OFFICES, BOARDS AND DIVISIONS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2012

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Office of the Inspector General
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OFFICES, BOARDS AND DIVISIONS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2012

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the Offices, Boards and Divisions (OBDs) for the fiscal years (FY) ended September 30, 2012, and September 30, 2011. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the OBDs' audit in accordance with auditing standards generally accepted in the United States of America. The audit resulted in an unqualified opinion on the FY 2012 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles. For FY 2011, the OBDs also received an unqualified opinion on its financial statements (OIG Report No. 12-13).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors identified one significant deficiency in the FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting*. The significant deficiency related to inadequate accounting and reporting of internal use software project costs. Specifically, financial and management controls are not adequate to ensure that the compilation of internal use software cost data submitted for capitalization is in accordance with the applicable generally accepted accounting principles, and that recorded amounts are proper, accurate, and complete.

No instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* were identified during the audit in the FY 2012 *Independent Auditors' Report on Compliance and Other Matters*. Additionally, KPMG LLP's tests disclosed no instances in which the OBDs' financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996.*

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, an opinion on the OBDs' financial statements, conclusions about the effectiveness of internal control, conclusions on whether the OBDs' financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 5, 2012, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

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Management's Discussion and Analysis

Unaudited

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Management's Discussion and Analysis (MD&A) (unaudited)

This report presents the Annual Financial Statements of the Offices, Boards and Divisions (the OBDs) for the fiscal years (FY) ended September 30, 2012 and 2011. In accordance with the Government Management Reform Act (GMRA) of 1994, the Attorney General prepares, and submits to the Director of the Office of Management and Budget (OMB), audited financial statements covering the accounts and activities of the Department of Justice (DOJ or the Department). The OBDs entity is comprised of legal, executive, and management organizations. Collectively, these organizations comprise one of the DOJ financial statement reporting entities.

MISSION

The overall mission of the Department, as reflected in its new Strategic Plan for the FYs 2012-2016, is stated 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."

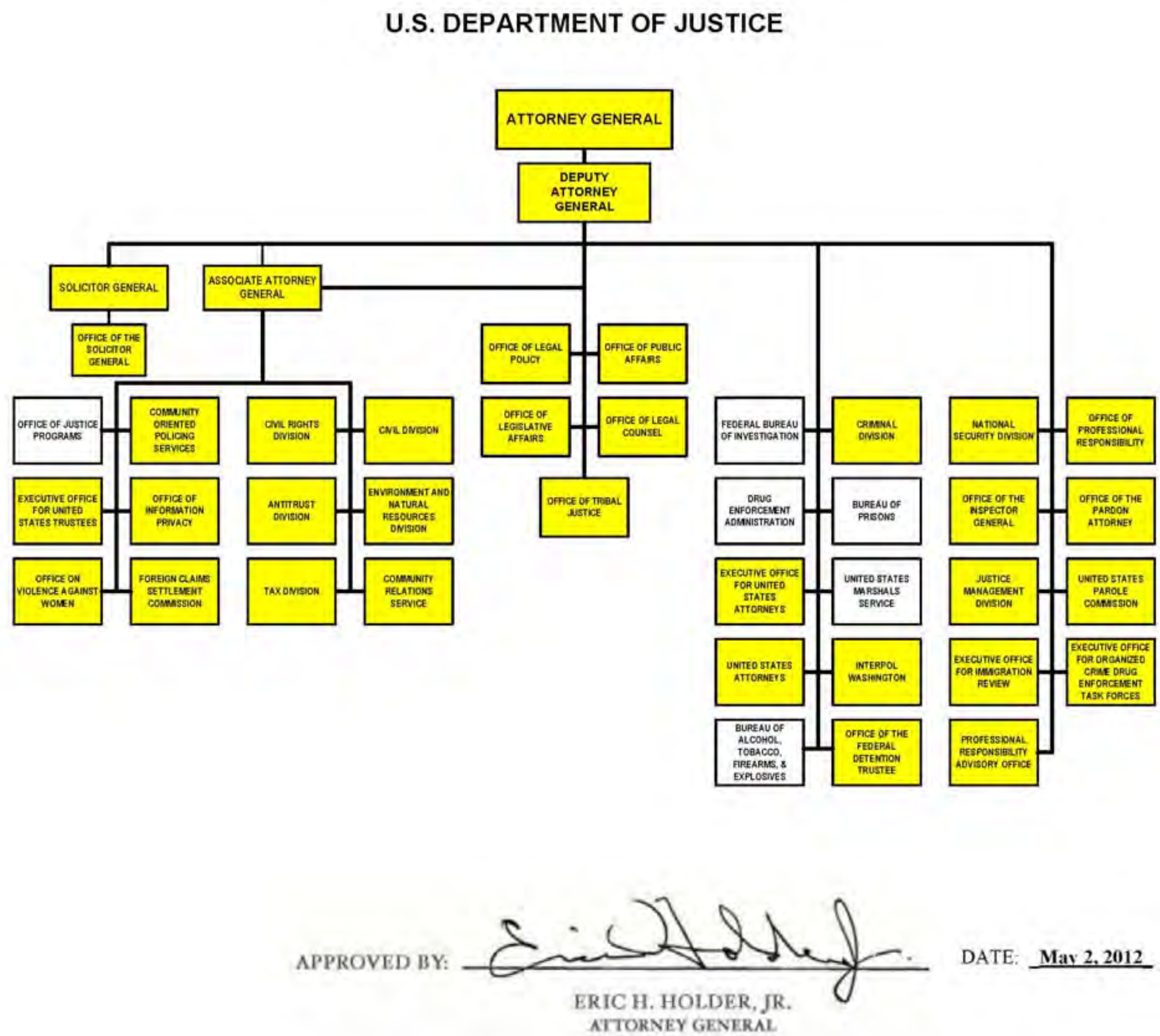
The OBDs play a major role in carrying out this mission. The OBDs entity is diverse, with responsibility for performing a broad array of program activities. The OBDs represent the American people in all legal matters involving the United States Government. These legal activities include ensuring fair and healthy competition of business; safeguarding consumers; enforcing drug and immigration laws; and protecting citizens through effective law enforcement. The OBDs also supervise the administration of bankruptcy cases in the federal Bankruptcy Courts; uphold the civil rights of all Americans; enforce laws protecting the environment; represent the United States in civil and criminal litigation; develop and enforce criminal statutes; conduct criminal investigations and coordinate law enforcement matters with foreign governments; and represent the United States in civil and criminal litigation arising from internal revenue laws. Additionally, the National Security Division (NSD) consolidates the Department's primary national security elements within a single Division to ensure greater coordination and unity of purpose between prosecutors and law enforcement agencies as well as intelligence attorneys and the Intelligence Community.

The OBDs conduct all suits in the Supreme Court in which the United States is concerned. Further, the OBDs represent the Government in legal matters, including the rendering of advice and opinions, upon request, to the President and to the heads of executive departments and agencies.

In addition to legal activities, the OBDs provide leadership and assistance to state, local, and tribal governments through the Office of Community Oriented Policing Services (COPS). The OBDs include the DOJ executive leadership offices, which assist the Attorney General in the overall supervision and management of DOJ programs, and provide executive assistance and support to the 94 Offices of the United States Attorneys (USA). The OBDs perform the management, policy development, and advisory functions that support DOJ budgeting and financial management, personnel management, information technology management, equal employment opportunity, and resource planning. Finally, the OBDs manage and oversee federal prisoner detention by establishing a secure and effective operating environment that drives efficient and fair expenditure of appropriated funds. Administratively, the OBDs manage the Working Capital Fund (WCF), which is a revolving fund that is authorized by law to finance a cycle of operations where the costs for goods or services provided are charged back to the recipient. The funds received are available to continue operations and for future investments. In many ways, the WCF has characteristics typical of a business enterprise.

ORGANIZATIONAL STRUCTURE

The following organization chart shows the organizational structure of the OBDs entity (the OBDs are shown in colored or shaded boxes) as it relates to the rest of the Department (non-OBDs are shown in boxes that are not colored or shaded). The Justice Management Division (JMD) oversees the administrative operations of the WCF.



FINANCIAL STRUCTURE

The OBDs receive funding in over 130 different annual, multi-year, and no-year appropriations. Generally, annual appropriations provide for most, but not all, salaries and expenses, and core program activities, while multi-year and no-year provide for a wide variety of specialized programs, activities, and functions. Individual OBDs components receive allotments and sub-allotments, as part of DOJ funds control. The OBDs financial statements report the consolidated assets, liabilities, and results of the OBDs operations.

ANALYSIS OF FINANCIAL STATEMENTS

The OBDs financial statements received an unqualified audit opinion for the thirteenth straight year. These statements have been prepared from the accounting records of OBDs in conformity with the U.S. generally accepted accounting principles and OMB Circular A-136, *Financial Reporting Requirements.* These principles are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

Highlights of the financial and budgetary information presented in the financial statements are shown below:

Assets – The OBDs Consolidated Balance Sheet as of September 30, 2012 shows $6.6 billion in total assets, an increase of $303 million from the FY 2011 total assets of $6.3 billion. This increase is primarily related to an increase in Debt Collection Management (DCM) collection activity. Fund Balance with U.S. Treasury was $5.7 billion as of September 30, 2012, which represents 86 percent of total assets.

Liabilities – Total OBDs liabilities were $6.0 billion as of September 30, 2012, an increase of $3.4 billion from the previous year's total liabilities of $2.6 billion. This increase can be attributed mostly to the reactivation of the September 11th Victim Compensation Fund of 2001 and the recognition of related unfunded liabilities.

Net Cost of OBDs Operations – The Consolidated Statement of Net Cost presents the OBDs gross and net cost for the Department's three strategic goals. The net cost of OBDs operations totaled $10.2 billion for the fiscal year ended September 30, 2012, an increase of $2.8 billion from the previous year's net cost of operations of $7.4 billion. This change is primarily related to the reactivation of the September 11th Victim Compensation Fund of 2001 and the recognition of related unfunded expenses.

Budgetary Resources – The OBDs Combined Statement of Budgetary Resources shows $10.4 billion in total budgetary resources, an increase $43 million from FY 2011 total budgetary resources of $10.4 billion. The increase is primarily due to an increase in budget authority.

Net Outlays – The OBDs Combined Statement of Budgetary Resources shows $6.2 billion in net outlays for the fiscal year ended September 30, 2012, a decrease of $605 million from the previous year's total net outlays of $6.8 billion.

Custodial Collections – The OBDs Combined Statement of Custodial Activity shows $7.0 billion in total custodial collections for the fiscal year ended September 30, 2012, an increase of $1.7 billion from the FY 2011 total custodial collections of $5.3 billion. This increase is directly related to an increase in DCM Collections related to the delinquent federal civil debts as required by the Federal Debt Recovery Act of 1986.

PERFORMANCE INFORMATION

The OBDs resource and performance information is presented on the following pages. The performance information is organized by Strategic Goal and Strategic Objective and is consistent with the Department's Government Performance and Results Act (GPRA/GPRA Modernization Act) performance plans.

The OBDs Consolidated Statements of Net Cost for FY 2012 and FY 2011 are presented using the three Strategic Goals as contained in the Strategic Plan for FYs 2012-2016. The Strategic Plan is available on the Internet at DOJ's website: http://www.justice.gov. The three Strategic Goals are listed in Table 2.

Because of the diversity of the OBDs components and their individual programs and missions, the OBDs are involved in all three DOJ Strategic Goals. Table 1 and Table 2, along with associated graphs, provide an overview of the sources of OBDs resources and how they were spent (by goal).

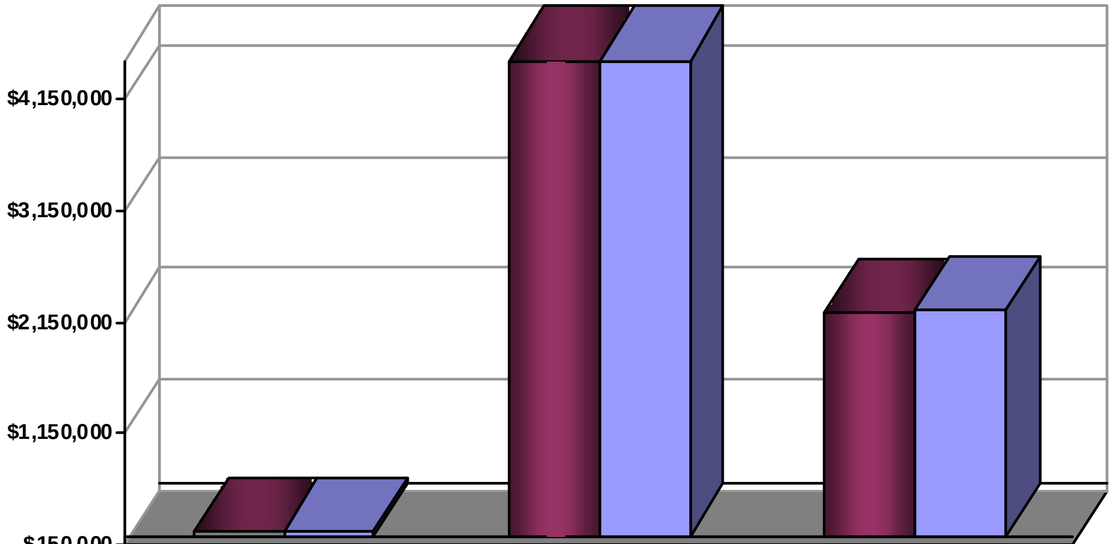
Table 1. Sources of OBDs Resources
(Dollars in Thousands)

Source	FY 2012	FY 2011	Percent Change
Earned Revenue	$1,265,600	$1,322,329	-4.3%
Budgetary Financing Sources			
Appropriations Received	6,920,135	6,973,745	-0.8%
Appropriations Transferred In/Out	(28,074)	(187,823)	85.1%
Nonexchange Revenues	4,085	1,070	281.8%
Transfers In/Out Without Reimbursement	109,395	113,735	-3.8%
Other Adjustments and Other Budgetary Financing Sources	(80,561)	(49,664)	-62.2%
Other Financing Sources			
Transfers In/Out Without Reimbursement	(36,621)	(53,304)	31.3%
Imputed Financing from Costs Absorbed by Others	176,399	221,611	-20.4%
Total	**$8,330,358**	**$8,341,699**	- 0.1%

Table 2. How OBDs Resources are Spent
(Dollars in Thousands)

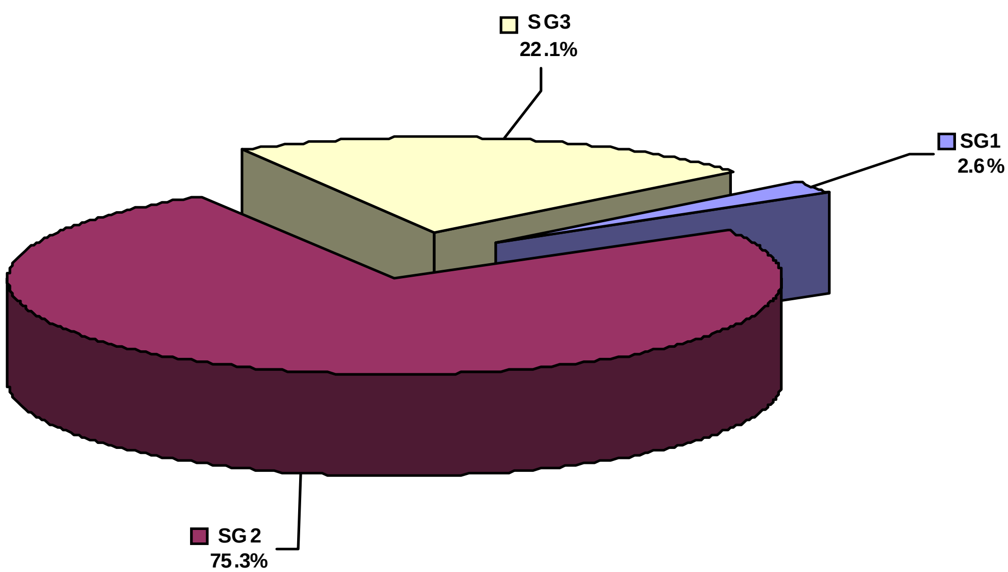
	Strategic Goal (SG)	FY 2012	FY 2011	Percent Change
SG 1	**Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law**			
	Gross Cost	$381,836	$378,325	
	Less: Earned Revenue	(116,119)	(116,209)	
	Net Cost	265,717	262,116	1.4%
SG 2	**Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law**			
	Gross Cost	$8,591,116	$5,858,718	
	Less: Earned Revenue	(924,300)	(1,002,609)	
	Net Cost	7,666,816	4,856,109	57.9%
SG 3	**Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels**			
	Gross Cost	$2,473,536	$2,441,919	
	Less: Earned Revenue	(225,181)	(203,511)	
	Net Cost	2,248,355	2,238,408	0.4%
	Total Gross Cost	**11,446,488**	**8,678,962**	
	Total Earned Revenue	**(1,265,600)**	**(1,322,329)**	
	Total Net Cost of Operations	**10,180,088**	**$7,356,633**	**38.4%**

Comparison of Net Costs
(Dollars in Thousands) - FY 2012 and FY 2011



	SG1	SG2	SG3
FY 2011	$262,116	$4,856,109	$2,238,408
FY 2012	$265,717	$7,666,816	$2,248,355

FY 2012 Net Costs by Strategic Goal



2012 Financial Highlights

A brief description of some of the major costs included in each Strategic Goal follows.

- **Strategic Goal 1, Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law** includes resources dedicated to counterterrorism initiatives in the National Security Division, the United States Attorneys' offices and Criminal Division.

- **Strategic Goal 2, Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law** includes the functions of the legal divisions, the U.S. Attorneys, the U.S. Trustees, and the Organized Crime Drug Enforcement Task Forces program. Goal 2 also includes the Community Oriented Policing Services and the administrative costs of the Office on Violence Against Women.

- **Strategic Goal 3, Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels** includes the Office of the Federal Detention Trustee, the U.S. Parole Commission, and the Executive Office for Immigration Review.

