AUDIT OF THE FEDERAL BUREAU OF PRISONS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2013

U.S. Department of Justice
Office of the Inspector General
Audit Division

Audit Report 14-09
February 2014

AUDIT OF THE FEDERAL BUREAU OF PRISONS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2013

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the Federal Bureau of Prisons (BOP) for the fiscal years (FY) ended September 30, 2013, and September 30, 2012. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the BOP's audit in accordance with auditing standards generally accepted in the United States of America. Effective for FY 2013, auditing standards generally accepted in the United States of America use the term "unmodified" opinion instead of "unqualified" opinion. The definition of the two terms is substantially the same. An unmodified opinion means that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The FY 2013 audit resulted in an unmodified opinion on the financial statements. For FY 2012, the BOP received an unqualified opinion on its financial statements (OIG Audit Report No. 13-09).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors did not identify any material weaknesses, nor did they report any significant deficiencies in the FY 2013 *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. 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 2013 *Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.* Additionally, KPMG LLP's tests disclosed no instances in which the BOP 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 BOP's financial statements, conclusions about the effectiveness of internal control, conclusions on whether BOP's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance and other matters. KPMG LLP is responsible for the attached auditors' reports dated December 3, 2013, 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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AUDIT OF THE FEDERAL BUREAU OF PRISONS
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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

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U.S. Department of Justice
Bureau of Prisons
Management's Discussion & Analysis

MISSION

It is the mission of the Federal Bureau of Prisons to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

ORGANIZATION STRUCTURE

The Bureau of Prisons (BOP) encompasses the activities of the Trust Fund and appropriated activities. It does not include the Federal Prison Industries, Inc. (FPI) (also called UNICOR) which is a separate reporting component of the Department of Justice (DOJ).

As of September 30, 2013, the **BOP** was comprised of 119 institutions, six regional offices, two staff training centers, 28 community corrections offices, and a Central Office, or headquarters, in Washington, D.C. The Executive Office of the Director provides overall direction for agency operations, with nine central office divisions, each led by a member of the BOP's Executive Staff, providing operational and policy direction. The Central Office manages the security and correctional operations of the BOP, the medical and psychiatric programs, and food and nutritional programs. Additionally, the Central Office plans for the acquisition, construction, staffing of new facilities, oversees budget development and execution, contracting, property management, and financial management. Additional operational support and direction are provided for community corrections and detention programs, legal counsel, public affairs, information resources, and human resources management.

The **National Institute of Corrections** (NIC), one of the BOP's Salaries and Expenses activities, provides technical assistance and training for state and local correctional agencies across the nation. The NIC supports the BOP's goal of building partnerships with community, state, local, and other entities. The **Program Review Division** (PRD) performs oversight over the BOP's programs through a rigorous review process that measures program effectiveness and adequacy of internal controls. The **Administration Division** (ADM) provides resources and support for the BOP to perform effectively and efficiently. This includes the development of budget requests; the stewardship of financial resources; procurement and property management; the coordination and analysis of information related to capacity; the selection of sites for new prison construction; the design and construction of new correctional facilities; and the renovation and maintenance of existing facilities. The **Correctional Programs Division** (CPD) develops activities and programs designed to appropriately classify inmates, eliminate inmate idleness, and develop the skills necessary to facilitate the successful reintegration of inmates into their communities upon release. The **Health Services Division** (HSD) has responsibilities in medical care, safety and environmental health, and food services. The health care mission is to deliver necessary health care to inmates. The occupational safety and environmental health mission is to provide a safe and healthy environment for staff and inmates. The food service mission is to provide healthy and appetizing meals that meet the needs of the general population. The **Human Resource Management Division** (HRMD) is designed to oversee and administer personnel policy and programs developed to address the needs of Bureau employees covering all areas of personnel management. The **Industries, Education, and Vocational Training Division** (IE&VT**)** encompasses the FPI program and the Bureau's Education and Inmate Transition Program. The Education Branch oversees the Bureau's recreation programs and the Bureau's education and vocational training programming. The Inmate Transition Branch works to enhance inmates' post-release employment opportunities and also oversees the Bureau's Volunteer Management Program. The **Information, Policy and Public Affairs Division** (IPPA) collects, develops, and disseminates useful, accurate, and timely information to BOP staff, DOJ, Congress, other government agencies, and the public. The **Office of General Counsel** (OGC) provides effective legal advice, assistance, and representation to officials of the Federal Bureau of Prisons.

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

The BOP is subdivided into **six geographical regions** (see Attachment A), each managed by a Regional Director. Regions are staffed with personnel who provide operational guidance and support to the field locations in management and administrative areas such as financial management, budgeting, technical assistance, personnel, and correctional management.

In the fiscal year 2013, the BOP operated 119 institutions spanning four main security levels in its efforts to provide secure and cost effective housing to a broad spectrum of offenders. Institutions are assigned a security classification based in part on the physical design of each facility. The four security levels are minimum, low, medium, and high. In addition, **administrative** facilities are institutions with special missions, including: detention of non-citizen or pretrial offenders, treatment of inmates with serious or chronic medical problems, and containment of extremely violent or dangerous inmates. Administrative facilities are capable of housing inmates of all security categories.

FINANCIAL STRUCTURE

The BOP was provided two appropriations by Congress for fiscal year 2013: **Salaries and Expenses** and **Buildings and Facilities.** The Salaries and Expenses (S&E) portion includes annual and multi-year appropriations, while Buildings and Facilities (B&F) is a no-year appropriation. The **Trust Fund** receives spending authority from offsetting collections for revenue earned through the sale of goods and services.

The S&E appropriations are annual and multi-year appropriations that support costs associated with the care and custody of all Federal offenders in Federal institutions and contract facilities, and the maintenance and operational costs associated with the upkeep of Federal facilities, regional offices, staff training centers, and administrative offices.

The B&F appropriation is a no-year appropriation that supports site planning, acquisition, and construction of new facilities. The B&F appropriation also supports the remodeling, renovating, and equipping of existing facilities for penal and correctional use.

ANALYSIS OF FINANCIAL STATEMENTS

Highlights of the financial and budgetary information presented in the financial statements follows.

Assets: The BOP's Consolidated Balance Sheets as of September 30, 2013, shows $7.311 billion in total assets, a decrease of $487 million from the previous year's total assets of $7.798 billion. General Property, Plant and Equipment, Net was $6.240 billion, which represents 85 percent of total assets.

Liabilities: Total BOP liabilities were $2.021 billion as of September 30, 2013, an increase of $33 million from the previous year's total liabilities of $1.988 billion. Actuarial FECA liabilities were $956 million and Accounts Payable was $383 million, which represents 47 percent and 19 percent of total liabilities respectively.

Net Cost of Operations: The Consolidated Statements of Net Cost presents the BOP's gross and net cost by strategic goals 2 and 3. The net cost of the BOP's operations totaled $7.204 billion for the fiscal year ended September 30, 2013, an increase of $107 million (1.5 percent) from the previous year's net cost of operations of $7.097 billion.

Consistent with the Government Performance and Results Act (GPRA), the BOP has a formal strategic planning process that feeds into the Department's strategic plan. The BOP sets goals, measures performance, and reports annually on its actual performance compared to its goals. The Office of Management and Budget (OMB) Circular A-136 and the Statement of Federal Financial Accounting Standard (SFFAS) No. 15, *Management's Discussion and Analysis – Standards*, require agencies to present the most significant performance measures related to information on major goals from the agency's strategic plan. Reported measures are also linked to the DOJ Strategic Goal 2, "Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law," and Strategic Goal 3, "Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels." Tables 1 and 2 summarize the activity on the BOP's Consolidated Statements of Changes in Net Position and Consolidated Statements of Net Cost. The tables show the funds provided to the BOP for the fiscal years ended September 30, 2013 and 2012 for the purpose of achieving the strategic goals.

Table 1. Source of BOP Resources
(Dollars in Thousands)

Source	FY 2013	FY2012	Change %
Earned Revenue	$ 419,593	$ 410,305	2%
Budgetary Financing Sources			
Appropriations Received	6,920,217	6,641,281	4%
Appropriations Transferred-In/Out	87,214	(562)	15,619%
Other Adjustments and Other Budgetary Financing Sources	(540,312)	(45,000)	1,101%
Other Financing Sources			
Donations and Forfeitures of Property	3	30	-90%
Transfers-In/Out Without Reimbursement	132	151,645	-100%
Imputed Financing from Costs Absorbed by Others	225,500	238,018	-5%
Total	**$ 7,112,347**	**$ 7,395,717**	-4%

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

Strategic Goal (SG)	FY 2013	FY 2012	Change %
SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ 7,907	$ 7,242	
Less: Earned Revenue	-	-	
Net Cost	$ 7,907	$ 7,242	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	$ 7,615,902	$ 7,499,577	
Less: Earned Revenue	419,593	410,305	
Net Cost	$ 7,196,309	$ 7,089,272	2%
Total Gross Cost	**$ 7,623,809**	**$ 7,506,819**	
Less: Total Earned Revenue	**419,593**	**410,305**	
Total Net Cost of Operations	**$ 7,204,216**	**$ 7,096,514**	2%

2013 Financial Highlights

Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law, includes preventing, suppressing and intervening in crimes against children. The Adam Walsh Child Protection and Safety Act (Walsh Act) includes a provision for the civil commitment of sexually dangerous persons due for release from BOP custody. To initiate court commitment proceedings, the BOP must certify the inmate as a "sexually dangerous person" as specified in the statute. The BOP does not have an existing performance measure for its Walsh Act efforts.

