $1,025,556, respectively. As of September 30, 2017 and 2016, the total funds returned to the Treasury General Fund were $(6,796,992) and $(8,020,654).

Note 22. OMB Circular A-136 Consolidated Balance Sheet Presentation

U.S. Department of Justice
Consolidated Balance Sheets
As of September 30, 2017 and 2016

Dollars in Thousands	2017	2016
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury	$ 42,967,217	$ 30,593,210
Investments, Net	6,707,819	7,488,767
Accounts Receivable, Net	633,814	580,468
Other Assets	167,638	64,510
Total Intragovernmental	50,476,488	38,726,955
Cash and Other Monetary Assets	498,093	267,679
Accounts Receivable, Net	297,074	95,042
Inventory and Related Property, Net	257,964	252,418
General Property, Plant and Equipment, Net	8,765,528	8,923,762
Other Assets	358,655	341,635
Total Assets	**$ 60,653,802**	**$ 48,607,491**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 360,858	$ 316,106
Other Liabilities	3,216,469	1,602,246
Total Intragovernmental	3,577,327	1,918,352
Accounts Payable	5,996,230	6,161,623
Federal Employee and Veteran Benefits	1,785,919	1,725,538
Environmental and Disposal Liabilities	75,361	70,387
Other Liabilities	9,940,996	11,286,977
Total Liabilities	**$ 21,375,833**	**$ 21,162,877**
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections	$ 74,314	$ 19,512
Unexpended Appropriations - All Other Funds	15,483,266	9,851,034
Cumulative Results of Operations - Funds from Dedicated Collections	20,038,128	14,788,764
Cumulative Results of Operations - All Other Funds	3,682,261	2,785,304
Total Net Position	**$ 39,277,969**	**$ 27,444,614**
Total Liabilities and Net Position	**$ 60,653,802**	**$ 48,607,491**

These notes are an integral part of the financial statements.

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

Note 23. Reconciliation of Net Cost of Operations (proprietary) to Budget

For the Fiscal Years Ended September 30, 2017 and 2016

	2017	2016
Resources Used to Finance Activities		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	$ 41,885,462	$ 41,987,122
Less: Spending Authority from Offsetting Collections and Recoveries	7,012,222	6,799,823
Obligations Net of Offsetting Collections and Recoveries	34,873,240	35,187,299
Less: Offsetting Receipts	677,131	636,301
Net Obligations	34,196,109	34,550,998
Other Resources		
Donations and Forfeitures of Property	370,007	200,868
Transfers-In/Out Without Reimbursement	21,168	(1,619)
Imputed Financing (Note 19)	725,702	801,660
Other	(649,680)	(7,849)
Net Other Resources Used to Finance Activities	467,197	993,060
Total Resources Used to Finance Activities	34,663,306	35,544,058
Resources Used to Finance Items not Part of the Net Cost of Operations		
Net Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	(1,006,078)	(2,134,799)
Resources That Fund Expenses Recognized in Prior Periods (Note 24)	(2,105,098)	(125,781)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(312,406)	(20,637)
Resources That Finance the Acquisition of Assets	(824,898)	(779,260)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	751,803	(3,428)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(3,496,677)	(3,063,905)
Total Resources Used to Finance the Net Cost of Operations	$ 31,166,629	$ 32,480,153
Components of Net Cost of Operations That Did Not Require or Generate Resources in the Current Period		
Components That will Require or Generate Resources in in Future Periods (Note 24)	$ 891,272	$ 4,057,135
Depreciation and Amortization	979,012	991,947
Revaluation of Assets or Liabilities	17,399	28,864
Other	156,558	205,473
Total Components of Net Cost of Operations That Did Not Require or Generate Resources in the Current Period	$ 2,044,241	$ 5,283,419
Net Cost of Operations	$ 33,210,870	$ 37,763,572

These notes are an integral part of the financial statements.

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

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

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $4,383,892 and $10,547,880 as of September 30, 2017 and 2016, respectively, are discussed in Note 11, *Liabilities not Covered by Budgetary Resources.* Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2017 and 2016

	2017	2016
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Liabilities Not Covered by Budgetary Resources:		
Decrease in Accrued FECA Liabilities	$ (3,810)	$ -
Decrease in Environmental and Disposal Liabilities	-	(9,415)
Decrease in Contingent Liabilities	-	(11,982)
Decrease in Unfunded Capital Lease Liabilities	(21)	(32)
Decrease in Radiation Exposure Compensation Act Liabilities	(77,093)	(104,266)
Decrease in September 11th Victim Compensation Act Liabilities	(998,975)	-
Decrease in United States Victims of State Sponsored Terrorism Act Liabilities	(1,025,000)	-
Decrease in Other Unfunded Employment Related Liabilities	(199)	(86)
Total Decrease in Liabilities Not Covered by Budgetary Resources	(2,105,098)	(125,781)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (2,105,098)	$ (125,781)
Components That Will Require or Generate Resources in Future Periods		
(Increase)/Decrease in Exchange Revenue Receivable from the Public	$ 335	$ (1,666)
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	8,333	(3,948)
Increase in Liabilities Not Covered by Budgetary Resources:		
Increase in Accrued FECA Liabilities	-	2,809
Increase in Actuarial FECA Liabilities	60,381	71,220
Increase in Accrued Annual and Compensatory Leave Liabilities	880	27,346
Increase in Environmental and Disposal Liabilities	4,974	-
Increase in Deferred Revenue	21,684	16,950
Increase in Contingent Liabilities	9,907	-
Increase in September 11th Victim Compensation Act Liabilities	-	2,839,021
Increase in United States Victims of State Sponsored Terrorism Act Liabilities	215,909	1,025,000
Increase in Other Liabilities	46,596	80,403
Total Increase in Liabilities Not Covered by Budgetary Resources	360,331	4,062,749
Increase in Liabilities Covered by Budgetary Resources:		
Increase in United States Victims of State Sponsored Terrorism Act Liabilities	522,273	-
Total Increase in Liabilities Covered by Budgetary Resources	522,273	-
Total Components that Will Require or Generate Resources in Future Periods	$ 891,272	$ 4,057,135

These notes are an integral part of the financial statements.

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

Note 25. Compensation Funds

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

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

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

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

The enactment of two pieces of legislation changed the funding sources for RECA claimants. The National Defense Authorization Act for FY 2005 requires that RECA Section 5 claimants (uranium miners, millers, and ore transporters) be paid out of the Department of Labor’s (Labor) Energy Employees Occupational Illness Compensation Fund. The RECA Section 5 liability of $316,993 as of March 30, 2004, was transferred to Labor during FY 2005. The RECA Fund began exclusively paying RECA Section 4 claimants (downwinders and on-site participants) in FY 2005. The Consolidated Appropriations Act, 2005, contains language that made funding for the RECA Trust Fund mandatory and indefinite beginning in FY 2006.

The OBDs recognized liabilities of $252,401 and $329,494 for estimated future benefits payable by the Department as of September 30, 2017 and 2016, respectively, to eligible individuals under the Act through FY 2023. The estimated liability is based on activity between FYs 2007 – 2011 and 2015 – 2017. Key factors in determining future liability are trends in the number of claims filed, trends in the percentage of claims adjudicated, and trends in the percentage of claims approved. In FY 2017, the projected payments are discounted to present value based on nominal discount rates.

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

Note 25. Compensation Funds (continued)

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

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

For FY 2017, the USVSST Fund total available budgetary resources was $1.548 billion, including a reduction of management and administration sequestered budget authority of $0.2 million. The majority of fund total is comprised of approximately $1.025 billion of congressional appropriated funds and approximately $516.0 million of forfeiture, fines and penalties.

As of September 30, 2017, the USVSST Fund expended $1.042 billion for settlement of claims. As of September 30, 2017 and 2016, the USVSST Fund recognized liabilities for future claims amounted to $738.2 million and $1.025 billion, respectively.

September 11th Victim Compensation Fund
In FY 2016, the Reauthorized James Zadroga Act of 2010 (Zadroga Act) Public Law 114-113 extended the September 11th Victim Compensation Fund (VCF) for 5 years. Additionally, the claim filing deadline was extended to December 18, 2020, and increased the total funding by an additional $4.600 billion. The additional funding became available in October 2016. The Reauthorized Zadroga Act also made changes to the method in which the fund calculates loss amounts for claimants receiving loss determination letters after December 17, 2015. This included limiting the amount of non-economic loss that could be awarded, eliminating claims for future out-of-pocket medical expenses, and capping the computation of future economic loss by limiting the gross annual income level.

For FY 2017, the VCF received funding of $5.410 billion, including a reduction of management and administration costs sequestered budget authority of $1.656 million. The funding amount made available in FY 2017 included a transfer of $813.0 million from the original $2.775 billion appropriation relating to the Zadroga Act of 2010.

As of September 30, 2017, the VCF paid claimants $992.1 million. As of September 30, 2017 and 2016, the funded liabilities were $4.419 billion and $4.600 billion, respectively.

Required Supplementary Information
Unaudited

See Independent Auditors' Report on the Financial Statements

U. S. Department of Justice
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Combined
Budgetary Resources										
Unobligated Balance, Brought Forward, October 1	$ 639,702	$ 241,849	$ 746,272	$ 528,431	$ 2,146,191	$ 161,633	$ 1,546,091	$ 167,128	$ 186,969	$ 6,364,266
Recoveries of Prior Year Unpaid Obligations	419,800	18,446	18,240	109,553	297,317	-	244,838	88,392	54,461	1,251,047
Other Changes in Unobligated Balance	574	(44,475)	(61,193)	47,641	(10,453)	-	116,401	3,142	(15,176)	36,461
Unobligated Balance from Prior Year Budget Authority, Net	1,060,076	215,820	703,319	685,625	2,433,055	161,633	1,907,330	258,662	226,254	7,651,774
Appropriations (discretionary and mandatory)	1,572,338	1,258,924	7,135,400	2,514,496	8,997,756	-	12,122,353	4,014,493	3,172,992	40,788,752
Spending Authority from Offsetting Collections (discretionary and mandatory)	18,354	124,963	381,703	430,406	1,047,522	647,053	2,528,056	256,964	92,496	5,527,517
Total Budgetary Resources	$ 2,650,768	$ 1,599,707	$ 8,220,422	$ 3,630,527	$ 12,478,333	$ 808,686	$ 16,557,739	$ 4,530,119	$ 3,491,742	$ 53,968,043
Status of Budgetary Resources:										
New Obligations and Upward Adjustments (Total) (Note 20)	$ 1,347,936	$ 1,410,774	$ 7,429,241	$ 3,111,221	$ 10,312,562	$ 632,819	$ 10,227,909	$ 4,124,171	$ 3,288,829	$ 41,885,462
Unobligated Balance, End of Year:										
Apportioned, Unexpired Accounts	1,302,832	179,415	661,446	492,769	1,702,175	-	5,897,216	354,337	174,734	10,764,924
Exempt from Apportionment, Unexpired Accounts	-	-	41,057	-		175,867	-	-	-	216,924
Unapportioned, Unexpired Accounts	-	4	(8,127)	3,440	16,262	-	242,834	51,605	418	306,436
Unexpired Unobligated Balance, End of Year	1,302,832	179,419	694,376	496,209	1,718,437	175,867	6,140,050	405,942	175,152	11,288,284
Expired Unobligated Balance, End of Year	-	9,514	96,805	23,097	447,334	-	189,780	6	27,761	794,297
Unobligated Balance - End of Year (Total)	1,302,832	188,933	791,181	519,306	2,165,771	175,867	6,329,830	405,948	202,913	12,082,581
Total Status of Budgetary Resources:	**$ 2,650,768**	**$ 1,599,707**	**$ 8,220,422**	**$ 3,630,527**	**$ 12,478,333**	**$ 808,686**	**$ 16,557,739**	**$ 4,530,119**	**$ 3,491,742**	**$ 53,968,043**
Change in Obligated Balance:										
Unpaid Obligations:										
Unpaid Obligations, Brought Forward, October 1	$ 5,024,680	$ 234,085	$ 702,911	$ 599,121	$ 2,857,435	$ 160,136	$ 3,871,499	$ 7,775,930	$ 602,710	$ 21,828,507
New Obligations and Upward Adjustments	1,347,936	1,410,774	7,429,241	3,111,221	10,312,562	632,819	10,227,909	4,124,171	3,288,829	41,885,462
Outlays, Gross (-)	(1,083,053)	(1,338,782)	(7,416,253)	(2,962,841)	(9,944,050)	(584,818)	(10,270,628)	(3,341,101)	(3,212,416)	(40,153,942)
Recoveries of Prior Year Unpaid Obligations (-)	(419,800)	(18,446)	(18,240)	(109,553)	(297,317)	-	(244,838)	(88,392)	(54,461)	(1,251,047)
Unpaid Obligations, End of Year	4,869,763	287,631	697,659	637,948	2,928,630	208,137	3,583,942	8,470,608	624,662	22,308,980
Uncollected Payments:										
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(6,432)	(40,749)	(4,820)	(121,463)	(561,024)	(39,460)	(1,009,434)	(172,199)	(10,456)	(1,966,037)
Change in Uncollected Payments from Federal Sources	(6,679)	(46,419)	(13,188)	(6,492)	(48,970)	9,224	36,694	(40,785)	(3,902)	(120,517)
Uncollected Payments from Federal Sources, End of Year (-)	$ (13,111)	$ (87,168)	$ (18,008)	$ (127,955)	$ (609,994)	$ (30,236)	$ (972,740)	$ (212,984)	$ (14,358)	$ (2,086,554)
Memorandum (non-add) Entries:										
Obligated balance, Start of Year	$ 5,018,248	$ 193,336	$ 698,091	$ 477,658	$ 2,296,411	$ 120,676	$ 2,862,065	$ 7,603,731	$ 592,254	$ 19,862,470
Obligated balance, End of Year	$ 4,856,652	$ 200,463	$ 679,651	$ 509,993	$ 2,318,636	$ 177,901	$ 2,611,202	$ 8,257,624	$ 610,304	$ 20,222,426

U. S. Department of Justice
Combining Statement of Budgetary Resources - Continued
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Combined
Budgetary Authority and Outlays, Net:										
Budgetary Authority, Gross (discretionary and mandatory)	$ 1,590,692	$ 1,383,887	$ 7,517,103	$ 2,944,902	$ 10,045,278	$ 647,053	$ 14,650,409	$ 4,271,457	$ 3,265,488	$ 46,316,269
Less: Actual Offsetting Collections (discretionary and mandatory)	12,250	79,802	368,586	433,647	1,011,528	656,277	2,763,831	219,364	95,371	5,640,656
Change in Uncollected Payments from Federal Sources (discretionary and mandatory)	(6,679)	(46,419)	(13,188)	(6,492)	(48,970)	9,224	36,694	(40,785)	(3,902)	(120,517)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	574	1,254	-	9,733	12,976	-	18,081	3,185	6,777	52,580
Budget Authority, Net (discretionary and mandatory)	$ 1,572,337	$ 1,258,920	$ 7,135,329	$ 2,514,496	$ 8,997,756	$ -	$ 11,941,353	$ 4,014,493	$ 3,172,992	$ 40,607,676
Outlays, Gross (discretionary and mandatory)	$ 1,083,053	$ 1,338,782	$ 7,416,253	$ 2,962,841	$ 9,944,050	$ 584,818	$ 10,270,628	$ 3,341,101	$ 3,212,416	$ 40,153,942
Less: Actual Offsetting Collections (discretionary and mandatory)	12,250	79,802	368,586	433,647	1,011,528	656,277	2,763,831	219,364	95,371	5,640,656
Outlays, Net (Total) (discretionary and mandatory)	1,070,803	1,258,980	7,047,667	2,529,194	8,932,522	(71,459)	7,506,797	3,121,737	3,117,045	34,513,286
Less: Distributed Offsetting Receipts	48,045	649	(6,271)	403,026	12,279	-	210,580	-	-	668,308
Agency Outlays, Net (discretionary and mandatory)	$ 1,022,758	$ 1,258,331	$ 7,053,938	$ 2,126,168	$ 8,920,243	$ (71,459)	$ 7,296,217	$ 3,121,737	$ 3,117,045	$ 33,844,978

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

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

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

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

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Required Supplementary Stewardship Information
Unaudited

See Independent Auditors' Report on the Financial Statements

U.S. Department of Justice
Office of Justice Programs
Required Supplementary Stewardship Information
Consolidated Stewardship Investments
For Fiscal Years Ended September 30, 2017, 2016, 2015, 2014, and 2013

The Bureau of Justice Assistance administers the Tribal Justice Systems Infrastructure Program (TJSIP)[1] and the Violent Offender Incarceration and Truth-In-Sentencing (VOI/TIS) incentive grant programs. Both programs provide grants for the purposes of building and expanding correctional facilities and jails to increase secure confinement space for violent offenders and implementing correctional alternatives to reduce reliance on incarceration. VOI/TIS funds are available to any of the 50 United States, the District of Columbia, Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, the Northern Mariana Islands, and recognized Tribal governments; while TJSIP funds are available to tribes within the 50 states. The Tribal Law and Order Act of 2010 (Public Law 111-211) expanded the TJSIP grant program scope to include multi-purpose justice centers. The facilities built or expanded with these funds constitute non-federal physical property. Upon completion, the Bureau of Indian Affairs of the Department of Interior, and/or tribal grantees are responsible for supporting, operating, and maintaining the correctional facilities.

The TJSIP strategy broadly addresses tribal justice systems and lends support to tribes that:

− Are interested in establishing/enhancing (tribal/non-tribal) multi-agency cooperation and collaborations;

− Are committed to conducting community-wide assessment for purpose of developing a comprehensive master plan that encompasses the design, use, capacity, and cost of adult and/or juvenile justice sanctions and services;

−Wish to explore an array of detention and correctional building options, including prototypical or quasi-prototypical concepts/designs for local correctional facilities, multipurpose justice centers, and regional facilities; and

− Are interested in learning about/applying community-based alternatives to help control and prevent jail overcrowding due to growing problems involving alcohol, substance abuse, and methamphetamine.

TJSIP and VOI/TIS funds from fiscal years 2013 through September 30, 2017, are as follows:

Dollars in Thousands	2017	2016	2015	2014	2013
Recipients of Non-Federal Physical Property:					
Grants to Indian Tribes	$ 4,721	$ 8,572	$ 16,118	$ 39,431	$ 52,980
Grants to States	-	-	(84)	(12)	-
Total Non-Federal Physical Property	$ 4,721	$ 8,572	$ 16,034	$ 39,419	$ 52,980

[1] The TJSIP was previously known as Correctional Systems and Correctional Alternatives for Tribal Lands (CSCATL).

Other Information
Unaudited

See Independent Auditors' Report on the Financial Statements

U. S. Department of Justice
Consolidating Balance Sheet
As of September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	$ 1,389,918	$ 382,809	$ 1,543,720	$ 1,045,372	$ 4,471,449	$ 20,733	$ 11,595,217	$ 21,695,906	$ 822,093	$ -	$ 42,967,217
Investments, Net	6,372,550	-	-	-	-	335,269	-	-	-	-	6,707,819
Accounts Receivable, Net	6,188	35,966	4,783	45,914	472,806	30,114	429,520	9,112	11,587	(412,176)	633,814
Other Assets	111	566	12,148	18,542	29,059	-	22,133	110,962	1,025	(26,908)	167,638
Total Intragovernmental	7,768,767	419,341	1,560,651	1,109,828	4,973,314	386,116	12,046,870	21,815,980	834,705	(439,084)	50,476,488
Cash and Other Monetary Assets	378,023	9,639	405	25,306	84,674	-	46	-	-	-	498,093
Accounts Receivable, Net	-	121	4,343	2,980	30,368	4,987	252,897	1,304	74	-	297,074
Inventory and Related Property, Net	-	-	19,131	17,252	-	106,025	-	-	3,378	-	145,786
Forfeited Property, Net	112,178	-	-	-	-	-	-	-	-	-	112,178
General Property, Plant and Equipment, Net	2,363	155,587	5,113,385	256,899	2,742,297	52,941	118,081	10,309	313,666	-	8,765,528
Advances and Prepayments	-	1,599	3,162	893	94,324	8,199	94	246,872	-	-	355,143
Other Assets	1	1	-	-		3,326	-	-	184	-	3,512
Total Assets	**$ 8,261,332**	**$ 586,288**	**$ 6,701,077**	**$ 1,413,158**	**$ 7,924,977**	**$ 561,594**	**$ 12,417,988**	**$ 22,074,465**	**$ 1,152,007**	**$ (439,084)**	**$ 60,653,802**
LIABILITIES											
Intragovernmental											
Accounts Payable	$ 145,246	$ 17,511	$ 32,249	$ 40,041	$ 175,487	$ 2,820	$ 274,288	$ 49,285	$ 34,312	$ (410,381)	$ 360,858
Accrued FECA Liabilities	-	20,564	171,961	25,645	33,049	1,690	9,139	15	16,344	-	278,407
Custodial Liabilities	-	1	-	2,649	999	-	2,557,994	-	-	-	2,561,643
Other Liabilities	297	8,630	53,526	15,028	114,131	139,690	39,960	24,864	8,996	(28,703)	376,419
Total Intragovernmental	145,543	46,706	257,736	83,363	323,666	144,200	2,881,381	74,164	59,652	$ (439,084)	$ 3,577,327
Accounts Payable	4,563,869	38,591	292,718	94,452	341,195	55,961	300,289	71,690	237,465	-	5,996,230
Accrued Grant Liabilities	-	-	-	-	-	-	83,286	331,000	-	-	414,286
Actuarial FECA Liabilities	-	130,134	1,107,469	161,129	203,492	23,653	57,773	83	102,186	-	1,785,919
Accrued Payroll and Benefits	1,101	23,703	115,376	43,033	158,380	3,564	95,633	4,173	24,027	-	468,990
Accrued Annual and Compensatory Leave Liabilities	1,788	50,711	177,332	102,619	308,006	4,374	174,012	7,914	45,329	-	872,085
Environmental and Disposal Liabilities	-	-	69,796	-	5,565	-	-	-	-	-	75,361
Deferred Revenue	112,178	-	844	585,572	-	-	-	-	-	-	698,594
Seized Cash and Monetary Instruments	1,501,023	2,762	-	507	40,074	-	-	-	-	-	1,544,366
Contingent Liabilities	-	-	15,224	32,705	1,659	-	750	-	-	-	50,338
Radiation Exposure Compensation Act Liabilities	-	-	-	-	-	-	252,401	-	-	-	252,401
9/11 Victim Compensation Fund Liabilities	-	-	-	-	-	-	4,419,221	-	-	-	4,419,221
United States Victims of State Sponsored Terrorism Act Liabilities	-	-	-	-	-	-	738,182	-	-	-	738,182
Other Liabilities	-	1,848	348,969	17,403	21,921	39	83,528	-	8,825	-	482,533
Total Liabilities	**$ 6,325,502**	**$ 294,455**	**$ 2,385,464**	**$ 1,120,783**	**$ 1,403,958**	**$ 231,791**	**$ 9,086,456**	**$ 489,024**	**$ 477,484**	**$ (439,084)**	**$ 21,375,833**
NET POSITION											
Unexpended Appropriations - Funds from Dedicated Collections	$ -	$ -	$ -	$ -	$ -	$ -	$ 74,314	$ -	$ -	$ -	$ 74,314
Unexpended Appropriations - All Other Funds	-	156,725	949,020	370,869	3,123,968	-	7,176,033	3,248,099	458,552	-	15,483,266
Cumulative Results of Operations - Funds from Dedicated Collections	1,935,830	-	67,120	(302,136)	-	-	7,505	18,329,809	-	-	20,038,128
Cumulative Results of Operations - All Other Funds	-	135,108	3,299,473	223,642	3,397,051	329,803	(3,926,320)	7,533	215,971	-	3,682,261
Total Net Position	**$ 1,935,830**	**$ 291,833**	**$ 4,315,613**	**$ 292,375**	**$ 6,521,019**	**$ 329,803**	**$ 3,331,532**	**$ 21,585,441**	**$ 674,523**	**$ -**	**$ 39,277,969**
Total Liabilities and Net Position	**$ 8,261,332**	**$ 586,288**	**$ 6,701,077**	**$ 1,413,158**	**$ 7,924,977**	**$ 561,594**	**$ 12,417,988**	**$ 22,074,465**	**$ 1,152,007**	**$ (439,084)**	**$ 60,653,802**