Data Reliability and Validity

The OBDs view data reliability and validity as critically important in the planning and assessment of our performance. As such, this document includes a discussion of data validation, verification, and any identified data limitations for each performance measure presented. Each Reporting Component ensures that data reported meets the following criteria:

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

FY 2012 REPORT ON SELECTED ACCOMPLISHMENTS

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

2.6% of OBDs Net Costs support this Goal.

STRATEGIC OBJECTIVE 1.1: Prevent, disrupt, and defeat terrorist operations before they occur.
STRATEGIC OBJECTIVE 1.2: Prosecute those involved in terrorist acts.
STRATEGIC OBJECTIVE 1.3: Combat espionage against the United States.

Investigate and Prosecute Terrorist Acts

Background/Program Objectives: Through both criminal and national security investigations, DOJ works to arrest and prosecute or deport terrorists and their supporters and to disrupt financial flows that provide resources to terrorist operations. These investigations enable the Department to gather information, punish terrorists, develop and solidify relationships with critical partners, and maintain a presence visible to both potential terrorists and the American public. Within the OBDs, both the National Security Division and the United States Attorneys are heavily involved in the DOJ's counterterrorism mission. The United States Attorneys' offices, the National Security Division, and the Criminal Division focus on the development and prosecution of terrorism and cyberterrorism cases, and the coordination of information-sharing and partnerships. The 94 United States Attorneys' offices are part of a national network that coordinates the dissemination of information and the development of a preventive, investigative and prosecutorial strategy among federal law enforcement agencies, primary state and local police forces, and other appropriate state agencies in each of the 94 federal judicial districts. The National Security Division coordinates counterterrorism issues with the U.S. Attorneys' offices, other Executive Branch agencies, and multilateral organizations.

Performance Measure: There are no performance measures being reported for this strategic goal.

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STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law

75.3% of OBDs Net Costs support this Goal.

STRATEGIC OBJECTIVE 2.1: Combat the threat, incidence, and prevalence of violent crime.
STRATEGIC OBJECTIVE 2.2: Prevent and intervene in crimes against vulnerable populations; uphold the rights of, and improve services to, America's crime victims.
STRATEGIC OBJECTIVE 2.3: Combat the threat, trafficking, and use of illegal drugs and the diversion of licit drugs.
STRATEGIC OBJECTIVE 2.4: Combat corruption, economic crimes, and international organized crime.
STRATEGIC OBJECTIVE 2.5: Promote and protect Americans' civil rights.
STRATEGIC OBJECTIVE 2.6: Protect the federal fisc and defend the interests of the United States.

Successfully Litigate Cases

Background/Program Objectives: Representing the rights and interests of the American people is a top priority for the Department of Justice. Among the DOJ components sharing responsibilities to achieve this goal are the Executive Office of the U.S. Attorneys, the Antitrust, Civil, Civil Rights, Criminal, Environment and Natural Resources, and Tax Divisions.

There are 94 Offices of the U.S. Attorneys located throughout the United States and its territories. Each U.S. Attorney serves as the chief federal law enforcement officer within his or her judicial district and, as such, is responsible for the prosecution of criminal cases brought by the federal government; the litigation and defense of civil cases in which the United States is a party; the handling of criminal and civil appellate cases before United States Courts of Appeal; and the collection of civil and criminal debts and restitutions owed the federal government which are administratively uncollectable.

Additionally, the Department has litigators that specialize in the areas of: preserving a competitive market structure; defending the public fisc against unwarranted claims; protecting civil rights; enforcing federal civil and criminal statutes; safeguarding the environment; and administrating internal revenue laws.

The Antitrust Division (ATR) promotes and protects the competitive process – and the American economy – through the enforcement of antitrust laws. These laws apply to virtually all industries and to every level of business, including manufacturing, transportation, distribution, and marketing.

The Civil Division (CIV) defends challenges to Congressional statutes, Presidential actions, national security issues, health care programs, vaccine injury claims, and energy policies; pursues violators of immigration and consumer protection laws; and handles thousands of affirmative and defensive cases with billions of dollars at issue related to accident and liability claims, natural disasters and other unprecedented events. CIV also handles commercial issues such as bankruptcy, contract disputes, banking, insurance, patents, fraud, and debt collection and administers the Radiation Exposure Compensation Program and the newly re-opened September 11th Victim Compensation Fund.

The Civil Rights Division (CRT) enforces federal statutes prohibiting discrimination in education, religion, employment, credit, housing fair lending, public accommodations and facilities, conditions of confinement in state and locally operated institutions, national origin, voting, retaliation based on military service, and certain federally funded and conducted programs. Additionally, CRT enforces criminal civil rights responsibilities for human trafficking and involuntary servitude statutes; acts of racial, ethnic, sexual orientation, gender identity, disability or religious violence; "color of law" offenses by local and federal law enforcement officials; and conspiracies to interfere with federally protected rights. CRT also enforces the criminal and civil provisions to protect the rights of people to use the services of reproductive health clinics free from interference.

The Criminal Division (CRM) develops, enforces, and supervises the application of all federal criminal laws (except those specifically assigned to other divisions). The mission of the CRM is to identify and respond to critical and emerging national and international criminal threats, and to lead the enforcement, regulatory, and intelligence communities in a coordinated, nationwide response to reduce those threats. The Division engages in several functions vital to achieving its mission: investigating and prosecuting significant criminal cases and matters; providing expert legal advice and training; providing critical law enforcement tools (e.g., Title III wiretaps); and forging global law enforcement partnerships.

The Environment and Natural Resources Division (ENRD) brings cases against those who violate the nation's civil and criminal pollution-control and wildlife protection laws. Additionally, ENRD defends environmental challenges to government programs and activities and represents the U.S. in matters concerning the stewardship of the nation's natural resources and public lands. In addition, ENRD litigates cases concerning Indian rights and claims.

The Tax Division's (TAX) mission is to enforce the nation’s tax laws fully, fairly, and consistently, through both criminal and civil litigation, in order to promote voluntary compliance with the tax laws, maintain public confidence in the integrity of the tax system, and promote the sound development of the law.

Performance Measure: Percent of Cases Favorably Resolved

FY 2012 Target:
Criminal Cases: 90%
Civil Cases: 80%
FY 2012 Actual:
Criminal Cases: 92%
Civil Cases: 81%

Discussion of FY 2012 Results: The Department exceeded its target for this performance measure. The following are highlights of the accomplishments achieved by relevant components in FY 2012.

The U.S. Attorneys continued its efforts combating fraud with its Financial Fraud Enforcement Task Force and 94 regional mortgage fraud task forces and working groups, together with targeted financial fraud training provided at the National Advocacy Center including seminars in the areas of mortgage fraud, bank fraud, health care fraud, and securities fraud. Some highlights of these efforts include the following: On February 1, 2012, David Higgs, Managing Director at Credit Suisse Group, and Salmaan Siddiqui, Vice President in the Investment Banking Division, plead guilty in the Southern District of New York to failing to mark to market the fair value of Residential Mortgage backed Securities and Commercial Mortgage backed Securities assets, which contributed to a $2.65 billion write down in Credit Suisse's reported net income, approximately $540 million of which was attributable to defendants' conduct. On June 4, 2012, in the District of New Jersey, Matthew Kluger, a lawyer who fed inside information to a professional stock trader in a 17-year scheme that netted those millions, was sentenced to 12 years in prison. This is the longest sentence ever handed down in an insider trading case. Stock trader Garrett D. Bauer was sentenced to 108 months in prison for his role in the scheme. On July 2, 2102, GlaxoSmithKline (GSK) agreed to plead guilty and to pay $3 billion to resolve its criminal and civil liability arising from the company’s unlawful promotion of certain prescription drugs. The resolution is the largest health care fraud settlement in U.S. history and the largest payment ever by a drug company. GSK agreed to plead guilty to a three-count criminal information, including two counts of introducing misbranded drugs, Paxil and Wellbutrin, into interstate commerce and one count of failing to report safety data about the drug Avandia to the Food and Drug Administration. Under the terms of the plea agreement, GSK will pay a total of $1 billion, including a criminal fine of $956,814,400 and forfeiture in the amount of $43,185,600. GSK will also pay $2 billion to resolve its civil liabilities with the federal government under the False Claims Act, as well as the states. In May 2012, Global Health Care Company Abbott Laboratories Inc. plead guilty and agreed to pay $1.5 billion to resolve its criminal and civil liability arising from the company's unlawful promotion of the prescription drug Depakote for uses not approved as safe and effective by the Food and Drug Administration. The resolution – the second largest payment by a drug company – includes a criminal fine and forfeiture totaling $700 million and civil settlements with the federal government and the states totaling $800 million. Abbott also will be subject to court-supervised probation and reporting obligations for Abbott's Chief Executive Officer and Board of Directors.

The ATR obtained $1.1 billion in criminal fines in FY 2012 against antitrust violators. The Division's investigations into the liquid crystal displays (LCDs) and auto parts industries yielded significant restitution and fines which helped fund the Department's Crime Victims Fund. In addition, the Division continued its work with the Financial Fraud Enforcement Task Force and its efforts to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. On the civil side, the Division was successful in protecting competition and U.S. consumers by challenging proposed mergers and agreements in areas as diverse as telecommunications, health care and tax preparation software.

In FY 2012, CIV defeated billions of dollars in unmeritorious claims, in addition to the successful defense of suits filed against the government as a result of federal policies, laws, and involvement in commercial activities, domestic and foreign operations, entitlement programs, law enforcement initiatives, military actions, and counterterrorism efforts. CIV also pursued affirmative litigation, bringing suits on behalf of the United States, which resulted in the return of billions of dollars to the Treasury, Medicare, and other entitlement programs. This year alone, the Division, working with the U.S. Attorneys, recovered a record-high amount of over $4.8 billion as a result of its aggressive efforts in fighting health care, mortgage, and procurement fraud.

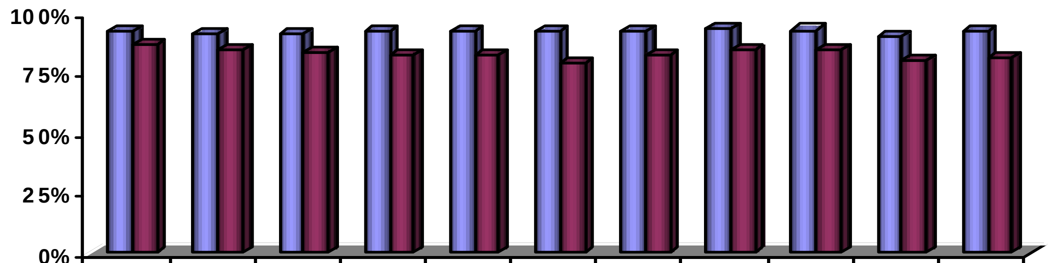
The CRT reached the Nation's largest-ever fair lending settlement on behalf of minorities who were steered discriminatorily towards subprime loans, and negotiated $25 billion in settlements with the Nation's five largest mortgage servicers as part of the enforcement of mortgage protections for U.S. service members. CRT achieved both a record monetary recovery by the United States in a disability-based housing discrimination case, and a record monetary recovery for sexual harassment in a suit brought under the Fair Housing Act. As part of its work to protect vulnerable populations, CRT has convicted the most persons on hate crimes in over a decade, and charged the most defendants on human trafficking offenses in the history of the Division. CRT has also filed record numbers of criminal police misconduct cases. In New Orleans, CRT conducted one of the most extensive reviews ever of a law enforcement agency, and is now working to develop a comprehensive blueprint for sustainable reform of the police department. A similarly extensive review has been completed in Puerto Rico. CRT is committed to investigating voting irregularities and monitoring voter registration requirements to ensure that the vote of every American is counted, including military personnel, their families, and civilian personnel working overseas. CRT's determined enforcement of the Supreme Court's decision in *Olmstead v L.C.*, led to landmark settlements with Virginia, Delaware, and Georgia, that will allow thousands of disabled citizens to receive community-based services.

The CRM prosecuted and achieved favorable dispositions in FY 2012 in cases covering a wide range of complex case law. For example, in a shared case with the U.S. Attorney's Office for the Southern District of Texas, the Division successfully prosecuted Robert Allen Stanford for a twenty year, $7.2 billion Ponzi scheme centering around an offshore bank, which Stanford owned and operated in Antigua and Barbuda. Stanford was convicted and received a 110-year sentence. The Division was also instrumental in prosecuting the New England La Cosa Nostra (LCN) leadership in Providence, RI, which resulted in ten defendants being charged with racketeering conspiracy and extortion offenses. A total of ten defendants pleaded guilty, including two successive LCN bosses. Lastly, the Barclays Bank PLC, a financial institution headquartered in London, has entered into an agreement with the Division to pay a $160 million penalty to resolve violations arising from Barclays's submissions for the London InterBank Offered Rate (LIBOR) and the Euro Interbank Offered Rate (EURIBOR), which are benchmark interest rates used in financial markets around the world.

The ENRD continued to enforce the Clean Air Act. ENRD and the Environmental Protection Agency (EPA) reached an innovative agreement in April 2012 with Ohio-based Marathon Petroleum Company that already has significantly reduced air pollution from all six of the company's petroleum refineries. In a first for the refining industry, Marathon has agreed to install state-of-the-art controls on waste combustion devices known as flares and to cap the volume of waste gas sent to flares. The settlement is part of EPA's national effort to reduce air pollution from refinery, petrochemical, and chemical flares. When fully implemented, the agreement is expected to reduce harmful air pollution by approximately 5,400 tons per year and result in future cost savings for the company. The agreement, accompanied by a $460,000 civil penalty, resolves Marathon's alleged violations of the Clean Air Act. Marathon also will spend an as yet undetermined sum to comply with the flaring caps required in the consent decree. Under the agreement, Marathon will also implement a project at its Detroit, Michigan refinery to remove another 15 tons per year of VOCs and another one ton per year of benzene from the air. At an estimated cost of $2.2 million, Marathon will install controls on numerous sludge handling tanks and equipment. Marathon's six refineries, which are located in Robinson, Illinois; Catlettsburg, Kentucky; Garyville, Louisiana; Detroit, Michigan; Canton, Ohio; and Texas City, Texas, have a capacity of more than 1.15 million barrels per day.

One of the Tax Division's top litigation priorities continues to be the concerted civil and criminal effort to combat the serious problem of non-compliance with our tax laws by US taxpayers using secret offshore accounts – a problem that a 2008 Senate report concluded costs the US Treasury at least $100 billion annually. As part of the deferred prosecution agreement the Tax Division negotiated in 2009 with UBS Switzerland's largest bank, as well as a 2009 agreement negotiated among the US, UBS, and the Swiss government to settle a civil summons enforcement proceeding brought by the Tax Division, the IRS continues to receive account information about thousands of the most significant tax cheats among the US taxpayers who maintain secret Swiss bank accounts. The prosecution results so far have been encouraging: To date, approximately 150 grand jury investigations of offshore-banking clients have been initiated, of which 47 cases have been charged, with 38 guilty pleas having been entered, 3 convicted after trial (two of whom have been sentenced, with each receiving a 10-year prison sentence), and 6 awaiting trial. A number of facilitators who helped clients hide assets offshore have been indicted, resulting in 19 bankers, 8 advisors, and 2 attorneys being charged and awaiting trial; one advisor and one banker have been convicted and sentenced. One Swiss bank, Wegelin and Co., has been indicted. The other banks implicated include not only UBS, but another international Swiss bank, regional Swiss banks, an Israeli bank and HSBC India. In addition, grand jury investigations have been opened into additional offshore banks across the world, and the Division obtained a court decision allowing the IRS to summon additional account information from HSBC Bank. The Division also ensures that the public is aware of the offshore initiative. Indeed, the IRS credits the publicity surrounding this initiative with prompting a huge increase in the number of taxpayers who have "come in from the cold" and voluntarily disclosed to the IRS their previously hidden foreign accounts. Nearly 18,000 US taxpayers made voluntary disclosures in the 18-month period concluding February, 2011 – in contrast to fewer than 100 in a typical year – and made $2.2 billion in payments to the IRS. Another 12,000 US taxpayers disclosed their accounts under the 2011 Offshore Voluntary Disclosure Initiative (which ended September 9, 2011) and have made $500 million in payments to the IRS so far.

Percent of Cases Favorably Resolved



	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12 Tgt.	FY12 Act.
Criminal	92%	91%	91%	92%	92%	92%	92%	94%	93%	90%	92%
Civil	87%	85%	84%	83%	83%	79%	83%	85%	85%	80%	81%

Data Definition: Cases favorably resolved include those cases that resulted in court judgments favorable to the government, as well as settlements. For antitrust-related merger cases, favorably resolved data includes: abandoned mergers, mergers "fixed," or mergers with consent decrees. Non-merger cases favorably resolved include instances where practices changed after the investigation and complaints filed with consent decrees. The data set includes non-appellate cases closed during the fiscal year.

Data Collection and Storage: Data are currently captured within each component's automated case management system and companion interface systems. Currently, cases worked on by more than one component are included in the totals from CRM, CRT, ENRD, and the Executive Office of the U.S. Attorneys (EOUSA). Also, the court's disposition date is used for reporting purposes for ATR, CIV, CRM, CRT, and ENRD; however, EOUSA and TAX use the date entered into their current case management system. Additionally, CIV counts at the party level; CRM, ENRD, and EOUSA count cases at the defendant level; CRT and TAX count Civil and Criminal cases. Lastly, ATR includes Criminal, Civil Merger, and Civil Non-Merger; ENRD includes affirmative, defensive, criminal, and condemnation cases in their totals.

Data Validation and Verification: Each component implements their individual methodology for verifying data; however, in general, case listings and reports are reviewed by attorney managers for data completeness and accuracy on a routine basis. Batch data analysis and ad hoc reviews are also conducted.

Data Limitations: Data quality suffers from the lack of a single DOJ case management system and a standardized methodology for capturing case related data. Due to the inherent variances in data collection and management, cases may refer to cases or individuals. In addition, due to reporting lags, case closures for any given year may be under or over-reported. Lastly, EOUSA data does not include information for the month of September 2005 for the Eastern District of Louisiana due to Hurricane Katrina.