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 maintaining secure, safe, and humane correctional institutions for sentenced offenders placed in custody. The BOP develops and operates correctional programs that seek a balanced application of the concepts of punishment and deterrence with opportunities to prepare the offender for successful reintegration into society. Through the NIC, the BOP provides assistance to international, Federal, state, and local correctional agencies. The BOP conducts its incarceration function using a range of the BOP operated institutions of varying security levels, as well as the use of privately operated facilities, which includes half-way houses. In addition, the BOP houses all Washington, D.C. adult felons sentenced to a term of confinement. In FY 2013, Goal 3 net costs increased by 2 percent. This is primarily due to the increase of 611 inmates in the BOP's custody.

FY 2013 REPORT ON SELECTED RESULTS

STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law. .1 percent of the BOP's Net Costs support this Goal.

STRATEGIC GOAL 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels. 99.9 percent of the BOP's Net Costs support this Goal.

Performance Measure: Percent of System-wide Crowding in Federal Prisons (% over rated capacity)

FY 2013 Target: 38%
FY 2013 Actual: 36%
FY 2012 Actual: 38%
FY 2011 Actual: 39%
FY 2010 Actual: 37%
FY 2009 Actual: 37%

Performance Measure: Number of inmate participants in the Residential Drug Abuse Program

FY 2013 Target: 16,044
FY 2013 Actual: 15,723
FY 2012 Actual: 14,482

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act or FMFIA) 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 Section 2) and whether financial management systems conform to related requirements (FMFIA Section 4).

Guidance for implementing the Integrity Act is provided through OMB Circular A-123. 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. The Department requires components to provide both of the assurance statements in order to have the information necessary to prepare the agency assurance statements.

FMFIA Assurance Statement

The Director of the BOP provides Reasonable Assurance that management controls and financial systems met the objectives of Sections 2 and 4 of the FMFIA, with the exception of the material weakness summarized below, for which a Corrective Action Plan has been established. In accordance with Appendix A of OMB Circular A-123, the BOP conducted its assessment of the effectiveness of internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment, the BOP can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2013, and the assessment identified no material weaknesses in the design or operations of the controls.

Controls

The BOP has a management control and financial management systems review program as required by the FMFIA. The PRD facilitates, monitors, and evaluates the BOP's implementation of the FMFIA by coordinating management assessments, thereby providing a quality assurance mechanism for the program review process. The PRD conducts reviews that examine compliance with laws, regulations, and policy for all BOP programs. In addition, reviews examine the adequacy of controls, efficiency of operations, and effectiveness in achieving program results. During fiscal years 2013 and 2012, 33 and 27 Financial Management Program Reviews, respectively, were conducted at field sites and the Central Office. The reviews covered the areas of Accounting, Budgeting, Laundry, Employee Organizations, Property Management, Commissary, and Warehouse.

Systems

For fiscal year 2013, the BOP's official reports were generated from the Financial Management Information System (FMIS) General Ledger, Cost Reporting, and Expenditure and Allotment reporting facilities. The FMIS General Ledger is supported by the following other systems: SENTRY Property Management System; SENTRY Real Property Management System; Trust Fund Accounting and Commissary System; and National Finance Center Payroll System.

Improper Payments

The Improper Payments Information Act (IPIA) requires a risk assessment in all programs to identify those that are susceptible to significant erroneous payments. Significant erroneous payments are defined by the OMB as annual erroneous payments in a program exceeding both 2.5 percent of program payments and $10 million. Based on risk assessment comprised of Independent Audit Reports and Internal Control Reviews, in FY 2013, the BOP has determined there were no significant risk programs in which improper payments exceed both 2.5 percent of program payments and $10 million.

FMFIA Section 2 – Material Weaknesses

Management of the Bureau of Prisons is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. The BOP assessed its internal control over the effectiveness and efficiency of operations and compliance with the applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, as required by Section 2 of the FMFIA. Based on the results of this assessment, the BOP can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2013, was operating effectively, except for one material weakness of system-wide prison crowding.

The BOP manages the continually growing Federal inmate population by contracting with the private sector and using state and local facilities for certain groups of low-security inmates, expanding existing institutions, and building new facilities. The continued use of these approaches is expected to allow the BOP to keep pace with the growing inmate population and gradually reduce the crowding rate, thereby ensuring safe and secure operations in facilities housing Federal inmates.

FMFIA Section 4 – Material Nonconformances

The BOP management is responsible for ensuring compliance with applicable laws and regulations. To ensure compliance, reviews are performed as discussed above. Specifically, the BOP performed a review of its financial management systems pursuant to Section 4 provisions of the FMFIA. No significant financial management non-conformance was found in this review.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to improve Federal financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires agencies to have financial management systems that substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and application of the U.S. Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

FFMIA Compliance Determination

During FY 2013, the BOP assessed its financial management systems for compliance with FFMIA and determined that they substantially comply with FFMIA. This determination is based on the results of testing performed for OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the BOP's financial statement audit.

IMPROPER PAYMENTS INFORMTION ACT OF 2002, as amended by the IMPROPER PAYMENTS ELIMINATION ACT OF 2010.

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, the BOP assessed its activities for susceptibility to significant improper payments. The BOP also conducted its payment recapture audit program in accordance with the Departmental approach. The BOP provided the results of both the risk assessment and payment recapture audit activities to the Department for the Department-level reporting in the FY 2013 Agency Financial Report.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Crowding in Federal Prisons

Most of the challenges affecting the BOP today relate to growth of the Federal inmate population. The BOP continues to rely on funding to build and acquire additional facilities to help manage its growing inmate population and reduce the crowding rate. With increasing Federal law enforcement efforts, the BOP is projecting population increases for the next several years.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

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

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

ATTACHMENT A

PRISON WORK CAMPS LOCATED WITH HIGHER SECURITY FACILITIES AND COMPLEXES (SATELLITE CAMPS):

ALICEVILLE, AL;ASHLAND, KY; ATLANTA, GA; ATWATER, CA; BASTROP, TX; BEAUMONT, TX; BECKLEY, WV; BENNETSVILLE, SC; BERLIN, NH;BIG SPRING, TX; BIG SANDY, KY; BUTNER, NC; CANAAN, PA; CARSWELL, TX; COLEMAN, FL; CUMBERLAND, MD; DANBURY, CT; DEVENS, MA; DUBLIN, CA; EDGEFIELD, SC; EL RENO, OK; ENGLEWOOD, CO; ESTILL, SC; FAIRTON, NJ; FLORENCE, CO; FORREST CITY, AR; FORT DIX, NJ; GILMER, WV; GREENVILLE, IL; HAZELTON, WV; HERLONG, CA; JESUP, GA; LA TUNA, TX; LEAVENWORTH, KS; LEE, VA; LEWISBURG, PA; LEXINGTON, KY; LOMPOC, CA; LORETTO, PA; MANCHESTER, KY; MARIANNA, FL; MARION, IL; MCCREARY, KY; MCKEAN, PA; MEMPHIS, TN;MENDOTA, CA; MIAMI, FL; OAKDALE, LA; OTISVILLE, NY; OXFORD, WI; PEKIN, IL; PETERSBURG, VA; PHOENIX, AZ; POLLOCK, LA; SCHYULKILL, PA; SEAGOVILLE, TX; SHERIDAN, OR; TALLADEGA, AL; TERRE HAUTE, IN; TEXARKANA, TX; THREE RIVERS, TX; THOMSON,IL; VICTORVILLE, CA; WILLIAMSBURG, SC; YAZOO CITY,MS.

Produced by: Capacity Planning & Site Selection Branch
Administration Division
September 30, 2013

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report on the Financial Statements

Inspector General
U.S. Department of Justice

Director
Federal Bureau of Prisons
U.S. Department of Justice

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP) which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Federal Bureau of Prisons as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1.T to the consolidated financial statements, the BOP adopted Statement of Federal Financial Accounting Standards No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds*, effective October 1, 2012. The fiscal year 2012 consolidated financial statements have been adjusted for the retrospective application of the new accounting guidance. Our opinion is not modified with respect to this matter.

As discussed in Note 22 to the consolidated financial statements, the BOP has elected to change its capitalization threshold for internal use software effective October 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, and Required Supplementary Information sections be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the consolidated 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Combined Schedule of Spending, Treasury Symbol Matrix, Prisoner Capacity Requirements and Operating Leases as of September 30, 2013 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our fiscal year 2013 report dated December 3, 2013 on our consideration of the BOP's internal control over financial reporting, and our fiscal year 2013 report dated December 3, 2013 on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOP's internal control over financial reporting and compliance.