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

	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	$ 115,389	$ 428,828	$ 1,518,493	$ 1,022,374	$ 4,417,713	$ 45,909	$ 5,440,650	$ 16,813,844	$ 790,010	$ -	$ 30,593,210
Investments, Net	7,233,684	-	-	-		239,307	15,776	-	-	-	7,488,767
Accounts Receivable, Net	3,141	22,977	2,093	49,978	398,354	39,079	378,370	8,372	9,108	(331,004)	580,468
Other Assets	88	255	8,096	16,240	16,460	-	25,949	23,949	1,039	(27,566)	64,510
Total Intragovernmental	7,352,302	452,060	1,528,682	1,088,592	4,832,527	324,295	5,860,745	16,846,165	800,157	(358,570)	38,726,955
Cash and Other Monetary Assets	155,871	9,430	420	20,727	81,188	-	43	-	-	-	267,679
Accounts Receivable, Net	1,732	160	5,906	2,015	40,648	6,461	36,374	1,565	181	-	95,042
Inventory and Related Property, Net	-	-	18,564	14,812	-	106,137	-	-	2,767	-	142,280
Forfeited Property, Net	110,138	-	-	-	-	-	-	-	-	-	110,138
General Property, Plant and Equipment, Net	556	158,390	5,358,410	252,664	2,718,609	58,929	96,937	10,723	268,544	-	8,923,762
Advances and Prepayments	-	759	5,745	481	69,939	1,224	1,432	261,457	-	-	341,037
Other Assets	38	1	-	-		375	-		184	-	598
Total Assets	**$ 7,620,637**	**$ 620,800**	**$ 6,917,727**	**$ 1,379,291**	**$ 7,742,911**	**$ 497,421**	**$ 5,995,531**	**$ 17,119,910**	**$ 1,071,833**	**$ (358,570)**	**$ 48,607,491**
LIABILITIES											
Intragovernmental											
Accounts Payable	$ 164,377	$ 11,366	$ 36,694	$ 26,748	$ 133,927	$ 2,608	$ 224,038	$ 25,827	$ 19,374	$ (328,853)	$ 316,106
Accrued FECA Liabilities	-	20,907	176,933	24,854	32,273	2,019	9,193	13	16,191	-	282,383
Custodial Liabilities	-	1	-	1,678	864	-	897,164	-	-	-	899,707
Other Liabilities	278	8,470	60,215	22,593	145,551	105,298	63,951	34,704	8,813	(29,717)	420,156
Total Intragovernmental	164,655	40,744	273,842	75,873	312,615	109,925	1,194,346	60,544	44,378	(358,570)	1,918,352
Accounts Payable	4,665,588	36,775	309,500	92,058	334,929	40,962	375,055	63,129	243,627	-	6,161,623
Accrued Grant Liabilities	-	-	-	-	-	-	83,460	582,515	-	-	665,975
Actuarial FECA Liabilities	-	125,701	1,063,293	155,958	201,737	24,303	56,812	73	97,661	-	1,725,538
Accrued Payroll and Benefits	1,158	23,606	114,129	41,984	155,051	3,814	93,014	4,060	23,279	-	460,095
Accrued Annual and Compensatory Leave Liabilities	1,650	50,492	179,274	100,401	300,507	5,380	181,697	7,655	45,155	-	872,211
Environmental and Disposal Liabilities	-	-	68,407	-	1,980	-	-	-	-	-	70,387
Deferred Revenue	110,138	-	880	563,888	-	-	-	-	-	-	674,906
Seized Cash and Monetary Instruments	1,217,222	2,715	-	469	38,260	-	-	-	-	-	1,258,666
Contingent Liabilities	-	-	8,265	27,152	3,789	-	1,225	-	-	-	40,431
Radiation Exposure Compensation Act Liabilities	-	-	-	-	-	-	329,494	-	-	-	329,494
9/11 Victim Compensation Fund Liabilities	-	-	-	-	-	-	5,418,196	-	-	-	5,418,196
United States Victims of State Sponsored Terrorism Act Liabilities	-	-	-	-	-	-	1,025,000	-	-	-	1,025,000
Other Liabilities	-	770	300,260	10,555	21,855	55	198,564		9,944	-	542,003
Total Liabilities	**$ 6,160,411**	**$ 280,803**	**$ 2,317,850**	**$ 1,068,338**	**$ 1,370,723**	**$ 184,439**	**$ 8,956,863**	**$ 717,976**	**$ 464,044**	**$ (358,570)**	**$ 21,162,877**
NET POSITION											
Unexpended Appropriations - Funds from Dedicated Collections	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,512		$ -	$ -	$ 19,512
Unexpended Appropriations - All Other Funds	-	145,777	887,347	385,282	2,798,520	-	2,658,653	2,918,297	440,906	(383,748)	9,851,034
Cumulative Results of Operations - Funds from Dedicated Collections	1,460,226	-	75,189	(298,918)	-	-	76,810	13,475,457	-	-	14,788,764
Cumulative Results of Operations - All Other Funds	-	194,220	3,637,341	224,589	3,573,668	312,982	(5,716,307)	8,180	166,883	383,748	2,785,304
Total Net Position	**$ 1,460,226**	**$ 339,997**	**$ 4,599,877**	**$ 310,953**	**$ 6,372,188**	**$ 312,982**	**$ (2,961,332)**	**$ 16,401,934**	**$ 607,789**	**$ -**	**$ 27,444,614**
Total Liabilities and Net Position	**$ 7,620,637**	**$ 620,800**	**$ 6,917,727**	**$ 1,379,291**	**$ 7,742,911**	**$ 497,421**	**$ 5,995,531**	**$ 17,119,910**	**$ 1,071,833**	**$ (358,570)**	**$ 48,607,491**

U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law											
Gross Cost - Intragovernmental	$ -	$ 144,481	$ -	$ 24,344	$ 1,593,611	$ -	$ 63,736	$ -	$ 20,090	$ (29,220)	$ 1,817,042
Gross Cost - With the Public	-	300,145	-	47,405	4,103,105	-	832,592	-	69,103	-	5,352,350
Subtotal Gross Costs	-	444,626	-	71,749	5,696,716	-	896,328	-	89,193	(29,220)	7,169,392
Earned Revenues - Intragovernmental	-	-	-	6,741	296,847	-	7,352	-	-	(29,220)	281,720
Earned Revenues - With the Public	-	-	-	(10)	8,656	-	328	-	-	-	8,974
Subtotal Earned Revenues	-	-	-	6,731	305,503	-	7,680	-	-	(29,220)	290,694
Subtotal Net Cost of Operations	$ -	$ 444,626	$ -	$ 65,018	$ 5,391,213	$ -	$ 888,648	$ -	$ 89,193	$ -	$ 6,878,698
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law											
Gross Cost - Intragovernmental	$ 512,756	$ 307,023	$ -	$ 1,022,452	$ 980,623	$ -	$ 1,787,153	$ 144,401	$ 9,603	$ (1,214,993)	$ 3,549,018
Gross Cost - With the Public	466,753	637,807	10,366	1,945,596	2,696,117	-	3,772,741	1,773,452	30,974	-	11,333,806
Subtotal Gross Costs	979,509	944,830	10,366	2,968,048	3,676,740	-	5,559,894	1,917,853	40,577	(1,214,993)	14,882,824
Earned Revenues - Intragovernmental	14,723	90,773	-	405,298	212,845	-	764,509	9,113	-	(1,214,993)	282,268
Earned Revenues - With the Public	-	675	-	389,608	4,914	-	629,750	-	-	-	1,024,947
Subtotal Earned Revenues	14,723	91,448	-	794,906	217,759	-	1,394,259	9,113	-	(1,214,993)	1,307,215
Subtotal Net Cost of Operations	$ 964,786	$ 853,382	$ 10,366	$ 2,173,142	$ 3,458,981	$ -	$ 4,165,635	$ 1,908,740	$ 40,577	$ -	$ 13,575,609
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels											
Gross Cost - Intragovernmental	$ -	$ -	$ 1,863,646	$ -	$ 305,350	$ 117,323	$ 219,836	$ 37,856	$ 606,284	$ (252,843)	$ 2,897,452
Gross Cost - With the Public	-	-	6,077,906	-	506,346	474,973	703,579	893,549	2,439,732	-	11,096,085
Subtotal Gross Costs	-	-	7,941,552	-	811,696	592,296	923,415	931,405	3,046,016	(252,843)	13,993,537
Earned Revenues - Intragovernmental	-	-	5,938	-	296,972	535,263	1,860	15,366	51,486	(234,336)	672,549
Earned Revenues - With the Public	-	-	364,684	-	143,854	51,387	-	-	4,500	-	564,425
Subtotal Earned Revenues	-	-	370,622	-	440,826	586,650	1,860	15,366	55,986	(234,336)	1,236,974
Subtotal Net Cost of Operations	$ -	$ -	$ 7,570,930	$ -	$ 370,870	$ 5,646	$ 921,555	$ 916,039	$ 2,990,030	$ (18,507)	$ 12,756,563
Total Net Cost of Operations	**$ 964,786**	**$ 1,298,008**	**$ 7,581,296**	**$ 2,238,160**	**$ 9,221,064**	**$ 5,646**	**$ 5,975,838**	**$ 2,824,779**	**$ 3,119,800**	**$ (18,507)**	**$ 33,210,870**

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

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

U. S. Department of Justice
Consolidating Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Cumulative Results of Operations											
Beginning Balances											
Funds from Dedicated Collections	**$ 1,460,226**	**$ -**	**$ 75,189**	**$ (298,918)**	**$**	**-**	**$ 76,810**	**$ 13,475,457**	**$ -**	**$ -**	**$ 14,788,764**
All Other Funds	**-**	**194,220**	**3,637,341**	**224,589**	**3,573,668**	**312,982**	**(5,716,307)**	**8,180**	**166,883**	**383,748**	**2,785,304**
Budgetary Financing Sources											
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	50,018	-	-	-	50,018
All Other Funds	-	1,243,963	7,012,534	2,129,114	8,794,967	-	7,071,216	1,415,140	3,133,391	-	30,800,325
Nonexchange Revenues											
Funds from Dedicated Collections	56,868	-	-	-	-	-	300	6,584,857	-	-	6,642,025
All Other Funds	-	-	-	-	-	-	514,969	294	-	-	515,263
Donations and Forfeitures of Cash and Cash Equivalents											
Funds from Dedicated Collections	1,216,430	-	-	-	-	-	-	-	-	-	1,216,430
All Other Funds	-	-	-	-	-	-	162,002	-	-	-	162,002
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(201,196)	-	-	-	-	-	-	(326,000)	-	-	(527,196)
All Other Funds	-	(41,716)	-	38,000	129,146	-	289,117	-	-	(383,748)	30,799
Other Financing Sources											
Donations and Forfeitures of Property											
Funds from Dedicated Collections	369,992	-	-	-	-	-	-	-	-	-	369,992
All Other Funds	-	-	15	-	-	-	-	-	-	-	15
Transfers-In/Out Without Reimbursement											
Funds from Dedicated Collections	(3,017)	-	-	-	-	-	-	-	-	-	(3,017)
All Other Funds	-	1,250	-	3,008	37,833	-	(18,563)	-	657	-	24,185
Imputed Financing											
Funds from Dedicated Collections	1,313	-	4,082	8,712		-	10,273	-	-	-	24,380
All Other Funds	-	35,399	218,728	55,161	230,657	22,467	118,384	4,193	34,840	(18,507)	701,322
Other Financing Sources											
Funds from Dedicated Collections	-	-	-	(2)	-	-	-	-	-	-	(2)
All Other Funds	-	-	-	2	(148,156)	-	(501,196)	-	-	-	(649,350)
Total Financing Sources											
Funds from Dedicated Collections	**1,440,390**	**-**	**4,082**	**8,710**	**-**	**-**	**60,591**	**6,258,857**	**-**	**-**	**7,772,630**
All Other Funds	**-**	**1,238,896**	**7,231,277**	**2,225,285**	**9,044,447**	**22,467**	**7,635,929**	**1,419,627**	**3,168,888**	**(402,255)**	**31,584,561**
Net Cost of Operations											
Funds from Dedicated Collections	(964,786)	-	(12,151)	(11,928)		-	(129,896)	(1,404,505)	-	-	(2,523,266)
All Other Funds	-	(1,298,008)	(7,569,145)	(2,226,232)	(9,221,064)	(5,646)	(5,845,942)	(1,420,274)	(3,119,800)	18,507	(30,687,604)
Net Change											
Funds from Dedicated Collections	475,604	-	(8,069)	(3,218)	-	-	(69,305)	4,854,352	-	-	5,249,364
All Other Funds	-	(59,112)	(337,868)	(947)	(176,617)	16,821	1,789,987	(647)	49,088	(383,748)	896,957
Ending Balances											
Funds from Dedicated Collections	**1,935,830**	**-**	**67,120**	**(302,136)**	**-**	**-**	**7,505**	**18,329,809**	**-**	**-**	**20,038,128**
All Other Funds	**-**	**135,108**	**3,299,473**	**223,642**	**3,397,051**	**329,803**	**(3,926,320)**	**7,533**	**215,971**	**-**	**3,682,261**
Total All Funds	**$ 1,935,830**	**$ 135,108**	**$ 3,366,593**	**$ (78,494)**	**$ 3,397,051**	**$ 329,803**	**$ (3,918,815)**	**$ 18,337,342**	**$ 215,971**	**$ -**	**$ 23,720,389**

U. S. Department of Justice
Consolidating Statement of Changes in Net Position - Continued
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances											
Funds from Dedicated Collections	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,512	$ -	$ -	$ -	$ 19,512
All Other Funds	-	145,777	887,347	385,282	2,798,520	-	2,658,653	2,918,297	440,906	(383,748)	9,851,034
Budgetary Financing Sources											
Appropriations Received											
Funds from Dedicated Collections	-	-	-	-	-	-	104,820	-	-	-	104,820
All Other Funds	-	1,258,600	7,138,800	2,102,976	9,006,379	-	11,393,826	1,745,113	2,713,454	-	35,359,148
Appropriations Transferred-In/Out											
All Other Funds	-	(3,689)	(61,026)	23,922	165,741	-	229,394	50,754	461,688	383,748	1,250,532
Other Adjustments											
All Other Funds	-	-	(3,567)	(12,197)	(51,705)	-	(34,624)	(50,925)	(24,105)	-	(177,123)
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	(50,018)	-	-	-	(50,018)
All Other Funds	-	(1,243,963)	(7,012,534)	(2,129,114)	(8,794,967)	-	(7,071,216)	(1,415,140)	(3,133,391)	-	(30,800,325)
Total Financing Sources											
Funds from Dedicated Collections	-	-	-	-	-	-	54,802	-	-	-	54,802
All Other Funds	-	10,948	61,673	(14,413)	325,448	-	4,517,380	329,802	17,646	383,748	5,632,232
Net Change											
Funds from Dedicated Collections	-	-	-	-	-	-	54,802	-	-	-	54,802
All Other Funds	-	10,948	61,673	(14,413)	325,448	-	4,517,380	329,802	17,646	383,748	5,632,232
Ending Balances											
Funds from Dedicated Collections	-	-	-	-	-	-	74,314	-	-	-	74,314
All Other Funds	-	156,725	949,020	370,869	3,123,968	-	7,176,033	3,248,099	458,552	-	15,483,266
Total All Funds	$ -	$ 156,725	$ 949,020	$ 370,869	$ 3,123,968	$ -	$ 7,250,347	$ 3,248,099	$ 458,552	$ -	$ 15,557,580
Net Position - Funds from Dedicated Collections	1,935,830	-	67,120	(302,136)	-	-	81,819	18,329,809	-	-	20,112,442
Net Position - All Other Funds	-	291,833	4,248,493	594,511	6,521,019	329,803	3,249,713	3,255,632	674,523	-	19,165,527
Net Position - Total	$ 1,935,830	$ 291,833	$ 4,315,613	$ 292,375	$ 6,521,019	$ 329,803	$ 3,331,532	$ 21,585,441	$ 674,523	$ -	$ 39,277,969

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

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

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

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances											
Funds from Dedicated Collections	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 31,274**	**$ -**	**$ -**	**$ -**	**$ 31,274**
All Other Funds	**-**	**153,807**	**$ 419,497**	**393,450**	**2,631,892**	**-**	**2,548,909**	**2,737,617**	**246,253**	**-**	**9,131,425**
Budgetary Financing Sources											
Appropriations Received											
Funds from Dedicated Collections	-	-	-	-	-	-	50,804	-	-	-	50,804
All Other Funds	-	1,240,000	7,478,500	2,080,000	8,798,768	-	7,384,068	1,935,960	2,699,995	-	31,617,291
Appropriations Transferred-In/Out											
All Other Funds	-	(664)	(6,182)	25,434	(45,945)	-	345,719	1,672	442,128	(383,748)	378,414
Other Adjustments											
All Other Funds	-	-	(166)	(200)	(151)	-	(907,078)	(48,181)	(196,274)	-	(1,152,050)
Appropriations Used											
Funds from Dedicated Collections	-	-	-	-	-	-	(62,566)	-	-	-	(62,566)
All Other Funds	-	(1,247,366)	(7,004,302)	(2,113,402)	(8,586,044)	-	(6,712,965)	(1,708,771)	(2,751,196)	-	(30,124,046)
Total Financing Sources											
Funds from Dedicated Collections	**-**	**-**	**-**	**-**	**-**	**-**	**(11,762)**	**-**	**-**	**-**	**(11,762)**
All Other Funds	**-**	**(8,030)**	**467,850**	**(8,168)**	**166,628**	**-**	**109,744**	**180,680**	**194,653**	**(383,748)**	**719,609**
Net Change											
Funds from Dedicated Collections	-	-	-	-	-	-	(11,762)	-	-	-	(11,762)
All Other Funds	-	(8,030)	467,850	(8,168)	166,628	-	109,744	180,680	194,653	(383,748)	719,609
Ending Balances											
Funds from Dedicated Collections	**-**	**-**	**-**	**-**	**-**	**-**	**19,512**	**-**	**-**	**-**	**19,512**
All Other Funds	**-**	**145,777**	**887,347**	**385,282**	**2,798,520**	**-**	**2,658,653**	**2,918,297**	**440,906**	**(383,748)**	**9,851,034**
Total All Funds	**$ -**	**$ 145,777**	**$ 887,347**	**$ 385,282**	**$ 2,798,520**	**$ -**	**$ 2,678,165**	**$ 2,918,297**	**$ 440,906**	**$ (383,748)**	**$ 9,870,546**
Net Position - Funds from Dedicated Collections	**1,460,226**	**-**	**75,189**	**(298,918)**	**-**	**-**	**96,322**	**13,475,457**	**-**	**-**	**14,808,276**
Net Position - All Other Funds	**-**	**339,997**	**4,524,688**	**609,871**	**6,372,188**	**312,982**	**(3,057,654)**	**2,926,477**	**607,789**	**-**	**12,636,338**
Net Position - Total	**$ 1,460,226**	**$ 339,997**	**$ 4,599,877**	**$ 310,953**	**$ 6,372,188**	**$ 312,982**	**$ (2,961,332)**	**$ 16,401,934**	**$ 607,789**	**$ -**	**$ 27,444,614**

U. S. Department of Justice
Combining Statement of Custodial Activity
For the Year Ended September 30, 2017

Dollars in Thousands	AFF/SADF	ATF	BOP	DEA	FBI	FPI	OBDs	OJP	USMS	Combined
Revenue Activity										
Sources of Cash Collections										
Federal Debts, Fines, Penalties and Restitution	$ -	$ 71	$ -	$ 39,781	$ 3,765	$ -	$ 14,413,648	$ -	$ -	$ 14,457,265
Fees and Licenses	-	34,670	-	15,000	-	-	-	-	-	49,670
Miscellaneous	-	578	43	-	-	-	-	-	-	621
Total Cash Collections	**$ -**	**$ 35,319**	**$ 43**	**$ 54,781**	**$ 3,765**	**$ -**	**$ 14,413,648**	**$ -**	**$ -**	**$ 14,507,556**
Accrual Adjustments	-	203	-	971	135	-	-	-	-	1,309
Total Custodial Revenue	**$ -**	**$ 35,522**	**$ 43**	**$ 55,752**	**$ 3,900**	**$ -**	**$ 14,413,648**	**$ -**	**$ -**	**$ 14,508,865**
Disposition of Collections										
Transferred to Federal Agencies										
U.S. Department of Agriculture	-	-	-	-	-	-	(89,477)	-	-	(89,477)
U.S. Department of Commerce	-	-	-	-	-	-	(13,116)	-	-	(13,116)
U.S. Department of the Interior	-	-	-	-	-	-	(581,891)	-	-	(581,891)
U.S. Department of Justice	-	-	-	-	-	-	(43,576)	-	-	(43,576)
U.S. Department of Labor	-	-	-	-	-	-	(3,524)	-	-	(3,524)
U.S. Postal Service	-	-	-	-	-	-	(3,039)	-	-	(3,039)
U.S. Department of State	-	-	-	-	-	-	(954)	-	-	(954)
U.S. Department of the Treasury	-	-	-	-	-	-	(999,755)	-	-	(999,755)
Office of Personnel Management	-	-	-	-	-	-	(3,741)	-	-	(3,741)
National Credit Union Administration	-	-	-	-	-	-	(40)	-	-	(40)
Federal Communications Commission	-	-	-	-	-	-	(8,127)	-	-	(8,127)
Social Security Administration	-	-	-	-	-	-	(527)	-	-	(527)
U.S. Department of Veterans Affairs	-	-	-	-	-	-	(82,240)	-	-	(82,240)
General Services Administration	-	-	-	-	-	-	(25,707)	-	-	(25,707)
Securities and Exchange Commission	-	-	-	-	-	-	(52)	-	-	(52)
Federal Deposit Insurance Corporation	-	-	-	-	-	-	(44)	-	-	(44)
Railroad Retirement Board	-	-	-	-	-	-	(525)	-	-	(525)
Environmental Protection Agency	-	-	-	-	-	-	(1,637,315)	-	-	(1,637,315)
U.S. Department of Transportation	-	-	-	-	-	-	(21,464)	-	-	(21,464)
U.S. Department of Homeland Security	-	-	-	-	-	-	(186,848)	-	-	(186,848)
Agency for International Development	-	-	-	-	-	-	(1,565)	-	-	(1,565)
Small Business Administration	-	-	-	-	-	-	(7,387)	-	-	(7,387)
U.S. Department of Health and Human Services	-	-	-	-	-	-	(1,083,580)	-	-	(1,083,580)
National Aeronautics and Space Administration	-	-	-	-	-	-	(908)	-	-	(908)
Export-Import Bank of the United States	-	-	-	-	-	-	(1,307)	-	-	(1,307)
U.S. Department of Housing and Urban Development	-	-	-	-	-	-	(204,517)	-	-	(204,517)
U.S. Department of Energy	-	-	-	-	-	-	(65,394)	-	-	(65,394)
U.S. Department of Education	-	-	-	-	-	-	(24,841)	-	-	(24,841)
Independent Agencies	-	-	-	-	-	-	(58,518)	-	-	(58,518)
Treasury General Fund	-	(33,951)	(43)	(54,781)	(3,765)	-	(6,704,452)	-	-	(6,796,992)
U.S. Department of Defense	-	-	-	-	-	-	(132,403)	-	-	(132,403)
Transferred to the Public	-	-	-	-	-	-	(416,983)	-	-	(416,983)
(Increase)/Decrease in Amounts Yet to be Transferred	-	-	-	(971)	(135)	-	(1,628,930)	-	-	(1,630,036)
Refunds and Other Payments	-	(1,571)	-	-	-	-	(29,033)	-	-	(30,604)
Retained by the Reporting Entity	-	-	-	-	-	-	(351,868)	-	-	(351,868)
Total Disposition Of Collections	-	(35,522)	(43)	(55,752)	(3,900)	-	(14,413,648)	-	-	(14,508,865)
Net Custodial Activity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

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

U.S. Department of Justice
Fraud Reduction Report
For the Fiscal Year Ended September 30, 2017

In support of the Fraud Reduction and Data Analytics Act of 2015 (FRDA), the Department of Justice conducted a fraud risk assessment in FY 2017 to identify enterprise-wide risks and vulnerabilities to fraud. The assessment was conducted in accordance with FRDA, the Government Accountability Office's *Framework for Managing Fraud Risk in Federal Programs*, and other leading practice materials.[1] Focus areas for the assessment included acquisitions (large contracts and purchase cards), grants (grants management, disbursements, and beneficiary payments), human resources (payroll, time and attendance, and awards), and travel (travel cards, requests, and receipts).

The assessment was conducted through a series of facilitated sessions with Department leadership and program stakeholders. Discussions centered around identifying and evaluating significant risks and vulnerabilities to fraud, including the likelihood of occurrence, severity of impact, and perceived effectiveness of internal controls. The sessions provided a foundation for reinforcing an organizational culture that combats fraud across components, programs, and levels. The assessment was not intended to provide absolute assurance that all frauds and fraud risks were identified and mitigated. Rather, the assessment's purpose was to provide management with the opportunity to identify significant fraud risks, consider potential actions to improve management controls, and consider financial and administrative control activities that would support mitigation of identified risks.

The Department also piloted the use of data analytics on FY 2016 purchase card data with the objectives of broadening the scope of transaction monitoring, uncovering related control weaknesses and policy gaps, and prioritizing limited Department resources in the areas of highest risk. The Department will expand on its fraud reduction efforts in FY 2018.