Protect Vulnerable People

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

Performance Measure: NEW MEASURE: Number of Matters/Investigations of Child Sexual Exploitation and Human Trafficking Resolved

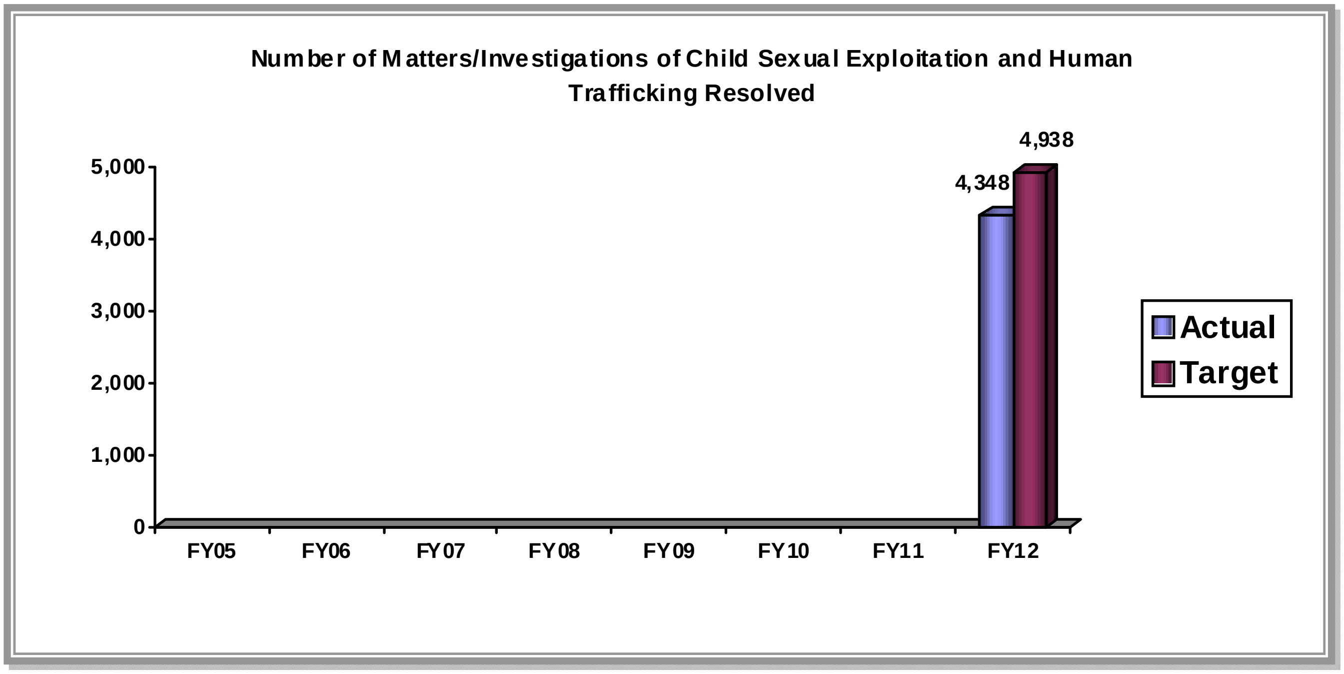
FY 2012 Target: 4,938 (Baseline)
FY 2012 Actual: 4,348

Discussion of FY 2012 Results: The Department did not meet the target for FY 2012. However, the following are highlights of some of the accomplishments in FY 2012.

In the U.S. Attorney's Office Eastern District of Pennsylvania, Omelyan Botsvynyuk was sentenced to life plus 20 years for operating a human trafficking organization that smuggled young Ukrainian immigrants into the United States forcing them to work in a cleaning business he ran with his brother Stepan, who was also convicted. Both defendants, along with three other brothers (two awaiting extradition from Canada and one a fugitive), illegally smuggled Ukrainian workers into the country and promised them jobs with good pay. However, once here, the brothers controlled the workers through physical force, threats of force, sexual assault, control of the workers' documents, debt bondage, and extortion of their families in the Ukraine in order to keep them in involuntary servitude. On September 6, 2012, in the Western District of Louisiana, John Wyss, aka "Bones," 55, of Monroe, Wisconsin, was sentenced to life in prison for his participation in an international criminal network known as Dreamboard, a private, members-only, online bulletin board that was created and operated to promote pedophilia, encourage the sexual abuse of very young children, and promote the creation and dissemination of graphic images and videos of child sexual abuse throughout the world. Wyss was convicted at trial of one count of engaging in a child exploitation enterprise, one count of conspiracy to advertise child pornography, and one count of conspiracy to distribute child pornography. A total of 72 individuals, including Wyss, have been charged for their participation in Dreamboard. On June 27, 2012, in the District of Connecticut, Jesse Osmun, 32, of Milford, Connecticut, pleaded guilty to one count of traveling from the United States to South Africa and engaging in illicit sexual conduct with children. Osmun sexually abused four minor girls while he was a volunteer with the U.S. Peace Corps in South Africa. On October 10, 2012, Osmun was sentenced to 15 years' imprisonment, followed by 10 years of supervised release.

The CRM announced in May 2012 that Michael Wayne Wooten, a former security officer in the Birmingham City School System and a substitute bus driver for Shelby County Schools, was sentenced to 30 years in prison for producing child pornography. Wooten was also ordered to remain on supervised release for the rest of his life after completing his prison term. The court noted during the hearing that Wooten had numerous child victims. Also, in August 2012, eight more defendants were sentenced for their involvement in an international criminal network organized to sexually exploit children in connection with their participation in the Dreamboard Child Exploitation bulletin board. Altogether, these eight defendants received a collective total of 169 years in prison.

The CRT has spearheaded a number of initiatives aimed at aggressively combating human trafficking, including outreach to the public concerning potential trafficking situations, training for and collaboration with law enforcement officers, and implementing programs to address the needs of trafficking victims. CRT led the creation of a specialized Human Trafficking Prosecution Unit that is a global leader in trafficking prosecutions, and its representatives train foreign investigators and prosecutors at the United Nations and across the globe. CRT established a national, toll-free telephone complaint line to enable victims and others to report possible trafficking and worker exploitation abuses. CRT has been instrumental in developing a national human trafficking training curriculum for state and local law enforcement and in drafting model legislation for states to implement their own anti-trafficking laws. CRT filed the second-highest number of human trafficking cases in the history of the Division, exceeded only by the number of cases charged in FY 2010.



Data Definition: A matter or investigation is defined as "open" once it is assigned a number. The definition of resolved means the matter/investigation is closed. Matter/investigation can be closed for a variety of reasons, such as plea bargain, dismissal, declination, and trial. Open investigations pertaining to sexual exploitation of children encompass domestic sexual child abuse, child pornography, child abuse in Indian country, and child enticement cases. Human trafficking open investigations pertain to adult and child human trafficking.

Data Collection and Storage: Data are currently captured within each component's automated case management system and companion interface systems. Currently, matters and investigations worked on by more than one component are included in the totals from CRM, CRT, and EOUSA. Also, the court's disposition date is used for reporting purposes for CRM and CRT; however, EOUSA uses the date entered into their current case management system. Additionally CRM and EOUSA count matters and investigations at the defendant level; CRT count civil and criminal matters/investigations.

Data Validation and Verification: Each component implements their individual methodology for verifying data; however, in general, matter/investigation listings and reports are reviewed by attorney managers for data completeness and accuracy on a routine basis. Batch data analysis and ad hoc reviews are also conducted.

Data Limitations: Data quality suffers from the lack of a single DOJ case management system and a standardized methodology for capturing matters/investigations related data. Due to reporting lags, matter/investigation closures for any given year may be under or over-reported.

Reduce Drug Availability

Background/Program Objectives: The Department focuses its drug law enforcement efforts on reducing the availability of drugs by disrupting and dismantling the largest drug trafficking organizations and related money laundering networks operating internationally and domestically, including those on the Attorney General's Consolidated Priority Organization Target (CPOT) List. The first CPOT List was issued in September 2002 and is reviewed and updated semi-annually. The List identifies the most significant international drug trafficking and money laundering organizations and those primarily responsible for the nation's illegal drug supply. The Attorney General has designated the Organized Crime Drug Enforcement Task Forces (OCDETF) Program as the centerpiece of DOJ's illegal drug supply reduction strategy. The OCDETF Program coordinates multi-agency and multi-jurisdictional investigations targeting the most serious drug trafficking threats. The OCDETF Program is responsible for coordinating the annual formulation of the CPOT list. The OCDETF Program functions through the efforts of the United States Attorneys; elements of the Department's Criminal Division; the investigative, intelligence, and support staffs of the Drug Enforcement Administration; the Federal Bureau of Investigation; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the U.S. Marshals Service; U.S. Immigration and Customs Enforcement; the U.S. Coast Guard; and the Internal Revenue Service. The OCDETF agencies also partner with numerous state and local law enforcement agencies.

The goal of each OCDETF investigation is to determine connections among related investigations nationwide in order to identify and dismantle the entire structure of the drug trafficking organizations, from international supply and national transportation cells, to regional and local distribution networks. A major emphasis of the Department's drug strategy is to disrupt the traffickers' financial dealings and to dismantle the financial infrastructure that supports these organizations. The OCDETF Program has the greatest impact upon the flow of drugs through this country when it successfully incapacitates the entire drug network by targeting and prosecuting its leadership and seizing the profits that fund continued operations.

Performance Measure: CPOT-Linked Drug Trafficking Organizations Disrupted and Dismantled

FY 2012 Target:
Dismantled: 145
Disrupted: 340
FY 2012 Actual:
Dismantled: 171
Disrupted: 446

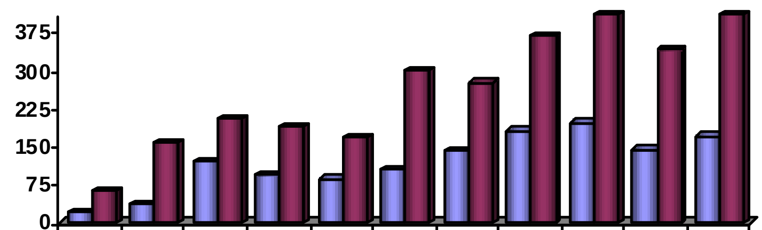
Discussion of FY 2012 Results: The Department achieved impressive results during FY 2012 in dismantling and disrupting CPOT-linked drug trafficking organizations. The Department dismantled 171 CPOT-linked organizations in FY 2012, exceeding its target by 18%. The Department disrupted 446 CPOT-linked organizations in FY 2012, exceeding its target by 31%. This is an 8% increase over the 414 reported in FY 2011.

During FY 2012, in addition to making important gains against CPOT-linked organizations, the Department continued to achieve significant successes against the CPOTs themselves. Over the course of the last year, four CPOT targets were dismantled and seven CPOT targets were disrupted. Through these dismantlements and disruptions, the Department made significant impacts against the Sinaloa Cartel, the North Valley Cartel and other significant cartels operating out of Mexico and South America. All four of the dismantled CPOT targets were arrested and either deported or extradited to the United States for prosecution; three disrupted targets have been extradited to the United States as well; and another disrupted target is pending extradition.

These eleven disrupted and dismantled CPOTs had a significant impact on the illegal drug supply in the United States. It is estimated that their activities included using the internet to sell various drugs and controlled substances to customers worldwide; the combined capability of importing and distributing over 150 metric tons of cocaine into the United States, Mexico, and Europe; shipping truckloads containing more than 2 tons of cocaine to New York alone; and using a multitude of companies to distribute a variety of drugs and launder money. Approximately $2.1 million in drug proceeds bound for Mexico was seized from just one of these organizations and many front companies have been identified in several countries and on the internet. The reach of these transnational drug trafficking organizations extended across multiple continents. Law enforcement activity targeting these CPOTs involved complex and coordinated intelligence driven investigations, with exceptional cooperation between U.S. law enforcement agencies and international partners.

The Department's FY 2012 successes dismantling or disrupting 617 CPOT-linked drug trafficking organizations, an increase over the previous high of 612 dismantled or disrupted in FY 2011, as well as the significant enforcement actions against CPOTs themselves have resulted in keeping multi-ton quantities of illegal drugs such as cocaine, heroin, marijuana and methamphetamine from ever entering the United States.

CPOT-Linked Drug Trafficking Organizations Disrupted and Dismantled



	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12 Tgt.	FY12 Act.
Dismantled	20	36	121	93	86	104	143	182	198	145	171
Disrupted	62	159	204	189	169	299	276	367	414	340	446

Note: FY 2011 actual numbers have been updated and do not reflect the numbers in the FY 2011 Performance Accountability Report.

Data Definition: An organization is considered linked to a CPOT if credible evidence exists of a nexus between the primary investigative target and a CPOT target, verified associate, or component of the CPOT organization. Disrupted means impeding the normal and effective operation of the targeted organization, as indicated by changes in the organizational leadership and/or changes in methods of operation. Dismantled means destroying the organization's leadership, financial base, and supply network such that the organization is incapable of reconstituting itself.

Data Collection and Storage: For this measure, OCDETF reviews all of the cases worked by FBI and DEA. When there are cases that both agencies work, they are counted as one case in the consolidated numbers reported here in the OBDs MD&A and the Department's Performance and Accountability Report. This procedure is in place to prevent double counting in Department-level reports.

Investigations may be linked to a CPOT organization at any time during the investigation. Once the link is verified, a specific code or other identifier is assigned to the investigation. Accordingly, data on this performance measure may lag behind actual identification of the link by the investigative agency. The investigation is tracked as "CPOT-linked" by the agency and within the OCDETF Management Information System.

Data Validation and Verification: The CPOT List is updated semi-annually. Each OCDETF agency has an opportunity to nominate targets for addition to or deletion from the List. Nominations are considered by the

CPOT Working Group (made up of mid-level managers from the participating agencies). Based upon the Working Group's recommendations, the OCDETF Operations Chiefs decide which organizations will be added to or deleted from the CPOT List.

Once a CPOT is added to the List, OCDETF investigations can be linked to that organization. The links are reviewed and confirmed by OCDETF field managers using the OCDETF Fusion Center, agency databases, and intelligence information. Field recommendations are reviewed by the OCDETF Executive Office. In instances where a link is not fully substantiated, the sponsoring agency is given the opportunity to follow-up. Ultimately, the OCDETF Executive Office "un-links" any investigation for which sufficient justification has not been provided. When evaluating disruptions/dismantlements of CPOT-linked organizations, OCDETF verifies reported information with the investigating agency's headquarters.

Data Limitations: Investigations of CPOT-level organizations are complex and time-consuming, and the impact of disrupting/dismantling such a network may not be apparent immediately. In fact, data may lag behind enforcement activity. For example, a CPOT-linked organization may be disrupted in one FY and subsequently dismantled in a later year when law enforcement permanently destroys the organization's ability to operate.

Improve Criminal Justice System Capabilities

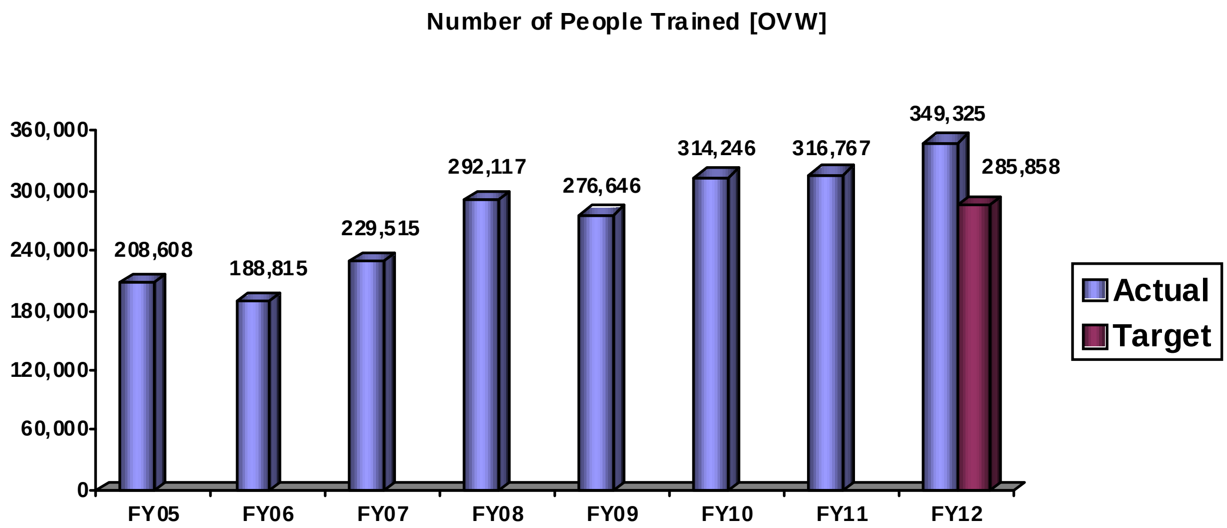
Background/Program Objectives: The principle mission of the Office on Violence Against Women (OVW) is to provide federal leadership in developing the nation's capacity to reduce violence against women through the implementation of the Violence Against Women Act (VAWA). OVW administers financial and technical assistance to communities around the country that are creating and enhancing programs, policies, and practices aimed at ending sexual assault, domestic violence, dating violence, and stalking.

The VAWA was designed to improve criminal justice responses to sexual assault, domestic violence, dating violence, and stalking and to increase the availability of services for victims of these crimes. The VAWA requires a coordinated community response to violence against women encouraging jurisdictions to bring together a diverse group of individuals and organizations to share information and to use their distinct roles to improve community responses to these crimes. The group often includes: victim advocates, police officers, prosecutors, judges, probation and corrections officials, health care professionals, leaders within faith communities, survivors of violence against women, and others. The federal law takes a comprehensive approach to fighting violence against women – combining new penalties to prosecute offenders with programs to aid victims of such violence.

Performance Measure: Number of people trained (to improve responses to crimes of sexual assault, domestic violence, dating violence, and/or stalking)

FY 2012 Target: 285,858
FY 2012 Actual Performance: 349,325

Discussion of FY 2012 Results: The OVW grantees met and exceeded the target for number of people trained to improve responses to crimes of sexual assault, domestic violence, dating violence, and/or stalking.