KPMG LLP

December 3, 2013

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

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

Inspector General
U.S. Department of Justice

Director
Federal Bureau of Prisons
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 3, 2013. As discussed in Note 1.T to the consolidated financial statements, the BOP adopted Statement of Federal Financial Accounting Standards No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds*, effective October 1, 2012. The fiscal year 2012 consolidated financial statements have been adjusted for the retrospective application of the new accounting guidance. Our opinion is not modified with respect to this matter. Also, as discussed in Note 22 to the consolidated financial statements, the BOP has elected to change its capitalization threshold for internal use software effective October 1, 2012. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2013, we considered the BOP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOP's internal control. Accordingly, we do not express an opinion on the effectiveness of the BOP's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

Purpose of this Report

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

KPMG LLP

December 3, 2013

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

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

Inspector General
U.S. Department of Justice

Director
Federal Bureau of Prisons
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated December 3, 2013. As discussed in Note 1.T to the consolidated financial statements, the BOP adopted Statement of Federal Financial Accounting Standards No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds*, effective October 1, 2012. The fiscal year 2012 consolidated financial statements have been adjusted for the retrospective application of the new accounting guidance. Our opinion is not modified with respect to this matter. Also, as discussed in Note 22 to the consolidated financial statements, the BOP has elected to change its capitalization threshold for internal use software, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOP's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

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

Purpose of this Report

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

KPMG LLP

December 3, 2013

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

PRINCIPAL FINANCIAL STATEMENTS
AND RELATED NOTES

U.S. Department of Justice
Bureau of Prisons
Consolidated Balance Sheets
As of September 30, 2013 and 2012

Dollars in Thousands	2013	2012
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	$ 1,033,784	$ 1,305,195
Accounts Receivable, Net (Note 6)	4,348	3,653
Other Assets (Note 9)	-	165,000
Total Intragovernmental	1,038,132	1,473,848
Cash and Monetary Assets (Note 4)	543	802
Accounts Receivable, Net (Note 6)	5,053	7,361
Inventory and Related Property, Net (Note 7)	18,775	19,609
General Property, Plant and Equipment, Net (Note 8)	6,239,845	6,286,908
Advances and Prepayments	4,315	4,622
Other Assets (Note 9)	4,189	4,701
Total Assets	**$ 7,310,852**	**$ 7,797,851**
LIABILITIES (Note 10)		
Intragovernmental		
Accounts Payable	$ 36,356	$ 47,558
Accrued Federal Employees' Compensation Act Liabilities	158,816	152,884
Other Liabilities (Note 13)	31,241	69,148
Total Intragovernmental	226,413	269,590
Accounts Payable	347,010	291,709
Actuarial Federal Employees' Compensation Act Liabilities	956,439	853,362
Accrued Payroll and Benefits	61,401	155,218
Accrued Annual and Compensatory Leave Liabilities	171,578	171,739
Environmental and Disposal Liabilities (Note 11)	66,225	64,222
Deferred Revenue	2,196	1,957
Contingent Liabilities (Note 14)	4,685	4,230
Capital Lease Liabilities (Note 12)	8,716	16,627
Other Liabilities (Note 13)	176,621	159,380
Total Liabilities	**$ 2,021,284**	**$ 1,988,034**
NET POSITION		
Unexpended Appropriations - All Other Funds	$ 437,193	$ 649,416
Cumulative Results of Operations - Funds from Dedicated Collections (Note 15)	93,693	86,212
Cumulative Results of Operations - All Other Funds	4,758,682	5,074,189
Total Net Position	**$ 5,289,568**	**$ 5,809,817**
Total Liabilities and Net Position	**$ 7,310,852**	**$ 7,797,851**

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

Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2013 and 2012

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 16)
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
Goal 2	**2013**	$ -	$ 7,907	$ 7,907	$ -	$ -	$ -	$ 7,907
	2012	$ -	$ 7,242	$ 7,242	$ -	$ -	$ -	$ 7,242
Goal 3	**2013**	1,671,102	5,944,800	7,615,902	20,950	398,643	419,593	7,196,309
	2012	1,664,927	5,834,650	7,499,577	20,904	389,401	410,305	7,089,272
Total	**2013**	**$ 1,671,102**	**$ 5,952,707**	**$ 7,623,809**	**$ 20,950**	**$ 398,643**	**$ 419,593**	**$ 7,204,216**
	2012	**$ 1,664,927**	**$ 5,841,892**	**$ 7,506,819**	**$ 20,904**	**$ 389,401**	**$ 410,305**	**$ 7,096,514**

Goal 2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law

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

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

U.S. Department of Justice
Bureau of Prisons
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands

	2013		
	Funds from Dedicated Collections	**All other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	$ -	$ 649,416	$ 649,416
Budgetary Financing Sources			
Appropriations Received	-	6,920,217	6,920,217
Appropriations Transferred-In/Out	-	87,214	87,214
Other Adjustments	-	(540,312)	(540,312)
Appropriations Used	-	(6,679,342)	(6,679,342)
Total Budgetary Financing Sources	-	(212,223)	(212,223)
Unexpended Appropriations	$ -	$ 437,193	$ 437,193
Cumulative Results of Operations			
Beginning Balances	$ 86,212	$ 5,074,189	$ 5,160,401
Adjustments (Note 22)			
Changes in Accounting Principles	-	(8,787)	(8,787)
Beginning Balances, As Adjusted	86,212	5,065,402	5,151,614
Budgetary Financing Sources			
Appropriations Used	-	6,679,342	6,679,342
Other Financing Sources			
Donations and Forfeitures of Property	-	3	3
Transfers-In/Out Without Reimbursement	(7)	139	132
Imputed Financing From Costs Absorbed by Others (Note 17)	4,033	221,467	225,500
Total Financing Sources	4,026	6,900,951	6,904,977
Net Cost of Operations	3,455	(7,207,671)	(7,204,216)
Net Change	7,481	(306,720)	(299,239)
Cumulative Results of Operations	$ 93,693	$ 4,758,682	$ 4,852,375
Net Position	$ 93,693	$ 5,195,875	$ 5,289,568

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

U.S. Department of Justice
Bureau of Prisons
Consolidated Statements of Changes in Net Position (continued)
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands

	2012		
	Funds from Dedicated Collections	**All other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 744,671**	**$ 744,671**
Budgetary Financing Sources			
Appropriations Received	-	6,641,281	6,641,281
Appropriations Transferred-In/Out	-	(562)	(562)
Other Adjustments	-	(45,000)	(45,000)
Appropriations Used	-	(6,690,974)	(6,690,974)
Total Budgetary Financing Sources	**-**	**(95,255)**	**(95,255)**
Unexpended Appropriations	**$ -**	**$ 649,416**	**$ 649,416**
Cumulative Results of Operations			
Beginning Balances	**$ 83,557**	**$ 5,092,691**	**$ 5,176,248**
Budgetary Financing Sources			
Appropriations Used	-	6,690,974	6,690,974
Other Financing Sources			
Donations and Forfeitures of Property	-	30	30
Transfers-In/Out Without Reimbursement	-	151,645	151,645
Imputed Financing From Costs Absorbed by Others (Note 17)	4,346	233,672	238,018
Total Financing Sources	**4,346**	**7,076,321**	**7,080,667**
Net Cost of Operations	**(1,691)**	**(7,094,823)**	**(7,096,514)**
Net Change	2,655	(18,502)	(15,847)
Cumulative Results of Operations	**$ 86,212**	**$ 5,074,189**	**$ 5,160,401**
Net Position	**$ 86,212**	**$ 5,723,605**	**$ 5,809,817**

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

U.S. Department of Justice
Bureau of Prisons
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2013 and 2012