[1] Leading practice materials included fraud risk principals in GAO's *Standards for Internal Control in the Federal Government*, OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Chief Financial Officers Council's *Playbook: Enterprise Risk Management for the U.S. Federal Government*, Association of Government Accountants Fraud Prevention Toolkit, and industry materials from the Association of Certified Fraud Examiners.

U.S. Department of Justice
Reduce the Footprint
For the Fiscal Year Ended September 30, 2017

Under the leadership of the Attorney General, the Department continued its efforts during FY 2017 to reduce its real property footprint and monitor space utilization across the Department. Mission related challenges and approved large pipeline projects resulted in an increase overall square footage in FY 2016 from the FY 2015 baseline despite reduction by most agency components. While unique mission- related requirements and planned construction projects already in the pipeline for organizations such as the FBI, USMS, DEA, and the EOIR are projected to increase the Department's overall real estate footprint at the end of FY 2017, the vast majority of the Department components have diligently maintained or reduced their footprint. These difficult mission- related challenges come with the various law enforcement and litigation assignments of the Department to protect federal courthouses, house and secure prisoners awaiting trial, and continue to enforce drug trafficking, immigration laws, and other direct mission activities. These assignments and related activities require special space usage in buildings classified as office space by the General Services Administration.

One of the primary focuses of the Department is to monitor expiring leases for potential reductions in space as their lifecycle comes to an end. Over time, new build out standards and mobile workplace initiatives will increasingly provide the potential to reduce space. With adequate funding, these types of projects will further allow the Department to continue reducing the overall square footage to adhere to the Freeze the Footprint goals.

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

Information for the Department is displayed below:

Reduce the Footprint

Reduce the Footprint Baseline Comparison

For the Fiscal Year Ended September 30, 2017			
	FY 2015 Baseline	FY 2016	Change
Square Footage (SF in millions)	47,362,747	47,883,734	1.1%

Reporting of Operation and Maintenance Costs - Owned and Direct Lease Buildings

For the Fiscal Year Ended September 30, 2017			
	FY 2015 Reported Cost	FY 2016	Change
Operation and Maintenance Costs ($ in millions)	50,305,398	54,287,355	7.9%

U.S. Department of Justice
Civil Monetary Penalties Inflation Adjustment
For the Fiscal Year Ended September 30, 2017

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

Bureau of Alcohol, Tobacco, Firearms, and Explosives

Bureau of Alcohol, Tobacco, Firearms and Explosives						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
18 U.S.C. 922(t)(5)	Brady Law - Nat'l Instant Criminal Check System; PL 103-159, sec. 102(b); Transfer of firearm without checking NICS	1993	2017	8,296	Bureau of Alcohol, Tobacco, Firearms and Explosives	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
18 U.S.C. 924(p)	Child Safety Lock Act; PL 109-92, sec. 5(c)(2)(B); Secure gun storage or safety device, violation	2005	2017	3,034	Bureau of Alcohol, Tobacco, Firearms and Explosives	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Civil Division

Civil Division						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
12 USC 1833a(b)(1)	Financial Institutions Reform, Recovery, and Enforcement Act; FIRREA Violation (continuing)	1989	2017	1,924,589	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
12 U.S.C. 1833a(b)(2)	FIRREA Violation (continuing); FIRREA Violation (continuing)	1989	2017	1,924,589	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
12 U.S.C. 1833a(b)(2)	FIRREA Violation (continuing); FIRREA Violation (continuing)	1989	2017	9,622,947	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
22 U.S.C. 2399b(a)(3)(A)	Foreign Assistance Act; Fraudulent Claim for Assistance	1968	2017	5,590	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
31 U.S.C. 3729(a)	False Claims Act; Violations	1986	2017	Min. 10,957 - Max. 21,916	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
31 U.S.C. 3802(a)(1)	Program Fraud Civil Remedies Act; Violations	1986	2017	10,957	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
31 U.S.C. 3802(a)(2)	Program Fraud Civil Remedies Act; Violation Involving False Statement	1986	2017	10,957	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Civil Monetary Penalties Inflation Adjustment (continued)

Civil Division (continued)

Civil Division						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
40 U.S.C. 123(a)(1)(A)	Federal Property and Administrative Services Act; Violation Involving Surplus Government Property	1949	2017	5,590	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
41 U.S.C. 8706(a)(1)(B)	Anti-Kickback Act; Violation Involving Kickbacks	1986	2017	21,916	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
18 U.S.C. 2723(b)	Driver's Privacy Protection Act of 1994; Prohibition on Release and Use of Certain Personal Information from State Motor Vehicle Records - Substantial Non-compliance, per violation	1994	2017	8,084	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
18 U.S.C. 216(b)	Ethics Reform Act of 1989; Penalties for Conflict of Interest Crimes Penalties for Conflict of Interest Crimes Penalties for Conflict of Interest Crimes	1989	2017	96,230	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
41 U.S.C. 2105(b)	Office of Federal Procurement Policy Act; Violation by an individual	1988	2017	100,554	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
41 U.S.C. 2105(b)	Office of Federal Procurement Policy Act; Violation by an organization	1988	2017	1,005,531	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
42 U.S. C. 5157(d)	Disaster Relief Act; Violation	1974	2017	12,705	Civil Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Civil Rights Division

Civil Rights Division (excluding immigration-related penalties)						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
18 U.S.C. 248(c)(2)(B)(i)	Freedom of Access to Clinic Entrances Act of 1994; Nonviolent physical obstruction, first order	1994	2017	16,169	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
18 U.S.C. 248(c)(2)(B)(ii)	Freedom of Access to Clinic Entrances Act of 1994; Nonviolent physical obstruction, subsequent order	1994	2017	24,253	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
18 U.S.C. 248(c)(2)(B)(i)	Freedom of Access to Clinic Entrances Act of 1994; Other violation, first order	1994	2017	24,253	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
18 U.S.C. 248(c)(2)(B)(ii)	Freedom of Access to Clinic Entrances Act of 1994; Other violation, subsequent order	1994	2017	40,423	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Civil Monetary Penalties Inflation Adjustment (continued)

Civil Rights Division (continued)

Civil Rights Division (excluding immigration-related penalties)						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
42 U.S.C. 3614(d)(1)(C)(i)	Fair Housing Act of 1968, as amended in 1988. PL 100-430; First violation	1988	2017	100,554	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
42 U.S.C. 3614(d)(1)(C)(ii)	Fair Housing Act of 1968, as amended in 1988; PL 100-430; Subsequent violation	1988	2017	201,106	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
42 U.S.C. 12188(b)(2)(C)(i)	Americans With Disabilities Act; PL 101-336; Public accommodations for individuals with disabilities, first order	1990	2017	90,535	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
42 U.S.C. 12188(b)(2)(C)(ii)	Americans With Disabilities Act; PL 101-336; Public accommodations for individuals with disabilities, subsequent order	1990	2017	181,071	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
50 U.S.C. App. 597(b)(3)	Servicemembers Civil Relief Act; First violation	2010	2017	60,788	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
50 U.S.C. App. 597(b)(3)	Servicemembers Civil Relief Act; Subsequent violation	2010	2017	121,577	Civil Rights Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Criminal Division

Criminal Division						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
18 U.S.C. 983(h)(1)	Civil Asset Forfeiture Reform Act of 2000; PL 106-105; Penalty for Frivolous Assertion of Claim	2000	2017	Min. 348 - Max. 6,946	Criminal Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
18 U.S.C. 1956(b)	Money Laundering Control Act of 1986; PL 99-570, Title I, Subtitle H; Violation	1986	2017	21,916	Criminal Division	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Drug Enforcement Administration

Drug Enforcement Administration						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
21 U.S.C. 844a(a)	Anti-Drug Abuse Act of 1988; Possession of small amounts of controlled substances	1988	2017	20,111	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Civil Monetary Penalties Inflation Adjustment (continued)

Drug Enforcement Administration (continued)

Drug Enforcement Administration						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
21 U.S.C. 961(1)	Controlled Substance Import Export Act; Drug abuse, import or export	1970	2017	69,875	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
21 U.S.C. 842(c)(1)(A)	Controlled Substances Act, PL 90-513; Violations of 842(a)(5) and (10) - Prohibited acts re: controlled substances	1970	2017	63,523	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
21 U.S.C. 842(c)(1)(B)	Controlled Substances Act, PL 90-513; Violations of 842(a) - other than (5) and (10) - Prohibited acts re: controlled substances; PL 105-277	1998	2017	14,739	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
21 U.S.C. 842(c)(1)(C)	Controlled Substances Act, PL 90-513; Violation of 825(e) by importer, exporter, manufacturer, or distributor - False labeling of anabolic steroids; PL 113-260	2014	2017	509,049	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
21 U.S.C. 842(c)(1)(D)	Controlled Substances Act, PL 90-513; Violation of 825(e) at the retail level - False labeling of anabolic steroids; PL 113-260	2014	2017	1,018	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
21 U.S.C. 842(c)(2)(C)	Controlled Substances Act, PL 90-513; Violation of 842(a)(11) by a business - Distrubition of laboratory supply with reckless disregard; PL 104-237	1996	2017	381,758	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
21 U.S.C. 856(d)	Illicit Drug Anti-Proliferation Act of 2003; Maintaining drug-involved premises; PL 108-21	2003	2017	326,661	Drug Enforcement Administration	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Executive Office for Immigration Review

Immigration-Related Penalties						
Statutory Authority (U.S.C. Citation)	**Penalty (Name or Description)**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency / Bureau / Unit**	**Location for Penalty Update Details**
8 U.S.C. 1324a(e)(4)(A)(i)	Immigration Reform and Control Act of 1986; Unlawful employment of aliens, first order	1986	2017	Min. 548 - Max. 4,384	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324a(e)(4)(A)(ii)	Immigration Reform and Control Act of 1986; Unlawful employment of aliens, second order	1986	2017	Min. 4,384 - Max. 10,957	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324a(e)(4)(A)(iii)	Immigration Reform and Control Act of 1986; Unlawful employment of aliens, subsequent order	1986	2017	Min. 6,575 - Max. 21,916	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324a(e)(5)	Immigration Reform and Control Act of 1986; Paperwork violation	1986	2017	Min. 220 - Max. 2,191	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Civil Monetary Penalties Inflation Adjustment (continued)

Executive Office for Immigration Review (continued)

Immigration-Related Penalties

Statutory Authority (U.S.C. Citation)	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency / Bureau / Unit	Location for Penalty Update Details
8 U.S.C. 1324a (note)	Immigration Reform and Control Act of 1986; PL 104-208, sec. 403(a)(4)(C)(ii); Violation relating to participating employer's failure to notify DHS of final nonconfirmatin of employee's employment	1996	2017	Min. 763 - Max. 1,527	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324a(g)(2)	Immigration Reform and Control Act of 1986; PL 99-603; Violation/prohibition of indemnity bonds	1986	2017	2,191	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324b(g)(2)(B)(iv)(I)	Immigration Reform and Control Act of 1986; PL 101-649, sec. 536(a); Unfair immigration-related employment practices, first order	1990	2017	Min. 452 - Max. 3,621	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324b(g)(2)(B)(iv)(II)	Immigration Reform and Control Act of 1986; PL 101-649, sec. 536(a); Unfair immigration-related employment practices, second order	1990	2017	Min. 3,621 - Max. 9,054	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324b(g)(2)(B)(iv)(III)	Immigration Reform and Control Act of 1986; PL 101-649, sec. 536(a); Unfair immigration-related employment practices, subsequent order	1990	2017	Min. 5,432 - Max. 18,107	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324b(g)(2)(B)(iv)(IV)	Immigration Reform and Control Act of 1986; PL 101-649, sec. 536(a); Unfair immigration-related employment practices, document abuse	1990	2017	Min. 181 - Max. 1,811	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324c(d)(3)(A)	Immigration Reform and Control Act of 1986; PL 101-649, sec. 536(a); Document fraud, first order -- for violations described in USC 1324c(a)(1)-(4)	1990	2017	Min. 452 - Max. 3,621	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324c(d)(3)(B)	Immigration Reform and Control Act of 1986; PL 101-649, sec. 536(a); Document fraud, subsequent order -- for violations described in USC 1324c(a)(1)-(4)	1990	2017	Min. 3,621 - Max. 9,054	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324c(d)(3)(A)	Immigration Reform and Control Act of 1986; PL 104-208, sec. 212(a)(5); Document fraud, first order -- for violations described in USC 1324c(a)(5)-(6)	1996	2017	Min. 382 - Max. 3,054	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017
8 U.S.C. 1324c(d)(3)(B)	Immigration Reform and Control Act of 1986; PL 104-208, sec. 212(a)(5); Document fraud, subsequent order -- for violations described in USC 1324c(a)(5)-(6)	1996	2017	Min. 3,054 - Max. 7,635	Executive Office of Immigration Reform	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Federal Bureau of Investigation

Federal Bureau of Investigation

Statutory Authority (U.S.C. Citation)	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency / Bureau / Unit	Location for Penalty Update Details
49 U.S.C. 30505(a)	National Motor Vehicle Title Identification System; PL 103-272(1)(e);	1994	2017	1,617	Federal Bureau of Investigation	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

Office of Justice Programs

Office of Justice Programs

Statutory Authority (U.S.C. Citation)	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency / Bureau / Unit	Location for Penalty Update Details
42 U.S.C. 3789g(d)	Omnibus Crime State and Local CHRI Systems - Right to Privacy Violation and Safe Streets Act; State and Local CHRI Systems - Right to Privacy Violation	1979	2017	27,950	Office of Justice Programs	Federal Register 82 (03 February 2017): 9131-9136. https://www.federalregister.gov/documents/2017/02/03/2017-01306/civil-monetary-penalties-inflation-adjustment-for-2017

U.S. Department of Justice
Grants Oversight & New Efficiency (GONE)
For the Fiscal Year Ended September 30, 2017

Below is the summary table of the 346 total number of Department of Justice (DOJ) awards, and balances totaling $10,549,734 for which a closeout has not yet occurred, but for which the period of performance has elapsed more than two years. This represents less than 1% of open and active awards from DOJ's three grant-making components, the Office of Community Oriented Policing Services (COPS), the Office of Justice Programs (OJP), and the Office on Violence Against Women (OVW).

CATEGORY	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	66	49	53
Number of Grants/Cooperative Agreements with Undisbursed Balances	115	41	22
Total Amount of Undisbursed Balances	$5,400,432	$2,824,484	$2,324,818

Challenges Leading to Delays in Award Closeouts

The primary challenge contributing to delayed closeout of DOJ grants relates to grants that are in an "under audit" status. For the purpose of this report, the "under audit" status includes open OIG and GAO audits or investigations, as well as internal programmatic and financial monitoring and reviews. These audits, investigations, and reviews can delay award closeout because the recipients must address and remedy findings or questioned costs before the award can be closed. While the recipient is remedying the issues, the award is placed in an "under audit" status. If the award recipient has not implemented corrective actions by the end of the period of performance, the award will remain in "under audit" status and will not be closed out.

An award may be in an "under audit" status for many months and often years, resulting in delay of the closeout. This skews DOJ's closeout data to appear as though an award has been pending closeout without any activity, when in fact, no activity was permitted to occur until all audits, investigations, or review issues were resolved.

DOJ grant making components also experience challenges when a grantee is unresponsive during the closeout process, for example, not providing required information or reports when due or not responding in a timely manner to the agency. There are times that this unresponsiveness may be due to the fact that the grantee organization is no longer in existence.

Another challenge for DOJ OVW is a disconnect between information reported in DOJ's grants management systems and payment management systems or "manual reconciliation report process". Prior to the use of DOJ's current financial management system, closeouts were performed in paper, and were manually updated in an older financial management system. This manual process resulted in discrepancies between the systems.

Corrective Actions to Address these Challenges

With regard to awards in "under audit" status resulting from internal financial and programmatic monitoring activities, DOJ grant-making components are assessing whether there are issues that have been resolved, but not indicated as such in the grants management system, therefore, preventing the award from being closed. If so, components will enter updated status information for these awards into the grants management system so that closeouts can be initiated and prioritized, as appropriate.

To prevent this from occurring in the future, DOJ is developing enhanced reports to help track the release of awards from "under audit" status so that closeouts can be initiated timely and prioritized, as appropriate.

With regard to grantee unresponsiveness, DOJ will increase efforts to obtain required reports and information from grantees and prioritize administrative closeouts for non-responsive grantees.

For the organizations that are no longer in existence, DOJ OVW has started the process of closing out one of the awards with a zero balance in DOJ's systems and referring the second award to Treasury for collection of the delinquent debt owed to DOJ.

For the cases where there is a discrepancy between systems, DOJ OVW continues to reconcile the data in the DOJ systems and validate those awards that appear closed in the manual paper process, but were not migrated to the financial system and subsequently closed. Once these awards have been validated as closed, with no remaining balances, the grants management system and financial management system will be updated to reflect these awards as closed.

SECTION III
MANAGEMENT SECTION

(UNAUDITED)

Section III

Management Section
(Unaudited)

Overview

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

Presented on the following pages are the OIG-identified Top Management and Performance Challenges in the Department, and Department management's response to those challenges.

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OIG

Top Management and Performance Challenges Facing the Department of Justice – 2017

October 16, 2017

MEMORANDUM FOR THE ATTORNEY GENERAL
THE DEPUTY ATTORNEY GENERAL

FROM: MICHAEL E. HOROWITZ
INSPECTOR GENERAL

SUBJECT: Top Management and Performance Challenges Facing the Department of Justice

Attached to this memorandum is the Office of the Inspector General's 2017 list of top management and performance challenges facing the Department of Justice (Department), which we have identified based on our oversight work, research, and judgment. We have prepared similar lists since 1998. By statute, this list is required to be included in the Department's Agency Financial Report.

This year's list identifies eight challenges that we believe represent the most pressing concerns for the Department:

- *Safeguarding National Security and Ensuring Privacy and Civil Liberties Protections*
- *Enhancing Cybersecurity in an Era of Increasing Threats*
- *Managing an Overcrowded Federal Prison System in an Era of Declining Resources*
- *Strengthening the Relationships Between Law Enforcement and Local Communities and Promoting Public Trust*
- *Coordinating within the Department and Across Government to Fulfill the Department's Mission to Combat Crime*
- *Administering and Overseeing Contracts and Grants*
- *Using Performance-Based Management To Improve Department Programs*
- *Filling Mission Critical Positions Despite Competition for Highly-Skilled Professionals and Delays in the Onboarding Process*

We believe that safeguarding national security and enhancing cybersecurity in the face of evolving threats are particular challenges that will be at the forefront of the Department's attention and require vigilance for the foreseeable future. In addition, this year's list again includes the challenge *Using Performance-Based Management to Improve Department Programs,* which we believe continues to grow in importance. Moreover, this challenge impacts many of the challenges listed above, illustrating how the deficit in performance-based management can hinder the Department's ability to accomplish its mission efficiently and effectively. Meeting all of these challenges will require the Department to develop innovative solutions and exercise careful oversight to ensure the effectiveness of its operations.

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

Attachment.

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TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF JUSTICE

Office of the Inspector General

Safeguarding National Security and Ensuring Privacy and Civil Liberties Protections

National security has been the U.S. Department of Justice's (Department) highest priority since the attacks of September 11, 2001, and this prioritization remains unchanged in Fiscal Year (FY) 2018. Protecting the United States from terrorism, both foreign and domestic, and promoting national security consistent with the rule of law is the Department's primary strategic goal. The Department also contributes to protecting the nation from increasingly complex foreign intelligence threats. Adversaries' motivations and tactics constantly evolve, as do the technologies they rely upon. Keeping pace in this dynamic environment poses a significant challenge and is a key concern of the Department, which must leverage effective technologies and legal authorities, and apply them in a manner that protects the privacy and civil liberties of the public.

Combating Foreign and Domestic Terrorism

The Federal Bureau of Investigation (FBI) leads the Department's counterterrorism efforts and, in FY 2016, dedicated over 7,000 full time employees and more than $2 billion to this key mission area. One counterterrorism challenge is the threat posed by Homegrown Violent Extremists (HVE), defined as individuals who reside or operate in the United States and are inspired to act on behalf of a foreign terrorist organization, such as al Qaeda or the Islamic State of Iraq and al-Sham (ISIS). FBI HVE investigations span all 50 states and the Director of the National Counterterrorism Center recently stated that "HVEs present the most immediate and unpredictable threat in the United States." The Office of the Inspector General (OIG) is conducting an audit of the FBI's efforts to address HVEs that will evaluate the FBI's policies and procedures used to identify and investigate these threats.

Source: FBI

The FBI continues to identify individuals who seek to join the ranks of foreign fighters traveling in support of ISIS. As of March 2017, the FBI estimated that 300 Americans traveled or attempted to travel to Syria to participate in the conflict. The threat posed by ISIS continues to evolve and creates new challenges for the Department as ISIS reacts to a sustained loss of territory. According to a July 2017 report by the Government Accountability Office (GAO), as ISIS loses territory, the group may increase its efforts to encourage followers to conduct attacks in their home countries in order to sustain ISIS's visibility.

The Department's National Security Division (NSD) also plays a critical role in the Department's counterterrorism efforts and is responsible for overseeing terrorism investigations and prosecutions. According to the NSD, between March 2013 and March 2017, it publicly charged more than 120 individuals either for being a foreign terrorist fighter or for engaging in HVE-related conduct.

The Department's counterterrorism mission is interconnected with those of its federal, state, and local law enforcement partners. Therefore, the United States' national security depends on the ability to share the right information with the right people at the right time. In March 2017, Inspectors General (IG) from the Department of Justice, Department of Homeland Security (DHS), and Intelligence Community issued a joint report on the domestic sharing of counterterrorism information. The IGs concluded that these entities could enhance coordination and collaboration by updating or establishing new information sharing agreements. We also determined that the Department can improve its internal counterterrorism information sharing efforts by implementing a consolidated strategy that aligns with the President's strategic plan and ensures that Department components understand their respective roles and responsibilities.

While attacks directed or inspired by foreign terrorist organizations are deservedly the focus of extensive media coverage, the threat posed by domestic terrorists and domestic extremist ideologies remains serious. According to GAO, between September 12, 2001, and the end of 2016, far-right violent extremists killed 106 people in 62 incidents; during the same time frame, 119 people were killed by radical Islamist violent extremists in 23 incidents. As an example, the Attorney General stated that the August 2017 fatal car attack in Charlottesville, Virginia, meets the federal legal definition of domestic terrorism.

In 2011, the federal government developed a national strategy for countering violent extremism (CVE) that aimed to address the root causes of violent extremism through community engagement. The Department shares responsibility with DHS in efforts to counter violent extremism and co-leads the CVE Task Force. However, GAO's April 2017 report determined that the CVE Task Force had not established a process for assessing whether the federal government's CVE efforts were working.

OIG Report: The WITSEC Program

Another valuable counterterrorism tool is the federal Witness Security Program (WITSEC Program), which provides for the security, health, and safety of government witnesses whose lives are at risk as a result of their testimony against major criminals. In September 2017, the OIG issued a follow-up report on the Department's handling of known or suspected terrorists (KST) admitted into the WITSEC Program. We determined that while the Department has created policies and procedures to address known risks posed by KSTs admitted into the WITSEC Program, it has not sufficiently and appropriately implemented all of them. The OIG remains concerned that the Department has not ensured that KST information has been shared appropriately and in a timely fashion with relevant national security stakeholders, and that those responsible for monitoring KSTs have the information necessary to do so effectively.

Identifying and bringing those who commit terrorist acts to justice is a priority for the Department; however, incarcerating these individuals does not necessarily eliminate the threat. The Federal Bureau of Prisons (BOP) houses inmates who have a history of or nexus to terrorism and is responsible for ensuring that federal prisons are not being used to recruit terrorists or spread extremist ideologies. The OIG is conducting an audit of the BOP's counterterrorism efforts that includes an examination of the BOP's policies, procedures, and practices for monitoring inmates with known or suspected ties to domestic and foreign terrorism. The audit will also consider the BOP's efforts to prevent the radicalization of those with no known terrorism ties upon entry into the BOP system.

Counterintelligence and Counterespionage

Foreign intelligence entities continue their espionage and intelligence-gathering operations against our nation's public and private sectors, seeking access to information such as sensitive military plans, political strategies, intellectual property, economic information, and personally identifiable information. The FBI noted that today's counterintelligence threat "encompasses far more than traditional hostile intelligence service activities," and includes a full spectrum of counterintelligence activities such as economic espionage, foreign investment, and disruption of supply chains. Defeating our adversaries' intelligence and espionage efforts remains a top priority for the Department.

According to a 2017 joint statement to the Senate Armed Services Committee by senior U.S. intelligence leadership, "the most significant counterintelligence threat . . . involves the rapid development and proliferation of disruptive, advanced technologies that provide adversaries with capabilities that even just a few years ago were not considered plausible." Similarly, the NSD noted in its FY 2018 budget request that "the rapid expansion and evolution of cyber threats" is one of its most significant national security challenges. For a detailed discussion of the cyber challenge to national security, see the *Cybersecurity* section of this report.