Note: FY 2012 target has been updated and does not reflect the target reported in the FY 2013 President's Budget submission.

Data Definition: Training is defined as providing information on sexual assault, dating violence, domestic violence, and stalking that enables a person to improve their response to victims/survivors as it relates to their role in the system. Training is not an educational presentation or prevention education. Education means providing general information that will increase public awareness of sexual assault, dating violence, domestic violence, and stalking. Some examples of education include: presentations to community groups, men's groups, parents/guardians, victims/survivors etc. Students, community members, and victims are not reported as people trained, since they are not professionals responding to victims. All OVW grantees and subgrantees who provide training must report to OVW the number of OVW funded staff members trained or any trainings supported by OVW funding. OVW-funded staff attending training events are not counted in this number.

Data Collection and Storage: Data are collected through semi-annual and annual subgrantee progress reports and on-site monitoring. Data are stored in OVW office files and in computer files. The training population includes law enforcement officers, victim advocates, attorneys, prosecutors, judges and court personnel, corrections officers, and other multi-disciplinary professionals.

Data Validation and Verification: The OVW validates and verifies performance measures through a review of progress reports submitted by grantees, telephone contacts, and on-site monitoring of grantee performance by grant managers.

Data Limitations: Data are collected through grantee and sub-grantee progress reports which cause data to lag one year. The time lag is due to the number of steps involved in the data collection and data cleaning and analyzing process. First, grantees submit their progress report data (semi-annually for all discretionary grant programs or annually for the Stop Violence Against Women Formula Grant and the Sexual Assault Services Program after each reporting period [due 30 days after the reporting period for discretionary programs and 90 days after the reporting period for the STOP Formula grant program and the Sexual Assault Services Program]). In most six-month periods, OVW will receive over 1,000 progress reports. Reports are reviewed by OVW Program Specialists for completeness, accuracy, and whether the grantee is meeting the goals and objectives of the grant project. If questions arise regarding the report, the grantee is contacted for clarification or additional information. This step takes 60 days. After OVW approval of all the reports, the Office of Justice Program prepares and transfers the bulk data to the University of Maine, Muskie School. (In 2001, OVW entered into a cooperative agreement with the Muskie School of Public Service's Catherine E. Cutler Institute for Child and Family Policy [the Muskie School] to develop and implement state-of-the-art reporting tools to capture the effectiveness of VAWA grant funding. The Muskie School handles the data collection, data cleaning, and data analysis of all grantee and subgrantee reports). The Muskie School then takes a few months to clean and analyze this raw data for each grant program.

Support Community Policing Initiatives

Background/Program Objectives: The Office of Community Oriented Policing Services (COPS) was established in 1994 to assist law enforcement agencies in enhancing public safety through the implementation of community policing strategies. The resources offered by the COPS Office to state, local, and tribal law enforcement agencies strengthen partnerships for safer communities and increase the capacity of agencies to prevent, solve, and control crime through the implementation of community policing strategies. COPS Office community policing resources and initiatives can be grouped into two primary lines of business: Advancing Community Policing through Grant Resources; and Advancing Community Policing through Knowledge Resources.

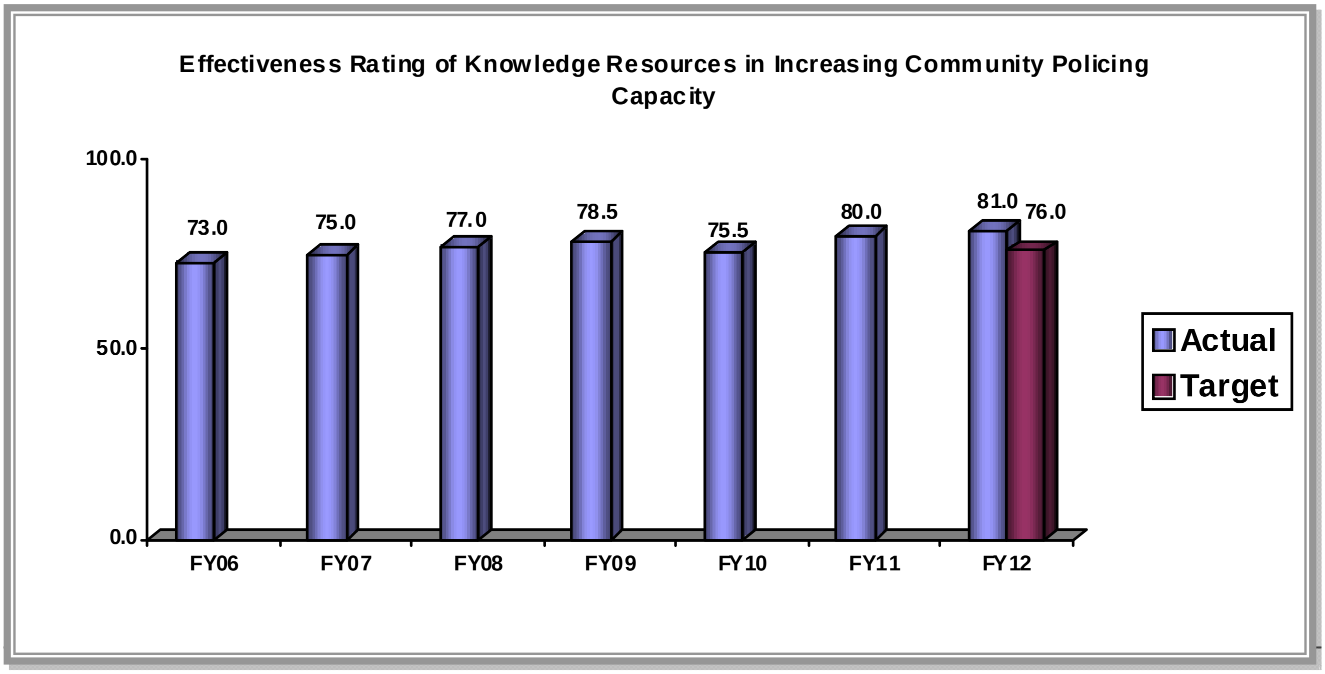
The Advancing Community Policing through Grant Resources line of business provides law enforcement agencies with grant resources focused on increasing the capacity of those agencies to implement community policing strategies. These strategies are focused on the three primary elements of community policing: 1) developing community/law enforcement partnerships; 2) developing problem-solving and innovative approaches to crime issues; and 3) implementing organizational change to build and strengthen community policing infrastructure. COPS grant funding has provided state, local, and tribal law enforcement agencies with grants for equipment, technology, officers, and training. Since 1994, COPS grant programs have provided funding to over 13,000 of the nation's 18,000 law enforcement agencies.

Similarly, the Advancing Community Policing through Knowledge Resources line of business provides law enforcement agencies as well as other customers (i.e., community groups, non-profit organizations, academics, etc.) with knowledge resources focused on increasing the capacity of law enforcement agencies to implement community policing strategies within the three primary elements of community policing. The knowledge resources that are developed and distributed by the COPS Office include training, technical assistance, publications, webcasts, podcasts, conferences and roundtables, best practices that are disseminated through websites, and various printed and published materials. These knowledge resources assist in preparing officers and their departments to meet challenges by using community policing strategies, as well as promoting collaboration between law enforcement and communities to solve problems and build relationships locally.

Performance Measure: Effectiveness rating of COPS knowledge resources in increasing community policing capacity

FY 2012 Target: 76
FY 2012 Actual Performance: 81

Discussion of FY 2012 Results: Respondents of the FY12 Annual Outcome Survey commented that they felt much more positively about publication resources improving their technological capabilities to prevent, respond and analyze crime and to institute organizational changes. The COPS Office also held a national conference in August 2012 where hundreds of resources were distributed to our customers and stakeholders.



Data Definition: Content-based knowledge resources include publication products (e.g., Problem Oriented Policing guides for police, toolkits, white papers, program evaluations, etc.). Event-based knowledge resources include training (classroom and web-based), technical assistance, community policing conferences, roundtables, etc. A knowledge resource recipient is any customer that receives a content-based knowledge resource product from the COPS Office or attends a knowledge resource event.

Data Collection and Storage: The COPS Office, through the Federal Consulting Group, has asked the CFI Group, a third party independent research firm, to conduct a survey to determine how COPS knowledge resources have increased the capacity of customers to implement community policing strategies. The effectiveness rating is on a scale of 0 to 100 points with 100 being the highest rating. Law enforcement personnel who received training and technical assistance from COPS sponsored training providers within 4 to 6 months before the survey is conducted and law enforcement personnel who ordered COPS knowledge products/publications in the 6 months prior to the survey are included in the survey sample. The data is collected online and stored electronically.

Data Validation and Verification: The data collected is validated electronically as well as by the personnel from the independent research firm. The research firm completes a comprehensive statistical analysis of the survey data and sample sizes to ensure that the data provided to the COPS Office is both accurate and reliable.

Data Limitations: The data is collected annually in July and the final survey results are provided to the COPS Office by the end of August. The potential data limitation would be a low response rate to the survey. Thus far, the COPS Office has received a high response rate to the survey.

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

22.1% of OBDs Net Costs support this Goal.

STRATEGIC OBJECTIVE 3.3: Provide for the safe, secure, and humane and cost-effective confinement of detainees awaiting trial and/or sentencing, and those in the custody of the federal prison system.
STRATEGIC OBJECTIVE 3.4: Adjudicate all immigration cases promptly and impartially in accordance with due process.

Provide for the Safe, Secure, and Humane Confinement of Detainees

Background/Program Objectives: The mandate of the Office of the Federal Detention Trustee (OFDT) is to manage resource allocations, exercise financial supervision of detention operations, and set government-wide detention policy. OFDT has overall management and responsibility for federal detention services relating to the detention of federal prisoners in the custodial jurisdiction of the U.S. Marshals Service (USMS).

Costs begin at the time a prisoner is brought into USMS custody and extend through termination of the criminal proceeding and/or commitment to the Bureau of Prisons (BOP). Detention bed space for federal detainees is acquired as effectively and efficiently as possible through: (1) federal detention facilities, where the government pays for construction and operation of the facility through the BOP; (2) Intergovernmental Agreements (IGA) with state and local jurisdictions who have excess prison/jail bed capacity and where a daily rate is paid for the use of the bed; and, (3) private jail facilities where a daily rate is paid.

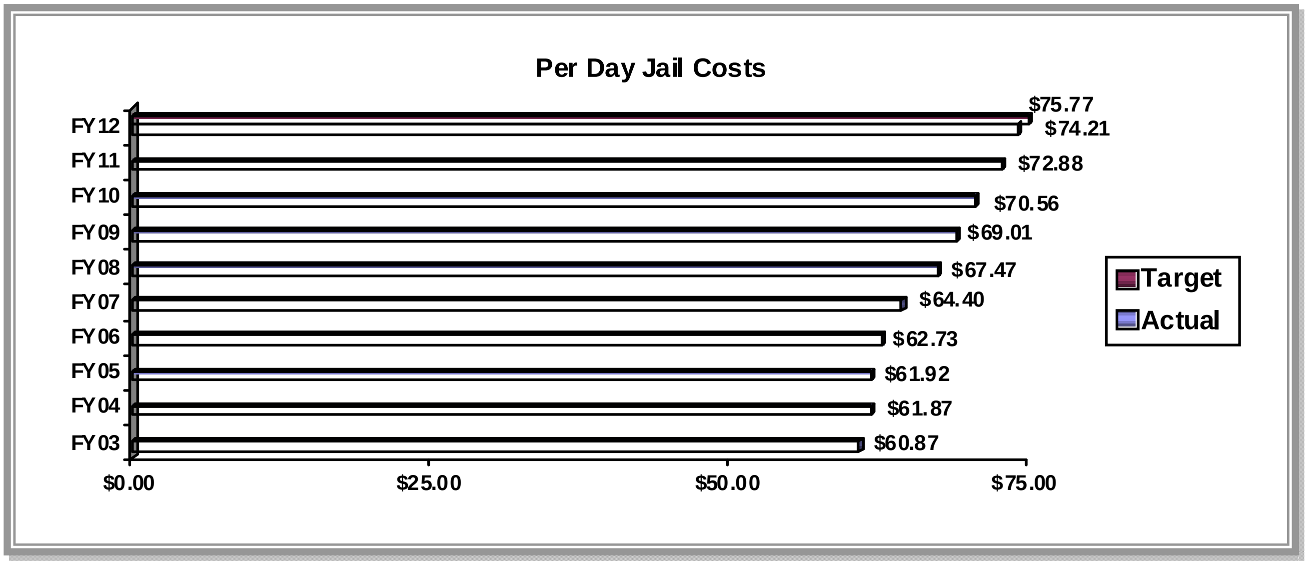
In recent years, the DOJ has not been able to rely as much on IGAs and federal facilities to meet the surge in the detention population as state and local governments are increasingly using their facilities for their own detention requirements. With space unavailable in areas where more federal bed-space is needed, DOJ has increasingly turned to the private sector.

Ensuring safe, secure, and humane confinement for federal detainees is critically important. To address the variance between federal, state and local government, and privately owned and managed facilities, the federal Performance-Based Detention Standards were developed. To ensure compliance, federal contract vehicles are written or modified to reflect federal Performance-Based Detention Standards with private contractor performance compensation based on their ability to demonstrate compliance. The comprehensive Quality Assurance Review Program provides various methodologies for assessing a facility's operations to ensure that the safe, secure, and humane confinement criteria are met, as well as addressing Congress' concerns for public safety as it relates to violent prisoners (e.g., Interstate Transportation of Dangerous Criminals Act, also known as Jenna's Act).

Performance Measure: Per Day Jail Costs

FY 2012 Target: $75.77
FY 2012 Actual: $74.21

Discussion of FY 2012 Results: Performance was in line with expectation. There were no anomalies that caused increases in the per diem rate awarded to state and local facilities providing detention space to the USMS.



Data Definition: Per Day Jail Cost is actual price paid (over a 12-month period) by the USMS to house federal prisoners in non-federal detention facilities. Average price paid is weighted by actual day usage at individual detention facilities.

Data Collection and Storage: Data describing the actual price charged by state, local, and private detention facility operators is maintained by the USMS in their Prisoner Tracking System (PTS) and it is updated on an as-needed, case-by-case basis when rate changes are implemented. Rate information for specific facilities is maintained by USMS headquarters staff. For those private facilities where OFDT has a direct contract for bed space, the effective per diem is calculated using information obtained from OFDT's Procurement Division. In conjunction with daily reports to OFDT of prisoners housed, OFDT compiles reports describing the price paid for non-federal detention space on a weekly and monthly basis. Data are reported on both district and national levels.

Data Validation and Verification: Data reported to OFDT are validated and verified against monthly reports describing district-level jail utilization and housing costs prepared by the USMS. For direct contracts, contract terms are verified by OFDT Procurement staff.

Data Limitations: The limitation is ensuring that USMS district level input into PTS occurs in a timely and correct manner.

Adjudicate Immigration Cases Promptly and Impartially

Background/Program Objectives: The Executive Office for Immigration Review (EOIR) has jurisdiction over various immigration matters relating to the Department of Homeland Security (DHS), aliens, and other parties. EOIR is comprised of three adjudicating components: the Board of Immigration Appeals (BIA), the Immigration Courts, and the Office of the Chief Administrative Hearing Officer. EOIR's mission is to render timely, fair, and well-considered decisions in the cases brought before it. EOIR's ability to achieve its mission is critical to the guarantee of justice and due process in immigration proceedings, and public confidence in the timeliness and quality of EOIR adjudications. Included in this context are the timely grants of relief from removal in meritorious cases and the expeditious issuance of orders of removal for criminal and other inadmissible aliens where no relief is available. To assure mission focus, EOIR has identified adjudication priorities and set specific time frames for most of its proceedings. These priorities include cases involving criminal and other detained aliens, and adjudicative time frames for all detained appeals filed with the BIA. The targets are related to percentages of cases actually completed.

Performance Measure: Percent of EOIR Priority Cases Completed Within Established Time Frames

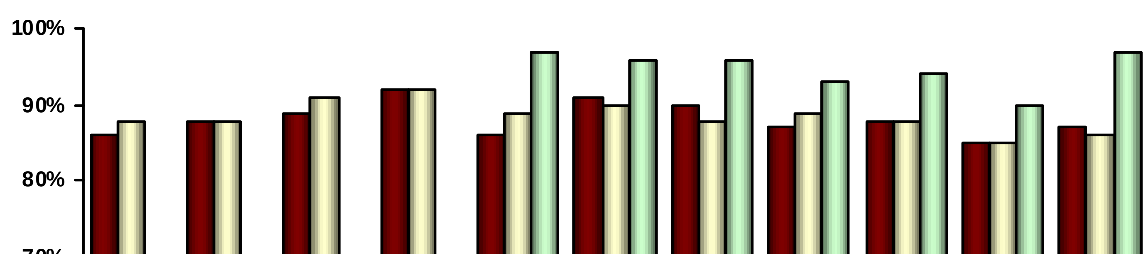
FY 2012 Target: 85% for Institutional Hearing Program (IHP) and detained immigration court cases and 90% for detained appeals

FY 2012 Actual:

Immigration Court Institutional Hearing Program Cases Completed Prior to Release from Incarceration: 87%
Immigration Court Detained Cases Completed Within 60 Days: 86%
BIA Detained Appeals Completed Within 150 Days: 97%

Discussion of FY 2012 Results: Through careful management of EOIR's resources, the agency exceeded all three of its goals for FY 2012. EOIR placed its focus on completing its large detained caseload. The immigration courts also used video teleconferencing when appropriate to handle the detained immigration court docket, including Institutional Hearing Program cases. The BIA also continued to manage its resources carefully to ensure that it exceeded its goal of completing 90 percent of detained appeals within 150 days. EOIR will continue to look at innovative ways to manage its detained docket, including close coordination with DHS.