Dollars in Thousands		2013		2012
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$	395,915	$	379,813
Recoveries of Prior Year Unpaid Obligations		14,780		23,388
Other Changes in Unobligated Balance		(60,086)		(1,862)
Unobligated Balance from Prior Year Budget Authority, Net		350,609		401,339
Appropriations (discretionary and mandatory)		6,527,205		6,597,581
Spending Authority from Offsetting Collections (discretionary and mandatory)		415,990		561,856
Total Budgetary Resources	**$**	**7,293,804**	**$**	**7,560,776**
Status of Budgetary Resources:				
Obligations Incurred (Note 18)	$	7,020,130	$	7,164,861
Unobligated Balance, End of Period:				
Apportioned		99,040		232,512
Exempt from Apportionment		67,666		59,772
Unapportioned		106,968		103,631
Total Unobligated Balance - End of Period		273,674		395,915
Total Status of Budgetary Resources:	**$**	**7,293,804**	**$**	**7,560,776**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$	868,945	$	1,051,944
Obligations Incurred		7,020,130		7,164,861
Outlays, Gross		(7,162,998)		(7,324,472)
Recoveries of Prior Year Unpaid Obligations		(14,780)		(23,388)
Unpaid Obligations, End of Period		711,297		868,945
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1		(10,038)		(10,882)
Change in Uncollected Customer Payments from Federal Sources		4,530		844
Uncollected Customer Payments from Federal Sources		(5,508)		(10,038)
Memorandum (non-add) Entries:				
Obligated balance, Start of Period	$	858,907	$	1,041,062
Obligated balance, End of Period	$	705,789	$	858,907
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)		6,943,195		7,159,437
Less: Actual Offsetting Collections (discretionary and mandatory)		420,520		562,700
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)		4,530		844
Budget Authority, Net (discretionary and mandatory)	**$**	**6,527,205**	**$**	**6,597,581**
Outlays, Gross (discretionary and mandatory)	$	7,162,998	$	7,324,472
Less: Actual Offsetting Collections (discretionary and mandatory)		420,520		562,700
Outlays, Net (discretionary and mandatory)		6,742,478		6,761,772
Less: Distributed Offsetting Receipts		4,994		5,452
Agency Outlays, Net (discretionary and mandatory)	**$**	**6,737,484**	**$**	**6,756,320**

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Federal Bureau of Prisons (BOP) is a reporting entity under the Department of Justice (DOJ) and encompasses the appropriated activities of the BOP, as well as the activities of the Trust Fund. It does not include the Federal Prison Industries, Inc. (FPI) (also called UNICOR), which is a separate reporting component under the DOJ.

The BOP protects society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

The Trust Fund was created by two DOJ Orders, No. 2126 on April 1, 1930, and No. 2244 on January 1, 1932. The Trust Fund operates the Commissary to provide inmates with the opportunity to procure merchandise and services not ordinarily provided by the BOP. The Trust Fund is a self-sustaining trust revolving fund account that is funded through the sale of goods and services to inmates.

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the BOP as required by the Government Management Reform Act of 1994, Public Law 103-356, 108, Stat. 3515. These financial statements have been prepared from the books and records of the BOP in accordance with United States generally accepted accounting principles (GAAP) 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 BOP budgetary resources. To ensure that the BOP 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, Accrued Payroll and Benefits, Accrued Annual and Compensatory Leave Liabilities, Deferred Revenue, Contingent Liabilities and Capital Lease Liabilities.

1. Summary of Significant Accounting Policies (continued)

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the BOP. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for the fiscal years ended September 30, 2013, and 2012 and as such, intra-entity transactions have not been eliminated.

D. Basis of Accounting

The financial statements have been prepared and transactions have been recorded on an 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.

These statements were prepared in accordance with GAAP. GAAP for Federal entities are the standards prescribed by the FASAB, which is designated as the official accounting standards-setting body for the Federal Government (Government) by the American Institute of Certified Public Accountants. The Statements of Federal Financial Accounting Standards (SFFAS) that were in effect as of September 30, 2013, were followed in the preparation of these financial statements.

E. Non-Entity Assets

A portion of the BOP's Fund Balance with the U.S. Treasury (Treasury) and Accounts Receivable is accounted for as a Non-Entity Asset and disclosed in Note 2. Non-Entity assets are assets held by the BOP but are not available for use by the BOP. The majority of non-entity assets are comprised of prisoner monies held in trust by the Treasury. This amount also includes certain receivables and receipts of cash that are in suspense, clearing, deposit, or general fund accounts. These transactions were processed by commercial banks for deposit to fund accounts maintained at the Treasury.

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

Funds with the Treasury represent appropriated and trust funds available to pay current liabilities and finance future authorized purchases. Certain receipts are processed by commercial banks for deposit to the BOP appropriation or fund accounts. In addition, the BOP has been granted and maintains imprest funds at many locations that are also included in the BOP's cash balance.

1. Summary of Significant Accounting Policies (continued)

G. Investments

The Government does not set aside assets to pay future benefits or other expenditures associated with the Trust Fund. The cash receipts collected from the public for funds from dedicated collections are deposited in the Treasury, which uses the cash for general Government purposes. Treasury securities are an asset to the BOP and a liability to the Treasury. Because the BOP and the 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 BOP with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the BOP 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.

Beginning in fiscal year 1995, the Trust Fund was granted authority (Public Law 103-317, Section 107) to invest funds in excess of operating needs in securities guaranteed by the Treasury. In November 1994, the Trust Fund began participating in the Federal Investment Counseling Program through the Treasury. The Treasury charges no commissions or transaction fees for participating in the program. Investments are made in any U.S. Government securities available to the public. The amount and length of investments are determined after careful review of cash balances available to defray outstanding payables and other liabilities.

Investments in U.S. Government securities are reported at cost, net of amortized discounts. Discounts are amortized into interest income over the term of the investment. The Trust Fund's intent is to hold investments to maturity, unless they are needed to sustain the operations of the Trust Fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. The interest received on these securities is captured in the Trust Fund and is used to defray its general operating expenses.

1. Summary of Significant Accounting Policies (continued)

H. Accounts Receivable

Accounts receivable are largely comprised of receivables with the public. Net accounts receivable includes reimbursement and refund receivables due from Federal agencies and others, less the allowance for uncollectible accounts. The BOP establishes an allowance for uncollectible accounts when it is more likely than not that the accounts receivable will not be collected.

I. Inventory and Related Property

The Trust Fund Commissary inventories are comprised of merchandise on hand at 97 reporting sites located in the United States and Puerto Rico. Inventories consist of merchandise that is either not normally provided by the BOP or are of a different quality than is regularly issued. Inventory sales are restricted to inmates and consist primarily of foods and beverages, hobby craft items, stamps, clothing, health and hygiene commodities, and other sundry items.

The Trust Fund Commissary inventories are stated at latest acquisition cost, which is adjusted using the Consumer Price Index (CPI) for the year to approximate the value of the inventory under the First-In-First-Out (FIFO) accounting methodology.

J. General Property, Plant and Equipment

The BOP owns the majority of land and buildings in which it operates and capitalizes them on its records. Real property is capitalized based upon the total acquisition cost. Depreciation is applied to program areas based upon the percentage of space occupied. Real property acquisitions equal to or greater than $100 thousand are capitalized. Real property acquisitions are capitalized and depreciated by the automated SENTRY Real Property Management System (SRPMS).

Personal property acquisitions are capitalized and depreciated by the automated SENTRY Property Management System (SPMS). Physical inventories are conducted annually and adjustments are made as necessary. Any equipment with an acquisition cost of less than $5 thousand is expensed when purchased. Assets are depreciated using the straight-line method over the estimated useful lives of the assets.

1. Summary of Significant Accounting Policies (continued)

J. General Property, Plant and Equipment (continued)

The following chart represents the maximum depreciation years for BOP's property:

BOP Depreciation Schedule	
Buildings	**30**
Equipment	**10**
Leasehold Improvements	*****
Other Structures & Facilities	**20**
Internal Use Software	**7**
Vehicles	**10**
Assets Under Capital Lease	*****

*** Depreciation based on the lesser of the lease term or useful life of the asset.**

DOJ Financial Management Policy Memorandum (FMPM) 13-12, *Capitalization of General Property, Plant, and Equipment and Internal Use Software*, was issued in FY 2013 with an effective date for reporting periods ending after September 30, 2014. Early implementation of the policy's increased capitalization thresholds was encouraged beginning October 1, 2012. The BOP implemented the increased internal use software (IUS) capitalization threshold in FY 2013. The BOP plans to implement the increased real and personal property capitalization thresholds in FY 2015. For financial statement purposes, the primary changes relate to the capitalization thresholds for IUS which results in a decrease to the overall Property, Plant and Equipment (PP&E) balance.

Below are the capitalization thresholds:

Type of Property	FY 2013 Thresholds	FY2012 Thresholds
Real Property	$100	$100
Personal Property	$5	$5
Aircraft	N/A	N/A
Internal Use Software	$5,000	$500

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

1. Summary of Significant Accounting Policies (continued)

K. Advances and Prepayments

Advances and prepayments classified as assets of the BOP on the Balance Sheet represent funds disbursed to individuals and other organizations for which goods or services have not yet been provided.

This amount also includes the current balance of travel advances, issued to Federal employees in advance of official travel. Amounts issued are limited to per diem expenses expected to be incurred by the employees during official travel. For Federal employees who anticipate and plan for travel, advances are permitted up to 80 percent of per diem. Actual reimbursements are made at 100 percent of per diem.

The BOP's amount also includes advances that arise whenever the BOP provides money to state and local governmental agencies to fund correctional study programs. Advances and prepayments involving other Federal agencies are classified as other assets on the balance sheet.

L. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by the BOP as the result of a transaction or event that has already occurred. However, no liability can be paid by the BOP absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 10.