OIG Report: The *Foreign Agents Registration Act*

The *Foreign Agents Registration Act of 1938* (FARA), 22 U.S.C § 611 et seq., is a disclosure statute that requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal.

The Act serves as a valuable counterintelligence and counterespionage tool to help identify and track individuals acting as agents of foreign principals within the United States. In its September 2016 report on the NSD's administration and enforcement of FARA, the OIG found, among other issues, that NSD attorneys and FBI agents interpreted the statute differently and that criminal enforcement of FARA between 1966 and 2015 was minimal, with only seven criminal cases filed during that time frame.

Trusted insiders also pose a serious threat to national security. An insider threat is defined by the government's National Insider Threat Task Force as a threat posed to U.S. national security by someone who misuses or betrays, wittingly or unwittingly, their authorized access to any U.S. Government resource. This can include damage through espionage, terrorism, unauthorized disclosure of national security information, or the loss or degradation of departmental resources or capabilities. Past high profile insider threats include large amounts of highly classified national security information disclosed by Army Intelligence Analyst Chelsea Manning in 2010, and by National Security Agency contractor Edward Snowden in 2013. More recently, in 2016, FBI employee Kun Shan Chun was convicted of illegally acting as an agent of a foreign government after exploiting his inside access at the FBI to provide sensitive information to the Chinese government. Likewise, an employee for a defense contractor in California was sentenced for selling sensitive military and commercial satellite information he stole from his employer to an undercover FBI agent posing as a Russian agent. A September 2017 OIG report on the FBI's Insider Threat Program highlighted several areas that the FBI can improve to better deter, detect, and mitigate insider threats, including ensuring that the FBI notifies the OIG of all insider threat investigations.

Leveraging National Security Legal Authorities While Safeguarding Civil Liberties

The Department faces challenges in leveraging the use of existing legal authorities to identify, locate, and prosecute criminals threatening our national security, while safeguarding the civil liberties of U.S. citizens and residents.

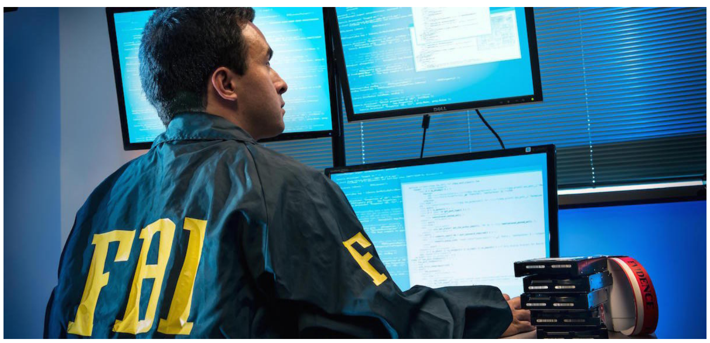
A key piece of legislation used to identify potential terrorists and foreign actors is Section 702 of the *Foreign Intelligence Surveillance Act* (FISA) *Amendments Act,* which expires on December 31, 2017, unless reauthorized by Congress. Section 702 permits the government to compel the assistance of electronic communication service providers to target foreign persons reasonably believed to be located outside the United States for the purpose of acquiring foreign intelligence information. The Attorney General has stated that reauthorization of the FISA Amendments Act is the top legislative priority of the Department and the Intelligence Community because the Act allows the Intelligence Community to collect vital information on individuals and entities threatening national security, such as international terrorists and overseas foreign intelligence targets. Privacy advocates have raised concerns about the FBI's ability to use U.S. person identifiers to query repositories of Section 702 data without a warrant for evidence of crimes that do not relate to national security, as well as concerns that the government is not consistently notifying defendants when Section 702-derived information is used as evidence in criminal proceedings, as required by statute. The Department faces challenges in assuring Congress and the American public that the safeguards built into Section 702, including robust oversight by the NSD and relevant Offices of Inspectors General, minimize the collection, retention, and dissemination of information on U.S. persons while effectively targeting foreign operatives overseas.

The Department's involvement in ongoing legal proceedings with technology companies highlights the challenges that rapidly evolving technologies present to the Department's effort to safeguard national security. For example, the Department has identified the use of social media as a critical tool that terror groups use for radicalization, recruitment, and the development of extremist networks, and continues to engage the private sector in combatting the online efforts of terrorist organizations. However, combatting the threat to the nation's security posed by social media poses unique challenges to the Department. The Department is currently engaged in ongoing litigation with Twitter regarding the public disclosure of the volume of national security letters the company received from the Department. The Department also faces certain legal challenges concerning digital material. For instance, in October 2017, the Supreme Court granted the Department's petition asking the Court to review a lower court's decision that Microsoft is not required to hand over customer data relevant to federal investigations in response to a search warrant if that data is stored on computers located outside the United States. Technology companies, such as Twitter and Microsoft, have been encouraging Congress to revise online privacy laws in recent years, advocating for increased judicial oversight for government queries of Section 702-derived information and a more narrow definition of what constitutes "foreign intelligence information." These examples illustrate the challenges faced by the Department as a result of the growing tension between the government's efforts to safeguard national security and technology companies' efforts to protect customer privacy and respond to user concerns about the nature and extent of government surveillance.

Enhancing Cybersecurity in an Era of Increasing Threats

Defending Against Cyber Intrusions and Attacks

Protecting the nation against cyber-based attacks and high-technology crimes is one of the Department's top priorities. Cyber intrusions and attacks can undermine U.S. military advantage and result in national security breaches, economic losses, failures in critical infrastructure, and intellectual property theft. Cyber intrusions and attacks are occurring more frequently and are becoming more sophisticated and dangerous. There have been a significant number of cyber intrusions of public and private sector systems, including Russia's cyber operations during the 2016 U.S. elections and the compromise of millions of Americans' personal information at the Equifax credit bureau.



Source: FBI

According to the National Institute of Standards and Technology, there have been over 95,330 known cybersecurity vulnerabilities and exposures identified as of September 2017. The growing threats posed by cyber intrusions and attacks affect the government and private sector alike. The OIG is currently evaluating the effectiveness of the FBI's process for notifying and engaging with victims of cyber intrusions. Engagement with private sector victims of cyber intrusions is important both to protect vital infrastructure and as a source of information and intelligence to help the FBI counter future threats. The Department must continue to seek cooperation and information sharing opportunities with the private sector to reduce the level and impact of vulnerabilities and mitigate damage.

Cybercrime Challenges

In today's digital age, the pervasiveness and global nature of the internet allows criminal groups increased access through our borders and into our lives. The Department anticipates that the growth of sophisticated, global cyber threats will cause damage estimated at over $2 trillion worldwide by 2019. In December 2016, the Assistant Attorney General for the Criminal Division described significant cybercrime challenges, including "loopholes in legal authorities," "the widespread use of warrant-proof encryption," and "inefficient cross-border access to electronic evidence."

The Department has identified gaps in legal authorities that cause challenges when attempting to prosecute cybercrimes. For example, federal courts disagree on how to interpret key definitions in the *Computer Fraud and Abuse Act* (CFAA), leading to difficulties in prosecuting individuals who misuse computer networks to which they have access. As a result, an insider with proper access to a system who exceeds their authority on that system by improperly disclosing sensitive information may not be subject to criminal prosecution. For example in 2015, the Ninth Circuit Court of Appeals vacated a police officer's convictions under the CFAA for providing confidential police information to a private investigator because the court held that the CFAA only covers inappropriate access to information, such as hacking, not misuse of information gained through an individual's abuse of otherwise appropriate access. Botnets, a network of computers created by malware and controlled remotely without the knowledge of the computer's user, also present legal challenges as the botnets evolve and increase in sophistication faster than the law's ability to adapt to address the threat. Additionally, cybercriminals are increasingly selling or renting access to botnets, actions that are not explicitly criminalized under the CFAA. Although the Department has successfully prosecuted botnet cases pursuant to the CFAA, such as the August 2017 conviction of a Russian citizen for his involvement in a global botnet conspiracy, the CFAA loopholes continue to create a challenge for the Department's cyber investigators and prosecutors.

Striking the proper balance between a private individual's valid need to secure personal information and law enforcement's ability to access information lawfully is proving difficult. This challenge was highlighted during the FBI's efforts to access the San Bernardino gunman's iPhone in 2016 and continues to be an issue today. Technology companies increasingly offer products with built-in encryption technology that prevent access to data, even from law enforcement entities with a warrant. As one example, the FBI was unable to access approximately 7,500 mobile devices submitted to its Computer Analysis and Response Team over the last year, even though there was legal authority to do so. Malicious actors continue to use new technology advances to evade law enforcement efforts. To continue to counter this threat, the FBI requested nearly $22 million in its FY 2018 budget request.


Source: FBI

Likewise, the DarkNet presents another challenge for the Department in identifying criminals acting in an anonymous environment. While the DarkNet facilitates anonymity for sensitive communications among individuals such as medical professionals, victims of domestic violence, political dissidents, and whistleblowers, users also include terrorists, organized criminal networks, drug dealers, and child pornographers who take advantage of its anonymity to mask their nefarious activities. Disrupting and dismantling illicit DarkNet activity is both a priority and a challenge for the Department, especially in light of estimates that 80 percent of DarkNet traffic relates to the sexual exploitation of children. In November 2014, a joint FBI and DHS investigation led to the seizure of Silk Road 2.0, a DarkNet website used for illegal drug sales and other illicit activities. At that time, it was one of the most extensive criminal enterprises on the internet, with $8 million in sales a month. More recently, in July 2017, the Department successfully coordinated with international law enforcement partners and other agencies to shut down AlphaBay, the largest illicit DarkNet market at that time.

Finally, although the Department continues to prosecute hackers from around the globe with the help of local, state, and international law enforcement, the global nature of internet and electronic communications highlight the challenges of coordinating with multinational partners—each operating within a different legal system with diverse laws governing the collection of electronic evidence. While the Department has mechanisms to assist in this effort, challenges exist. The United States has mutual legal assistance treaties with less than half of the countries in the world, and some of these partner countries are limited by the type of assistance they can provide and the timeline in which they can respond. The Department also has attempted to obtain access to electronic evidence from U.S. companies that store such data overseas by serving federal search warrants on them, with inconsistent results. For example, the Second Circuit Court of Appeals ruled in 2016 that Microsoft did not have to produce data stored on servers located in Ireland in response to a search warrant issued pursuant to the *Stored Communications Act of 1986* (SCA). However, federal district courts in Pennsylvania and the District of Columbia ruled that a search warrant issued pursuant to the SCA did require Google to disclose all records accessible from its headquarters, even if those records were stored on servers located outside the United States and in October, the Supreme Court granted the Department's petition for a writ of certiorari from the Second Circuit's decision in the Microsoft case. The Department must find a way to close the gaps in legal authorities used to prosecute cyber criminals, strike a balance between protecting citizens' privacy while protecting them from cybercrime, and improve coordination with friendly foreign governments to prosecute foreign cyber criminals.

Preparing the Department for Cyber Threats

The Department has designated cybersecurity as a top priority in its FY 2014-2018 Strategic Plan and committed additional resources to address the issue. The Department's FY 2018 budget requests $30.9 million and 34 authorized positions for its information technology (IT) resources, including major investments in IT modernization, cybersecurity, and information sharing technology.

> **OIG Report: Cybersecurity Logical Access Controls and Data Security Management Practices**
>
> In an August 2016 report, the OIG found that significant work is still needed in implementing personal identity verification cards to authenticate and grant access to users of the Department's IT systems.

Also in its FY 2018 IT budget request, the Department acknowledged that the Justice Security Operations Center, which provides 24/7 monitoring of the Department's internet gateways and incident response management, is hampered by its aging infrastructure, some of which is past its end of useful life and is no longer supported. In addition, the Department's IT budget request provides funding to enhance its insider threat efforts by improving its continuous monitoring of user activities on the Department's IT systems and its proactive analysis of the same for suspicious activities. It is important that the Department make IT acquisitions as expeditiously as possible and leverage private sector technology when possible while respecting the privacy rights of those affected by the new systems.

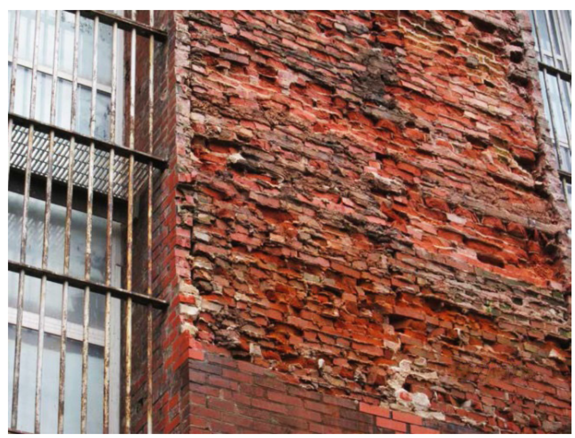
To address the challenge of increasing cyber threats, the FBI's FY 2018 budget request includes an enhancement of $41.5 million and 36 positions in support of these efforts. In a June 2017 statement before the House Appropriations Committee, then-FBI Acting Director Andrew McCabe stated that "virtually every national security threat and crime problem the FBI faces is cyber-based or facilitated." He further stated that the FBI is engaged in a wide range of efforts to identify cyber threats, including sharing threat information inside and outside of government and developing and retaining an adequate cyber workforce to evolve and address the rapidly growing cyber threat, as discussed in more detail in the *Human Capital* section of this report.

Managing an Overcrowded Federal Prison System in an Era of Declining Resources

Despite a declining federal inmate population in recent years, the Department continues to face a number of challenges with the federal prison system. As of mid-April 2017, the federal prison system remained 14 percent above its rated capacity, with high security institutions operating at 25 percent over rated capacity. Further, the BOP projects that the inmate population will increase by about 2 percent in FY 2018 based on the Department's increased enforcement and prosecution efforts. Additionally, the federal inmate population continues to age, resulting in increased costs, particularly for medical care, as noted in a 2015 OIG review. These population changes compound the Department's challenge of weighing BOP's resource needs against those of other Department components and programs.

Operating in an Increasingly Resource-Challenging Environment

Staffing, aging facilities, and tightening budgets present constant challenges for the BOP in carrying out its mission to confine offenders in safe, humane, and cost-efficient environments. Across the federal government, agencies are facing flat or declining budgets, and, earlier this year, the Office of Management and Budget issued guidance instructing agencies to take immediate actions to achieve workforce reductions and cost savings. The challenge for the Department is managing a federal prison system that over the past 20 years has taken an ever larger share of the Department's budget, currently accounting for nearly 25% of the Department's budget, yet remains overcrowded.


Source: BOP

Staffing challenges are also prevalent at private facilities contracted by the BOP and U.S. Marshals Service (USMS). A December 2016 OIG audit of the BOP's contract with CoreCivic Inc. (CoreCivic) to operate the Adams County Correctional Center in Natchez, Mississippi, found that the facility was being staffed at a lower level than during a 2012 riot that resulted in the death of a correctional officer. The OIG also audited the USMS's contract with CoreCivic to operate the Leavenworth Detention Center, and found that vacancies led to the closure of security posts and reassignment of personnel, to the detriment of detainee services. And, in August 2016, an OIG report found that the BOP needed to do a better job of monitoring its private prisons, which incurred more safety and security incidents per capita than comparable BOP institutions. In February 2017, the Department announced its intention to continue to use private prisons to house federal inmates. The BOP and the Department face the challenge of effectively overseeing these private prisons, and ensuring that they are providing the level of staffing, security, and programs that the contracts require.

BOP resource constraints also affect existing and proposed institutions. In its FY 2018 congressional budget request, the Department rescinded funds for construction of a new U.S. Penitentiary in Letcher County, Kentucky—a decision which the Deputy Attorney General explained was a tough budget choice. GAO has identified as a key issue BOP's deferred maintenance of its facilities, which contributes to the continued deterioration of its aging infrastructure. In FY 2017, the BOP had a backlog of major facility modernization and repair projects totaling $542 million, representing a 58-percent increase since FY 2014. However, unforeseen emergency repairs impact BOP's ability to reduce this backlog. For example, the BOP allocated $8.2 million for emergency repairs at the Federal Correctional Institution in Aliceville, Alabama, after it was damaged by a tornado in February 2016. This backlog may be further exacerbated in FY 2018 from damage to BOP facilities in regions affected by the active 2017 hurricane season.

Considering the Impact of New Immigration Enforcement and Sentencing Policies

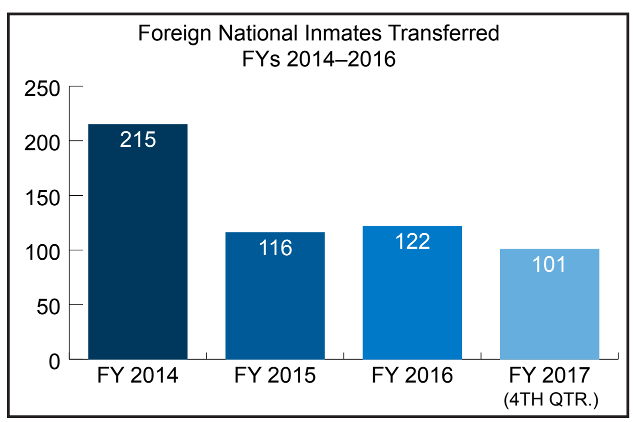
In 2017, the Department issued immigration enforcement and sentencing policies that may increase the demand on BOP's resources. In April 2017, as part of the Department's efforts towards criminal immigration enforcement, the Attorney General announced a new immigration policy that encouraged prosecutors to seek felony charges and pursue mandatory minimum sentences for immigration-related offenses. Further, in May 2017, the Attorney General established charging and sentencing policies that directed prosecutors to charge and pursue the most serious, readily provable offenses. Some of these offenses carry mandatory minimum sentences, which the U.S. Sentencing Commission (USSC) found to carry an average minimum sentence of 110 months of imprisonment. The Department will need to monitor the impact of these policies on its federal prison population and assess the capacity and cost of private prisons and detention centers, particularly those that house foreign national inmates and detainees.

Evaluating the Effectiveness of Ongoing Efforts to Reduce Inmate Population and Recidivism

Challenges associated with tightening resources and new policies heighten the Department's need to evaluate the outcomes of ongoing programs that seek to reduce the inmate population and recidivism. In FY 2015, the BOP spent $360 million on residential reentry centers (RRC) and home confinement costs and reported to have 181 RRCs operated by 103 different contractors as of September 2016. However, a November 2016 OIG report found that the BOP does not have performance measures to evaluate the effectiveness of its RRC and home confinement programming, nor procedures that adequately assess services provided by RRC contractors. In a June 2017 report, the OIG found that, at one RRC, inmate program plans did not establish goals that addressed inmate's top risk areas, nor did staff consistently document inmate progress toward achieving program plan goals.

The Department would also benefit from measuring the outcomes of sentencing alternatives such as pretrial diversion programs, which divert qualified offenders from the traditional criminal justice process into a program of supervision and services. In a July 2016 report, the OIG found that neither the Executive Office for U.S. Attorneys nor the U.S. Attorney's Offices track metrics for evaluating a program's effectiveness, such as the total number of offenders who were placed in a program or the total number of unsuccessful participants. The OIG also reported that the Department did not evaluate the potential for diversion programs to reduce prosecution costs, incarceration costs, or recidivism.

Two programs that can potentially reduce overcrowding in the federal prison system and yield cost savings are the Department's Compassionate Release and International Prisoner Transfer Programs. A 2016 USSC amendment aimed at increasing the use of compassionate release broadened eligibility criteria for inmates when "extraordinary and compelling reasons" exist. In May 2015, an OIG report recommended that the BOP consider revising its compassionate release policy and, as of September 2017, that recommendation remains open. From the start of FY 2016 through July 6, 2017, the BOP received 1,560 requests for compassionate



Source: OIG analysis of DOJ information

release; however, the BOP granted compassionate release to just 114 inmates during that same time period. The Senate Appropriations Committee's report accompanying the Senate draft of the FY 2018 appropriations bill for the Department directs the BOP to report to the Committee on the steps BOP has taken to implement the OIG and USSC's recommendations, and for those recommendations not met, BOP's plan for meeting them or reasons why they cannot be implemented. Through the International Prisoner Transfer Program, the Department is able to reduce its prison population by transferring foreign national inmates to their home countries to complete their sentences. However, despite the Department's efforts to encourage treaty nations to accept more inmates, the number of foreign nationals transferred to treaty nations declined in FY 2017 when compared with the prior 3 years.

The Department tracks some data on the cost implications of using incarceration alternatives. By taking steps to obtain outcome data and developing performance measures for these alternatives, the Department and BOP will be better positioned to determine the extent to which the alternatives are achieving their goals and objectives and what adjustments may be necessary to make them more effective.

Strengthening the Relationships Between Law Enforcement and Local Communities and Promoting Public Trust

Strengthening police-community relationships, compiling accurate data on use of force by law enforcement officers nationwide, and ensuring proper oversight of its own law enforcement officials are a priority for the Department, especially in light of recent events around the country that have underscored the need for enhanced collaboration between the Department, law enforcement agencies, and the community.

Source: DOJ

Strengthening the Relationship Between Law Enforcement and the Community

Recent high-profile police misconduct incidents, while not representative of police conduct nationwide, have nevertheless emphasized the need to strengthen and sustain police community relationships. The Civil Rights Division (CRT) and the Community Oriented Policing Service (COPS Office) serve critical, yet distinct roles in accomplishing police reform and improving police-community relations. Pursuant to federal law, CRT reviews the practices of law enforcement agencies that may be violating people's federal rights, including cases involving allegations of use of excessive force; unlawful stops, searches, or arrests; and discriminatory policing. Since 1997, the CRT has entered into 40 reform agreements; 20 court-enforced consent decrees; and 20 settlement agreements with local law enforcement agencies. These agreements and consent decrees guide reforms at law enforcement agencies, with the goal of increasing community confidence in law enforcement.

In addition to the CRT's investigations of law enforcement agencies to determine whether there is evidence of an agency engaging in a pattern or practice to violate people's rights, the Department has a number of other tools for establishing police-community trust, including the COPS Office's Critical Response initiative and its Collaborative Reform Initiative for Technical Assistance (CRI-TA). The Critical Response initiative assists law enforcement agencies in dealing with high-profile events and major incidents that could create tension and conflict in the community. CRI-TA was created in 2011 and historically allowed law enforcement agencies to request technical assistance to help them identify issues that might impact public trust, such as use of force, racial profiling, and other misconduct. CRI-TA attempted to resolve these concerns by conducting an investigation and issuing publicly available recommendations for improvement to the participating law enforcement agencies. In September 2017, the Department announced significant changes to CRI-TA. As a result of the changes, moving forward CRI-TA will continue to focus on providing targeted technical assistance in the areas of public safety and crime reduction directly to local law enforcement agencies, based on the needs and requests identified by those agencies. However, CRI-TA will focus resources on technical assistance and support, rather than on investigative assessments. As these programs are voluntary, a challenge for the Department is increasing these partnerships with law enforcement agencies around the nation to address concerns of misconduct and mistrust of law enforcement among communities.

In a March 2017 memorandum, the Attorney General also initiated a review of "all Department activities—including collaborative investigations and prosecutions, grant making, technical assistance and training, compliance reviews, existing or contemplated consent decrees, and task force participation" associated with supporting state and local law enforcement agencies. A challenge for the Department will be managing the transition for all impacted programs to ensure the Department continues supporting its state and local law enforcement partners, while also achieving the strategic goals and principles outlined in the Attorney General's memorandum.

Collection of Use of Force Data

Comprehensive data on the use of excessive or deadly force by law enforcement is necessary for an informed discussion about relations between law enforcement and communities. Historically, the Department has struggled to compile complete and accurate data due to its reliance on voluntary reporting and the variation in the methods used to collect information by different states. Collection of this data is mandated by both the *Violent Crime Control and Law Enforcement Act of 1994*, which requires the Department to collect and report "about the use of excessive force by law enforcement officers," and the *Death in Custody Reporting Act of 2013* (DCRA), which requires federal and state law enforcement agencies to report any deaths of individuals that occurred during interactions with law enforcement while in their custody. DCRA authorizes the Department to impose grant funding reductions if states do not submit data, but there is no mandate for states to submit non-lethal use of force data. To close this gap, the Department began partnering with local, state, tribal, and other federal law enforcement to enable nationwide collection of use of force data. In December 2016, the Department released plans to improve DCRA data collection, and will begin collecting quarterly data from states pursuant to DCRA reporting guidelines in the third quarter of 2017.

In early 2016, the FBI initiated a project to collect data on police use-of-force that results in death or serious bodily injury, as well as shooting incidents. On July 1, 2017, the FBI began a 6-month pilot study to evaluate data quality and completeness from participating agencies, which include the Department's law enforcement components and local, state, and tribal law enforcement agencies and organizations that have volunteered to contribute data. The FBI expects to begin bulk data collection in early 2018 and has created an internet-based data portal to receive the data. As these data collection sources continue to develop, the Department's challenge is to ensure quality data is organized and analyzed consistently to better understand police use of force trends, and to help local, state and federal law enforcement find creative solutions based on this information.