Percent of EOIR Priority Cases Completed Within Established Time Frames



	FY03	FY04	FY05	FY06	FY07	FY08	FY 09	FY10	FY11	FY12 Tgt.	FY12 Act.
IHP	86%	88%	89%	92%	86%	91%	90%	87%	88%	85%	87%
Detained Cases	88%	88%	91%	92%	89%	90%	88%	89%	88%	85%	86%
Detained Appeals	N/A	N/A	N/A	N/A	97%	96%	96%	93%	94%	90%	97%

Data Definition: The EOIR has defined its priority caseload as two types of immigration court cases (IHP and detained cases) and one type of Board of Immigration Appeals case (detained appeals). The IHP is a collaborative effort between EOIR, DHS and various federal, state, and local corrections agencies. The program permits immigration judges to hold removal hearings inside correctional institutions prior to the alien completing his or her criminal sentence. Detained aliens are those in the custody of DHS or other entities.

Data Collection and Storage: Data are collected from the Case Access System for EOIR (CASE), a nationwide case-tracking system at the trial and appellate levels.

Data Validation and Verification: All data entered by courts nationwide are instantaneously transmitted and stored at EOIR headquarters, which allows for timely and complete data. Data are verified by on-line edits of data fields. Headquarters and field office staff have manuals that list the routine daily, weekly, and monthly reports that verify data. Data validation is also performed on a routine basis through data comparisons between EOIR and DHS databases.

Data Limitations: None known at this time.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Internal Control Program in the Offices, Boards and Divisions

The objective of the OBDs internal control program is to provide reasonable assurance that operations are effective, efficient, and comply with applicable laws and regulations; financial reporting is reliable; and assets are safeguarded against waste, loss, and unauthorized use. OBDs management identifies issues of concern through a strong network of oversight councils and internal review teams. These include the Justice Management Division's (JMD) Internal Review and Evaluation Office and Quality Control and Compliance Group and the Executive Office for United States Attorneys' Evaluation and Review Staff. OBDs management also considers reports issued by the Office of the Inspector General (OIG) when assessing internal control.

The OBDs internal control continues to improve through the corrective actions implemented by management. The OBDs commitment to management excellence, accountability, and compliance with applicable laws and regulations is evidenced in continuing actions to establish effective controls, make sound determinations on corrective actions, and verify and validate the results. For example, on a quarterly basis, OBDs components review and certify their obligations to the JMD Finance Staff and report on their financial operations, system, and controls. This commitment is further evidenced by the control improvements and actions taken by OBDs management in response to Departmental initiatives and OIG recommendations.

MANAGEMENT ASSURANCES

Federal Managers' Financial Integrity Act of 1982

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

Guidance for implementing the Integrity Act is provided through OMB Circular A-123, *Management's Responsibility for Internal Control*. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial systems requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting. To provide these assurances to the President, the Attorney General depends on information from component heads regarding their component's internal controls.

FMFIA Assurance Statement

OBDs management is responsible for establishing and maintaining effective internal controls and a financial management system that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, OBDs management conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2). OBDs management also assessed whether its financial management system conforms to financial system requirements (FMFIA § 4). Based on the results of the assessments, OBDs management can provide reasonable assurance that the OBDs' internal controls and financial management system meet the objectives of the FMFIA. Internal controls were operating effectively as of September 30, 2012, and the assessments identified no material weaknesses in the design or operation of the controls or any non-conformances required to be reported.

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

Financial Management Systems and Controls

The Financial Management Information System (FMIS2) is the official financial management system for the OBDs. The system, which is a certified and accredited financial management system, supports the full range of financial management requirements, including the general ledger function, budget execution, travel, credit card purchases, and third-party and Treasury payments. FMIS2 supports centralized and decentralized vendor and travel processing and conforms to federal core financial system requirements. FMIS2 includes security access control tables and table monitoring reports, an automated FMIS2 user identification re-certification process, and electronic funds transfer banking monitoring reports.

Legal Compliance

Federal Financial Management Improvement Act of 1996

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

FFMIA Compliance Determination

During FY 2012, OBDs management assessed its financial management system for compliance with the FFMIA and determined that the system substantially complies with the FFMIA. This determination is based on the results of the FISMA review and testing performed for OMB Circular A- 123, Appendix A. Consideration was also given to issues identified during the financial statement audit.

Improper Payments Elimination and Recovery Act Implementation

In accordance with OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, and the Departmental guidance for implementing the Improper Payments Elimination and Recovery Act (IPERA), the Department implemented a top-down approach to assess the risk of significant improper payments across all five of the Department's mission-aligned programs, and to identify and recapture improper payments through a payment recapture audit program. The approach promotes consistency across the Department and enhances internal control related to preventing, detecting, and recovering improper payments. Because of the OMB requirement to assess risk and report payment recapture audit activities by agency programs, the results of the Department's risk assessment and recapture activities are reported at the Department-level only.

In accordance with the Departmental approach for implementing IPERA, OBDs management assessed OBDs activities for susceptibility to significant improper payments. OBDs management also conducted the OBDs payment recapture audit program in accordance with the Departmental approach. The results of both the OBDs risk assessment and payment recapture audit activities were provided to the Department for the Department-level reporting in the FY 2012 Performance and Accountability Report.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

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

James Zadroga 9/11 Health and Compensation Act of 2010

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

Technology

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

Economy

- Possible increases in consumer debt may affect bankruptcy filings.
- The Department may experience an increased role in the federal financial recovery effort through criminal and civil litigation.
- The interconnected nature of the world's economy is increasing opportunities for criminal activity, including money laundering, white-collar crime, and alien smuggling.

Government

- Changes in the fiscal posture or policies of state and local governments could have dramatic effects on the capacity of state and local governments to remain effective law enforcement partners.

Globalization

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

Social-Demographic

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

The Unpredictable

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

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

The American Recovery and Reinvestment Act of 2009

- OBDs received approximately $1.2 billion in funding under the American Recovery and Reinvestment Act of 2009. OBDs are fully committed to ensuring that the funds received are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Act. Below is a chart showing appropriations, obligations, and outlays by component as of September 30, 2012:

Component	Appropriation Amount	Obligations	Outlays
OVW	$ 225,563,910	$ 221,910,610	$ 201,946,553
COPS	$ 1,002,506,265	$ 989,457,924	$ 724,150,593
OIG	$ 2,000,000	$ 1,800,000	$ 1,800,000
OBDs Total	**$ 1,230,070,175**	**$ 1,213,168,534**	**$ 927,897,146**

LIMITATIONS OF THE FINANCIAL STATEMENTS

- The financial statements have been prepared to report the financial position and results of operations of OBDs components, pursuant to the requirements of 31 U.S.C. 3515(b).

- While the financial statements have been prepared from the books and records of the OBDs in accordance with the U.S. generally accepted accounting principles for federal entities and the formats prescribed by OMB, the financial 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 financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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Independent Auditors' Reports

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

Independent Auditors' Report on Financial Statements

Inspector General
U.S. Department of Justice

Chief Financial Officer
Offices, Boards and Divisions
U.S. Department Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice Offices, Boards and Divisions (OBDs) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements" or "basic financial statements") for the years then ended. These consolidated financial statements are the responsibility of the OBDs' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OBDs' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Offices, Boards and Divisions as of September 30, 2012 and 2011, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1.X to the consolidated financial statements, the OBDs changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, the OBDs' combined statement of budgetary resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

U.S. generally accepted accounting principles require that the information in *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 financial statements in an appropriate operational, economic, or historical context. We 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 financial statements, and other knowledge we obtained during our audits of the basic financial statements. We 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the *Other Accompanying Information* section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 5, 2012, on our consideration of the OBDs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 5, 2012

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

Independent Auditors' Report on Internal Control over Financial Reporting

Inspector General
U.S. Department of Justice

Chief Financial Officer
Offices, Boards and Divisions
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice Offices, Boards and Divisions (OBDs) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 5, 2012. As discussed in Note 1.X to the consolidated financial statements, the OBDs changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The management of the OBDs is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our fiscal year 2012 audit, we considered the OBDs' internal control over financial reporting by obtaining an understanding of the OBDs' internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures 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 OBDs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OBDs' internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in the Exhibit that we consider to be a significant deficiency in internal control over financial reporting. 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.

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

This report is intended solely for the information and use of the OBDs' management, the U.S. Department of Justice Office of the Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 5, 2012

EXHIBIT

SIGNIFICANT DEFICIENCY

This section contains our discussion of the significant deficiency we identified in internal control over financial reporting.

INADEQUATE INTERNAL CONTROLS OVER THE ACCOUNTING AND REPORTING OF INTERNAL USE SOFTWARE PROJECT COSTS

As a result of our property management process update inquiries, we became aware of a potential issue related to the accounting for and capitalization of internal use software (IUS) costs under the Unified Financial Management System (UFMS) project. It appeared that foundation build costs were not being included in the amount of IUS costs capitalized when component systems were put into service. Further analysis by the OBDs' Justice Management Division (JMD) confirmed this understatement of the IUS capital asset accounts but also revealed that the capital asset accounts were overstated due to the capitalization of costs not meeting the capitalization criteria according to capitalization policy clarifications made by JMD during fiscal year 2012. As a result, adjustments of approximately $141.8 million and $36.8 million, exclusive of amortization, were made to the acquisition cost of Internal Use Software in Development and Internal Use Software, respectively, and included in the June 30, 2012 quarterly financial statements.

The above adjustments were made to correct the following errors in the recording of IUS-related expenses and the capitalization of IUS-related assets:

- Over the course of the UFMS project, the UFMS Program Management Office (PMO) provided JMD with quarterly journal entries to increase the Internal Use Software in Development balance for 100% of the costs associated with the UFMS implementation and integration (I&I) contract. However, JMD later determined that not all of the services provided by the I&I contractor met the capitalization criteria. Consequently, a $141.8 million adjustment was made to write off capitalized costs that did not meet the capitalization criteria.

- Foundation build costs related to components that were in the Post-Implementation Phase should have been reclassified from Internal Use Software in Development to Internal Use Software to move IUS assets into service as component-related projects were completed. Consequently, a $36.8 million adjustment was made to record assets placed into service from foundation builds and other completed projects.

- A $26 million adjustment was made to record "catch-up" amortization on the above assets placed into service. (This adjustment was part of a $38.4 million adjustment which also included the effects ($12.4 million) of shortening the useful life of IUS assets from 5 years to 3 years.)

The above errors can be attributed to the fact that JMD's previous IUS capitalization methodology did not delineate between the specific nature and types of IUS costs that should or should not be capitalized during the software development phase. As a result, there was not a clear understanding within the UFMS PMO of the requirements that should govern their quarterly IUS data submissions to JMD. In addition, the data submitted by the UFMS PMO to JMD was not subjected to a detailed management review within JMD before being processed. Such a review might have detected the omission of foundation build costs from the dollar amount of assets placed into service.

Statement of Federal Financial Accounting Standard No. 10, *Accounting for Internal Use Software*, requires that when agencies purchase software as part of a package of products and services (as in the case of the UFMS I&I contract) agencies should allocate the capitalizable and noncapitalizable cost of any bundled products and services among individual elements on the basis of a reasonable estimate of their relative fair values. In addition, costs incurred after management authorizes and commits to the software development project and conceptual formulation, design, and testing (i.e., the preliminary design phase) has been completed should be capitalized. Amortization should begin when each module or component of a software development project has been successfully tested.

The *Federal Managers' Financial Integrity Act of 1982* requires internal accounting and administrative controls of each executive agency be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that revenue and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the assets.

OMB Circular A-123, *Management's Responsibility for Internal Control*, states that management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness.

We recommend the OBDs:

1. Update its capitalization methodology to clarify the Department's accounting policy related to the accounting treatment for internal use software costs in light of the errors and related adjustments described in this finding. Consideration should be given to providing guidance as to the specific nature and types of IUS costs that should or should not be capitalized during the software development phase. *(New)*

Management Response:

The Justice Management Division (JMD), Finance Staff (FS) and Unified Financial Management System (UFMS) Project Management Office (PMO) concurs with the finding and recommendation. JMD FS and UFMS PMO are currently working on a number of initiatives that will ensure that Internal Use Software (IUS) is accounted for properly and recorded accurately in the annual financial statements. JMD FS has already initiated the updating of the current guidance, *Accounting for Internal Use Software Capitalization Methodology and Procedures,* dated November 2009 to clarify the federal policy to capture all internal-use software costs incurred by all components. Not only will this guidance apply to UFMS IUS, but all IUS throughout the OBDs.

While it does take some time to update and release a policy, FS Quality Control and Compliance Group (QCCG) raised the need to account for IUS properly in the DOJ Financial Management Information Bulleting (FMIB) 13-02 *Required Financial Management Practices for Fiscal Year 2013 - Opening Bulletin*. FMIB 13-02 was distributed on October 11, 2012 to emphasize key financial management controls throughout the OBD community.

2. Implement procedures to ensure that the UFMS PMO management have a complete and consistent understanding of the requirements that should govern compilation of internal use software cost data submitted for capitalization, including consideration of joint UFMS PMO and JMD Finance Staff training on the requirements of applicable generally accepted accounting principles. *(New)*

Management Response:

The JMD-FS concurs with this finding and recommendation. JMD-FS has developed tools, which were provided to UFMS PMO for use in fourth quarter of FY 2012, which made it easier to account for the costs of IUS. These tools are also being added to Implementation Guidance for the OBDs. In addition to updating Department Policy, JMD-FS will develop training for the OBDs that will reinforce the updated procedures for accounting for IUS.

3. Implement more thorough management review procedures over journal entries related to the recording of IUS costs and the capitalization of IUS assets, including routine reviews of the supporting documentation for the costs capitalized, to provide additional assurance that the recorded amounts are proper, accurate, and complete. *(New)*

Management Response:

The JMD-FS concurs with the finding and recommendation. JMD-FS will monitor the journal entries related to IUS on a quarterly basis. Each quarter JMD-FS will select high-risk entries and perform a detail review for completeness and accuracy. For fourth quarter FY 2012, JMD-FS did a thorough review over the UFMS PMO IUS financial data and performed a quality review over the entries entered into the FMIS2+ financial system to ensure accuracy of the financial figures.

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Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of Justice

Chief Financial Officer
Offices, Boards and Divisions
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice Offices, Boards and Divisions (OBDs) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 5, 2012. As discussed in Note 1.X to the consolidated financial statements, the OBDs changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The management of the OBDs is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the OBDs. As part of obtaining reasonable assurance about whether the OBDs' consolidated financial statements are free of material misstatement, we performed tests of the OBDs' 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 the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the OBDs. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the OBDs' 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.

This report is intended solely for the information and use of the OBDs' management, the U.S. Department of Justice Office of the Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 5, 2012

Principal Financial Statements and Related Notes

See Independent Auditors' Report on Financial Statements

U. S. Department of Justice
Offices, Boards and Divisions
Consolidated Balance Sheets
As of September 30, 2012 and 2011

Dollars in Thousands		2012		2011
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with U.S. Treasury (Note 3)	$	5,702,037	$	5,223,163
Investments, Net (Note 5)		310,479		302,328
Accounts Receivable, Net (Note 6)		322,530		350,778
Other Assets (Note 9)		79,029		95,294
Total Intragovernmental		6,414,075		5,971,563
Cash and Monetary Assets (Note 4)		46		46
Accounts Receivable, Net (Note 6)		66,493		59,086
Inventory and Related Property, Net (Note 7)		106		106
General Property, Plant and Equipment, Net (Note 8)		133,777		280,102
Advances and Prepayments		1,132		1,978
Total Assets	**$**	**6,615,629**	**$**	**6,312,881**
LIABILITIES (Note 10)				
Intragovernmental				
Accounts Payable	$	310,984	$	317,501
Accrued Federal Employees' Compensation Act Liabilities		9,860		9,780
Custodial Liabilities (Note 18)		1,110,517		599,810
Other Liabilities (Note 12)		51,451		83,592
Total Intragovernmental		1,482,812		1,010,683
Accounts Payable		306,823		307,561
Accrued Grant Liabilities		167,668		245,174
Actuarial Federal Employees' Compensation Act Liabilities		56,121		51,746
Accrued Payroll and Benefits		135,398		137,132
Accrued Annual and Compensatory Leave Liabilities		181,786		181,586
Contingent Liabilities (Note 13)		3,565		-
Radiation Exposure Compensation Act Liabilities (Note 19)		731,237		535,838
September 11th Victim Compensation Fund (Note 19)		2,766,400		-
Other Liabilities (Note 12)		209,775		152,987
Total Liabilities	**$**	**6,041,585**	**$**	**2,622,707**
NET POSITION				
Unexpended Appropriations - Earmarked Funds (Note 14)	$	25,963	$	21,727
Unexpended Appropriations - All Other Funds		3,355,787		3,472,362
Cumulative Results of Operations - Earmarked Funds (Note 14)		255,718		252,629
Cumulative Results of Operations - All Other Funds		(3,063,424)		(56,544)
Total Net Position	**$**	**574,044**	**$**	**3,690,174**
Total Liabilities and Net Position	**$**	**6,615,629**	**$**	**6,312,881**

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

U. S. Department of Justice
Offices, Boards and Divisions
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2012 and 2011

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	Operations (Note 15)
Goal 1	**2012**	$ 99,284	$ 282,552	$ 381,836	$ 87,077	$ 29,042	$ 116,119	$ 265,717
	2011	$ 112,985	$ 265,340	$ 378,325	$ 93,776	$ 22,433	$ 116,209	$ 262,116
Goal 2	**2012**	1,804,101	6,787,015	8,591,116	529,236	395,064	924,300	7,666,816
	2011	1,868,383	3,990,335	5,858,718	575,651	426,958	1,002,609	4,856,109
Goal 3	**2012**	1,808,388	665,148	2,473,536	159,062	66,119	225,181	2,248,355
	2011	1,736,875	705,044	2,441,919	158,055	45,456	203,511	2,238,408
Total	**2012**	**$ 3,711,773**	**$ 7,734,715**	**$ 11,446,488**	**$ 775,375**	**$ 490,225**	**$ 1,265,600**	**$ 10,180,888**
	2011	**$ 3,718,243**	**$ 4,960,719**	**$ 8,678,962**	**$ 827,482**	**$ 494,847**	**$ 1,322,329**	**$ 7,356,633**