M. Contingencies and Commitments

Contingencies

The BOP is party to various administrative proceedings, legal actions, and claims related to contract disputes, employee claims under the Fair Labor Standards Act, and inmate claims under the Federal Tort Claim Act and other legal matters. These claims are of a nature considered normal for a government law enforcement agency. In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government* and SFFAS No. 12, *Recognition of Contingent liabilities from Litigation*, the BOP has probable and reasonably possible losses arising from litigation. 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 14, 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 "remote."

1. Summary of Significant Accounting Policies (continued)

N. Annual, Sick, and Other Leave

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the corresponding 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 non-vested leave are expensed as taken.

O. 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.

P. Retirement Plans

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

1. Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). For employees covered by the CSRS, the BOP contributes 7 percent of the employees' gross pay for regular and 7.5 percent for law enforcement officers' retirement.
2. Employees hired between January 1, 1984 and December 31, 2012, are covered by the Federal Employees Retirement System (FERS). For employees covered by the FERS, the BOP contributes 11.9 percent of the employee's gross pay for regular and 26.3 percent for law enforcement officers' retirement.
3. Employees hired after January 1, 2013 are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) System. For employees covered by FERS-RAE, the BOP contributes 9.6 percent of the employees' gross pay for regular and 24 percent for law enforcement officers' retirement.

1. Summary of Significant Accounting Policies (continued)

P. Retirement Plans (continued)

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS and FERS-RAE, a TSP account is automatically established to which the BOP is required to contribute an additional 1 percent of gross pay and match employee contributions up to 4 percent. No contributions are made to the TSP accounts established by the CSRS employees. The BOP does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM). SFFAS No. 5 requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 17, "Imputed Financing from Costs Absorbed by Others," for additional details.

Q. Federal Employee Compensation Benefits

The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have contracted a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for BOP employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the BOP. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

Actuarial Liability: The DOL calculates the liability of the Government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. This method utilizes historical benefit payment patterns related to a specified incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Government liability was then distributed by the agency. The DOJ portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the DOJ employees. The DOJ allocates the liability to the BOP on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total DOJ 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, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to the DOJ.

1. Summary of Significant Accounting Policies (continued)

Q. Federal Employee Compensation Benefits (continued)

Accrued Liability: The accrued FECA liability 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 during the current year to the FECA SBF will reimburse the FECA SBF for benefits paid through a prior fiscal year. The difference between these two amounts is the accrued FECA liability.

R. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the 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 Government to prepare consolidated financial statements, not to match public and intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

S. Revenues and Other Financing Sources

The BOP receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures to support its programs. Appropriations are recognized as budgetary financing sources at the time the related program or administrative expenses are accrued. Additional amounts are obtained through reimbursements for services and donated property.

The BOP receives the majority of its exchange revenues for daily care, maintenance, and housing of state and local offenders; medical services outside of the BOP provided to the United States Marshals Service's prisoners; meals provided to the BOP staff; rental of staff housing on institution premises; utilities used by the FPI; purchase card rebates; and recycling income.

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources (continued)

The amount billed to house state prisoners is based on the average inmate per capita rate for the security level of the institution where the prisoner is housed. The price of meal tickets for institution employees is calculated using the annual per capita cost for providing meals to inmates. Rental rates for employee housing on institution premises are calculated using the Regional Survey Method: base rental rates are established by means of a series of economic models that utilize typical rates for comparable private rental housing in the established communities nearest to the sites in which the quarters are located. The amount charged for steam purchased by the FPI is the actual cost incurred by the BOP during the production of the utility provided. Purchase card rebates are calculated based on productivity and sales. Recycling income is based on the weight and/or volume of material being recycled.

Trust Fund profits are utilized for continued operations and programs that benefit the inmate population. The Trust Fund receives no appropriated funds. The Trust Fund receives the majority of its funding through revenues generated by the sale of merchandise, telephone services, and electronic messaging through the Trust Fund Limited Inmate Computer System (TRULINCS). TRULINCS was fully implemented as of February 2011, and provides inmates with some limited computer access. TRULINCS is funded completely by the Trust Fund Appropriation. Regular items sold through the institution commissaries are marked-up 30 percent from their per unit cost. They are then rounded to the nearest nickel to determine selling price. In rare instances when taxes (whether state, local, or Federal) are included, the per unit tax amount is added to the marked-up price before rounding. Should the selling price ever exceed the manufacturer's printed price, the printed price shall be set even if it is on odd cents.

The Trust Fund also earned other revenue from medical co-payments, vendor commissions, and recycling income. As of March 2004, friends and family members are able to send money to inmates electronically. Funds are deposited directly to an inmate's account within a few hours. A commission based on transaction volume is received from the vendor. As of October 2005, inmates pay a $2 per visit co-pay for in-house medical appointments. Twenty-five percent of the co-pay is retained by the Trust Fund and the other percent is paid to the Office of Justice Programs Crime Victims Fund. Trust Fund Debit Card Vending has been limited to the sale of credits through the commissary for services such as copies and the use of washer and dryers. Trust Fund revenue also includes investment income.

The Trust Fund has deferred revenue for the inmate Telephone System and the TRULINCS, which include the amount of phone credits and TRU-units purchased by inmates that have not been used as of September 30, 2013.

1. Summary of Significant Accounting Policies (continued)

T. Funds from Dedicated Collections

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

1. A statute committing the Government to use specifically identified revenues and/or other financing sources that are originally provided to the Government by a non-federal source only for designated activities, benefits, or purposes;
2. Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Government's general revenues.

The following fund meets the definition of funds from dedicated collections: Trust Fund – 15X8408.

U. Allocation Transfer of Appropriations

The BOP is a party to allocation transfers with another Federal agency as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department.

Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

1. Summary of Significant Accounting Policies (continued)

U. Allocation Transfer of Appropriations (continued)

The BOP allocates funds to the Public Health Service (PHS). The PHS provides a portion of the medical treatment for Federal inmates. Money is transferred from the BOP to PHS, and is designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses. The amounts transferred to PHS from the BOP totaled $106 million and $97 million for the fiscal years ended September 30, 2013 and 2012, respectively, and are not material to PHS, therefore they are included as part of these financial statements.

V. Tax Exempt Status

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

W. Use of Estimates

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

X. Reclassifications

The FY 2012 financial statements were reclassified to conform to the FY 2013 Departmental and OMB financial statement presentation requirements. The reclassification had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources as previously reported.

Y. Subsequent Events

Subsequent events and transactions occurring after September 30, 2013 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.

2. Non-Entity Assets

Non-entity assets are assets that are held by an entity but are not available for use by the entity. Non-entity assets as of September 30, 2013 and 2012 are presented in the following table.

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Fund Balance With U.S. Treasury	$ 54,864	$ 51,175
With the Public		
Accounts Receivable, Net	422	295
Total With the Public	422	295
Total Non-Entity Assets	55,286	51,470
Total Entity Assets	7,255,566	7,746,381
Total Assets	$ 7,310,852	$ 7,797,851

3. Fund Balance with U.S. Treasury

The Fund Balance with the Treasury as reported in the financial statements represents the unexpended cash balances in the BOP's accounting records for all the BOP Treasury Symbols at September 30, 2013 and 2012. The fund balances with the Treasury are presented in the following table.

As of September 30, 2013 and 2012	2013	2012
Fund Balances		
Trust Fund	$ 88,136	$ 86,948
General Funds	890,784	1,167,072
Other Fund Types	54,864	51,175
Total Fund Balances with U.S. Treasury	$ 1,033,784	$ 1,305,195
Status of Fund Balances		
Unobligated Balance - Available	$ 166,706	$ 292,284
Unobligated Balance - Unavailable	106,968	103,631
Obligated Balance not yet Disbursed	705,789	858,907
Other Funds (With)/Without Budgetary Resources	54,321	50,373
Total Status of Fund Balances	$ 1,033,784	$ 1,305,195

3. Fund Balance with U.S. Treasury (Continued)

The fund balance with the Treasury as reported in these financial statements and notes have been adjusted to account for the difference from that reported by the Treasury. The reported balance in the BOP's general ledger account, Fund Balance with the Treasury, before any adjustments, was $1,402 and $790 thousand greater than the actual fund balance reported by the Treasury as of September 30, 2013 and 2012, respectively. Routinely, two types of differences arise. First, differences are created between the accounting records of the BOP and the Treasury because of the timing of transaction inputs corresponding with cash receipts and disbursements. Second, differences are created by data input errors and remain until the necessary correcting entries are processed by the BOP's or the Treasury's accounting systems. The BOP operates a decentralized accounting system with 112 agency location codes. Any cause for reconciliation must be done individually by location.

For the Trust Fund, this amount represents the aggregate balance of the Trust Fund's cash accounts with the Treasury under the account symbol 15X8408. This item also represents the total amount of all obligated and unobligated undisbursed account balances with the Treasury as reflected in the Trust Fund's records. The Trust Fund's general ledger balance for Fund Balance with the Treasury, before any adjustments, was $976 and $500 thousand greater than the actual amount reported by each of the BOP's accounting stations to the Treasury as of September 30, 2013 and 2012, respectively.