Practicing Proper Oversight of Law Enforcement Personnel to Ensure Public Trust

Robust oversight of federal law enforcement programs is necessary to ensure public confidence in their effective and efficient operation. Inadequate oversight increases the risk of unlawful conduct by law enforcement personnel, can compromise the integrity of Department actions, may imperil efficient and effective use of taxpayer funds, and can leave U.S. citizens vulnerable to civil rights violations. For example, the OIG's 2017 report on the Department's oversight of cash seizure and forfeiture activities identified flaws in both training and oversight of asset forfeiture, which compromised the Department's ability to ensure that seizure and forfeiture activities advance criminal investigations and do not present a potential risk to civil liberties. The review found many seizures for which no discernible connection between the seizure and the advancement of law enforcement efforts could be identified. Due to the risks inherent in the practice, and a July 2017 directive increasing the Department's ability to conduct seizures, it will be a challenge for the Department to ensure appropriate training and oversight in this area.

OIG Review: ATF's Controls over Agent Cashier Funds

The OIG is currently assessing the ATF's controls over agent cashier funds, which are used to facilitate the purchase of evidence, procurement of services, and payment for information related to criminal investigations.

A lack of oversight also has the potential to compromise the integrity of Department investigations, contribute to the ineffective and potentially wasteful use of taxpayer funds, and affect compliance with

Fourth Amendment protections. For example, the OIG's 2016 audit of the DEA's management and oversight of its confidential source program identified significant deficiencies in the DEA's operation and supervision of its program, including that the DEA did not adequately oversee payments to its sources. The OIG also found that the DEA "reactivated" a previously deactivated confidential source known to provide false testimony in trials and depositions. During the approximate 5-year period of reactivation, this source was used by 13 DEA field offices and paid $469,158; over $61,000 of that amount was paid after this source was once again deactivated for making false statements to a prosecutor.

Additionally, the OIG released a joint report with the Department of State OIG on responses by the DEA and Department of State regarding three deadly use of force incidents in Honduras. The report found significant oversight issues specifically pertaining to incident planning; post-investigative review efforts; and factual misrepresentations of overseas operations to the public, Department leadership, and Congress. As demonstrated by these incidents, ensuring adequate oversight and accountability measures remains a top concern and challenge for the Department.

Coordinating Within the Department and Across Government to Fulfill the Department's Mission to Combat Crime

Coordinating with federal, state, local, and tribal communities to address the most pressing national criminal justice issues remains a high priority for the Department. The men and women of the Department's law enforcement components are tasked with critically important responsibilities, including protecting the public from violent crime and the illegal trafficking of drugs, and promoting collaboration between law enforcement agencies in order to safeguard the American public and ensure mission success. While the Department continues to operate as a leader in law enforcement, an array of challenges persists.

Promoting and Ensuring Efficient Agency Coordination

With limited government resources, it is essential for law enforcement components to coordinate resources efficiently to ensure mission success. For decades, the Department's law enforcement components have led and supported numerous task forces—including the Organized Crime Drug Enforcement Task Forces, the High Intensity Drug Trafficking Area Task Forces, the Joint Terrorism Task Forces, and the Internet Crimes Against Children Task Forces—all of which enable the Department's law enforcement components to collaborate with each other, as well as with other federal, state, and local law enforcement partners, to leverage resources and expertise in the Department's continuous fight to combat crime and terrorism.

OIG Reviews: Coordination with Law Enforcement Agencies

The OIG is currently assessing the coordination between the Department and DHS law enforcement components in conducting criminal investigations along the U.S. Southwest border. In addition, the OIG is assessing the Department's law enforcement activities and responsibilities pursuant to the *Tribal Law and Order Act of 2010*, including legal assistance, investigative training, and other technical assistance used to enhance law enforcement efforts in Indian Country.

There is, however, continued room for improvement for the Department in this area. For example, the OIG's 2017 review of the El Paso Intelligence Center (EPIC)—a DEA-led, multi-agency center with a mission of supporting law enforcement through the timely, coordinated analysis and dissemination of intelligence on the illegal activities of organizations and threats to the nation—found that the leaders of the DEA's partner agencies have not been effectively engaged in governing the center because they have not been sufficiently involved in defining its strategic priorities and monitoring its operations and performance. Further, the OIG found that the DEA has supported two similar programs, one at EPIC and one at the DEA Houston Field Division, which both collect the same type of real-time tactical intelligence along different parts of the Southwest border. These programs have operated independently, and generally have not shared collected information with one another. As a result, the DEA may not realize the full value of the intelligence it collects to identify trends and patterns of criminal activity all along the Southwest border, nor the potential cost savings that could possibly be realized through the consolidation of these similar programs. The problems identified by the OIG's EPIC review demonstrate that effective and efficient coordination among law enforcement components continues to pose a challenge for the Department.

Additionally, in January 2017, the OIG released its audit of the Office of Justice Programs' (OJP) Tribal Justice Systems Infrastructure Program (TJSIP), which identified coordination deficiencies between OJP and the Bureau of Indian Affairs (BIA) that resulted in three TJSIP-funded correctional facilities that could not be opened, or could only be partially opened, due to construction flaws or operations and maintenance funding issues involving BIA. These three facilities, which together cost nearly $22 million, remained non-operational or partially operational for over a decade after the initial awards were made, and for 3 or more years after the TJSIP grants were fully expended. In both cases, the lack of effective agency coordination impedes the Department's ability to effectively address tribal and border public safety issues and compromises its ability to make use of taxpayer funds effectively. The Department has made efforts to improve coordination and information sharing, including greater information sharing with tribal partners and the establishment of collection initiatives and programs to share information between DEA and its federal partner agencies. Additionally, in November 2017, the Attorney General announced the creation of the Violent Crime Reduction Coordinating Committee that will coordinate violent crime reduction efforts across the department, as well as serve to institutionalize these efforts to help ensure continuity and durability over time. However, to promote public safety and ensure that taxpayer funds are spent with the utmost integrity, efficient agency coordination must remain a top priority.

Violent Crime

From the early 1990s through 2015, the violent crime rate in the United States fell 50 percent. However, in September 2017, the FBI released semiannual crime statistics for 2016 showing an overall increase in the number of violent crimes reported in 2016 when compared with 2015. These crimes included murder, non-negligent manslaughter, rape, aggravated assault, and robbery. Violent crime in cities with a population over 1 million increased over the previous year by 7.2 percent. Smaller cities with a population over 25,000, but under 1 million, saw increases in violent crime between 3.3 and 5.8 percent. The Department's FY 2018 budget requests $198.5 million to: (1) reduce violent crime; (2) target Transnational Criminal Organizations; and (3) combat the prescription drug and opioid epidemic. This funding was requested to augment a wide-ranging set of Department programs that seek to leverage law enforcement operations, prosecutorial action, and support for state and local governments that contribute to the Department's initiatives to reduce violent crime and protect our communities by apprehending violent criminals.

OIG Review: Violent Crime

The OIG is conducting a review to evaluate the Department's strategic planning and accountability measures in combatting violent crime, including coordination across the Department's prosecution, law enforcement, and grant making components, and strategic planning for providing assistance to communities that are confronting significant increases in homicides and gun violence.

A continuing challenge for the Department is to identify ways to best support state and local law enforcement agencies and prosecutors with limited resources to stem the uptick in violent crimes. In June 2017, the Attorney General announced the creation of the National Public Safety Partnership to lead a national effort to combat violent crime and provide a framework to assist state, local, and tribal law enforcement officials in effectively investigating violent crimes and pursuing those involved in gun crime, drug trafficking, and gang violence. In October 2017, the Attorney General announced the reinvigoration of Project Safe Neighborhoods (PSN), a program designed to bring together all levels of law enforcement and community stakeholders to provide a comprehensive approach to violent crime reduction—one that includes prevention, enforcement, and reentry efforts, as well as criminal investigations and prosecutions. Each U.S. Attorney must implement a PSN plan as part of the newly revived initiative. The Department has also partnered with local law enforcement agencies to investigate and prosecute top-level leaders of Mara Salvatrucha, otherwise known as MS-13, a transnational criminal gang responsible for committing violent crimes. For example, the FBI's Long Island Gang Task Force includes FBI agents and officers from state and local law enforcement agencies, all of whom work together to investigate and apprehend suspected MS-13 operatives. According to New York's Suffolk County Police Commissioner Timothy Sini, because of MS-13's transnational reach, successful investigation and prosecution strategies require collaboration across jurisdictions to gather and share meaningful intelligence.

Opioid Epidemic and Drug-Related Crime

OIG Review: DEA's Opioid Enforcement Efforts

The OIG is conducting a review to assess whether the DEA's regulatory activities and enforcement efforts effectively prevent the diversion of controlled substances, particularly opioids, to unauthorized users. Specifically, this review will examine: (1) the DEA's enforcement policies and procedures to regulate registrants; (2) the DEA's use of enforcement actions involving distributors of opioids who violate these policies and procedures; and (3) the DEA's coordination with state and local partners in countering illicit opioid distribution.

The Attorney General recently described the opioid epidemic as a crisis for law enforcement which has contributed to the recent surge of violent crime in America. In August 2017, the Attorney General announced the creation of the Opioid Fraud and Abuse Detection Unit, a new Department data analytics program focused on identifying opioid-related health care fraud. In addition, the DEA has initiated outreach to Native American communities, which face high rates of opioid-related deaths, regarding access to federal crime data on opioids. According to the DEA, drug overdose deaths are at an all-time high and have outnumbered deaths by firearms, motor vehicle crashes, suicide, and homicide since 2009. Given the opioid epidemic and the resulting increases in drug-related crime, incarcerations, and overdose deaths, the Department's challenge is not only to enforce the nation's drug laws, but to also collaborate with state and local law enforcement and public health services in addressing the crisis.

As our nation's law enforcement agencies continue to battle this crisis, the introduction of synthetic opioids presents an additional threat. Of particular concern is the synthetic opioid fentanyl; even minute amounts of the drug are lethal, and can be inadvertently inhaled, presenting serious risks to both drug consumers and law enforcement personnel. Law enforcement officials report higher availability and increased seizures of fentanyl, and more overdose deaths from fentanyl than at any other time since the creation of these drugs in 1959. Between 2014 and 2015, deaths attributed to fentanyl increased by 72 percent, and affected all demographics and regions of the country.

The Department funds numerous programs that partner with local law enforcement and public health agencies to stem drug abuse, misuse, and diversion at the source. For example, in September 2016, the Bureau of Justice Assistance (BJA) awarded $8.8 million to state health and pharmacy departments to compile and share prescription drug information through the creation of state-run Prescription Drug Monitoring Programs. In September 2017, BJA awarded approximately $24 million in federal grants to 50 cities, counties, and public health departments to provide financial and technical assistance to state, local, and tribal governments to create comprehensive diversion and alternatives to incarceration programs for those impacted by the opioid epidemic. In addition, the DEA's 360 Strategy coordinates with state and local law enforcement to target and prosecute drug traffickers; engages with drug manufacturers, pharmacies, and practitioners to prevent the misuse of prescription drugs; and partners with local communities to prevent drug and violent crime issues from resurfacing. As these and other programs demonstrate, the magnitude of the opioid epidemic means that the Department must take a comprehensive approach that focuses not only on enforcement, but also providing funding for programs that address prevention and treatment. As the opioid crisis continues, the Department's challenge will be to strengthen its partnerships with state and local communities to address the epidemic in communities throughout the country.

Administering and Overseeing Contracts and Grants

The Department continues to face challenges in the administration and oversight of its contracts and grants; these challenges create a heightened risk of fraud, waste and mismanagement. As the Department relies more on the use of contracts and the awarding of grants to fulfill its mission, it becomes increasingly important for it to develop the expertise necessary to administer contracts and its grant programs efficiently, effectively, and in accordance with both federal regulations and Department policy. In FY 2017, the Department reported that it awarded almost $7.4 billion in contracts and had over $3.5 billion available for grants and cooperative agreements. Given the resources involved, the Department must continue to improve its management of its contracts and grant programs.

Contracts

The Department contracts for a wide variety of goods and services, including legal support services, inmate healthcare, and IT equipment. Despite the diversity of the Department's contracts, the OIG has found some issues that are consistent among them, including insufficient oversight of some of the Department's contracts and the failure to comply with the Federal Acquisition Regulation (FAR) throughout the procurement process.

Source: OIG

Proper oversight is necessary to ensure that the Department is receiving the appropriate goods or services, the contractor is submitting only valid and accurate invoices, and the contractor is complying with the terms and conditions of the contract. However, human capital constraints, decentralized contracting functions, and a lack of adequate monitoring frameworks, such as training and formal policies, often impede the Department's oversight of contractors. For example, as discussed in the *Prisons* challenge, the OIG recently completed an audit of a contract to CoreCivic to operate the Leavenworth Detention Center and identified significant shortcomings in the USMS oversight of the contract that had a total estimated value of $697 million. The audit also found that the USMS Contracting Officer's Representative, who was responsible for monitoring CoreCivic's performance on a day-to-day basis, was located offsite, had no previous contract oversight experience, and received no formal guidance and negligible detention-related training.

The Department's challenges in providing oversight of its contracts are of particular concern, given that, in FY 2017, 27 percent (or $1.95 billion) of its contracts were time and material (T&M) and labor-hour contract awards. T&M and labor-hour contracts are considered to be high risk contract types because they provide no incentive for the contractor to control cost. As a result, these contracts require greater government oversight and may only be used when it is impossible to estimate accurately the cost, extent, or duration of the work, at the time of contracting, and no other contract type is suitable.

As stated earlier, the Department also has challenges in complying with the FAR throughout the procurement process. For example, in a July 2017 audit of the FBI's lease of executive aircraft, the OIG identified several deficiencies, including non-compliance with the FAR. Specifically, the FBI violated the FAR by not obtaining the proper approval for its sole source justification prior to the award of the contract. Further, the FBI did not formally award the contract until approximately 1 month after the period of performance began. In addition to the weaknesses we identified with the FBI's actions in awarding the lease extension, we also identified weaknesses with the FBI's execution of its contract administration responsibilities. The OIG also determined that the FBI did not: (1) adequately review invoices; (2) pay invoices in a timely manner; (3) maintain sufficient documentation in the contract file to show a complete history of the contract action; or (4) enter accurate information into the Federal Procurement Data System—all of which are in non-compliance with the FAR. These OIG audits highlight the challenge facing the Department in ensuring that contracting officials understand the extent of their responsibilities regarding the laws and regulations surrounding contract administration and oversight.

Grants

The Department, with a total active grant portfolio of $12 billion through 11,000 awards, faces challenges in both grant management and oversight. OIG audits have consistently identified instances in which the Department was unable to ensure adequate performance by grantees and sub-grantees. Specifically, our audits have identified the following findings and deficiencies: the failure to demonstrate progress toward achieving the awards' stated goals and objectives; non-compliance with essential award conditions related to performance reports, use of funds, drawdowns, and contract management; and weaknesses and deficiencies in the areas of internal control environment, expenditures, matching, budget management, monitoring of contractors, reporting, and program performance and accomplishments.

In prior years' Top Management and Performance Challenges reports, we highlighted the increased responsibility the Department faces in its management of the Crime Victims Fund (CVF), due to significant funding increases provided to recipients. CVF awards, which primarily fund formula grants to states and territories to support compensation and services for victims of crime, continue to present significant management challenges as the program funding increases. The $2.36 billion available in FY 2015 for CVF distributions more than tripled the FY 2014 funding, and sustained levels above that figure for FYs 2016 and 2017 increase this challenge. We have a continuing concern that the Department, state administering agencies, and recipients do not yet have the proper controls in place to oversee the large influx of funding. For example, in a September 2017 OIG audit, we identified areas of risk for which the Office for Victims of Crimes' (OVC) management of CVF grant programs should be strengthened. Specifically, we found improvements were necessary regarding the frequency and adequacy of OVC monitoring efforts. Additionally, our audit found risks associated with the OJP staff's understanding and performance of grant recipient monitoring procedures. We also identified risks associated with OJP's performance measures for CVF-funded activities.

OIG Reports: Crime Victims Fund

As part of the FY 2015, 2016, and 2017 appropriations, $10 million in CVF funding was provided each year to the OIG for increased oversight and auditing activities associated with the anticipated increases in both funds available, and in the number of grant recipients. From January 2016 through September 2017, OIG has issued 18 CVF audits that identified approximately $2.5 million in questioned costs and numerous concerns about various state governments' management of these funds including conflicts of interest and unallowable costs.

We will continue our oversight of programs funded by the CVF and to recommend improvements for the Department and grantees to best ensure that the use of CVF funds results in effective services for victims of crime.

In addition, in July 2017, the OIG completed an audit of the Office of Juvenile Justice and Delinquency Prevention's Title II Part B Formula Grant Program, which supports local and state efforts to prevent juvenile delinquency and improve the juvenile justice system through grants. The report found that OJJDP failed to ensure compliance with the core requirements of the *Juvenile Justice and Delinquency Prevention Act*.

Specifically, we determined that OJJDP did not routinely perform audits of states that received grants in order to assure compliance with the Act, as required under federal regulations, nor did they have written policies and procedures for state audit selections. The report's findings highlight the Department's ongoing challenge to ensure that its oversight of its grant programs is effective.

Using Performance-Based Management to Improve Department Programs

Performance-based management continues to be a significant challenge for the Department, with many components lacking the ability to effectively collect, verify, or analyze performance data related to their programs. From BOP's healthcare and rehabilitation services to DEA and ATF's confidential informant programs, the OIG's reviews have found that the Department often lacks the data and analysis necessary to ensure that its resources are used efficiently and effectively. Performance-based management is crucial both to understanding the impact of the Department's programs and to proactively identifying areas of risk.

Collecting, Verifying, and Analyzing the Right Data

Performance-based management includes the ongoing monitoring and reporting of program accomplishments, particularly progress towards pre-established performance goals. During the last decade, the federal government enacted new data standards and reporting requirements in an effort to improve the transparency and quality of federal data. As of May 2017, all federal executive agencies must report spending data using the standardized data structure established by the *Digital Accountability and Transparency Act of 2014* (DATA Act). The OIG's December 2016 DATA Act review found that the Department was on track to implement these reporting requirements by the May 2017 deadline. Additionally, the *Government Performance and Results Modernization Act of 2010* requires agencies to publicly report their progress towards meeting specified performance goals—though a June 2017 OMB memorandum temporarily suspended these reporting requirements until new performance goals are established under the President's FY 2019 budget. Standardized data provides new insights into agency spending patterns and performance, as well as enables the use of government-wide data analytics to fight fraud, waste, and abuse.

Despite the legislative requirements to collect and report on performance data, the Department still faces the challenge of how to collect the right data, verify that the information is accurate and reliable, and effectively analyze the data to determine the outcomes of its programs.

Measuring Program Effectiveness

A key challenge for the Department is using performance data properly to ensure that its programs meet policy goals and to use that information to inform future strategy. Historically, the Department has struggled to acquire and leverage available data to measure program effectiveness and implement necessary programmatic changes. For example, the OIG's review of the BOP's management of inmates in RRCs and home confinement found that the BOP lacked performance measures to gauge both the success of these programs in helping inmates transition back into society and the quality of services that contractors provided to inmates. Similarly, a July 2016 OIG review found that the Department does not evaluate the effectiveness of its pretrial diversion programs or their potential to reduce prosecution or incarceration costs. Analyzing data to determine inmate risk and efficacy of service delivery could help the Department more effectively manage and serve its inmate population.

Proper performance analysis can identify both program successes and areas for improvement. For example, a June 2017 GAO review found that the FBI Laboratory has a strong performance management process to ensure reliability and quality in forensic examinations of chemical and trace evidence. On the other hand, as discussed in the *Contracts and Grants* section, OIG audits have identified instances in which Department grantees and contractors are unable to provide sufficient support for their use of federal funds or verify their performance of program objectives. For example, OIG's September 2017 audit of OJP's management of CVF grant programs found that OJP's performance measures were not outcome-oriented and could not be used to assess the impact of the programs or the quality of services provided to victims. Similarly, while a goal of the Department is to strengthen communities and their relationship with law enforcement, the Department often lacks the performance measures to ensure that its law enforcement operations and programs meet this goal. Performance-based management can help the Department identify best practices for achieving its strategic goals and objectives.

Identifying Areas of Risk

In addition to measuring the effectiveness of the Department's programs, performance-based management can proactively identify areas of risk within the Department. Performance-based data, if correctly collected and analyzed, can point to areas of fraud, waste, and abuse within Department programs. For example, the OIG's reviews of the ATF and DEA confidential source programs found that confidential informant payment information was not sufficiently tracked, recorded, or evaluated. During our September 2016 review, we found that the DEA made payments of $25 million to 9 sources over a 5-year period and $30 million to 1 source over a 30-year period, all without independently validating the reliability of the sources or the accuracy of their information. The OIG's July 2017 review of a $2.4 million aircraft lease contract awarded by the FBI found that the contract did not include specific performance metrics and the aircraft was unavailable for about one quarter of the lease period. Effective tracking and analysis of performance data could enable Department components to detect anomalies or other concerns well before millions of taxpayer dollars are spent.

Without evaluating the benefits and risks associated with its programs, the Department runs the risk of funding programs or policies that are ineffective, inefficient, or infringe on the rights of those it is meant to protect. For example, the OIG's review of the BOP's use of restrictive housing for inmates with mental illness found that the BOP could neither accurately determine the number of inmates who have mental illness, nor ensure that it provided the appropriate care to these individuals. The OIG's March 2017 review of the Department's cash seizure and forfeiture activities found that the Department's investigative components do not use aggregate data to fully evaluate and oversee seizure operations, or the extent to which they may pose potential risks to civil liberties.

Collecting, verifying, and analyzing the right data continues to be a challenge for the Department. As discussed in the *Strengthening Relationships Between Law Enforcement and the Local Community* section, without comprehensive FBI crime data, the Department is constrained in its efforts to address a problem—namely, reduction of violent crime—that it cannot accurately measure or analyze. Similarly, without performance data to measure the effectiveness and efficiency of its programs, the Department will continue to fund programs without fully understanding their outcomes.

Filling Mission Critical Positions Despite Competition for Highly-Skilled Professionals and Delays in the Onboarding Process

To meet 21st century challenges, the Department must develop innovative solutions to address challenges relating to the recruitment and retention of a professional, highly competent, and diverse workforce. These challenges include recruiting professionals in the cybersecurity and healthcare fields and in the timely processing of background checks to prevent undue delay in the onboarding of new personnel.

Skilled Experts in the Cybersecurity and Healthcare Fields are in High Demand and the Department Struggles to Compete

The recruitment and retention of professionals in the cybersecurity and healthcare fields remains a challenge for the Department. The restrictions of the federal pay scale and stringent background requirements pose significant hurdles for the Department in the struggle to compete with the private sector and other federal entities with special hiring authorities for personnel with these high-demand, specialized skills.

The frequency and impact of cyber-attacks on our nation's private sector and government networks have increased dramatically in the past decade and are expected to continue to grow. Cyber professionals are in high-demand in the private sector, putting the federal government at a competitive disadvantage in the recruitment of individuals with specialized IT skills. The FBI's FY 2018 budget request, for example, included a request for 36 additional cybersecurity-focused positions and for $41.5 million to enhance cyber investigative capabilities. Moreover, in May 2017, the President issued Executive Order 13800, *Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure*, which tasked various federal agencies with developing a plan to bolster the cybersecurity workforce.

A chief impediment to the recruitment of candidates with these high-demand technical skills is the Department's difficulty in offering salaries that are competitive with the private sector. In April 2017, GAO's Director of Cybersecurity and Information Management Issues testified that salary restrictions impede the federal government's ability to retain talented employees. As the OIG noted in a July 2015 report, the FBI has struggled to attract computer scientists mainly due to low pay. In addition, in March 2017, the FBI Director remarked that, to attract the best talent in cybersecurity, the FBI needed to explore the possibility of re-hiring former FBI agents who left the Bureau for positions in the private sector.

The Department also faces significant challenges recruiting and retaining medical professionals due, in large part, to competition from the private sector, which offers higher pay and benefits. A March 2016 OIG report found that only 83 percent of the positions in the BOP health services units were filled as of September 2014. As a result, our report noted that inmates were sent to other facilities to receive medical care, further contributing to increased medical costs. The OIG found that the salaries and incentives offered by the BOP were not competitive with those of the private sector, particularly given the need for the BOP to compensate its employees for the safety and security factors intrinsic to working in a correctional facility. The remote locations of many of the prisons pose another challenge to the recruitment of medical personnel to the BOP. Moreover, in our July 2017 review of the BOP's use of restrictive housing for inmates with mental illness, we found that the BOP faced challenges in recruiting and retaining psychiatrists, in particular. As of September 2017, the BOP had filled only 60 percent of its authorized full-time psychiatrist positions nationwide. The Department's ability to attract and retain highly-skilled individuals is critical to helping the Department achieve its mission.