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, Efficent, 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
Offices, Boards and Divisions
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands

	2012		
	Earmarked Funds	**All Other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	**$ 21,727**	**$ 3,472,362**	**$ 3,494,089**
Budgetary Financing Sources			
Appropriations Received	72,044	6,848,091	6,920,135
Appropriations Transferred-In/Out	-	(28,074)	(28,074)
Other Adjustments	-	(40,561)	(40,561)
Appropriations Used	(67,808)	(6,896,031)	(6,963,839)
Total Budgetary Financing Sources	**4,236**	**(116,575)**	**(112,339)**
Unexpended Appropriations	**$ 25,963**	**$ 3,355,787**	**$ 3,381,750**
Cumulative Results of Operations			
Beginning Balances	**$ 252,629**	**$ (56,544)**	**$ 196,085**
Budgetary Financing Sources			
Other Adjustments	-	(40,000)	(40,000)
Appropriations Used	67,808	6,896,031	6,963,839
Nonexchange Revenues	4,085	-	4,085
Transfers-In/Out Without Reimbursement	-	109,395	109,395
Other Financing Sources			
Transfers-In/Out Without Reimbursement	-	(36,621)	(36,621)
Imputed Financing from Costs Absorbed by Others (Note 16)	1,145	175,254	176,399
Total Financing Sources	**73,038**	**7,104,059**	**7,177,097**
Net Cost of Operations	**(69,949)**	**(10,110,939)**	**(10,180,888)**
Net Change	**3,089**	**(3,006,880)**	**(3,003,791)**
Cumulative Results of Operations	**$ 255,718**	**$ (3,063,424)**	**$ (2,807,706)**
Net Position	**$ 281,681**	**$ 292,363**	**$ 574,044**

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

Consolidated Statements of Changes in Net Position (continued)
For the Fiscal Year Ended September 30, 2011

Dollars in Thousands

	2011		
	Earmarked Funds	**All Other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	**$ 19,585**	**$ 3,979,216**	**$ 3,998,801**
Budgetary Financing Sources			
Appropriations Received	71,746	6,901,999	6,973,745
Appropriations Transferred-In/Out	-	(187,823)	(187,823)
Other Adjustments	(326)	(23,338)	(23,664)
Appropriations Used	(69,278)	(7,197,692)	(7,266,970)
Total Budgetary Financing Sources	**2,142**	**(506,854)**	**(504,712)**
Unexpended Appropriations	**$ 21,727**	**$ 3,472,362**	**$ 3,494,089**
Cumulative Results of Operations			
Beginning Balances	**$ 171,475**	**$ (142,839)**	**$ 28,636**
Budgetary Financing Sources			
Other Adjustments	-	(26,000)	(26,000)
Appropriations Used	69,278	7,197,692	7,266,970
Nonexchange Revenues	1,070	-	1,070
Transfers-In/Out Without Reimbursement	-	113,735	113,735
Other Financing Sources			
Transfers-In/Out Without Reimbursement	-	(53,304)	(53,304)
Imputed Financing from Costs Absorbed by Others (Note 16)	1,365	220,246	221,611
Total Financing Sources	**71,713**	**7,452,369**	**7,524,082**
Net Cost of Operations	**9,441**	**(7,366,074)**	**(7,356,633)**
Net Change	**81,154**	**86,295**	**167,449**
Cumulative Results of Operations	**$ 252,629**	**$ (56,544)**	**$ 196,085**
Net Position	**$ 274,356**	**$ 3,415,818**	**$ 3,690,174**

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

U. S. Department of Justice
Offices, Boards and Divisions
Combined Statements of Budgetary Resources
For the Fiscal Year Ended September 30, 2012 and 2011

Dollars in Thousands		2012		2011
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$	814,323	$	929,953
Recoveries of Prior Year Unpaid Obligations		224,583		206,483
Other Changes in Unobligated Balance		67,691		93,421
Unobligated Balance from Prior Year Budget Authority, Net		1,106,597		1,229,857
Appropriations (discretionary and mandatory)		7,142,929		7,030,338
Spending Authority from Offsetting Collections (discretionary and mandatory)		2,162,444		2,108,819
Total Budgetary Resources	**$**	**10,411,970**	**$**	**10,369,014**
Status of Budgetary Resources:				
Obligations Incurred (Note 17)		9,284,881		9,554,691
Unobligated Balance, End of Period:				
Apportioned		861,850		554,020
Unapportioned		265,239		260,303
Total Unobligated Balance - End of Period		1,127,089		814,323
Total Status of Budgetary Resources:	**$**	**10,411,970**	**$**	**10,369,014**
Change in Obligated Balance:				
Obligated Balance, Net - Brought Forward, October 1				
Unpaid Obligations, Gross	$	4,564,149	$	4,874,461
Less: Uncollected Customer Payments from Federal Sources		816,547		794,774
Total Obligated Balance, Net - Brought Forward, October 1		3,747,602		4,079,687
Obligations Incurred		9,284,881		9,554,691
Less: Outlays, Gross		9,445,119		9,658,520
Change in Uncollected Customer Payments from Federal Sources		(24,183)		(21,773)
Less: Recoveries of Prior Year Unpaid Obligations		224,583		206,483
Obligated Balance, Net - End of Period				
Unpaid Obligations, Gross		4,179,328		4,564,149
Less: Uncollected Customer Payments from Federal Sources		840,730		816,547
Total Obligated Balance, Net - End of Period	**$**	**3,338,598**	**$**	**3,747,602**
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)		9,305,373		9,139,157
Less: Actual Offsetting Collections (discretionary and mandatory)		2,138,261		2,087,046
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)		(24,183)		(21,773)
Budget Authority, Net (discretionary and mandatory)	**$**	**7,142,929**	**$**	**7,030,338**
Outlays, Gross (discretionary and mandatory)	$	9,445,119	$	9,658,520
Less: Actual Offsetting Collections (discretionary and mandatory)		2,138,261		2,087,046
Outlays, Net (discretionary and mandatory)		7,306,858		7,571,474
Less: Distributed Offsetting Receipts		1,117,582		777,312
Agency Outlays, Net (discretionary and mandatory)	**$**	**6,189,276**	**$**	**6,794,162**

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

U. S. Department of Justice
Offices, Boards and Divisions
Combined Statements of Custodial Activity
For the Fiscal Years Ended September 30, 2012 and 2011

Dollars in Thousands	2012	2011
Revenue Activity		
Sources of Cash Collections		
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	$ 6,995,798	$ 5,222,083
Fines, Penalties and Restitution Payments - Criminal	39,750	38,255
Miscellaneous	43	59
Total Cash Collections	7,035,591	5,260,397
Disposition of Collections		
Transferred to Federal Agencies		
U.S. Department of Agriculture	(105,670)	(96,346)
U.S. Department of Commerce	(3,746)	(5,103)
U.S. Department of the Interior	(129,015)	(29,959)
U.S. Department of Justice	(21,085)	(81,181)
U.S. Department of Labor	(9,175)	(736)
U.S. Postal Service	(7,675)	(4,362)
U.S. Department of State	(26,613)	(8,535)
U.S. Department of the Treasury	(917,662)	(130,778)
Office of Personnel Management	(157,714)	(58,144)
Federal Communications Commission	(310)	(14,727)
Social Security Administration	(921)	(2,726)
Smithsonian Institution	(8)	(190)
U.S. Department of Veterans Affairs	(125,354)	(28,703)
General Services Administration	(130,087)	(88,447)
Securities and Exchange Commission	(411)	(3)
Federal Deposit Insurance Corporation	(59)	(71)
Railroad Retirement Board	(288)	(100)
Tennessee Valley Authority	(8)	-
Environmental Protection Agency	(189,137)	(341,267)
U.S. Department of Transportation	(13,674)	(7,236)
U.S. Department of Homeland Security	(66,585)	(66,843)
Agency for International Development	(511)	(22,233)
Small Business Administration	(6,371)	(10,447)
U.S. Department of Health and Human Services	(1,283,167)	(2,001,923)
National Aeronautics and Space Administration	(725)	(3,792)
Export-Import Bank of the United States	(17,264)	(24,643)
U.S. Department of Housing and Urban Development	(1,129,547)	(11,099)
National Archives & Records Administration	(29)	-
U.S. Department of Energy	(3,313)	(2,093)
U.S. Department of Education	(14,452)	(55,431)
Independent Agencies	(63,619)	(67,264)
Treasury General Fund	(642,790)	(618,814)
U.S. Department of Defense	(217,607)	(173,894)
Transferred to the Public	(508,622)	(516,597)
(Increase)/Decrease in Amounts Yet to be Transferred	(567,495)	(304,330)
Refunds and Other Payments	(512,825)	(364,312)
Retained by the Reporting Entity	(162,057)	(118,068)
Total Disposition of Collections	(7,035,591)	(5,260,397)
Net Custodial Activity (Note 18)	$ -	$ -

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Offices, Boards and Divisions (OBDs) are comprised of thirty-four enforcement, litigating and policy-making components with a variety of missions and programs. Included among these components are the following:

Offices

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

Boards

U.S. Parole Commission
Foreign Claims Settlement Commission

Divisions

Antitrust Division
Civil Division
Civil Rights Division
Criminal Division
Environment and Natural Resources Division
Tax Division
Justice Management Division (JMD)
(including the Working Capital Fund)
National Security Division

B. Basis of Presentation

These financial statements have been prepared from the books and records of the OBDs 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 OBDs' budgetary resources. To ensure that the OBDs financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Other Assets and Other Liabilities as defined by OMB Circular A-136 have been disaggregated on the balance sheet. These include Advances and Prepayments, Accrued Federal Employees' Compensation Act (FECA) Liabilities, Custodial Liabilities, Accrued Payroll and Benefits, Accrued Annual and Compensatory Leave Liabilities, Contingent Liabilities, Radiation Exposure Compensation Act Liabilities, September 11th Victim Compensation Fund and Accrued Grant Liabilities.

C. Basis of Consolidation

The consolidated/combined financial statements include all funds and programs under the OBDs control, with the exception of the Assets Forfeiture Fund and Seized Asset Deposit Fund, for which separate financial statements are prepared. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2012 and 2011, and as such, intra-entity transactions have not been eliminated. The consolidated financial statements do not include centrally administered assets and liabilities related to the Federal Government as a whole, such as General Services Administration (GSA) owned property and equipment and borrowings from the public by the U.S. Treasury (the Treasury), which may in part be attributable to the OBDs.

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.

Custodial activity reported on the Combined Statements of Custodial Activity is prepared on the modified cash basis of accounting. Under the modified cash basis of accounting, receivables and payables are not accrued with exception of interest earned on invested funds. Receipts are recorded when received with the exception of interest, and disbursements are recorded when paid. Interest is recorded when earned, including accretion/amortization of investment discounts and premiums. Investments are stated at amortized cost.

E. Non-Entity Assets

Non-entity assets are not available for use by the OBDs and consist of settlement funds and the related investment revenue and restricted undisbursed civil and criminal debt collections.

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

Fund Balance with the Treasury represents primarily appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases. The OBDs do not, for the most part, maintain cash in commercial bank accounts. Certain receipts, however, are processed by commercial banks for deposit to individual accounts maintained at the Treasury. The Treasury, as directed by authorized Department accountable officers, processes cash receipts and disbursements.

G. Investments

The EOUSA, EOUST, and Radiation Exposure Compensation Trust Fund (RECTF) are the only components with investment authority. RECTF had no investment activities during FY 2012 or 2011. Investments are reported on the Consolidated Balance Sheets at their net value, the face value plus or minus any unamortized premium and 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. Both EOUSA and EOUST intend to hold investments to maturity. Accordingly, no provision is made for unrealized gains or losses on these securities. The market value of the investments is the current market value at the end of the reporting period. It is calculated by using the "End of Day" price listed in the FedInvest Price File, which can be found on the Bureau of Public Debt website (http://www.fedinvest.gov).

H. Accounts Receivable

Net accounts receivable include reimbursement and refund receivables due from federal agencies and the public. Generally, all receivables from federal agencies are considered fully collectible. An allowance for doubtful accounts is established (see Note 6) for receivables due from the public. An allowance for uncollectible accounts was established as of September 30, 2012 and 2011 for Chapter 11 accounts receivable reported by the EOUST. The methodology for calculating the allowance is determined by calculating the average of prior years' net write-off amounts.

I. Inventory and Related Property

Inventory consists of new and rehabilitated office furniture, including chairs, tables, credenzas, lamps and file cabinets, which are to be sold in normal operations of the OBDs. The value of new inventory is determined on the basis of acquisition cost. The value of rehabilitated inventory is determined on the basis of rehabilitation and transportation costs. As inventory is sold, expenses are recorded. The value of inventory on hand at year-end is based on the historical cost.

J. General Property, Plant and Equipment

The GSA, which charges rent equivalent to the commercial rental rates for similar properties, provides buildings in which the OBDs operate. The Department does not recognize depreciation on buildings and equipment provided by the GSA.

Personal property, excluding internal use software, is capitalized when the initial cost of acquiring the asset is $25 or more and the asset has an estimated useful life of two or more years.

Internal use software is capitalized when developmental phase costs or enhancement costs are $500 or more and the asset has an estimated useful life of two or more years. Real property and leasehold improvements are capitalized when the initial cost of acquiring the asset is $100 or more, and the asset has an estimated useful life of two or more years. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which, for most motor vehicles, equipment, and internal use software, range from 3 to 12 years.

K. Advances and Prepayments

Advances to government agencies represent amounts paid to government agencies that have not yet provided the service under reimbursement agreements for mission support services. Advances and Prepayments on the Consolidated Balance Sheets are comprised predominantly of COPS funds disbursed to grantees in excess of the total expenditures reported by those grantees. In addition, funds provided by COPS to the Office of Justice Programs (OJP) that have not yet been expended with grantees are included in Intragovernmental Other Assets on the Consolidated Balance Sheets. A nominal amount of the OBDs advance balance is comprised of funds advanced to the OBDs employees for meals and incidental expenses on official travel.

L. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the OBDs as the result of a transaction or event that has already occurred. However, no liability can be paid by a Department entity absent proper budget authority. Liabilities for which an appropriation has not been enacted are classified as liabilities not covered by budgetary resources, and there is no certainty that corresponding future appropriations will be enacted. Liabilities arising from other than contracts can be abrogated by the Government, acting in its sovereign capacity.

M. Accrued Grant Liabilities

Generally, 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 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.

N. Contingencies and Commitments

The OBDs are involved in various administrative proceedings, legal actions, and claims. The balance sheet includes 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 13, Contingencies and Commitments. 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".

O. 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.

P. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, federal agencies must pay 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.

Q. Retirement Plans

With few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees hired on or after that date are covered by the Federal Employees Retirement System (FERS). For employees covered by CSRS, the OBDs contribute 7% of the employees' gross pay for regular and 7.5% for law enforcement officers' retirement. For employees covered by FERS, the OBDs contribute 11.9% of the employees' gross pay for regular and 26.3% for law enforcement officers' retirement. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP account is automatically established, and the OBDs are required to contribute an additional 1% of gross pay to this plan and match employee contributions up to 4%. No contributions are made to the TSP accounts established by the CSRS employees. The OBDs do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to their 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 16, Imputed Financing from Costs Absorbed by Others, for additional details.

R. Federal Employee Compensation Benefits

The FECA provides income and medical cost protection to cover 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 portion and an accrued portion, as discussed below.

Actuarial Liability: The U.S. 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. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. 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 includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous costs for approved compensation cases for its employees. The Department's liability is further allocated to the 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's payments made over the same period.

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

Accrued Liability: The accrued FECA liability owed to the DOL is the difference between the FECA benefits paid by the FECA SBF and the agency's actual cash payments to the FECA SBF. For example, the FECA SBF will pay benefits on behalf of an agency through the current year. However, most agencies' actual cash payments to the FECA SBF for the current fiscal year will reimburse the FECA SBF for benefits paid through a prior fiscal year. The difference between these two amounts is the accrued FECA liability.

S. 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. 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 costs incurred to produce public and intragovernmental revenue.

T. Revenues and Other Financing Sources

The OBDs receive the majority of funding needed to support their programs through Congressional appropriations. They receive annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are received for reimbursement services.

Appropriations are reflected as a budgetary financing source entitled "Appropriations Used" on the Consolidated Statements of Changes in Net Position at the time goods and services are received. Appropriations are recorded in the year they are authorized on the Combined Statements of Budgetary Resources. Exchange revenues are recognized when earned, i.e., when services are rendered. The majority of intragovernmental services rendered by the OBDs entail legal and administrative activities provided to other Department bureaus and other government agencies. The OBDs also receive quarterly bankruptcy fees assessed against public debtors.

Custodial revenues represent the investment interest income earned from the settlement funds held by the OBDs and federal civil and criminal collections. The custodial revenues are not retained by the OBDs and are therefore recorded as custodial liabilities. Refer to Note 18, Net Custodial Revenue Activity, for details.

In addition, according to par. 31 of Federal Accounting Standards Advisory Board (FASAB) Interpretation 6, *Accounting for Imputed Intra-Departmental Costs: An Interpretation of SFFAS 4 (Managerial Cost Accounting Concepts and Standards)*, the receiving entity of the imputed intra-departmental and inter-departmental costs recognizes the full cost of the goods and services that it receives. To the extent that reimbursement is less than full cost, the receiving entity should recognize the difference as a financing source.

U. Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds* defines 'earmarked funds' as being financed by specifically identified revenues, 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 an earmarked fund are:

1. A statute committing the federal government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
2. Explicit authority for the earmarked fund to retain revenues and 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 earmarked fund from the government's general revenues.

The following OBDs funds meet the definition of an earmarked fund: U.S. Trustee System Fund and Antitrust Division.

V. Tax Exempt Status

As an agency of the Federal Government, the OBDs are exempt from all income taxes imposed by any governing body whether it be a federal, state, commonwealth, local, or foreign government.