The unobligated balance for annual and multi-year budget authority may be used to incur new obligations for the purpose specified by the appropriation act. 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.

The total status of fund balances includes funds without budgetary resources. Other funds without budgetary resources are composed of prisoner monies held in trust by the Treasury and certain receivables and receipts of cash that are in suspense, clearing, deposit, or general fund accounts.

4. Cash and Monetary Assets

Cash and Monetary Assets, as reported in the financial statements, represent the total cash and cash equivalents under the control of the BOP as of September 30, 2013 and 2012, respectively.

As of September 30, 2013 and 2012	2013	2012
Cash		
Imprest Funds	$ 543	$ 802

The BOP's cash account is minimal given that the BOP does not, for the most part, maintain cash in commercial bank accounts. The BOP's cash account consists of impress funds totaling $543 and $802 thousand as of September 30, 2013 and 2012, respectively. All of the listed amounts are available to pay current liabilities and finance future authorized purchases.

5. Investments, Net

The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Public Debt. These securities are available to the public but cannot be resold. These securities are purchased and redeemed at par value (the value at maturity) exclusively through the Treasury's Finance and Funding Branch, see Note 1.G. When securities are purchased, the investment is recorded at par value. Premiums and/or discounts are amortized through the end of the reporting period. As of September 30, 2013 and 2012, all Trust Fund security investments have matured. Therefore, the respective investment balances are zero.

6. Accounts Receivable, Net

Accounts Receivable represents the net amounts due to the BOP as of September 30, 2013 and 2012, respectively, as shown in the following table.

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Accounts Receivable	$ 4,348	$ 3,653
With the Public		
Accounts Receivable	5,053	7,361
Total Accounts Receivable, Net	$ 9,401	$ 11,014

7. Inventory and Related Property, Net

The Trust Fund Commissary inventory purchased for resale as of September 30, 2013 and 2012 is presented in the following table.

As of September 30, 2013 and 2012	2013	2012
Inventory		
Inventory Purchased for Resale	$ 18,775	$ 19,609

8. General Property, Plant and Equipment, Net

PP&E, as reported in the financial statements, are recorded at the acquisition cost net of accumulated depreciation at September 30, 2013 and 2012, respectively. See Note 1.J for method of depreciation, capitalization thresholds, and useful lives.

As of September 30, 2013	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 171,046	$ -	$ 171,046	N/A
Construction in Progress	71,186	-	71,186	N/A
Buildings, Improvements, and Renovations	9,517,649	(4,175,933)	5,341,716	2-30 yrs
Other Structures & Facilities	866,400	(498,687)	367,713	20 yrs
Vehicles	195,457	(119,982)	75,475	6-10 yrs
Equipment	317,190	(182,233)	134,957	10 yrs
Assets Under Capital Lease	89,625	(53,775)	35,850	5-30 yrs
Leasehold Improvements	83,750	(54,625)	29,125	2-20 yrs
Internal Use Software	26,178	(18,141)	8,037	5-7 yrs
Internal Use Software in Development	4,740	-	4,740	N/A
Total	$ 11,343,221	$ (5,103,376)	$ 6,239,845	

8. General Property, Plant and Equipment, Net (continued)

As of September 30, 2012	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 170,096	$ -	$ 170,096	N/A
Construction in Progress	229,151	-	229,151	N/A
Buildings, Improvements, and Renovations	9,086,681	(3,878,912)	5,207,769	2-30 yrs
Other Structures & Facilities	850,789	(461,837)	388,952	20 yrs
Vehicles	184,371	(113,288)	71,083	6-10 yrs
Equipment	291,635	(169,196)	122,439	10 yrs
Assets Under Capital Lease	89,625	(50,788)	38,837	5-30 yrs
Leasehold Improvements	81,960	(46,161)	35,799	2-20 yrs
Internal Use Software	42,326	(26,230)	16,096	5-7 yrs
Internal Use Software in Development	6,686	-	6,686	N/A
Total	$ 11,033,320	$ (4,746,412)	$ 6,286,908	

Leasehold improvements reflect capital improvements made to facilities occupied but not owned by the BOP. Capital improvements made to buildings and other structures owned by the BOP are reflected as buildings and other structures and facilities. The BOP had capitalized property purchases from federal sources and from the public. These purchases totaled $11,222 and $17,597 thousand from federal sources, and $338,757 and $282,830 thousand from the public, for the fiscal years ended September 30, 2013 and 2012, respectively.

Based upon early implementation of DOJ FMPM 13-12, the BOP revised its method for reporting the capitalization of IUS which caused a decrease in the PP&E balance by $8,787 thousand as described in – Note 22.

9. Other Assets

Intragovernmental other assets include an advance to the United States District Court to initiate the condemnation proceeding for the acquisition of a prison facility in Illinois. The majority of other assets with the public consists of farm livestock. The amounts as of September 30, 2013 and 2012 are presented in the following table.

9. Other Assets (continued)

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Advances and Prepayments	$ -	$ 165,000
Other Assets With the Public		
Farm Livestock	$ 4,189	$ 4,701

10. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. These liabilities as of September 30, 2013 and 2012, respectively, are presented in the following table.

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Accrued FECA Liabilities	$ 157,948	$ 152,110
Other Unfunded Employment Related Liabilities	752	761
Other	4,479	5,315
Total Intragovernmental	163,179	158,186
With the Public		
Actuarial FECA Liabilities	956,439	853,362
Accrued Annual and Compensatory Leave Liabilities	171,578	171,739
Environmental and Disposal Liabilities (Note 11)	66,225	64,222
Contingent Liabilities (Note 14)	4,685	4,230
Capital Lease Liabilties (Note 12)	8,716	16,627
Other	113,384	99,979
Total With the Public	1,321,027	1,210,159
Total Liabilities not Covered by Budgetary Resources	1,484,206	1,368,345
Total Liabilities Covered by Budgetary Resources	537,078	619,689
Total Liabilities	$ 2,021,284	$ 1,988,034

11. Environmental and Disposal Liabilities

The BOP operates 119 facilities in over 30 States and Territories and is subject to rigorous Federal, state, and local environmental regulations applicable to the facility locations. Per SFFAS No. 5, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, Federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimable. The BOP exercises due care in determining the presence of contamination through regularly scheduled testing required by Facilities Management Policy. If, as a result of the testing, environmental contamination is detected on BOP owned property or on non-BOP property but BOP is determined to be the agent of the contamination, the BOP will clean up the contamination as soon as possible. The liability is recognized immediately.

As environmental-related clean-up costs are accomplished, the prior established liability will be reduced. Additionally, estimates will be revised periodically to account for material changes due to inflation, deflation, technology, or applicable laws and regulations. Any material changes in the estimated total clean-up costs will be expensed when re-estimates occur and the liability balance adjusted.

Firing Ranges

The BOP operates firing ranges on 67 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2012, BOP management determined their estimated clean-up liability to be $26,935 thousand. In FY 2013, BOP management adjusted the estimated clean-up liability by the current U.S. inflation rate as determined by the Treasury and as such determined that an estimated firing range clean-up liability of $27,820 thousand, based on an inflation rate of 1.7 percent, should be recorded. In FY 2013, the liability cost for firing ranges increased $885 thousand.

Asbestos

Section 112 of the Clean Air Act requires the U.S. Environmental Protection Agency (EPA) to develop and enforce regulations to protect the general public from exposure to airborne contaminants that are known to be hazardous to human health. On March 31, 1971, the EPA identified asbestos as a hazardous pollutant, and on April 6, 1973, EPA first promulgated the Asbestos National Emissions Standards for Hazardous Air Pollutants (NESHAP).

11. Environmental and Disposal Liabilities (continued)

The BOP conducted a review of 46 institutions that were built prior to 1980; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. As of September 30, 2012, BOP management determined their estimated clean-up liability to be $37,287 thousand. In FY 2013, BOP Management decreased the clean-up liability in the amount of $78 thousand for the abatement of asbestos at two locations. In addition, BOP Management increased the clean-up liability in the amount of $538 thousand due to additional asbestos found at three locations and in the amount of $658 thousand by the current U.S. inflation rate of 1.7 percent as determined by the Treasury. In FY 2013, BOP management recorded a clean-up liability in the amount of $38,405 thousand, a $1,118 thousand increase in liability cost for asbestos from the previous year.

12. Leases

Capital Leases

The tables that follow represent a 25-year capital lease for a Federal Transfer Center in Oklahoma City. The lease agreement, which will expire in fiscal year 2019, calls for semi-annual payments of $4.5 million for 20 years; the remaining five years (lease years 21 through 25) will be land rental payments only. The BOP paid a total of $9.1 million in payments during the fiscal year ended September 30, 2013.