Lengthy Background Investigations Delay the Onboarding of New Personnel

As the rate of federal retirements continues to increase, it is imperative that the Department identifies and hires the most qualified personnel as quickly as possible. As part of the hiring process, Department employees must undergo background investigations designed to ensure that they are reliable, trustworthy, of good conduct and character, and of complete and unswerving loyalty to the United States. Delays in completing background investigations for prospective employees could result in delays in the Department's operations. As noted in last year's Top Management and Performance Challenges report, the Department has unique hiring needs and onboarding personnel for certain mission critical positions, such as attorneys, criminal investigators, IT specialists, and legal assistants, can take more than 5 months. Further, many of the Department's mission critical positions also require National Security Information clearances, which can add time to the onboarding process. According to the *2004 Intelligence Reform and Terrorism Prevention Act*, agencies that are authorized to grant National Security Information clearances should complete at least 90 percent of clearances within an average of 60 days. The Office of the Director of National Intelligence's most recent annual report on Security Clearance Determinations noted that the Department continues to experience difficulties in meeting this benchmark of 60 days.

The slow pace of background investigations hinders the Department's ability to compete with other markets and attract the most qualified candidates for critical Department operations. To meet this challenge, the Department must create efficiencies in the background check process and improve on-boarding time, particularly for positions deemed mission critical.

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

November 6, 2017

MEMORANDUM

FROM: THE ATTORNEY GENERAL

SUBJECT: Office of Inspector General Report – Top Management and Performance Challenges Facing the Department of Justice

As the chief law enforcement arm of the federal government, the Department of Justice plays an indispensable role in protecting the American people and preserving the Constitution and the rule of law. The Department and its approximately 115,000 employees perform these duties in myriad ways.

The Department safeguards national security by conducting counterterrorism and counterintelligence investigations. The Department ensures public safety by targeting drug traffickers and gangs and by coordinating with state, local, and tribal law enforcement to apprehend and prosecute the most dangerous criminals. The Department protects the rights of Americans by vigorously enforcing our civil rights laws. The Department's lawyers faithfully defend the Constitution and acts of Congress, including federal immigration law, in courts across the country. Department employees do all of these things, and much more, with the utmost diligence, professionalism, and integrity.

Like any other large organization with a broad range of responsibilities, the Department faces numerous challenges. As Attorney General, I am responsible for identifying the most urgent challenges and prioritizing the Department's responses. Based on the assessment and recommendations of our leadership team, I have designated the following four strategic goals for the Department:

(1) Enhance national security and counter the threat of terrorism;
(2) Secure the borders and enhance immigration enforcement;
(3) Reduce violent crime and promote public safety; and
(4) Promote integrity, good government, and the rule of law.

These goals reflect the judgment of the Department's leadership that the most pressing challenges facing the nation and the Department arise from threats to national security, particularly radical Islamist terrorism; an unsecure border and the federal government's recent history of immigration non-enforcement; the current surge in violent crime and drug trafficking-related violence throughout the country; and the growing concern of many Americans that the government no longer serves the common interest, nor considers itself bound by the law.

The report released today by the Office of the Inspector General identifies what it believes to be the most pressing challenges for the Department, many of which have been included in similar Inspector General reports in previous years. Many of the challenges identified in the report align with the priorities that Department leadership has established. For example, safeguarding national security and ensuring privacy and civil liberties protections are consistent with the Department's objective to enhance national security and counter the threat of terrorism. Likewise, strengthening the relationships between law enforcement and local communities and promoting public trust can be helpful in achieving the Department's objective of reducing violent crime and promoting public safety. Finally, administering contracts and grants, using performance-based management, and filling mission critical positions are all necessary to promote integrity, good government, and the rule of law.

Despite the many helpful comments and observations raised by the Inspector General's report, it nonetheless contains a number of recommendations that are not in line with the Department's priorities. One challenge identified by the report, for example, is managing an overcrowded federal prison system in an era of declining resources. The report observes that the federal prison system remains slightly above its rated capacity, despite a declining federal inmate population. It then urges the Department to consider the impact of its new immigration enforcement and sentencing policies and to evaluate alternatives to incarceration.

What the report does not mention is that, while the Bureau of Prisons (BOP) is rated as operating above capacity today, BOP population has fallen approximately 14 percent in the last few years. While it is certainly important for the Department to continue managing BOP resources effectively, federal prison overcrowding is not as critical today. On the other hand, with the homicide rate increasing by approximately 20 percent from 2014 to 2016, fueled at least in part by drug trafficking violence, reducing violent crime and promoting public safety must now be higher priorities.

The Inspector General's report also urges the Department to strengthen police-community relationships in light of "[r]ecent high-profile police misconduct incidents." The Department wholeheartedly supports community policing nationwide and is committed to providing robust oversight of federal law enforcement. However, I reject the suggestion that police misconduct is rampant in the United States. Available data simply does not support such a conclusion. Recent polling also indicates that Americans' confidence in their local police is strong, and that is because the vast majority of law enforcement officers are committed public servants who hold themselves and their colleagues to the highest standards.

The leadership response to the Inspector General report that accompanies this letter contains additional material on these and the many other issues raised in the report. I look forward to working with the Inspector General to achieve the Department's priorities and, in doing so, to improve the Department's performance and maximize its potential.

I see the input of an independent and responsible Inspector General as a valuable part of our reach for excellence. I look forward to continued and even more frequent interaction in the months to come as we work to better serve the American people.

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Consolidated Department Response to OIG Top Management and Performance Challenges Facing DOJ—2017

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

Combating Foreign and Domestic Terrorism

Combating terrorism is a top priority of the Department. Over the past fiscal year, the Federal Bureau of Investigation (FBI) has enhanced coordination and collaboration in the sharing of domestic and international counterterrorism information by increasing the number of non-reimbursable agents and analysts assigned to the Central Intelligence Agency's (CIA) Counterterrorism Mission Center (CTMC). The mission of the FBI Detailees Section within CIA/CTMC is to create a common operating picture through collaboration and integration of interagency counterterrorism operations and intelligence. The detailees set the conditions for collaboration through communication, coordination, and cooperation. They are fully embedded and integrated into the CIA structure and report to CIA senior officials as well as the FBI senior detailee to the CTMC. The detailees further joint FBI/CIA counterterrorism operations through direct involvement in FBI and CIA operational planning, coordination, deconfliction, and timely dissemination of intelligence to other federal, state, local, and international law enforcement and intelligence agencies.

The Department also takes very seriously the threat of homegrown terrorists. The FBI has over 1,000 investigations geographically dispersed throughout the country. In February 2017, the Office of the Inspector General (OIG) initiated an audit of the FBI's efforts to address the threat of homegrown terrorists. The objectives of the audit were to review existing casework, evaluate the FBI's coordination with relevant components, and examine its strategic and tactical policies and processes. The Department looks forward to cooperating with the OIG audit.

With respect to the WITSEC Program, it is important to recall that witnesses authorized for protective services have cooperated against some of the world's most dangerous criminal organizations and terror cells. In the wake of the OIG's initial report, the Department and others took swift and comprehensive action directing the implementation of policies to ensure effective and prompt information sharing between national security stakeholders such as the Department's Criminal and National Security Divisions, the FBI, the United States Marshals Service (USMS), the Terrorist Screening Center, and the National Counter-Terrorism Center. These policies were updated in 2013 and 2014 in order to ensure continuity and effectiveness in the changing national security environment. Enhanced monitoring protocols for such cases have been in place since June 2012 and are reviewed quarterly in a joint meeting of all relevant stakeholders to ensure visibility and robust information exchange.

The USMS also plans to update two policies that will highlight how the WITSEC Program appropriately manages participants' identity documents, the immediate action required when a participant fails to return identity documents upon request, and the recourse required in the event a participant refuses or fails to return identity documents. The USMS expects to update these policies by the end of the 2017 calendar year and to provide appropriate evidence to the Office of Enforcement Operations (OEO) and the Senior Counsel to the Deputy Attorney General.

Counterintelligence and Counterespionage

Promoting transparency through enforcement of the Foreign Agents Registration Act (FARA) is increasingly important to countering illicit foreign influence. For this reason, the Department has accepted and begun work to implement all of the OIG's recommendations in its September 2016 report. The National Security Division

(NSD) is finalizing a FARA enforcement strategy and has embarked on an unprecedented campaign to educate FBI agents and prosecutors on the statute and how it complements other counterintelligence tools. As Congress intended by the text of the statute, NSD pursues voluntary compliance in the absence of evidence of willful noncompliance. Successful criminal enforcement requires staffing of those investigations by the FBI and U.S. Attorney's Offices.

Leveraging National Security Legal Authorities While Safeguarding Civil Liberties

Section 702 of the Foreign Intelligence Surveillance Act (FISA) Amendments Act is vital to the safety and security of the American people. The FBI considers Section 702 one of the most valuable tools it has because it provides the FBI with the lawful ability to "connect the dots" and stay ahead of threats. Therefore, Section 702 reauthorization is critical to the Department's efforts to ensure the safety and security of the American people. Any drastic changes to this Section could imperil the security of all United States citizens.

The FISA Court and other federal courts repeatedly have found the implementation of Section 702, including the FBI's ability to query 702 data, to be both lawful and consistent with the Fourth Amendment. Additionally, the Intelligence Community (IC) operates this program under a rigorous oversight regime, subject to supervision by all three branches of government. The program relies on comprehensive procedures to ensure that only non-United States Persons (USPs) overseas are targeted. It also relies on minimization procedures to protect USP information that may be incidentally collected. Additionally, "reverse targeting," or the targeting of non-USPs overseas to obtain the communications of a USP, is specifically prohibited and not conducted.

Section 702 is an investigative tool, not an investigation in and of itself. The FBI can only receive or propose the initiation of 702 collection if the selector is relevant to a full FBI investigation, which is the highest level of FBI investigative activity and requires an "articulable factual basis" to believe a non-USP poses a threat to national security. Section 702 coverage cannot be obtained for FBI assessments or preliminary investigations.

2. Enhancing Cybersecurity in an Era of Increasing Threats

Defending Against Cyber Intrusions and Attacks

Addressing cyber-based attacks and high-technology crimes is an important and evolving area of law enforcement, and the Department expects to continue to take a leading role on these issues. In FY 2017, the FBI reorganized its analytic and outreach resources to focus on an intelligence-driven approach to FBI engagement with critical infrastructure entities on cyber threats. The FBI has published Intelligence Directed Queries that direct field offices to address collection needs in cyber space when engaging with sector partners. The FBI also shares indicators of compromise; tactics, techniques, and procedures; and strategic threat information with sector partners, as appropriate. The FBI's primary mechanisms for sharing such information include FBI Liaison Alert System reports, Private Industry Notifications, and in-person briefings conducted in the field. During FY 2017, the FBI released a total of 22 products aimed at educating private sector partners on specific and general cyber threats and held a total of 177 briefings with 6,301 individuals.

Cybercrime Challenges

The Department is making substantial strides in addressing a wide range of cybercrime challenges. Despite some identified gaps in the law, the Department has continued to take action against botnets, including the disruption of the Kelihos botnet in April 2017. The Department's prosecutors and FBI agents continue to pursue individuals who create and operate botnets, particularly from overseas. Prosecutorial resources continue to be an issue in this area, particularly because cyber cases require close collaboration between prosecutors and agents from the beginning of the case.

The issue of lawful access to evidence that may be encrypted has received attention from the highest levels of the Department. For example, the Deputy Attorney General recently addressed this issue in a speech at the United States Naval Academy. While recognizing that "[e]ncryption is a foundational element of data security and authentication," the Deputy Attorney General discussed the possibility that "providers retain the capability to make sure evidence of crime can be accessed when appropriate" under court supervision.

The Department expects to continue to actively pursue multiple avenues for obtaining lawful access to encrypted evidence, and expects that this will be a significant and growing challenge. As one example, the FBI was unable to access more than 7,000 mobile devices submitted to its Computer Analysis and Response Team over the last year, even though there was legal authority to do so. Technology companies increasingly offer products with built-in encryption technology that prevent access to data, even from law enforcement entities with a warrant. Malicious actors continue to use new technology advances to evade law enforcement efforts. To counter this threat, the FBI requested nearly $22 million in its FY 2018 President's Budget request.

With regards to the collection of electronic evidence, the Supreme Court recently granted the Department's petition for a writ of certiorari from the Second Circuit's decision in the Microsoft case. *United States v. Microsoft Corp*, 2017 U.S. LEXIS 6343 (Oct. 16, 2017). A favorable Supreme Court ruling reversing the Second Circuit's decision will ensure that the Department can obtain critical evidence from U.S. providers, whether they choose to store that information domestically or overseas. The Department has also continued to pursue legislative and other options to improve U.S. prosecutors' ability to obtain information stored by overseas providers. Over the last year, the Department has proposed legislation that would remove conflict-of-laws barriers to obtaining evidence across borders, with a particular focus on countries like the United Kingdom that share our respect for the rule of law and human rights.

The Department continues to work to find efficiencies in our collaboration with foreign partners while respecting privacy rights, both in facilitating police-to-police cooperation through an expanded network of FBI Cyber Legal Attaches, as well as via mutual legal assistance treaties and agreements. Our international cooperation has resulted in significant successes, including the successful extradition of criminals from overseas, and international disruption actions, such as the July 2017 coordinated takedown of the AlphaBay and Hansa dark markets, which involved collaboration with law enforcement officials in several different countries.

Beyond coordinated takedowns, the Department continues to provide mutual legal assistance to partner countries on a wide variety of cases, particularly for electronic evidence, when speed is a particular concern. The Department continues to support the 24/7 Network of Points of Contact, which facilitates the rapid preservation of electronic evidence so that mutual legal processes can follow.

The Department's Office of International Affairs (OIA) is also committed to long-range, strategic solutions to the problems posed by transnational cybercriminals and other bad actors who exploit national borders and modern technologies for the benefit of their illegal schemes. In an effort to strengthen cooperation with both domestic and foreign law enforcement and prosecutors and to enhance the speed at which critical evidence is transferred between country partners, OIA has undertaken a structural reorganization aimed at creating efficiencies in its mutual legal assistance practice. These reforms have included centralizing within OIA the functions of obtaining and transmitting electronic and other records sought by foreign partners, strengthening support of domestic law enforcement partners seeking evidence located abroad, and establishing policies and procedures to permit OIA to operate more efficiently and effectively in handling a wide-range of criminal matters.

The United States' extensive network of bilateral Mutual Legal Assistance Treaties (MLATs) and multilateral conventions providing for legal assistance is an important tool in facilitating the cooperation needed to investigate and prosecute crime, including cybercrime. Building upon these important agreements, the Department, together with the State Department, negotiated MLATs to improve the transfer of critical evidence (e.g., the US-Kazakhstan MLAT, entered into force in December 2016). The Department is also engaged in the negotiation of a protocol to the Council of Europe Cybercrime Convention that addresses topics related to international electronic evidence gathering.

Preparing the Department for Cyber Threats

Cybersecurity remains a high priority for the Department and its leadership. The Department continues to make significant progress in implementing adequate identity authentication protection controls. The Justice Security Operations Center (JSOC) has been enhancing its phishing and malware detection infrastructure and automating incident response to keep pace with evolving cyber threats. As the Department increases its adoption of modern cloud capabilities, the JSOC continues to adapt its capabilities to more effectively monitor these new data traffic patterns.

The cyber threat is growing, and the FBI serves as the lead federal agency for incident response and the investigation of cyber threats by criminals, overseas adversaries, and terrorists. The FBI faces challenges, similar to other federal agencies, in recruiting and maintaining technically trained personnel experienced in cyber incident response, malware analysis, digital evidence recovery and reconstruction, with particular focus on incidents targeting national security, critical infrastructure, and the U.S. economy. The FBI has undertaken significant efforts to develop and improve the FBI's workforce readiness programs to ensure human capital is available to keep pace with existing and future digital threats and to mitigate any expected workforce gaps.

These cyber readiness programs are building the existing workforce in several ways: implementing training curriculums to develop or increase the level of cyber knowledge shared throughout the workforce; honing the cyber skills of experienced cyber employees; effectively partnering with industry and conducting joint training in critical areas; and becoming more agile in acquiring new resources to address emerging threats. In addition to traditional recruiting methodologies, the FBI is seeking to proactively develop and engage high school students studying STEM-related topics. The FBI High School Cyber STEM program will provide interested students insight into the opportunities available at FBI in the hopes that they will become viable candidates in the federal employment pipeline.

3. Managing an Overcrowded Federal Prison System in an Era of Declining Resources

Operating in an Increasingly Resource-Challenging Environment

The Department remains committed to ensuring public safety by devoting necessary resources to incarcerate dangerous criminals in a safe and responsible way. With regard to staffing challenges at private facilities, the BOP has enhanced its monitoring tools to ensure greater compliance with all contract terms, including safety and security requirements.

The USMS has also created 10 new Detention Contract Administrator (DCA) positions to oversee the contracts supporting all 14 USMS private detention facilities. In FY 2016, two DCA positions were funded and subsequently filled for the Leavenworth Detention Center and for multiple facilities in the Southern District of Texas. In addition, the USMS has begun the hiring process for eight additional DCA positions to staff the remaining private detention facilities. To assist the DCAs in monitoring detention service contract compliance, the USMS has also developed standard operating procedures and contract monitoring instruments.

Considering the Impact of New Immigration Enforcement and Sentencing Policies

The Department will ensure that its immigration enforcement and sentencing policies are adequately resourced to protect the American people.

Evaluating the Effectiveness of Ongoing Efforts to Reduce Inmate Population and Recidivism

The BOP inmate population has declined substantially over the past four years. BOP ended FY 2017 with 6,553 fewer inmates than the year before. Since the end of FY 2013 through the end of FY 2017, BOP's inmate population has declined by a total of 33,681 inmates. Crowding at prisons and detention centers has decreased significantly from 36 percent at the end of FY 2013 to 13 percent at the end of FY 2017.

With regard to the International Prisoner Transfer Program, the Department has continued its training and outreach efforts with the goal of increasing the number of foreign national transfers. Beginning in FY 2014 and continuing through FY 2015, however, the number of foreign national prisoners who applied for transfer significantly decreased. The Department attributes this decline to the impact of the retroactive amendments to the sentencing guidelines for certain drug offenses. Many prisoners elected not to apply for transfer because they either believed that their sentences could be reduced significantly—thus reducing the need or benefit of transfer—or they were concerned that if they received a sentence reduction after transfer, there could be a delay in their country recognizing it. That trend changed in FY 2016 and FY 2017, when there was an increase in transfer applications. This increase in applications may ultimately result in more transfers. Indeed, in the last year, Ecuador has become extremely active in the transfer program, and country officials have indicated their intent to accept more of their nationals for transfer.

As for Residential Reentry Centers (RRCs), the BOP implemented a new Statement of Work (SOW) with RRC contractual requirements in April 2017. This SOW implements statistical reporting, such as population statistics, revocation data, average length of stay, employment data, and wage information. Additionally, the BOP implemented a standardized monitoring instrument for contract facilities, which contains other statistical data utilized to measure the effectiveness of the RRCs and Home Confinement Programs. The BOP is also working with the Department to consider potential adjustments to the compassionate release program.

4. Strengthening the Relationships Between Law Enforcement and Local Communities and Promoting Public Trust

Strengthening the Relationship Between Law Enforcement and the Community

Effective crime prevention requires relationships of trust between law enforcement and the communities they protect. The Department is fully committed to partnering with law enforcement agencies across the country to help build those relationships.

To that end, the Department has been developing a number of programs to assist state and local law enforcement agencies and other stakeholders. One such program is the Police Data Initiative (PDI), which seeks to improve trust between police agencies and the communities they serve by providing greater transparency and access to a wider-range of data. This transparency can foster innovations and advancements in trust-building, decision-making, strategic and tactical planning, crime reduction efforts, data analysis and interpretation, and risk management.

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

The COPS Office also administers the Community Policing Development (CPD) Program to support training and technical assistance to advance the practice of community policing nationwide. These awards allow law enforcement agencies and stakeholders to develop, test, implement, and document innovative strategies to address a wide range of issues facing our nation's communities, including countering terrorism, building trust between law enforcement and the communities they serve, responding to at-risk populations, and police accountability and transparency. This program allows the COPS Office to bring together law enforcement leaders and others to discuss critical issues and formulate recommendations. It also supports the essential Critical Response Initiative, which provides targeted technical assistance to law enforcement agencies dealing with high profile events, major incidents, or sensitive issues of varying need.

In FY 2017, the COPS Office provided $3.5 million under the CPD Program. This funding will result in national level training and technical assistance programs, a series of forums and meetings, demonstration projects in law enforcement agencies across the country, microgrants to law enforcement agencies to implement innovative community policing projects, and a series of publications and guidebooks on important issues facing law enforcement and their communities.

Collection of Use of Force Data

The Department will ensure the collection of high-quality data as required by law.

Practicing Proper Oversight of Law Enforcement Personnel to Ensure Public Trust

The OIG "Review of the Department's Oversight of Cash Seizure and Forfeiture" analyzed limited data on DEA seizures only and drew some conclusions that the Department disputed (see Appendix 4 to the Report). Based on its review, OIG recommended that the Department develop data collection efforts to identify and evaluate whether seizures advance or are related to federal investigations. The Department concurred and has already funded initial steps to do so. OIG also recommended that state and local task force offices receive training on federal asset seizure and forfeiture laws and policies. Again, the Department concurred, and OIG

recognized that the recommendation was resolved. The Department will implement new training on ethics and seizure practices this fiscal year. OIG further recommended that the Department review seizure practices to determine whether more specific policy guidance or training was needed. In October 2017, the Attorney General directed the Deputy Attorney General to appoint a Director for Asset Forfeiture Accountability, who will make recommendations regarding the asset forfeiture program, including updating policy guidance and recommending improvements to forfeiture operations. Lastly, OIG expressed concern that the Department's 2015 order regarding adoptive seizures could impede cooperation among federal, state, and local law enforcement. In July 2017, the Attorney General rescinded the 2015 order, thus removing the risks to cooperation.

DEA has made numerous changes to correct the issues raised in the OIG audit of its confidential source program and to bring it in line with the Attorney General's Guidelines. Effective July 2016, DEA implemented a new confidential source policy. This policy addressed the issues highlighted in the OIG's 2016 audit. DEA's heightened oversight of its confidential source program is reflected in, among other things, the new policy, the establishment of a confidential source section in DEA headquarters, and the implementation of a confidential source payment review board responsible for reviewing payments made under 28 U.S.C. § 524(c)(1)(B) and 28 U.S.C. § 524(c)(1)(C). The specific source issue has also been addressed, and DEA has implemented comprehensive oversight protocols accordingly. DEA continues to review the policy and the manner in which confidential sources are used to improve its management and oversight.

Finally, DEA is implementing all recommendations made by OIG related to DEA's deadly-use-of-force policy and oversight of foreign operations. Upon the completion of the OIG's review, DEA also began an internal review to determine if potential misrepresentations were knowingly made.

5. Coordinating within the Department and Across Government to Fulfill the Department's Mission to Combat Crime

Promoting and Ensuring Efficient Agency Coordination

The Department is committed to promoting and ensuring efficient agency coordination. In November 2017, the Attorney General announced the creation of the Violent Crime Reduction Coordinating Committee, an internal Department group that will serve two important functions. First, it will help effectively coordinate violent crime reduction efforts across the Department, providing an opportunity for regular communication and feedback across components and helping align leadership priorities and resource allocation. Second, it will serve to institutionalize these efforts to help ensure continuity and durability over time.

Establishment of the Department's Violent Crime Reduction Coordinating Committee is an important step toward increasing agency coordination. The Coordinating Committee will make recommendations to the Deputy Attorney General on all matters relating to the Department's violent crime reduction activities, including policy, budget, resource allocation, program consolidation and reconfiguration, training, research and data, prevention and reentry, and coordination with state, local, and tribal law enforcement. The Coordinating Committee will also provide support to the field for implementation of violent crime reduction initiatives, establish a mechanism for internal communication and information-sharing regarding Department violent crime reduction initiatives, and ensure that relevant policy and reference materials are consistent with and supportive of Department violent crime reduction activities.

With respect to the Tribal Justice Systems Infrastructure Program (TJSIP), OJP has been working closely with the Bureau of Indian Affairs (BIA) through all phases of program implementation, including BIA review of applications, grantee training, participation in routine calls and meetings with grantees and the training and technical assistance (TTA) providers, design approval, funding discussions and decisions for

Operation and Maintenance (O&M), and issuance of certificates of occupancy. OJP's Bureau of Justice Assistance (BJA) has also been working on a formal Memorandum of Understanding (MOU) with BIA. The MOU will formalize policies and procedures related to conducting tribal facility design reviews, scheduling facility inspections, issuing certificates of occupancy, and ensuring that appropriately sized facilities are funded, completed, opened, and fully operational. Additionally, the MOU will memorialize areas of coordination and collaboration to maximize available resources.