W. Use of Estimates

Accounting estimates are an integral part of the OBDs financial statements and were used, in part, to determine the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Estimates were based on management's knowledge and experience about past, current, and future events. However, estimates are subjective in nature and actual results may differ from management's judgments.

X. Reclassifications

The FY 2011 financial statements were reclassified to conform to the FY 2012 Departmental and OMB financial statement presentation requirements. Changes to the presentation of the Combined and Combining Statements of Budgetary Resources were made, in accordance with guidance provided in OMB Circular A-136, *Financial Reporting Requirements* and as such, activity and balances reported on the FY 2011 Combined and Combining Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year. Certain other prior year amounts have also been reclassified to conform with the current year presentation. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

Y. Subsequent Events

Subsequent events and transactions occurring after September 30, 2012 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.

(Dollars in Thousands, Except as Noted)

Note 2. Non-Entity Assets

The OBDs non-entity assets include assets related to custodial activity such as collections from delinquent federal civil debts and criminal fines, penalties and restitution payments; and investments with the related interest revenue.

As of September 30, 2012 and 2011

	2012	2011
Intragovernmental		
Fund Balance with U.S. Treasury	$ 1,234,024	$ 666,572
Investments, Net	86,268	86,225
Total Intragovernmental	1,320,292	752,797
Total Non-Entity Assets	1,320,292	752,797
Total Entity Assets	5,295,337	5,560,084
Total Assets	$ 6,615,629	$ 6,312,881

(Dollars in Thousands, Except as Noted)

Note 3. Fund Balance with U.S. Treasury

As of September 30, 2012 and 2011

		2012		2011
Fund Balances				
Trust Funds	$	12,129	$	23,606
Special Funds		17,623		14,533
Revolving Funds		507,278		418,627
General Funds		5,164,891		4,766,281
Other Fund Types		116		116
Total Fund Balances with U.S. Treasury	$	5,702,037	$	5,223,163
Status of Fund Balances				
Unobligated Balance - Available	$	861,850	$	554,020
Unobligated Balance - Unavailable		265,239		260,303
Obligated Balance not yet Disbursed		3,338,598		3,747,602
Other Funds (With)/Without Budgetary Resources		1,236,350		661,238
Total Status of Fund Balances	$	5,702,037	$	5,223,163

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 becomes unavailable and may 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.

Other Funds (With)/Without Budgetary Resources primarily represents the net effect 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.

Note 4. Cash and Monetary Assets

As of September 30, 2012 and 2011

		2012		2011
Cash				
Imprest Funds	$	46	$	46

(Dollars in Thousands, Except as Noted)

Note 5. Investments, Net

OBDs invest in market-based Treasury securities. Market-based Treasury securities are debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates. Although the securities are not marketable, their terms (price and interest rates) mirror the terms of marketable Treasury securities.

The federal government does not set aside assets to pay future benefits or other expenditures associated with EOUST earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the EOUST as evidence of its receipts. Treasury securities are an asset to the EOUST and a liability to the U.S. Treasury. Because the EOUST and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide the EOUST with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the EOUST requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.

	Face Value	Unamortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value
As of September 30, 2012					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 309,855	$ 437	$ 187	$ 310,479	$ 311,068
As of September 30, 2011					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 302,211	$ 73	$ 44	$ 302,328	$ 302,847

(Dollars in Thousands, Except as Noted)

Note 6. Accounts Receivable, Net

As of September 30, 2012 and 2011

	2012	2011
Intragovernmental		
Accounts Receivable	$ 322,530	$ 350,778
Total Intragovernmental	322,530	350,778
With the Public		
Accounts Receivable	78,301	70,269
Allowance for Uncollectible Accounts	(11,808)	(11,183)
Total With the Public	66,493	59,086
Total Accounts Receivable, Net	$ 389,023	$ 409,864

The accounts receivable with the public consists in part of EOUST Chapter 11 quarterly fees in the amount of $57,346 and $66,254 which have been billed and are due to the EOUST as of September 30, 2012 and 2011, respectively.

Note 7. Inventory and Related Property, Net

As of September 30, 2012 and 2011

	2012	2011
Inventory		
Inventory Purchased for Resale	$ 106	$ 106

(Dollars in Thousands, Except as Noted)

Note 8. General Property, Plant and Equipment, Net

As of September 30, 2012	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Vehicles	$ 10,669	$ (6,321)	$ 4,348	5-7 yrs
Equipment	40,968	(25,546)	15,422	5-12 yrs
Leasehold Improvements	139,637	(98,952)	40,685	5 yrs
Internal Use Software	124,177	(92,054)	32,123	3 yrs
Internal Use Software in Development	41,199	-	41,199	n/a
Total	$ 356,650	$ (222,873)	$ 133,777	

As of September 30, 2011	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Vehicles	$ 13,248	$ (9,161)	$ 4,087	5-7 yrs
Equipment	37,337	(26,821)	10,516	5-12 yrs
Leasehold Improvements	119,489	(86,179)	33,310	5 yrs
Internal Use Software	74,482	(46,141)	28,341	5 yrs
Internal Use Software in Development	203,848	-	203,848	n/a
Total	$ 448,404	$ (168,302)	$ 280,102	

The OBDs purchased $36,171 and $71,818 of capitalized property from public sources as of September 30, 2012 and 2011, respectively. The OBDs purchased $24,122 and $25,973 of capitalized property from federal sources as of September 30, 2012 and 2011, respectively.

(Dollars in Thousands, Except as Noted)

Note 9. Other Assets

As of September 30, 2012 and 2011

	2012	2011
Intragovernmental		
Advances and Prepayments	$ 79,029	$ 95,294

Advances and Prepayments primarily represent funds provided by COPS to OJP that have not yet been expended by grantees. COPS provides grants to tribal, state, and local law enforcement agencies to hire and train community policing professionals, acquire and deploy cutting-edge crime-fighting technologies, and develop and test innovative policing strategies. OJP provides grant accounting services on a reimbursable basis to COPS.

Note 10. Liabilities not Covered by Budgetary Resources

As of September 30, 2012 and 2011

	2012	2011
Intragovernmental		
Accrued FECA Liabilities	$ 9,860	$ 9,780
Other Unfunded Employment Related Liabilities	372	408
Total Intragovernmental	10,232	10,188
With the Public		
Actuarial FECA Liabilities	56,121	51,746
Accrued Annual and Compensatory Leave Liabilities	181,786	181,586
Contingent Liabilities (Note 13)	3,565	-
RECA Liabilities (Note 19)	731,237	535,838
September 11th Victim Compensation Fund (Note 19)	2,766,400	-
Total With the Public	3,739,109	769,170
Total Liabilities not Covered by Budgetary Resources	3,749,341	779,358
Total Liabilities Covered by Budgetary Resources	2,292,244	1,843,349
Total Liabilities	$ 6,041,585	$ 2,622,707

(Dollars in Thousands, Except as Noted)

Note 11. Leases

The OBDs have no capital leases. The majority of the OBDs equipment leases are for copying machines and computer equipment, which are reported as operating leases.

As of September 30, 2012

Future Noncancelable Operating Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2013	$ 43	$ 629	$ 672
2014	-	91	91
2015	-	82	82
2016	-	78	78
2017	-	78	78
After 2017	-	30	30
Total Future Noncancelable Operating Lease Payments	$ 43	$ 988	$ 1,031

(Dollars in Thousands, Except as Noted)

Note 12. Other Liabilities

All Other Liabilities are current liabilities. Intragovernmental Other Liabilities consists of General Fund proprietary receipts.

As of September 30, 2012 and 2011

	2012	2011
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 31,819	$ 30,877
Other Post-Employment Benefits Due and Payable	414	989
Other Unfunded Employment Related Liabilities	372	408
Advances from Others	15,817	50,816
Liability for Clearing Accounts	2,400	(457)
Other Liabilities	629	959
Total Intragovernmental	51,451	83,592
With the Public		
Custodial Liabilities	209,775	152,987
Total Other Liabilities	$ 261,226	$ 236,579

Note 13. Contingencies and Commitments

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2012			
Probable	$ 3,565	$ 3,565	$ 3,625
Reasonably Possible		16,128	18,653
As of September 30, 2011			
Probable	$ -	$ -	$ -
Reasonably Possible		39,580	55,530

(Dollars in Thousands, Except as Noted)

Note 14. Earmarked Funds

The United States Trustees supervise the administration of bankruptcy cases and private trustees in the Federal Bankruptcy Courts. The Bankruptcy Judges, U.S. Trustees 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. This program 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.

As of September 30, 2012 and 2011

	2012			2011		
	U.S. Trustees Fund	Antitrust Division	Total Earmarked Funds	U.S. Trustees Fund	Antitrust Division	Total Earmarked Funds
Balance Sheet						
Assets						
Fund Balance with U. S. Treasury	$ 17,623	$ 37,506	$ 55,129	$ 14,532	$ 33,106	$ 47,638
Investments, Net	224,210	-	224,210	216,029	-	216,029
Other Assets	52,124	1,587	$ 53,711	58,406	3,152	61,558
Total Assets	$ 293,957	$ 39,093	$ 333,050	$ 288,967	$ 36,258	$ 325,225
Liabilities						
Accounts Payable	$ 9,020	$ 5,871	$ 14,891	$ 8,236	$ 5,949	$ 14,185
Other Liabilities	21,648	14,830	36,478	21,594	15,090	36,684
Total Liabilities	$ 30,668	$ 20,701	$ 51,369	$ 29,830	$ 21,039	$ 50,869
Net Position						
Unexpended Appropriations	$ -	$ 25,963	$ 25,963	$ -	$ 21,727	$ 21,727
Cumulative Results of Operations	263,289	(7,571)	255,718	259,137	(6,508)	252,629
Total Net Position	$ 263,289	$ 18,392	$ 281,681	$ 259,137	$ 15,219	$ 274,356
Total Liabilities and Net Position	$ 293,957	$ 39,093	$ 333,050	$ 288,967	$ 36,258	$ 325,225

For the Fiscal Years Ended September 30, 2012 and 2011

	2012			2011		
	U.S. Trustees Fund	Antitrust Division	Total Earmarked Funds	U.S. Trustees Fund	Antitrust Division	Total Earmarked Funds
Statement of Net Cost						
Gross Cost of Operations	$ 227,203	$ 156,773	$ 383,976	$ 234,356	$ 162,760	$ 397,116
Less: Earned Revenue	226,566	87,461	314,027	314,921	91,636	406,557
Net Cost of Operations	$ 637	$ 69,312	$ 69,949	$ (80,565)	$ 71,124	$ (9,441)
Statement of Changes in Net Position						
Net Position Beginning of Period	$ 259,137	$ 15,219	$ 274,356	$ 176,675	$ 14,385	$ 191,060
Budgetary Financing Sources	4,085	72,044	76,129	1,070	71,420	72,490
Other Financing Sources	704	441	1,145	827	538	1,365
Total Financing Sources	4,789	72,485	77,274	1,897	71,958	73,855
Net Cost of Operations	(637)	(69,312)	(69,949)	80,565	(71,124)	9,441
Net Change	4,152	3,173	7,325	82,462	834	83,296
Net Position End of Period	$ 263,289	$ 18,392	$ 281,681	$ 259,137	$ 15,219	$ 274,356

(Dollars in Thousands, Except as Noted)

Note 15. Net Cost of Operations by Suborganization

For the Fiscal Year Ended September 30, 2012

	Suborganizations					
	LA	NLA	Earmarked	WCF	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law						
Gross Cost	$ 203,704	$ 118,543	$ -	$ 221,585	$ (161,996)	$ 381,836
Less: Earned Revenue	35,170	14,095	-	228,850	(161,996)	116,119
Net Cost of Operations	168,534	104,448	-	(7,265)	-	265,717
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law						
Gross Cost	3,392,986	4,897,273	389,498	511,255	(599,896)	8,591,116
Less: Earned Revenue	576,724	99,905	319,549	528,018	(599,896)	924,300
Net Cost of Operations	2,816,262	4,797,368	69,949	(16,763)	-	7,666,816
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	183,526	2,114,777	-	505,065	(329,832)	2,473,536
Less: Earned Revenue	1,017	32,372	-	521,624	(329,832)	225,181
Net Cost of Operations	182,509	2,082,405	-	(16,559)	-	2,248,355
Net Cost of Operations	$ 3,167,305	$ 6,984,221	$ 69,949	$ (40,587)	$ -	$ 10,180,888

For the Fiscal Year Ended September 30, 2011

	Suborganizations					
	LA	NLA	Earmarked	WCF	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law						
Gross Cost	$ 204,150	$ 107,750	$ -	$ 234,295	$ (167,870)	$ 378,325
Less: Earned Revenue	32,425	15,738	-	235,916	(167,870)	116,209
Net Cost of Operations	171,725	92,012	-	(1,621)	-	262,116
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law						
Gross Cost	3,426,764	2,097,497	402,360	524,079	(591,982)	5,858,718
Less: Earned Revenue	554,587	100,497	411,801	527,706	(591,982)	1,002,609
Net Cost of Operations	2,872,177	1,997,000	(9,441)	(3,627)	-	4,856,109
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	196,324	2,079,673	-	474,754	(308,832)	2,441,919
Less: Earned Revenue	2,068	32,236	-	478,039	(308,832)	203,511
Net Cost of Operations	194,256	2,047,437	-	(3,285)	-	2,238,408
Net Cost of Operations	$ 3,238,158	$ 4,136,449	$ (9,441)	$ (8,533)	$ -	$ 7,356,633

LA - Legal Activities provides for the legal activities of the U.S. Department of Justice, including the Antitrust, Civil, Civil Rights, Criminal, Environment and Natural Resources, and Tax Divisions.

NLA - Non Legal Administration provides the resources for the programs and operations of the Attorney General, the Deputy Attorney General, the Associate Attorney General, their immediate Offices, several senior policy offices, and certain activities of the Justice Management Division.

Earmarked - Funds identified as earmarked relate specifically to activities of the U.S. Trustees and Antitrust Division.

WCF - Working Capital Fund provides a centralized performance of common administrative services for the Department.

(Dollars in Thousands, Except as Noted)

Note 16. Imputed Financing from Costs Absorbed by Others

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the OBDs from a providing entity that is not part of the Department of Justice. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental financing sources recognized by the OBDs are the actual cost of future benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), 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 OBDs. 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 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. For employees covered by CSRS, the cost factors are 29.8% of basic pay for regular, 50.9% law enforcement officers, 23.2% regular offset, and 45.2% law enforcement officers offset. For employees covered by FERS, the cost factors are 13.7% of basic pay for regular and 29.7% for law enforcement officers.

The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, the cost of 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, 2012 and 2011

	2012	2011
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	$ 13,021	$ 40,864
Health Insurance	105,160	112,517
Life Insurance	449	452
Pension	57,769	67,778
Total Imputed Inter-Departmental	$ 176,399	$ 221,611

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 the OBDs from another component in the Department. The OBDs do not have any imputed intra-departmental financing sources that meet the reporting requirements of the Department.

(Dollars in Thousands, Except as Noted)

Note 17. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2012			
Obligations Apportioned Under			
Category A	$ 5,811,306	$ 2,279,666	$ 8,090,972
Category B	1,199,096	(5,187)	1,193,909
Total	$ 7,010,402	$ 2,274,479	$ 9,284,881
For the Fiscal Year Ended September 30, 2011			
Obligations Apportioned Under			
Category A	$ 5,909,049	$ 2,261,131	$ 8,170,180
Category B	1,350,261	34,250	1,384,511
Total	$ 7,259,310	$ 2,295,381	$ 9,554,691

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*. The majority of the OBDs apportionments were under Category A, which represents resources apportioned for calendar quarters. The apportionments for part of COPS were under Category B, which represents resources apportioned for other time periods, activities, projects, objectives or for a combination thereof.

(Dollars in Thousands, Except as Noted)

Note 17. Information Related to the Statement of Budgetary Resources (continued)

Status of Undelivered Orders:

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

As of September 30, 2012 and 2011

	2012	2011
UDO Obligations Unpaid	$ 3,028,248	$ 3,330,095
UDO Obligations Prepaid/Advanced	79,793	96,902
Total UDO	$ 3,108,041	$ 3,426,997

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.

The Consolidated Appropriations Act, 2005, provided a permanent indefinite appropriation for the OBDs' Radiation Exposure Compensation Act program beginning FY 2006.

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 based on annual legislative requirements and other enabling authorities, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, and no-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 not available for new obligations, but may be used to adjust previously established obligations.

Note 17. Information Related to the Statement of Budgetary Resources (continued)

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

The reconciliation as of September 30, 2012 is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2014, which presents the execution of the FY 2012 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and is available in early February 2013.

For the Fiscal Year Ended September 30, 2011
(Dollars in Millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 10,369	$ 9,555	$ 777	$ 6,794
Funds not Reported in Budget of the U.S.				
Expired Funds	(173)	(4)	-	-
Redistribution of Clearing Accounts and Certain Miscellaneous Receipts	-	-	(446)	446
Special and Trust Fund Receipts				
Earnings on Investments, U.S. Trustees System	-	-	-	1
Fees for Bankruptcy Oversight, U.S. Trustees System	-	-	-	267
Payment from the General Fund, Radiation Exposure Compensation Trust Fund	-	-	-	63
Other	-	-	-	2
Budget of the United States Government	$ 10,196	$ 9,551	$ 331	$ 7,573

The Other line includes reconciling items between the Federal Agencies Centralized Trial Balance System II (FACTSII) and the SBR.

A reconciliation with the SF-133, *Report on Budget Execution and Budgetary Resources*, was performed and explanations of differences were provided to OMB at the Department consolidated level.

Note 18. Net Custodial Revenue Activity

The Statement of Custodial Activity (SCA) presents the sources and disposition of non-exchange revenues collected or accrued by the Department on behalf of other recipient entities. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*, non-exchange custodial collections should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue; therefore, custodial collections and interest revenue are recognized on the SCA. The SCA is prepared on a modified cash basis and represents two custodial accounts: (1) Debt Collection Management (DCM) and (2) French Bank Credit Lyonnais and French company Artemis settlement fund.