As of September 30, 2013 and 2012

Capital Leases	2013	2012
Summary of Assets Under Capital Lease		
Land and Buildings	$ 89,625	$ 89,625
Accumulated Amortization	(53,775)	(50,788)
Total Assets Under Capital Lease (Note 8)	$ 35,850	$ 38,837

12. Leases (continued)

Future Capital Lease Payments

Future Capital Lease Payments Due				Land and Buildings
Fiscal Year				
2014			$	9,073
2015				32
2016				32
2017				32
2018				32
After 2018				32
Total Future Capital Lease Payments			$	9,233
Less: Imputed Interest				(517)
FY 2013 Net Capital Lease Liabilities			$	8,716
FY 2012 Net Capital Lease Liabilities			$	16,627
		2013		2012
Net Capital Lease Liabilities not Covered by Budgetary Resources	$	8,716	$	16,627

13. Other Liabilities

Other liabilities as of September 30, 2013 and 2012, totaled $208 million and $229 million, respectively. The majority of Intragovernmental Other Liabilities are composed of tenant allowances for operating leases, monies received from prisoner funds, and certain receipts of cash that are in suspense, clearing, deposit, or general fund accounts that are owed to the Treasury. Other Liabilities With the Public are composed of future funded energy savings performance contracts and utilities. All other liabilities are current and are presented in the following table.

13. Other Liabilities (Continued)

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 24,952	$ 61,563
Other Post-Employment Benefits Due and Payable	411	965
Other Unfunded Employment Related Liabilities	752	761
Other Accrued Liabilities	1	-
Advances from Others	249	274
Other Liabilities	4,876	5,585
Total Intragovernmental	31,241	69,148
With the Public		
Other Accrued Liabilities	6,018	5,933
Advances from Others	8,349	8,202
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	54,888	51,199
Other Liabilities	107,366	94,046
Total With the Public	176,621	159,380
Total Other Liabilities	$ 207,862	$ 228,528

14. Contingencies and Commitments

Contingencies include various administrative proceedings, legal actions, and claims related to contract disputes and employee and inmate claims; see Note 1.M for more details. For legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable, information is disclosed below. The amounts as of September 30, 2013 and 2012 are presented in the following table.

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2013			
Probable	$ 4,685	$ 4,685	$ 18,625
Reasonably Possible		38,957	61,436
As of September 30, 2012			
Probable	$ 4,230	$ 4,230	$ 10,570
Reasonably Possible		8,229	20,261

15. Funds from Dedicated Collections

The Trust Fund is a self-sustaining trust revolving fund account that is funded through the sale of goods and services to inmates. The Trust Fund receives no appropriated funds, and the majority of its funding is through revenues generated by the sale of merchandise, telephone services, and electronic messaging to inmates. Regular items sold through institution commissaries are marked-up 30 percent from their per unit cost. The Trust Fund Commissary inventories are comprised of merchandise on-hand at reporting sites located in the United States and Puerto Rico. Inventory sales are restricted to inmates and consist primarily of foods and beverages, hobby craft items, stamps, clothing, health and hygiene commodities, and other sundry items. Commissary items are stated at latest acquisition cost, which is adjusted using the CPI for the year to approximate the value of the inventory under the FIFO accounting methodology.

Cash receipts collected from the public for funds from dedicated collections are deposited in the Treasury, which uses the cash for general Government purposes. The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of Public Debt. These securities are available to the public but cannot be resold. These securities are purchased and redeemed at par value (the value at maturity) exclusively through the Treasury's Finance and Funding Branch. When securities are purchased, the investment is recorded at par value.

Beginning in 1995, the Trust Fund was granted authority to invest funds in excess of operating needs in securities guaranteed by the Treasury. Investments in U.S. Government securities are reported at cost net of amortized discounts. Discounts are amortized into interest income over the term of the investment. The Trust Fund's intent is to hold investments to maturity, unless they are needed to sustain the operations of the Trust Fund. Interest received on securities is captured in the Trust Fund and is used to defray its general operating expenses. The following table shows funds from dedicated collections as of September 30, 2013 and 2012.

15. Funds from Dedicated Collections (continued)

As of September 30, 2013 and 2012

	2013 Funds from Dedicated Collections	2012 Funds from Dedicated Collections
Balance Sheet		
Assets		
Fund Balance with U.S. Treasury	$ 88,136	$ 86,948
Other Assets	27,399	27,298
Total Assets	$ 115,535	$ 114,246
Liabilities		
Accounts Payable	$ 10,592	$ 14,775
Other Liabilities	11,250	13,259
Total Liabilities	$ 21,842	$ 28,034
Net Position		
Cumulative Results of Operations	$ 93,693	$ 86,212
Total Net Position	$ 93,693	$ 86,212
Total Liabilities and Net Position	$ 115,535	$ 114,246
Statement of Net Cost		
Gross Cost of Operations	$ 366,668	$ 361,981
Less: Earned Revenue	370,123	360,290
Net Cost of Operations	$ (3,455)	$ 1,691
Statement of Changes in Net Position		
Net Position Beginning of Period	$ 86,212	$ 83,557
Other Financing Sources	4,026	4,346
Total Financing Sources	4,026	4,346
Net Cost of Operations	3,455	(1,691)
Net Change	7,481	2,655
Net Position at End of Period	$ 93,693	$ 86,212

16. Net Cost of Operations by Suborganization

The following tables show the net cost of operations for each of the BOP's goals by suborganization for the fiscal years ended September 30, 2013 and 2012.

For the Fiscal Year Ended September 30, 2013	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 7,907	$ 7,907
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	7,907	7,907
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	366,668	7,249,234	7,615,902
Less: Earned Revenue	370,123	49,470	419,593
Net Cost of Operations	(3,455)	7,199,764	7,196,309
Net Cost of Operations	$ (3,455)	$ 7,207,671	$ 7,204,216

For the Fiscal Year Ended September 30, 2012	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 7,242	$ 7,242
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	7,242	7,242
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	361,981	7,137,596	7,499,577
Less: Earned Revenue	360,290	50,015	410,305
Net Cost of Operations	1,691	7,087,581	7,089,272
Net Cost of Operations	$ 1,691	$ 7,094,823	$ 7,096,514

17. 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 BOP from a providing Federal entity that is not part of the DOJ. 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 BOP are the cost of 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 BOP. 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 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 32.3 percent of basic pay for regular, 54.9 percent law enforcement officers, 24.6 percent regular offset, and 48.1 percent law enforcement officers offset. For employees covered by FERS, the cost factors are 14.2 percent of basic pay for regular and 30.7 percent for law enforcement officers. For employees covered by FERS-RAE, the cost factors are 14.2 percent of basic pay for regular and 30.7 percent 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.

17. Imputed Financing from Costs Absorbed by Others (continued)

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, and FASAB Interpretation No. 6, *Accounting for Imputed Intra-Departmental Costs: An Interpretation of* SFFAS No. 4, are the unreimbursed portion of the full costs of goods and services received by the BOP from a providing entity that is part of the DOJ. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. In accordance with FASAB Interpretation No. 6, the BOP management reviews Imputed Intra-Departmental Financing Sources quarterly to determine materiality. As of September 30, 2013 these costs are deemed immaterial and are not reported.

For the Fiscal Years Ended September 30, 2013 and 2012		2013		2012
Imputed Inter-Departmental Financing				
Treasury Judgment Fund	$	7,521	$	5,597
Health Insurance		156,882		176,828
Life Insurance		484		460
Pension		60,613		55,133
Total Imputed Inter-Departmental	$	225,500	$	238,018
Total Imputed Financing	$	225,500	$	238,018

18. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

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

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

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2013			
Obligations Apportioned Under			
Category A	$ 6,332,041	$ 49,470	$ 6,381,511
Category B	638,619	-	638,619
Total	$ 6,970,660	$ 49,470	$ 7,020,130
For the Fiscal Year Ended September 30, 2012			
Obligations Apportioned Under			
Category A	$ 6,963,830	$ 201,031	$ 7,164,861

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, 2013 and 2012	2013	2012
UDO Obligations Unpaid	$ 240,296	$ 311,154
UDO Obligations Prepaid/Advanced	(2,757)	163,748
Total UDO	$ 237,539	$ 474,902

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.

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

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

Legal Arrangements Affecting Use of Unobligated Balances:

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation 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.

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

The reconciliation between the Statement of Budgetary Resources and the Budget of the United States Government for fiscal year 2012 is shown in the following table. The reconciliation as of September 30, 2013 is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2015, which presents the execution of the FY 2013 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 will be available in early February 2014.

For the Fiscal Year Ended September 30, 2012
(Dollars in millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 7,561	$ 7,165	$ 5	$ 6,756
Funds not Reported in the Budget				
Expired Funds	(114)	(10)	-	-
Reconciling Item 15F3875(YH)	-	-	(1)	1
Reconciling Item 153220(ZX)	-	-	(4)	4
Other (Rounding)	(1)	(1)	-	1
Budget of the United States Government	**$ 7,446**	**$ 7,154**	**$ -**	**$ 6,762**

19. Net Custodial Revenue Activity

As of September 30, 2013 and 2012, the BOP collected $46 and $54 thousand respectively, in collections of fines and penalties, confiscated funds, found money on institution grounds, inmate's funds whose whereabouts are unknown and excess meal ticket collections. These collections were incidental to the BOP's mission. Since the BOP does not have statutory authority to use these funds, the BOP remits these funds to the Treasury's General Fund. As of September 30, 2013 and 2012, the BOP did not have any custodial liabilities.