Violent Crime

Reversing the recent surge in violent crime is a top priority of the Department. While the Department is addressing this problem in numerous ways, including by reinstituting long-established and effective charging policies, the Department maximizes its impact by leveraging its support of state and local law enforcement. Two programs in particular are vital to this effort.

In October 2017, the Attorney General announced the launch of an enhanced Project Safe Neighborhoods (PSN) program, a nationwide violence reduction strategy customized to the specific violent crime issues and available resources in each district. This program builds on lessons learned and technological advances since PSN was first launched in 2001. U.S. Attorneys will take the lead in developing partnerships with federal, state, local, and tribal law enforcement; community members and organizations; victims' advocates; social service providers; and other stakeholders. Under the PSN program, U.S. Attorneys are ultimately responsible for developing and implementing a comprehensive approach to reduce violent crime that includes targeted enforcement and support of local prevention and reentry programs.

In addition to PSN, the Department has also established the National Public Safety Partnership (PSP) program, which builds on the successes of the Violence Reduction Network (VRN) pilot program. PSP is a DOJ-wide program that enables cities experiencing high levels of violent crime to receive specialized training and technical assistance tailored to the cities' unique circumstances. This assistance will help local law enforcement develop and implement data-driven strategies for investigating, prosecuting, and ultimately deterring violent crime, especially crime related to gun violence, gangs, and drug trafficking. Twenty-seven cities across the United States have currently been selected as pilot sites, operations sites, and diagnostic sites.

Opioid Epidemic and Drug-Related Crime

Opioid abuse has become a national emergency, and the Department is combatting this epidemic on many fronts, including by interdicting supply, preventing illicit diversion, realigning and leveraging DEA's capabilities, and assisting state and local partners.

For example, on July 13, 2017, Attorney General Sessions and then-Health and Human Services (HHS) Secretary Tom Price, M.D., announced the largest ever health care fraud enforcement action by the Medicare Fraud Strike Force (a joint initiative between the Department of Justice and HHS). The action included charging 412 defendants across 41 federal districts, including 115 doctors, nurses, and other licensed medical professionals, for their alleged participation in health care fraud schemes involving approximately $1.3 billion in false billings. Over 120 of the defendants, including 27 doctors, were charged for their roles in prescribing and distributing opioids and other dangerous narcotics. With 41 federal districts participating, this takedown had the largest ever participation by U.S. Attorney's Offices in such an operation.

On August 2, 2017, Attorney General Sessions announced the creation of the Opioid Fraud and Abuse Detection Unit, a new Department data analytics program focused on identifying opioid-related health care fraud. This team works to identify physicians who are writing opioid prescriptions at rates far exceeding their peers and to determine how many of a doctor's patients died within 60 days of an opioid prescription, the average age of patients receiving these prescriptions, pharmacies that are dispensing disproportionately large amounts of opioids, and regional hot spots for opioid abuse. This unit has already begun delivering detailed information to U.S. Attorneys, enabling federal prosecutors to quickly target and prosecute those who are contributing to the opioid abuse epidemic.

In addition, the Department has assigned twelve experienced prosecutors to focus solely on investigating and prosecuting opioid-related health care fraud cases in twelve high-risk districts. Working with the FBI, DEA, and other federal and state partners, these prosecutors are targeting diversion and fraud cases in jurisdictions across the country.

The DEA is also mounting a comprehensive campaign against the opioid epidemic. The DEA's Domestic Cartel Initiative (DCI), for example, targets domestic drug cartels, which are networks of traffickers within the United States that control drug trafficking activities between foreign drug cartels and street-level drug traffickers. The DCI is a DEA operational priority, implemented to focus agency resources on those that are the "drivers of crime." The initiative combats threats, such as the significant increase in drug-related violence and the availability of fentanyl-laced heroin across the country, which has resulted in a staggering increase in overdoses and deaths.

In its FY 2017 appropriation, DEA received funding to establish four teams focused on heroin trafficking. Utilizing its task force officer resources, DEA succeeded in fielding an additional two teams, which allows it to reach a greater number of communities facing significant challenges with heroin and fentanyl.

DEA's enforcement efforts also involve close coordination with state and local partners. DEA leverages the participation of state and local task force officers around the country to facilitate DEA integration with local communities.

Another critical component of DEA's enforcement efforts is preventing opioid diversion. DEA's Tactical Diversion Squads incorporate the enforcement, investigative, and regulatory skill sets of DEA Special Agents, Diversion Investigators, other federal law enforcement, and state and local task force officers to target illicit diversion. These squads compliment the regulatory activities performed by the rest of DEA's Diversion Control Division.

DEA also recognizes that law enforcement action alone is not enough and has rolled out its "360 Strategy." This new initiative not only involves coordinated law enforcement and diversion control, it also prioritizes community outreach efforts. As part of this strategy, for instance, DEA has partnered with Discovery Education, a division of Discovery Communications, to develop and distribute a prescription opioid and heroin education curriculum to middle and high school students, their teachers, and parents. The goal of this partnership, Operation Prevention, is to educate children about the dangers of prescription opioids and heroin, and to kick-start lifesaving conversations in the home and classroom. This program is available at no cost to schools nationwide and includes resources such as standards-aligned lesson plans, interactive student activities, and parent resources.

In September 2017, the Department awarded nearly $59 million to combat the opioid epidemic and strengthen drug court programs. Approximately $24 million in federal grants was awarded to 50 cities, counties, and public health departments to provide financial and technical assistance to state, local, and tribal governments to create comprehensive diversion and alternatives to incarceration programs for those impacted by the opioid epidemic. These funds, awarded under the Office of Justice Programs' Bureau of Justice Assistance's Comprehensive Opioid Abuse Program, also included funds from the Harold Rogers Prescription Drug Monitoring Program. This program helps regulatory, law enforcement, and public health agencies address prescription drug and opioid misuse, reduce crime, and save lives.

The department also awarded more than $22.2 million to 53 jurisdictions to support the implementation and enhancement of adult drug courts and Veterans Treatment Courts, and more than $9.5 million under several Office of Juvenile Justice and Delinquency Prevention grant programs, including the Juvenile Drug Treatment Court Grant Program and the Family Drug Court Statewide System Reform Implementation Program.

These programs help jurisdictions build effective family drug treatment courts and ensure current juvenile drug treatment courts follow established guidelines. An additional $3.1 million was awarded by the National Institute of Justice for research and evaluation on drugs and crime. The research priorities are heroin and other opioids and synthetic drugs.

6. Administering and Overseeing Contracts and Grants

Contracts

Proper oversight is necessary to ensure that the Department receives the appropriate goods or services and contractors submit only valid and accurate invoices and comply with the terms and conditions of their contracts.

With regard to prison contracting, the BOP provided its privatization operating procedures to the USMS as a model for monitoring contractor performance. In addition to providing direct oversight and quality control, the USMS's new Detention Contract Administrators (DCAs) will also ensure private prison contractors provide the level of staffing, security, and programs their contracts require. To date, the Leavenworth Detention Center contractor has taken steps to address its staffing level, which is now at 95% staffing and is expected to be higher in the next two months. As the other DCA positions are filled in FY 2018, they will address and resolve any existing or future staffing, security, and other program issues in private prisons.

Given the challenges in providing oversight of Department contracts, the Department continues to identify opportunities to improve procurement processes to enhance contract administration and oversight. For example, during FY 2017, the FBI conducted an end-to-end assessment of its acquisition process as part of the Acquisition Business Transformation (ABT) effort. ABT is enabling the FBI to streamline purchasing through category management as well as standardizing best practices across the 6,000+ contract awards issued in FY 2017. As part of the effort, the FBI conducted in-depth reviews of several of its largest service contracts to ensure optimal contract strategies and optimal labor rates. To further enhance contract management, the FBI is currently in the process of planning for a transition to the Department of Treasury's Invoice Processing Platform (IPP), which will ensure that vendors doing business with the FBI are paid in a timely manner. Finally, the FBI objects to the OIG's reference to the FBI Executive Aircraft audit. As explained earlier in response to that audit, the FBI disagrees with the audit findings.

Grants

The Department recognizes the inherent risk associated with overseeing a large portfolio of grants. As such, OJP integrates programmatic, financial, and administrative oversight throughout the grant lifecycle. This requires extensive work across OJP in areas such as programmatic and financial monitoring, grantee audit resolution, review of internal controls, training and technical assistance, performance management, and targeted outreach to high-risk or at-risk grantees.

OJP carries out a rigorous oversight and monitoring program using a risk-based approach to identify and focus effort on those grants and grantees posing the highest risk to Federal funds. OJP consistently exceeds its statutory requirement to conduct comprehensive monitoring of not less than 10 percent of total award dollars. In FY 2017, OJP completed in-depth programmatic monitoring of over 960 grants totaling more than $3 billion, over three times the amount required by law. OJP also conducted annual programmatic desk reviews on each active award. Annual desk reviews ensure compliance with programmatic and administrative requirements and assess progress towards the program goals and objectives as set forth in the award.

In addition, OJP's Office of the Chief Financial Officer (OCFO) provides financial monitoring for the entire DOJ grants portfolio (COPS, OJP, and OVW), almost 11,000 active grants totaling approximately $12 billion in FY 2017. In FY 2017, OJP's OCFO carried out financial monitoring of approximately $1.5 billion of COPS, OJP, and OVW's active grant funding. This included on-site financial monitoring of 436 grants totaling over $1 billion, and financial desk reviews (conducted remotely from OJP) of 499 grants totaling more than $560 million. As a result, OCFO identified almost $16 million in questioned costs and recovered almost $1.5 million in improper payments made by grantees.

In order to improve compliance and reduce the risk of fraud, waste, and abuse, beginning with FY 2017 awards, OJP required all award points of contact and financial points of contact to complete grants financial management training. In FY 2017, more than 3,000 grantees successfully completed OJP's on-line grants financial management training, which represents a 470% increase over the FY 2016 completion rate. Over 1,300 grantees participated in OJP's in-person financial training seminars, focused training sessions, and webinars, more than double the FY 2016 participation rate.

OJP continues to coordinate with grantees and the OIG to address issues identified in grant audits and to resolve outstanding audit recommendations. In FY 2017, OJP closed 118 single and OIG grant audit reports. This represented the closure of 388 findings. Among these closed reports, 53 percent of the $16.1 million in questioned costs identified by the OIG were ultimately supported by grantees, determined to be allowable, or approved by OJP; 39 percent were duplicate costs addressed by DOJ grant recipients in other audit reports or erroneously identified as DOJ expenditures; and the remaining 8 percent, or $1.2 million, were returned to DOJ for better use.

OJP is also taking steps to enhance its ability to assess grantee performance. In 2016, OJP's Office of Audit, Assessment, and Management (OAAM) conducted a Business Process Improvement (BPI) assessment of the DOJ grant-making component's approaches (OJP, COPS, and OVW) to performance measurement and progress reporting (PM/PR). The purpose of the BPI was to improve efficiency and promote consistency across grant-making components in their PM/PR data collection and analysis efforts. In response to the BPI's recommendations, OJP is (1) reviewing and revising over 700 existing performance measures to better focus on program outcomes; (2) developing a shared, on-line knowledge center to share best practices and training materials; (3) addressing skill gaps by creating trainings on all aspects of performance management; and (4) instituting new policies, procedures, and governance structures to promote a results-oriented culture.

Under the law, the grantee is responsible for directly monitoring its sub-recipients. It is OJP's responsibility to ensure that its direct grantees conduct proper oversight of its sub-awardees. Recent OIG audit reports have identified areas of improvement related to sub-recipient monitoring. OJP, having recognized this as a weakness for some grantees, has been strengthening its guidance and training related to sub-recipient awards and monitoring. These efforts include updating the DOJ Grants Financial Guide and related grants financial management training to include information on the requirements for sub-recipient agreements, monitoring, and audits. In July 2017, OJP posted guidance documents to clarify the difference between sub-awards and procurement contracts under an OJP award and to outline the compliance and reporting requirements for each. This guidance was also emailed to all active OJP grantees.

All OJP applicants must fill out a Financial Management and System of Internal Controls Questionnaire, which includes a question addressing whether the organization has controls in place to monitor activities of sub-recipients. Starting in FY 2017, if an applicant answered "No" or "Not Sure" to this question, OJP applied a special condition to the award requiring submission of adequate sub-recipient monitoring policies and procedures before the award recipient could expend or draw down funds.

OAAM has also updated the OJP standardized monitoring checklist used in in-depth monitoring to require grant managers to review the full sub-recipient process to include ensuring the prime recipient verifies the applicant's status on the Excluded Parties List, sub-recipient agreements, and monitoring and oversight policies and procedures to include the prime recipient's risk assessment process.

For grants administered by the COPS Office, COPS employs a variety of strategies to ensure that grant funds are wisely spent. All grant programs are offered through an automated application. With a data-driven grant application for COPS's largest grant program (the COPS Hiring Program or CHP), COPS can ensure that funding decisions are objective and comparisons can be made between applicants with regard to crime, fiscal need, and community policing plans. There is a comprehensive peer review process for all other COPS Office grant programs to ensure that subject matter experts identify the proposals that have the greatest need, as well as likelihood of effectiveness and impact.

The COPS Office provides ongoing technical support to grantees during the life of their grants, including workshops, cohort calls, and direct outreach, at least once per year to answer grantee questions and ensure that any potential programmatic or financial issues are resolved before they become serious problems. COPS also operates a dedicated Response Center trained and equipped to answer (or appropriately refer) any questions from COPS Office grantees.

Each year, the COPS Office assesses its active grant awards against established administrative, financial, and programmatic risk factors using the Grant Assessment Tool (GAT). The GAT is used to identify grantees that are most "at-risk" for mismanagement of funds and noncompliance. Each year, a monitoring plan is developed that prioritizes the level of risk for grantees as "High," "Medium," or "Low" risk. The COPS Office's Grant Monitoring Division (GMD) conducts three types of monitoring activities (site visits, office-based grant reviews, and alleged noncompliance reviews) to ensure responsible stewardship of federal funds.

Additionally, the COPS Office meets or exceeds its yearly requirement to monitor a minimum of 10 percent of the active grant award funding using the monitoring plan, which is implemented through site visits, and enhanced office-based grant reviews. The COPS Office uses the results of our monitoring efforts, as well as analysis of grants management and monitoring data, to refine existing risk factors and identify additional risk factors each year. This risk-based approach to monitoring grant awards provides the COPS Office with a strategic method to identify those grantees most at-risk for grants mismanagement or noncompliance with the terms, conditions, or requirements of grant awards.

In regard to grants administered by the Office of Violence Against Women (OVW), there are a number of strategies used to ensure proper oversight. OVW's Grants Financial Analysts conduct pre-award risk assessments of each applicant OVW expects to award grants to in a given year. Post-award OVW staff use a Grant Assessment Tool (GAT) to objectively assess the risk that each grant award carries for financial or programmatic mismanagement and fraud, waste, or abuse. OVW uses these risk ratings to establish monitoring priorities each year.

OVW monitors its grant awards to ensure financial and programmatic compliance and to avoid fraudulent or improper use of funds. OVW progress report forms collect ample numeric and narrative data about work performed and goals accomplished using OVW funds. OVW funds training and technical assistance to support grantees in aligning their work with effective strategies that are likely to produce good outcomes for serving victims and holding offenders accountable. OVW also provides direct training and technical assistance to help grantees manage their grant funds, adhere to requirements, and implement effective programs. Most OVW grantees are required to participate in new grantee orientations, either in person or via web-based forums. These orientations cover substantive issues related to the grant programs, as well as financial management, such as the GMS, civil rights provisions, progress reports, and fraud, waste, and abuse.

With regard to the management of the Crime Victims Fund (CVF), the Department recognizes the increased risk presented by additional appropriations for the CVF and takes seriously its responsibility to ensure fiscal accountability for all recipients. The Office for Victims of Crime (OVC) has taken a number of steps to address the risks associated with the large increases of the CVF, such as increasing staff resources at the program office level, as well as within OCFO, to oversee and monitor the funds; incorporating additional risk criteria to its risk assessment process to increase the monitoring priority of these awards; preparing quarterly risk indictor reports to proactively identify and resolve potential issues; and improvements to performance measurement activities, including requiring more frequent reporting of measures (from annually to quarterly) within a new performance management system.

In FY 2017, OVC began working with OJP's OAAM Enterprise Risk Management (ERM) team to develop a monitoring oversight strategy for State Administering Agencies (SAA), to develop additional tools to guide programmatic and financial monitoring efforts, and to provide training to OVC Program Specialists responsible for monitoring CVF grants. OVC also recently published the Victims of Crime Act (VOCA) Victim Assistance Program final rule, which provides guidance to SAA's regarding the states' responsibilities for monitoring sub-recipients.

In response to concerns stemming from the audit of the Office of Juvenile Justice and Delinquency Prevention's Title II Part B Formula Grant Program, OJP has been working diligently to ensure that states receiving funds under the program comply with the four core requirements outlined in the JJDPA by revising outdated guidance, developing sound controls to ensure consistent application of compliance policies, and improving communication and transparency with the states. In 2017, OJJDP hired a permanent Associate Administrator to manage the Core Protections Division. In close coordination with the Office of the General Counsel (OGC), OJJDP has revised and updated compliance policies and guidance to ensure consistent and objective application of its monitoring of state compliance with the four core requirements outlined in the JJDPA. In addition, OJJDP is working with OAAM's ERM team to develop a risk-based strategy for state audit selections that will ensure routine compliance audits for all states while prioritizing those states in most need of oversight. The Core Protections Division has also increased the number of audits it has conducted over the past three years, from one in 2015, to four in 2016, to nine in 2017.

7. Using Performance-Based Management To Improve Department Programs

Measuring Program Effectiveness

It is important to measure the effectiveness of Department programs in meeting its policy goals. Regarding the OIG's review of the BOP's management of inmates in residential reentry centers (RRCs), as noted earlier, the BOP has implemented a new Statement of Work (SOW) with RRC contractual requirements in April 2017. This SOW implements statistical reporting with respect to population, revocation data, average length of stay, employment data, and wages. Additionally, the BOP implemented a standardized monitoring instrument to be utilized when monitoring contract facilities. This instrument contains other statistical data that is used to measure the effectiveness of the RRCs and Home Confinement Programs.

OJP's OVC is currently working with OCFO to establish outcome-oriented CVF strategic goals and objectives for an OVC plan that will align the CVF goals and objectives under the Department's Strategic Plan. This will include specific objectives for the major CVF-funded activities, such as Improving Services for Victims of Crime in the Federal Criminal Justice System and Implementation of the Vision 21 Initiative. OVC has already partnered with the Justice Research and Statistics Association to create a national resource center focused on research and evaluation activities for victim service providers. Through the partnership, the OVC plans to gather outcome-oriented program evaluations to better assess overall program effectiveness and progress toward meeting the CVF strategic goal and objectives.

OJP is working to ensure grantees are able to provide sufficient support for performance data reported. OVC currently has a detailed four-step analytic validation process, which includes automated system validations, verification through data analysis, and detailed reviews by grant managers. These processes are being reviewed and documented to ensure that best practices are being followed at all steps. OVC will continue its

efforts to strengthen the process for reviewing, verifying, and validating the accuracy of all performance data, including grantee-reported data. In addition, OVC is working with OAAM and OFCO to incorporate questions, as appropriate, into the OJP standard monitoring checklist to review, verify, and validate the accuracy of performance data reported for CVF activities during in-depth monitoring.

Identifying Areas of Risk

In FY 2017, the Department made significant strides in developing its ERM program with the goal of integrating ERM with strategic planning and internal control processes to foster better performance-based management and decision-making. As part of the ERM program, the Department convened a Risk Management Committee to identify and prioritize enterprise-wide risks associated with mission and mission-support operations across the Department. Discussions of existing and planned management controls associated with the risks led to the development of an initial ERM Risk Profile.

The Department also conducted a Fraud Risk Assessment to identify enterprise-wide risks and vulnerabilities to fraud. The assessment was conducted in accordance with guidance in the Fraud Reduction and Data Analytics Act, Government Accountability Office's (GAO's) *Framework for Managing Fraud Risk in Federal Programs*, and other leading practice materials. The Department's Fraud Risk Assessment provided a foundation for reinforcing an organizational culture that combats fraud across offices and programs. The assessment provided management with the opportunity to evaluate significant fraud risks, identify potential actions to improve management controls, and consider assessment and analytic activities that would support understanding and mitigation of identified fraud risks.

Additionally, the Department piloted the use of data analytics on FY 2016 purchase card data with the objectives of broadening the scope of transaction monitoring, uncovering related control weaknesses and policy gaps, and prioritizing limited Department resources in the areas of highest risk.

The Department will continue in FY 2018 to further develop its ERM program, to include implementing a framework for integrating ERM practices with strategy setting and performance management initiatives, consistent with the framework provided in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Communication, training, and awareness building will be key areas of focus to leverage existing ERM practices and gain further integration between strategic planning, internal control monitoring, and performance assessment.

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

Following the guidance set forth in a June 2017 OMB memorandum, the Department stopped reporting the FY 2016 – 2017 Priority Goals. In its place, the Department began working on the FY 2018 – 2019 Priority Goals, which reflect the current Attorney General's top priorities with results-oriented measures related to cybercrime, violent crime, and drug enforcement. After the publication of the FY 2018 – 2019 Priority Goals, the Department will continue to assess and publicly report its progress towards meeting the specified performance goals. As part of the Quarterly Performance Review process, the Department reviews and monitors component performance data, along with budget execution and financial information.

Additionally, the Department will conduct an annual Strategic Objective Review (SOR), which is an annual assessment on the progress toward achieving the strategic objectives described in the DOJ Strategic Plan. The SOR includes an analysis of both the quality and the progress of performance measures, and often results in planned next steps either to improve existing measures or to create new measures to better show the results of

DOJ programs and activities. Moreover, the SOR also includes a comprehensive environmental scan identifying the various risks and challenges relevant to each strategic objective and the Department's actions and next steps to address some of these challenges. Following the publication of the Department of Justice FY 2018 – 2022 Strategic Plan, the Department will assess the current strategic objectives.

In an effort to ensure the Department is collecting the most useful data that reveals the full scope of its programs, the Department Budget Staff's Planning and Performance Group completed an in-depth analysis of each component's performance metrics. The Budget Staff completed a full assessment of each performance metric – assessing its value and quality. Following the assessment, the Budget Staff continues to meet with components to collaborate with them on developing new, or improving upon, existing performance measures that better reflect their work and impact on society.

As for the July 2016 OIG review, the OIG has closed the recommendations to the Executive Office of the U.S. Attorneys, regarding an assessment of the effectiveness of the U.S. Attorneys Offices' pretrial diversion programs. With respect to the OIG recommendation for the Department to assess the impact of diversion on prosecution and incarceration costs, and on recidivism, the Department examined the time and resources needed to conduct such a study. The Department determined that it should not proceed with a study, given (1) the extraordinary costs involved, (2) the current lack or reliable data or infrastructure on which to base the required assessment, and (3) the reduced emphasis on diversion within the Department's current charging framework.

8. Filling Mission Critical Positions Despite Competition for Highly-Skilled Professionals and Delays in the Onboarding Process

Skilled Experts in the Cybersecurity and Healthcare Fields are in High Demand and the Department Struggles to Compete

The Department's reputation has been built over decades of delivering on its mission-oriented work, but a single, successful cyber-attack can damage this public image in less than a minute. The Department's Office of the Chief Information Officer (OCIO) focuses on the prevention, detection, and rapid mitigation of cyber-attacks and has increased the Department's cyber capabilities in multiple areas. With these increased capabilities comes the need to have the proper personnel to manage the tools, analyze the data, and execute the investigations.

To this end, DOJ must have the ability to hire and retain the best and brightest personnel with skills and expertise in the latest tools and technologies in both asset protection and attack techniques. Historically, this has been a significant challenge, and DOJ continues to recruit and hire the best available talent within the government salary structure, facilitated by our ability to exercise direct hire authority to on-board cybersecurity professionals. To improve our recruiting results and better compete with the private sector, the Department leverages all available resources and HR benefits to bring the total pay package into a similar range to the private sector. Additionally, retaining those personnel that have the greatest positive impact on our business is a priority, so offering flexible work arrangements, combined with our diverse, challenging work experience will help us retain the best and brightest.

The cyber threat against the Department of Justice will continue to grow and evolve. In order to ensure our success, we must have the resources necessary to hire and retain skilled and dedicated personnel in order to remain vigilant to protect and secure our information and reputation.