Overall, the OBDs custodial collections totaled $7,035,591 and $5,260,397 for the fiscal years ended September 30, 2012 and 2011, respectively. The custodial assets and liabilities are presented on the OBDs balance sheet as $1,320,292 and $752,797, as of September 30, 2012 and 2011, respectively.

Debt Collection Management

The primary source of the Office of Debt Collection Management collections consists of civil litigated matters (i.e., student loan defaults, health care fraud, etc.). DCM also processes certain payments on criminal debts as an accommodation for the Bureau of Prisons (BOP), another component of the Department of Justice, and the Clerks of the U.S. District Courts. The BOP aggregates collections of inmate criminal debt by correction facility, and DCM sorts the collections by judicial district and disburses payments to the respective Clerks of the U.S. Court. DCM also accepts wire transfers or other payments on a criminal debt if a Clerk of U.S. Court is unable or unwilling to do so. In addition, other negligible custodial collections occur for interest, fines and penalties. DCM is authorized to perform these actions through the OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*; "Section V. Delinquent Debt Collection-Referrals to the Department of Justice; A. Referral for Litigation".

French bank Credit Lyonnais and French company Artemis settlement fund

During FY 2004, the OBDs collected a total settlement fund of $560,000, of which French bank Credit Lyonnais and French company Artemis paid $375,000 and $185,000, respectively. $110,000 of the French company Artemis settlement fund was disbursed for compensation of benefits lost. In addition, during FY 2006, $385,473 (including $10,473 interest) of the French bank Credit Lyonnais settlement fund was disbursed for the civil settlement cases. The remaining $75,000 was held in reserve pending the outcome of the French company Artemis lawsuit. By court order, the OBDs were given the investment authority and the settlement funds must be invested. The OBDs invest these funds with the U.S. Department of Treasury, Bureau of the Public Debt. In accordance with court orders, the French bank Credit Lyonnais and French company Artemis settlement fund disbursed earned interest to the public of $43 and $59, as of September 30, 2012 and 2011, respectively.

Note 19. Compensation Funds

Radiation Exposure Compensation Act

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

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

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

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

The enactment of two pieces of legislation changed the funding sources for RECA claimants. The National Defense Authorization Act for FY 2005 requires that RECA Section 5 claimants (uranium miners, millers, and ore transporters) be paid out of the Department of Labor’s (Labor) Energy Employees Occupational Illness Compensation Fund. The RECA 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 $731,237 and $535,838 for estimated future benefits payable by the Department as of September 30, 2012 and 2011, respectively, to eligible individuals under the Act through FY 2023. The estimated liability is based on activity between FYs 2007 - 2012. Key factors in determining future liability are trends in the number of claims filed, trends in the percentage of claims adjudicated, and trends in the percentage of claims approved. These estimates are then discounted in accordance with the discount rates set by the Office of Management and Budget.

(Dollars in Thousands, Except as Noted)

Note 19. Compensation Funds (continued)

September 11th Victim Compensation Fund

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

The Zadroga Act requires that the total amount of federal funds paid for including compensation with respect to claims filed on or after October 3, 2011, will not exceed $2,775,000. Furthermore, the total amount of federal funds expended during the period from October 3, 2011, through October 3, 2016, may not exceed $875,000. For fiscal year 2012, the Department of Justice received an appropriation of $200,000. Summarized financial information about appropriated funds received, benefit payments disbursed and payable, and the Fund balance is presented below:

As of September 30, 2012

		2012
Appropriated Funds Received		$ 200,000
Less:	Salaries and Expenses Disbursements	6,212
	Total Disbursements	6,212
Total Fund Balance with Treasury		$ 193,788
Total Federal Funds available for September 11th Victim Compensation Fund		$ 2,775,000
Less:	Accounts Payable for Salaries and Expenses	2,388
	Total Funded Liabilities	2,388
	Total Disbursements	6,212
	Total Funded Activities	8,600
Unfunded Liability for September 11th Victim Compensation Fund		$ 2,766,400

(Dollars in Thousands, Except as Noted)

Note 20. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

For the Fiscal Years Ended September 30, 2012 and 2011

	2012	2011
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 9,284,881	$ 9,554,691
Less: Spending Authority from Offsetting Collections and Recoveries	2,387,027	2,315,302
Obligations Net of Offsetting Collections and Recoveries	6,897,854	7,239,389
Less: Offsetting Receipts	1,117,582	777,312
Net Obligations	5,780,272	6,462,077
Other Resources		
Transfers-In/Out Without Reimbursement	(36,621)	(53,304)
Imputed Financing from Costs Absorbed by Others (Note 16)	176,399	221,611
Net Other Resources Used to Finance Activities	139,778	168,307
Total Resources Used to Finance Activities	5,920,050	6,630,384
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	319,387	374,626
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(36)	(12,236)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	808,008	446,582
Resources That Finance the Acquisition of Assets	(60,293)	(97,791)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	1,067,066	711,181
Total Resources Used to Finance the Net Cost of Operations	$ 6,987,116	$ 7,341,565

(Dollars in Thousands, Except as Noted)

Note 20. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) (continued)

For the Fiscal Years Ended September 30, 2012 and 2011

	2012	2011
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 21)	$ 2,979,515	$ (43,907)
Depreciation and Amortization	206,722	48,988
Other	7,535	9,987
Total Components of Net Cost of Operations That Will not Require or Generate Resources	214,257	58,975
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	3,193,772	15,068
Net Cost of Operations	$ 10,180,888	$ 7,356,633

(Dollars in Thousands, Except as Noted)

Note 21. 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 not 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 $3,749,341 and $779,358 on September 30, 2012 and 2011, respectively, are discussed in Note 10, 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, 2012 and 2011

	2012	2011
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Accrued Annual and Compensatory Leave Liabilities	$ -	$ (1,534)
Other		
Decrease in Contingent Liabilities	-	(4,738)
Decrease in Other Unfunded Employment Related Liabilities	(36)	(18)
Decrease in RECA Liabilities	-	(5,946)
Total Other	(36)	(10,702)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (36)	$ (12,236)
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ 200	$ -
(Increase)/Decrease in Exchange Revenue Receivable from the Public	9,496	(46,146)
Other		
Increase in Actuarial FECA Liabilities	4,375	1,724
Increase in Accrued FECA Liabilities	80	515
Increase in Contingent Liabilities	3,565	-
Increase in RECA Liabilities	195,399	-
Increase in September 11th Victim Compensation Fund	2,766,400	-
Total Other	2,969,819	2,239
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 2,979,515	$ (43,907)

The decrease in Exchange Revenue Receivable from the Public varies from the balance sheet as a result of the UST Fees Receivable which has no associated budgetary accounts.

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Required Supplementary Information

Unaudited

U. S. Department of Justice
Offices, Boards and Divisions
Required Supplementary Information
Combining Statements of Budgetary Resources
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	LA	NLA	Earmarked	WCF	Combined
Budgetary Resources:					
Unobligated Balance, Brought Forward, October 1	$ 275,921	$ 209,541	$ 21,203	$ 307,658	$ 814,323
Recoveries of Prior Year Unpaid Obligations	105,924	54,009	2,322	62,328	224,583
Other Changes in Unobligated Balance	(32,624)	(9,080)		109,395	67,691
Unobligated Balance from Prior Year Budget Authority, Net	**349,221**	**254,470**	**23,525**	**479,381**	**1,106,597**
Appropriations (discretionary and mandatory)	3,193,898	3,693,730	295,301	(40,000)	7,142,929
Spending Authority from Offsetting Collections (discretionary and mandatory)	631,943	151,618	108,235	1,270,648	2,162,444
Total Budgetary Resources	**$ 4,175,062**	**$ 4,099,818**	**$ 427,061**	**$ 1,710,029**	**$ 10,411,970**
Status of Budgetary Resources:					
Obligations Incurred	$ 3,789,357	$ 3,741,632	$ 391,746	$ 1,362,146	$ 9,284,881
Unobligated Balance, End of Period:					
Apportioned	234,451	302,380	35,238	289,781	861,850
Unapportioned	151,254	55,806	77	58,102	265,239
Total Unobligated Balance - End of Period	385,705	358,186	35,315	347,883	1,127,089
Total Status of Budgetary Resources:	**$ 4,175,062**	**$ 4,099,818**	**$ 427,061**	**$ 1,710,029**	**$ 10,411,970**
Change in Obligated Balance:					
Obligated Balance, Net - Brought Forward, October 1					
Unpaid Obligations, Gross	$ 934,002	$ 3,201,696	$ 39,748	$ 388,703	$ 4,564,149
Less: Uncollected Customer Payments from Federal Sources	382,448	152,349	4,016	277,734	816,547
Total Obligated Balance, Net - Brought Forward, October 1	551,554	3,049,347	35,732	110,969	3,747,602
Obligations Incurred	3,789,357	3,741,632	391,746	1,362,146	9,284,881
Less: Outlays, Gross	3,642,724	4,152,956	386,076	1,263,363	9,445,119
Change in Uncollected Customer Payments from Federal Sources	(21,785)	(2,098)	(12,274)	11,974	(24,183)
Less: Recoveries of Prior Year Unpaid Obligations	105,924	54,009	2,322	62,328	224,583
Obligated Balance, Net - End of Period					
Unpaid Obligations, Gross	974,711	2,736,363	43,096	425,158	4,179,328
Less: Uncollected Customer Payments from Federal Sources	404,233	154,447	16,290	265,760	840,730
Total Obligated Balance, Net - End of Period	**$ 570,478**	**$ 2,581,916**	**$ 26,806**	**$ 159,398**	**$ 3,338,598**
Budgetary Authority and Outlays, Net:					
Budgetary Authority, Gross (discretionary and mandatory)	$ 3,825,841	$ 3,845,348	$ 403,536	$ 1,230,648	$ 9,305,373
Less: Actual Offsetting Collections (discretionary and mandatory)	610,158	149,520	95,961	1,282,622	2,138,261
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(21,785)	(2,098)	(12,274)	11,974	(24,183)
Budget Authority, Net (discretionary and mandatory)	**$ 3,193,898**	**$ 3,693,730**	**$ 295,301**	**$ (40,000)**	**$ 7,142,929**
Outlays, Gross (discretionary and mandatory)	$ 3,642,724	$ 4,152,956	$ 386,076	$ 1,263,363	$ 9,445,119
Less: Actual Offsetting Collections (discretionary and mandatory)	610,158	149,520	95,961	1,282,622	2,138,261
Outlays, Net (discretionary and mandatory)	3,032,566	4,003,436	290,115	(19,259)	7,306,858
Less: Distributed Offsetting Receipts	-	80,958	234,574	802,050	1,117,582
Agency Outlays, Net (discretionary and mandatory)	**$ 3,032,566**	**$ 3,922,478**	**$ 55,541**	**$ (821,309)**	**$ 6,189,276**

LA - Legal Activities provides for the legal activities of the U.S. Department of Justice, including the Antitrust, Civil, Civil Rights, Criminal, Environment and Natural Resources, and Tax Divisions.
NLA - Non Legal Administration provides the resources for the programs and operations of the Attorney General, the Deputy Attorney General, the Associate Attorney General, their immediate Offices, several senior policy offices, and certain activities of the Justice Management Division.
Earmarked - Funds identified as earmarked relate specifically to activities of the U.S. Trustees and Antitrust Division.
WCF - Working Capital Fund provides a centralized performance of common administrative services for the Department.

U. S. Department of Justice
Offices, Boards and Divisions
Required Supplementary Information
Combining Statements of Budgetary Resources
For the Fiscal Year Ended September 30, 2011

Dollars in Thousands	LA	NLA	Earmarked	WCF	Combined
Budgetary Resources:					
Unobligated Balance, Brought Forward, October 1	$ 233,698	$ 411,540	$ 20,859	$ 263,856	$ 929,953
Recoveries of Prior Year Unpaid Obligations	128,668	73,951	3,864	-	206,483
Other Changes in Unobligated Balance	(15,946)	(4,367)	-	113,734	93,421
Unobligated Balance from Prior Year Budget Authority, Net	**346,420**	**481,124**	**24,723**	**377,590**	**1,229,857**
Appropriations (discretionary and mandatory)	3,168,165	3,597,942	290,231	(26,000)	7,030,338
Spending Authority from Offsetting Collections (discretionary and mandatory)	613,937	101,145	96,761	1,296,976	2,108,819
Total Budgetary Resources	**$ 4,128,522**	**$ 4,180,211**	**$ 411,715**	**$ 1,648,566**	**$ 10,369,014**
Status of Budgetary Resources:					
Obligations Incurred	$ 3,852,601	$ 3,970,670	$ 390,512	$ 1,340,908	$ 9,554,691
Unobligated Balance, End of Period:					
Apportioned	139,269	153,502	3,786	257,463	554,020
Unapportioned	136,652	56,039	17,417	50,195	260,303
Total Unobligated Balance - End of Period	275,921	209,541	21,203	307,658	814,323
Total Status of Budgetary Resources:	**$ 4,128,522**	**$ 4,180,211**	**$ 411,715**	**$ 1,648,566**	**$ 10,369,014**
Change in Obligated Balance:					
Obligated Balance, Net - Brought Forward, October 1					
Unpaid Obligations, Gross	$ 883,299	$ 3,520,245	$ 42,739	$ 428,178	$ 4,874,461
Less: Uncollected Customer Payments from Federal Sources	328,080	174,307	2,849	289,538	794,774
Total Obligated Balance, Net - Brought Forward, October 1	555,219	3,345,938	39,890	138,640	4,079,687
Obligations Incurred	3,852,601	3,970,670	390,512	1,340,908	9,554,691
Less: Outlays, Gross	3,673,230	4,215,266	389,640	1,380,384	9,658,520
Change in Uncollected Customer Payments from Federal Sources	(54,368)	21,957	(1,167)	11,805	(21,773)
Less: Recoveries of Prior Year Unpaid Obligations	128,668	73,951	3,864	-	206,483
Obligated Balance, Net - End of Period					
Unpaid Obligations, Gross	934,002	3,201,696	39,748	388,703	4,564,149
Less: Uncollected Customer Payments from Federal Sources	382,448	152,349	4,016	277,734	816,547
Total Obligated Balance, Net - End of Period	**$ 551,554**	**$ 3,049,347**	**$ 35,732**	**$ 110,969**	**$ 3,747,602**
Budgetary Authority and Outlays, Net:					
Budgetary Authority, Gross (discretionary and mandatory)	$ 3,782,102	$ 3,699,087	$ 386,992	$ 1,270,976	$ 9,139,157
Less: Actual Offsetting Collections (discretionary and mandatory)	559,568	123,103	95,594	1,308,781	2,087,046
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(54,368)	21,957	(1,167)	11,805	(21,773)
Budget Authority, Net (discretionary and mandatory)	**$ 3,168,166**	**$ 3,597,941**	**$ 290,231**	**$ (26,000)**	**$ 7,030,338**
Outlays, Gross (discretionary and mandatory)	$ 3,673,230	$ 4,215,266	$ 389,640	$ 1,380,384	$ 9,658,520
Less: Actual Offsetting Collections (discretionary and mandatory)	559,568	123,103	95,594	1,308,781	2,087,046
Outlays, Net (discretionary and mandatory)	3,113,662	4,092,163	294,046	71,603	7,571,474
Less: Distributed Offsetting Receipts	-	66,994	267,731	442,587	777,312
Agency Outlays, Net (discretionary and mandatory)	**$ 3,113,662**	**$ 4,025,169**	**$ 26,315**	**$ (370,984)**	**$ 6,794,162**

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Earmarked - Funds identified as earmarked relate specifically to activities of the U.S. Trustees and Antitrust Division.
WCF - Working Capital Fund provides a centralized performance of common administrative services for the Department.

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Other Accompanying Information

Unaudited

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U. S. Department of Justice
Offices, Boards and Divisions
Other Accompanying Information
Combined Schedule of Spending
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands			2012
What Money is Available to Spend?			
Total Resources		$	10,411,970
Less: Amount Available but Not Agreed to be Spent			861,850
Less: Amount Not Available to be Spent			265,239
Total Amounts Agreed to be Spent		**$**	**9,284,881**
How was the Money Spent?			
Personnel Compensation and Benefits			
1100	Personnel Compensation	$	2,464,773
1200	Personnel Benefits		660,589
1300	Former Personnel		5,490
2100	Travel & Transportation of Persons		87,347
2200	Transportation of Things		42,922
Contractual Services and Supplies			
2300	Rent, Communications, and Utilities		1,191,524
2400	Printing & Reproduction		6,433
2500	Other Services		3,568,782
2600	Supplies and Materials		39,293
Acquisition of Assets			
3100	Equipment		186,438
3200	Purchase and Improvements of Land/Structures		11,741
Grants and Fixed Charges			
4100	Grants		1,020,715
4200	Special Payments		159,072
Total Spending			9,445,119
Amounts Remaining to be Spent			(160,238)
Total Amounts Agreed to be Spent		**$**	**9,284,881**

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Appendix

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OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The Office of the Inspector General (OIG) provided a draft of the *Independent Auditors' Report on Internal Control over Financial Reporting* to the Offices, Boards and Divisions (OBDs). The OBDs' response is incorporated in the *Independent Auditors' Report on Internal Control over Financial Reporting* of this final report. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation Number:

1. **Resolved.** The OBDs concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that the OBDs have updated the capitalization methodology to clarify the Department's accounting policy related to the accounting treatment for internal use software (IUS) costs in light of the errors and related adjustments identified during the audit, including providing guidance as to the specific nature and types of IUS costs that should or should not be capitalized during the software development phase

2. **Resolved.** The OBDs concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that the OBDs have implemented procedures to ensure that the UFMS PMO management have a complete and consistent understanding of the requirements that should govern compilation of internal use software cost data submitted for capitalization, including consideration of joint UFMS PMO and JMD Finance Staff training on the requirements of applicable generally accepted accounting principles.

3. **Resolved.** The OBDs concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that the OBDs have implemented more thorough management review procedures over journal entries related to the recording of IUS costs and the capitalization of IUS assets, including routine reviews of the supporting documentation for the costs capitalized, to provide additional assurance that the recorded amounts are proper, accurate, and complete.