Lengthy Background Investigations Delay the Onboarding of New Personnel

Following the passage of the Intelligence Reform and Terrorism Prevention Act (IRTPA), the ODNI increased the investigative goal for Top Secret (TS) clearances from 40 to 80 days. The adjudicative standard remained at 20 days. The investigative goal for Secret investigations remained unchanged at 40 days, with 20 days for adjudications. On a yearly average, the FBI has been able to meet the ODNI timeliness standards for the initial Top Secret investigations (SSBI/Tier5) for the last five years. Excluding cases investigated for the White House and certain other external clients, the priority cases being investigated by the FBI are the initial background investigations for new hires. There are categories of hires that typically take much longer to process and rarely meet the timeliness goals. An example of these cases are linguists. These individuals are typically first or second generation Americans with extensive ties to non-U.S. citizens, both in the U.S. and their native country. These investigations are complex and most require coordination to identify and mitigate any risk the candidate might present.

The USMS meets the initial IRTPA intake and adjudication processing timeliness requirements. To improve the onboarding time and to offset the OPM's National Background Investigations Bureau (NBIB) investigative delays, the USMS conducts preliminary suitability reviews upon receipt of intake forms to determine if the applicant is likely to be eligible. The USMS is using all available tools to facilitate hiring of Deputy U.S. Marshals, including waivers of the pre-employment investigative requirement, and submitting these mission critical positions as Priority Service. Additionally, through coordination with the Agency's Security and Emergency Planning Staff and NBIB, the USMS submitted a list of the critical Deputy U.S. Marshals applicants currently in process for NBIB staff to consider for workload prioritization.

Undisbursed Balances in Expired Grant Accounts

Section 530 of the Consolidated Appropriations Act, 2016 (Public Law 114-113), requires certain departments, agencies, and instrumentalities of the United States Government receiving appropriations under the Act to track undisbursed balances in expired grant accounts for FY 2016.

Undisbursed balances in expired grant accounts include budget authority that is no longer available for new obligations but is still available for disbursement. According to Section 20.4(c) of OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, the expired phase "lasts five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, you may not incur new obligations against expired budget authority, but you may liquidate existing obligations by making disbursements." For FY 2016, the below information is required to be reported in the Agency Financial Reports and annual performance plans/budgets with regard to undisbursed balances in expired grant accounts: 1) details on future action the department, agency, or instrumentality will take to resolve undisbursed balances in expired grant accounts; 2) the method that the department, agency, or instrumentality uses to track undisbursed balances in expired grant accounts; 3) identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States; 4) in the preceding three fiscal years, details on the total number of expired grant accounts with undisbursed balances (on the first day of each fiscal year) for the department, agency, or instrumentality and the total finances that have not been obligated to a specific project remaining in the accounts.

Three Department of Justice grant-making agencies are required to report under this guidance: Community Oriented Policing Services (COPS), Office of Justice Programs (OJP), and the Office on Violence Against Women (OVW). For COPS and OVW, there were no accounts and undisbursed and unobligated balances to report in FY 2016. Thus, the write-up below for COPS and OVW reflect the discussions from last year's report.

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

   COPS closely monitors the financial activity of all its grantees. This includes requiring all grant recipients to report the financial expenditures for all COPS awards on a quarterly basis. COPS has a dedicated group of Grant Program Specialists and Staff Accountants that offer grantees real-time technical assistance on implementation of their grant(s).

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

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

All OJP discretionary/categorical and block/formula grantees are required to submit a financial report quarterly. Grantees have 90 days after the end date of the award to drawdown funds and close out the award. If the payments to the grantee are less than the amount of the grant expenditures, then the grantee is given the opportunity to draw down these funds. OJP Customer Service Outreach staff calls the grantee to ask them to draw down their funds. The first notice will commence on the same day as the phone call to the grantee. If the grantee has not drawn down their available funds after 14 calendar days, a second contact is made by the Customer Service Outreach staff and a second notice is sent. If there is no action by the grantee, a third notice is sent to the grantee informing them that OJP will de-obligate the funds from their grant. If the grantee has not retrieved their funds after 14 additional calendar days, the funds are de-obligated. After deobligation, the grantee will receive a Grant Adjustment Notice (GAN) in the mail informing them that the funds have been de-obligated and are no longer available and the grant is closed.

OVW closely monitors the financial activity of all its grantees. All grant recipients are required to report their financial expenditures for OVW awards on a quarterly basis and their project performance activities on a semi-annual or annual basis. Although Section 1512 reporting was terminated in January 2014, until that time, ARRA grantees were required to submit special Section 1512 reports on a quarterly basis that included project and financial information. OVW reviewed 100 percent of these reports for each reporting period and contacted the grantees regarding any concerns or questions. OVW Grant Program Specialists and Financial Analysts offered ARRA grantees technical assistance with implementing any aspect of their grant, including trainings, outreach, site visits and monitoring. The OVW management received and reviewed frequent reports on ARRA grant activity, including obligation and outlay data, and OVW management worked with JMD, OMB, OVP, and the OIG to ensure that ARRA funds were being disbursed and outlayed timely. The OVW ARRA Supplemental Appropriation was cancelled on September 30, 2015, and unobligated balances were returned to Treasury.

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

   COPS utilizes FMIS2 data and data from OJP's Grant Payment Request System (GPRS) to track CHRP undisbursed balances. The COPS Office Staff Accountants also use the Federal Financial Report (SF-425) to compare the reported final expenditures with the actual final drawdowns to identify discrepancies that need attention. OJP currently uses its Grants Management System (financial reports), FMIS2 and GPRS to track undisbursed balances. OVW utilizes both FMIS2 data as well as data from OJP's GPRS to track undisbursed balances.

3. Identification of undisbursed balances in expired grant accounts that may be returned to the Treasury:

   The Department has the authority to transfer unobligated balances of expired appropriations to the Working Capital Fund. Specifically, Public Law 102-140 provides that at no later than the end the fifth fiscal year after the fiscal year for which funds are appropriated or otherwise made available, unobligated balances of appropriations available to the Department of Justice during such fiscal year may be transferred into the capital account of the Working Capital Fund to be available for the Department-wide acquisition of capital equipment, development and implementation of law enforcement or litigation related automated data processing systems, and for the improvement and implementation of the Department's financial management and payroll/personnel systems. Therefore, in general, unobligated and undisbursed balances in the Department's expired grant accounts will be transferred to the Working Capital Fund for use as authorized by law, not returned to the Treasury. An exception to this will be ARRA grant funds; pursuant to Public Law 111-203, such grant funds that had not been obligated as of December 31, 2012, were rescinded and returned to the Treasury. The Department may utilize recoveries from the ARRA grants to cover any potential future reconciliation of debt. Unobligated balances were rescinded and transferred using the year-end closing module in Treasury by the end of October 2015.

4. The total number of expired grant accounts with undisbursed balances (on the first day of each fiscal year) and the total finances that have not been obligated to a specific project remaining in the accounts, are as follows (dollars in millions):

OJP:
FY 2013: 4 accounts; $274.5 in undisbursed and unobligated balances
FY 2014: 4 accounts; $94.1 in undisbursed and unobligated balances
FY 2015: 4 accounts; $40.7 in undisbursed and unobligated balances
FY 2016: 3 accounts; $4.9 in undisbursed and unobligated balances
FY 2017: 2 accounts; $0.5 in undisbursed and unobligated balances

COPS[1]:
FY 2013: 1 account; $115.1 in undisbursed and unobligated balances
FY 2014: 1 account; $84.4 in undisbursed and unobligated balances
FY 2015: 0 account; 0 undisbursed and unobligated balances
FY 2016: 0 account; 0 undisbursed and unobligated balances
FY 2017: 0 account; 0 undisbursed and unobligated balances

OVW:
FY 2013: 1 account; $23.5 in undisbursed and unobligated balances
FY 2014: 1 account; $11.1 in undisbursed and unobligated balances
FY 2015: 1 account; $10.5 in undisbursed and unobligated balances
FY 2016: 0 account; 0 in undisbursed and unobligated balances
FY 2017: 0 account; 0 in undisbursed and unobligated balances

[1] The COPS figures reported in the FY 2016 AFR were incorrect. These are the correct figures for each fiscal year.

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APPENDICES

APPENDIX A

Payment Integrity

The Improper Payments Information Act of 2002 (IPIA), as amended, requires agencies to annually report certain information on improper payments to the President and Congress through their annual Agency Financial Report (AFR) or Performance and Accountability Report (PAR).[1] The Department provides the following improper payments reporting as required by the IPIA, as amended; OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*; and OMB Circular A-136, *Financial Reporting Requirements*. See https://paymentaccuracy.gov/ for more detailed information on improper payments and all of the information previously reported in the AFR that is not reported in this AFR.

I. Payment Reporting.

For all programs and activities as determined under OMB Circular A-123 Appendix C, Part 1.A.9. Step 2, agencies shall identify the:

- **estimated amount of payments that were properly paid, improperly paid, and the corresponding percent for each by program or activity for the current fiscal year;**
- **estimated amount of improper payments that resulted in an overpayment, an underpayment, and the corresponding percent for each by program or activity for the current fiscal year;**
- **estimated amount of improper payments made directly by the Government and the amount of improper payments made by recipients of Federal money by program or activity for the current fiscal year;**
- **root cause for overpayments and underpayments by amount and by program or activity for the current fiscal year;**
- **for programs and activities as determined under OMB Circular A-123, Appendix C, Part 1.A.9. Step 2 with improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9. Step 1, the agency shall describe the corrective action plans for reducing the estimated improper payment rate and amount, and each of the corrective actions should be clearly linked to the root cause(s) they are addressing; and**
- **reduction targets by program or activity for the next fiscal year.**

Based on the results of the FY 2017 Department-wide risk assessment, there were no programs susceptible to significant improper payments, i.e., improper payments exceeding the statutory thresholds of (1) both 1.5 percent of program outlays and $10 million or (2) $100 million.

II. Recapture of Improper Payments Reporting.

a. Agencies shall discuss payment recapture audit (or recovery auditing) efforts. The discussion should describe:

- **the actions and methods used by the agency to recoup overpayments;**
- **a justification of any overpayments that have been determined not to be collectible;**
- **any conditions giving rise to improper payments and how those conditions are being resolved; and**
- **any programs or activities excluded from review under the agency's payment recapture audit program.**

The Department's payment recapture audit program is part of its overall program of internal control over disbursements. The program includes establishing and assessing internal controls to prevent improper payments, reviewing disbursements to identify improper payments, assessing root causes of improper

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

payments, developing corrective action plans, and tracking the recapture of improper payments and disposition of recaptured funds. The scope of the program includes all payment types required by IPIA, as amended, and OMB implementing guidance. Payments that could compromise law enforcement operations or endanger the safety of personnel are excluded because of the Department's responsibility to protect such information. In FY 2017, two components used a recapture audit contractor to supplement internal review efforts to detect improper payments.

The Department's top-down approach for tracking and reporting the results of payment recapture audit activities promotes consistency across the Department in implementing the expanded requirements of the IPIA, as amended. In FY 2017, the Department provided components a template to assist them in assessing root causes of improper payments and tracking the recapture of such payments and disposition of recaptured funds.

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

The root causes for grant overpayments largely fell within the OMB-defined error categories of *Administrative or Process Error Made by State or Local Agency* and *Administrative or Process Error Made by Other Party*. Most errors involved payments for which grantees did not provide sufficient documentation to support the payments. To reduce the risk of these types of overpayments, the Department components that issue grants expanded training and communications informing grantees of their responsibilities related to receiving Federal awards. For example, the OJP requires all grantees responsible for improper payments to submit written policies and procedures describing the internal controls put in place to prevent similar occurrences in the future.

Department components also have taken actions to facilitate the recapture of improper payments. For example, the FBI produces an accounts receivable report to track the age and collection efforts for all uncollected improper payments. The ATF issues demand letters to debtors notifying them of the status of the debt, the payment due date, where to send payment, and the collection actions the ATF can pursue.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department measured payment recapture performance. Based on performance through the period ended September 30, 2017, the Department achieved an annual payment recapture rate of 85.4 percent. The table on the following page provides additional detail on the $9.984 million in overpayments identified in FY 2017 through the Department's payment recapture audit program and the $8.529 million of recaptured funds. Of the $9.984 million in overpayments, management determined $0.135 million (approximately 1.4 percent) to be not collectible, the majority of which related to unallowable expenditures by two grantees in fiscal distress ($0.118 million or 87.6 percent).

b. For each program or activity that expends $1 million or more annually and either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit, report the amount recaptured through recapture audits and amounts recaptured through sources other than payment recapture audits, including the percent such amounts represent of the total overpayments identified for recapture.

The table on the following page provides a summary of overpayments identified in FY 2017 through the Department's payment recapture audit activities ($9.984 million), as well as overpayments identified outside of such activities, i.e., through audits conducted by the DOJ OIG ($1.951 million).[2] The table also provides the amounts recaptured through payment recapture audits and outside of payment recapture audits, as well as the percent such amounts represent of the total overpayments identified for recapture.

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

DOJ Mission-Aligned Program	Overpayments Recaptured through Payment Recapture Audits			Overpayments Recaptured outside of Payment Recapture Audits[3]		
	Amount Identified	Amount Recaptured	FY 2017 Recapture Rate (%)	Amount Identified	Amount Recaptured	FY 2017 Recapture Rate (%)
Administrative, Technology, and Other	$2.117	$2.263	106.9%[4]	$0.000	$0.000	0.0%
Litigation	$1.598	$1.226	76.7%	$0.051	$0.507	994.1%[4]
Law Enforcement	$1.492	$0.878	58.8%	$0.008	$0.008	100.0%
State, Local, Tribal, and Other Assistance	$2.434	$1.661	68.2%	$1.811	$1.633	90.2%
Prisons and Detention	$2.343	$2.501	106.7%[4]	$0.081	$0.303	374.1%[4]
TOTAL	$9.984	$8.529	85.4%	$1.951	$2.451	125.6%

c. Agencies shall provide a summary of how their overpayments recaptured through payment recapture audits were used; the summary shall include the disposition of amounts recaptured through payment recapture audits.

The following table provides the disposition information for the overpayments recaptured in FY 2017 through the Department's payment recapture audit activities. As shown in the table, $8.521 million of the $8.529 million recaptured (or 99 percent) was returned to the original purpose for which the payments were made.

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

DOJ Mission-Aligned Program	Amount Recaptured in FY 2017	Disposition	
		Returned to Original Purpose	Agency Expenses to Administer the Program
Administrative, Technology, and Other	$2.263	$2.263	$0.000
Litigation	$1.226	$1.226	$0.000
Law Enforcement	$0.878	$0.870	$0.008
State, Local, Tribal, and Other Assistance	$1.661	$1.661	$0.000
Prisons and Detention	$2.501	$2.501	$0.000
TOTAL	$8.529	$8.521	$0.008

[2] The overpayments identified through audits conducted by the OIG do not include all questioned costs. When questioned costs are identified in an OIG audit report, Department management initiates a process to validate whether the costs in question were improper payments; e.g., the Department will request additional support from grantees for transactions that, at the time of audit, were not supported by adequate documentation. The validation process can take months, and in some cases years, to complete. Therefore, for payment recapture audit reporting purposes, improper payments identified for recapture include only the questioned costs for which Department management has completed the validation process and determined that the incurred costs should not have been charged to the Government and should be recaptured from the grantee.

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

[4] The improper payments recaptured exceeded the improper payments identified due to the recapture during FY 2017 of improper payments identified in previous years.

d. Agencies shall provide an aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding, including the percent such amounts represent of the total overpayments identified through payment recapture audits, i.e., overpayments that have been identified but not recaptured. Agencies should also report the amount determined to be not collectible, including the percent such amount represents of the total overpayments of the agency.

The following table provides the aging schedule for the $2.232 million in overpayments identified in FY 2017 through payment recapture audits that were outstanding (not recaptured) as of the end of FY 2017. Of the $2.232 million, the majority ($1.521 or 68.1 percent) were outstanding 0 to 6 months; $0.711 million (or approximately 31.9 percent) were outstanding 6 months to 1 year. As reported previously in this section in II.a., management determined 1.4 percent of the total overpayments identified in FY 2017 through payment recapture audits to be not collectible.

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

DOJ Mission-Aligned Program	Amount Outstanding (0 to 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount Determined to be Not Collectible
Administrative, Technology, and Other	$0.001	$0.000	$0.000	$0.000
Litigation	$0.030	$0.362	$0.000	$0.000
Law Enforcement	$0.815	$0.075	$0.000	$0.017
State, Local, Tribal, and Other Assistance	$0.577	$0.264	$0.000	$0.118
Prisons and Detention	$0.098	$0.010	$0.000	$0.000
TOTAL	$1.521	$0.711	$0.000	$0.135
Percent of FY 2017 Total Overpayments	15.2%	7.1%	0.0%	1.4%

III. Barriers.

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

Not applicable. Based on the results of the FY 2017 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

IV. Accountability.

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

Not applicable. Based on the results of the FY 2017 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

V. Agency Information Systems and Other Infrastructure.

Agencies with programs and activities with improper payments exceeding the statutory thresholds shall describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted. If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.

Not applicable. Based on the results of the FY 2017 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

VI. Sampling and Estimation.

Agencies with programs and activities with improper payments exceeding the statutory thresholds shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified as being susceptible to significant improper payments.

Based on the results of the FY 2017 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2016. Two Department programs received funds under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Act) – the Law Enforcement Program and the Prisons and Detention Program. Payments made with those funds are subject to the sampling and estimation requirements mentioned above. However, due to the limited number of FY 2016 payments made with Disaster Relief Act funds, the Department chose to test 100 percent of those payments rather than a sample. No improper payments were identified; therefore, the improper payment rate for payments made with Disaster Relief Act funds is zero percent.

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APPENDIX B

Acronyms

A

ACM	Asbestos Containing Materials
AFF	Assets Forfeiture Fund
AFF/SADF	Assets Forfeiture Fund and Seized Asset Deposit Fund
AFR	Agency Financial Report
ALAT	Assistant Legal Attaché
APR	Annual Performance Report
ARRA	American Recovery and Reinvestment Act
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
ATR	Antitrust Division
AUSA	Assistant United States Attorney

B

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

C

CAP	Cross-Agency Priority
CCA	Corrections Corporation of America
CCIPS	Computer Crime & Intellectual Property Section
CDCS	Consolidated Debt Collection System
CFO	Chief Financial Officer
CHP	COPS Hiring Program
CIV	Civil Division
COPS	Office of Community Oriented Policing Services
CPCLO	Chief Privacy and Civil Liberties Officer
CPOT	Consolidated Priority Organization Target
CRM	Criminal Division
CRS	Community Relations Service
CRT	Civil Rights Division
CS	Confidential Source
CSCATL	Correctional Systems and Correctional Alternatives for Tribal Lands
CSRS	Civil Service Retirement System
CVF	Crime Victims Fund

D

DATA Act	Digital Accountability and Transparency Act 2014
DCM	Debt Collection Management
DEA	Drug Enforcement Administration
Department, The	Department of Justice
Disaster Relief	Disaster Relief Appropriations Act of 2013
DMF	Death Master File
DOJ	Department of Justice
DOL	Department of Labor
DTEC	Domestic Terrorism Executive Committee

E

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

F

FAR	Federal Acquisition Regulations
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FBWT	Fund Balance with U.S. Treasury
FCRA	Fair Credit Reporting Act
FCSC	Foreign Claims Settlement Commission
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance Program
FEHB	Federal Employees Health Benefits Program
FERS	Federal Employees Retirement System
FERS-RAE	Federal Employees Retirement System-Revised Annuity Employees System
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FISA	Foreign Intelligence Surveillance Act
FISMA	Federal Information Security Management Act
FLU	Financial Litigation Unit
FMFIA	Federal Managers' Financial Integrity Act
FMIS2	Financial Management Information System 2
FMPM	Financial Management Policy Memorandum
FOIA	Freedom of Information Act
FPI	Federal Prison Industries, Inc.
FTE	Full-Time Equivalent
FY	Fiscal Year

G

GAO	Government Accountability Office
GAN	Grant Adjustment Notice
GAT	Grant Assessment Tool
GED	General Educational Development
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GPRAMA	GPRA Modernization Act of 2010
GPRS	Grant Payment Request System

H

HVE	Homegrown Violent Extremism

I

IC	Intelligence Community
IC4	Internet Cyber Crime Coordination Cell
IG	Inspector General
InTC	Insider Threat Center
Integrity Act	Federal Managers' Financial Integrity Act
INTERPOL	International Criminal Police Organization
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IPOL	INTERPOL Washington
ISIL	Islamic State of Iraq and the Levant
IUS	Internal Use Software

J

JMD	Justice Management Division

K

KG	Kilogram
KST	Known or Suspected Terrorists

L

LCM	Lower of average cost or market value

M

MCO	Mission Critical Operation
MSPB	Merit Systems Protection Board

N

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

O

OBDs	Offices, Boards and Divisions
OCDETF	Organized Crime Drug Enforcement Task Forces
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OEO	Office of Enforcement Operations
OIG	Office of the Inspector General
OIP	Office of Information Policy
OJP	Office of Justice Programs
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OLA	Office of Legislative Affairs
OLC	Office of Legal Counsel
OLP	Office of Legal Policy
OMB	Office of Management and Budget
OPA	Office of the Pardon Attorney
OPCL	Office of Privacy and Civil Liberties
OPM	Office of Personnel Management
OPR	Office of Professional Responsibility
OSG	Office of the Solicitor General
OTJ	Office of Tribal Justice
OVC	Office of Victims of Crime
OVP	Office of the Vice President
OVW	Office on Violence Against Women

P

PHS	Public Health Services
PIV	Personal Identity Verification
PMRU	Professional Misconduct Review Unit
PRDOJ	Puerto Rico Department of Justice
PSOB Act	Public Safety Officers’ Benefits Act of 1976

PY	Prior Year/Previous Year

R

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

S

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

T

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

U

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

V

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

W

WITSEC	Witness Security

APPENDIX C

Department Component Websites

Component	Website
American Indian and Alaska Native Affairs Desk (OJP)	www.ojp.usdoj.gov/programs/aiana.htm
Antitrust Division	www.justice.gov/atr/index.html
Bureau of Alcohol, Tobacco, Firearms and Explosives	www.atf.gov/
Bureau of Justice Assistance (OJP)	www.bja.gov/
Bureau of Justice Statistics (OJP)	www.bjs.gov/
Civil Division	www.justice.gov/civil/index.html
Civil Rights Division	www.justice.gov/crt/
Community Oriented Policing Services - COPS	www.cops.usdoj.gov/
Community Capacity Development Office (OJP)	www.ojp.usdoj.gov/ccdo/welcome_flash.html
Community Relations Service	www.justice.gov/crs
Criminal Division	www.justice.gov/criminal/
Diversion Control Program	www.deadiversion.usdoj.gov/
Drug Enforcement Administration	www.justice.gov/dea/
Environment and Natural Resources Division	www.justice.gov/enrd/
Executive Office for Immigration Review	www.justice.gov/eoir/
Executive Office for U.S. Attorneys	www.justice.gov/usao/eousa/
Executive Office for U.S. Trustees	www.justice.gov/ust/
Federal Bureau of Investigation	www.fbi.gov/
Federal Bureau of Prisons	www.bop.gov/
Foreign Claims Settlement Commission of the United States	www.justice.gov/fcsc/
INTERPOL Washington	www.justice.gov/interpol-washington/
Justice Management Division	www.justice.gov/jmd/
National Criminal Justice Reference Service (OJP)	www.ncjrs.gov/
National Institute of Corrections	www.nicic.gov/
National Institute of Justice (OJP)	www.ojp.usdoj.gov/nij/
National Security Division	www.justice.gov/nsd/
Office of the Associate Attorney General	www.justice.gov/asg/index.html
Office of the Attorney General	www.justice.gov/ag/
Office of the Deputy Attorney General	www.justice.gov/dag/
Office of Information Policy	www.justice.gov/oip/oip.html
Office of the Inspector General	www.justice.gov/oig/
Office of Justice Programs	www.ojp.usdoj.gov/
Office of Juvenile Justice and Delinquency Prevention (OJP)	www.ojjdp.gov/
Office of Legal Counsel	www.justice.gov/olc/index.html
Office of Legal Policy	www.justice.gov/olp/
Office of Legislative Affairs	www.justice.gov/ola/
Office of the Pardon Attorney	www.justice.gov/pardon/
Office of Professional Responsibility	www.justice.gov/opr/index.html
Office of Public Affairs	www.justice.gov/opa/index.html
Office of the Solicitor General	www.justice.gov/osg/
Office of Tribal Justice	www.justice.gov/otj/index.html
Office for Victims of Crime (OJP)	www.ojp.usdoj.gov/ovc/
Office on Violence Against Women	www.ovw.usdoj.gov/
Tax Division	www.justice.gov/tax/
U.S. Attorneys	www.justice.gov/usao/
U.S. Marshals Service	www.justice.gov/marshals/
U.S. Parole Commission	www.justice.gov/uspc/

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This document is available on the Internet at:
http://www.justice.gov/ag/fy-2017-agency-financial-report

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