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

For the Fiscal Years Ended September 30, 2013 and 2012	2013	2012
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 7,020,130	$ 7,164,861
Less: Spending Authority from Offsetting Collections and Recoveries	430,770	585,244
Obligations Net of Offsetting Collections and Recoveries	6,589,360	6,579,617
Less: Offsetting Receipts	4,994	5,452
Net Obligations	6,584,366	6,574,165
Other Resources		
Donations and Forfeitures of Property	3	30
Transfers-In/Out Without Reimbursement	132	151,645
Imputed Financing from Costs Absorbed by Others (Note 17)	225,500	238,018
Net Other Resources Used to Finance Activities	225,635	389,693
Total Resources Used to Finance Activities	**6,810,001**	**6,963,858**
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	233,737	(42,540)
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(8,081)	(32,591)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	4,994	5,452
Resources That Finance the Acquisition of Assets	(348,972)	(302,363)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	(8,787)	-
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(127,109)	(372,042)
Total Resources Used to Finance Net Cost of Operations	**$ 6,682,892**	**$ 6,591,816**
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)	$ 123,942	$ 103,417
Depreciation and Amortization	393,464	392,982
Revaluation of Assets or Liabilities	3,918	8,299
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	**521,324**	**504,698**
Net Cost of Operations	**$ 7,204,216**	**$ 7,096,514**

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 no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $1,484 million and $1,368 million on September 30, 2013 and 2012 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 presented in the following table.

The BOP has authority to record budgetary resources for receivables due from the Public, which mainly consists of state prisoner billings, before the funds are actually collected. For this reason, the change in Exchange Revenue receivables from the Public is not presented in the following table.

For the Fiscal Years Ended September 30, 2013 and 2012	2013	2012
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Accrued Annual and Compensatory Leave Liabilities	$ (161)	$ -
Other		
Decrease in Contingent Liabilities	-	(4,333)
Decrease in Unfunded Capital Lease Liabilities	(7,911)	(7,314)
Decrease in Other Unfunded Employment Related Liabilities	(9)	(396)
Decrease in Other Liabilities	-	(20,548)
Total Other	(7,920)	(32,591)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (8,081)	$ (32,591)
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ -	$ 1,552
Increase in Environmental and Disposal Liabilities	2,003	1,500
Other		
Increase in Actuarial FECA Liabilities	103,077	92,165
Increase in Accrued FECA Liabilities	5,838	8,200
Increase in Contingent Liabilities	455	-
Increase in Other Liabilities	12,569	-
Total Other	121,939	100,365
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 123,942	$ 103,417

22. Changes in Accounting Principles

Based upon early implementation of DOJ FMPM 13-12, the BOP revised its capitalization threshold for IUS. The BOP plans to implement real and personal property in FY 2015. The primary impact of the policy change was an increase in the thresholds for capitalizing and reporting real property, including leasehold improvements; personal property; and IUS. The change in accounting principle caused a $8,787 thousand reduction in the overall PP&E balance and the pre-FY2013 effect is recognized in the FY 2013 beginning balance of cumulative results of operations on the Consolidated Statement of Changes in Net Position. The effect of the new policy decreased the IUS balance $8,787 thousand. The BOP will implement the new thresholds for the remaining PP&E categories in FY 2015.

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BUREAU OF PRISONS

REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)

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The BOP's deferred maintenance and repairs is immaterial. The BOP maintains maintenance and repair schedules to monitor the condition of its PP&E. Due to health and safety concerns for staff and inmates, the BOP does not defer necessary maintenance and repairs.

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands	S&E	B&F	TF	Total 2013
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 212,757	$ 123,386	$ 59,772	$ 395,915
Recoveries of Prior Year Unpaid Obligations	14,780	-	-	14,780
Other Changes in Unobligated Balance	(60,086)	-	-	(60,086)
Unobligated Balance from Prior Year Budget Authority, Net	167,451	123,386	59,772	350,609
Appropriations (discretionary and mandatory)	6,496,548	30,657	-	6,527,205
Spending Authority from Offsetting Collections (discretionary and mandatory)	45,008	859	370,123	415,990
Total Budgetary Resources	**$ 6,709,007**	**$ 154,902**	**$ 429,895**	**$ 7,293,804**
Status of Budgetary Resources:				
Obligations Incurred	$ 6,569,425	$ 88,476	$ 362,229	$ 7,020,130
Unobligated Balance, End of Period:				
Apportioned	32,613	66,427	-	99,040
Exempt from Apportionment	-	-	67,666	67,666
Unapportioned	106,969	(1)	-	106,968
Total Unobligated Balance - End of Period	139,582	66,426	67,666	273,674
Total Status of Budgetary Resources:	**$ 6,709,007**	**$ 154,902**	**$ 429,895**	**$ 7,293,804**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 744,604	$ 96,272	$ 28,069	$ 868,945
Obligations Incurred	6,569,425	88,476	362,229	7,020,130
Outlays, Gross	(6,654,424)	(139,494)	(369,080)	(7,162,998)
Recoveries of Prior Year Unpaid Obligations	(14,780)	-	-	(14,780)
Unpaid Obligations, End of Period	644,825	45,254	21,218	711,297
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(9,146)	-	(892)	(10,038)
Change in Uncollected Customer Payments from Federal Sources	5,167	(782)	145	4,530
Uncollected Customer Payments from Federal Sources	(3,979)	(782)	(747)	(5,508)
Memorandum (non-add) Entries:				
Obligated balance, Start of Period	$ 735,458	$ 96,272	$ 27,177	$ 858,907
Obligated balance, End of Period	$ 640,846	$ 44,472	$ 20,471	$ 705,789
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	6,541,556	31,516	370,123	6,943,195
Less: Actual Offsetting Collections (discretionary and mandatory)	50,175	77	370,268	420,520
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	5,167	(782)	145	4,530
Budget Authority, Net (discretionary and mandatory)	**$ 6,496,548**	**$ 30,657**	**$ -**	**$ 6,527,205**
Outlays, Gross (discretionary and mandatory)	$ 6,654,424	$ 139,494	$ 369,080	$ 7,162,998
Less: Actual Offsetting Collections (discretionary and mandatory)	50,175	77	370,268	420,520
Outlays, Net (discretionary and mandatory)	6,604,249	139,417	(1,188)	6,742,478
Less: Distributed Offsetting Receipts	4,994	-	-	4,994
Agency Outlays, Net (discretionary and mandatory)	**$ 6,599,255**	**$ 139,417**	**$ (1,188)**	**$ 6,737,484**

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands	S&E	B&F	TF	2012 Total
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 125,985	$ 197,447	$ 56,381	$ 379,813
Recoveries of Prior Year Unpaid Obligations	23,388	-	-	23,388
Other Changes in Unobligated Balance	(1,862)	-	-	(1,862)
Unobligated Balance from Prior Year Budget Authority, Net	147,511	197,447	56,381	401,339
Appropriations (discretionary and mandatory)	6,543,581	54,000	-	6,597,581
Spending Authority from Offsetting Collections (discretionary and mandatory)	50,551	151,015	360,290	561,856
Total Budgetary Resources	**$ 6,741,643**	**$ 402,462**	**$ 416,671**	**$ 7,560,776**
Status of Budgetary Resources:				
Obligations Incurred	$ 6,528,886	$ 279,076	$ 356,899	$ 7,164,861
Unobligated Balance, End of Period:				
Apportioned	109,126	123,386	-	232,512
Exempt from Apportionment	-	-	59,772	59,772
Unapportioned	103,631	-	-	103,631
Total Unobligated Balance - End of Period	212,757	123,386	59,772	395,915
Total Status of Budgetary Resources:	**$ 6,741,643**	**$ 402,462**	**$ 416,671**	**$ 7,560,776**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 805,075	$ 221,982	$ 24,887	$ 1,051,944
Obligations Incurred	6,528,886	279,076	356,899	7,164,861
Outlays, Gross	(6,565,969)	(404,786)	(353,717)	(7,324,472)
Recoveries of Prior Year Unpaid Obligations	(23,388)	-	-	(23,388)
Unpaid Obligations, End of Period	744,604	96,272	28,069	868,945
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(9,854)	-	(1,028)	(10,882)
Change in Uncollected Customer Payments from Federal Sources	708	-	136	844
Uncollected Customer Payments from Federal Sources	(9,146)	-	(892)	(10,038)
Memorandum (non-add) Entries:				
Obligated balance, Start of Period	$ 795,221	$ 221,982	$ 23,859	$ 1,041,062
Obligated balance, End of Period	$ 735,458	$ 96,272	$ 27,177	$ 858,907
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	6,594,132	205,015	360,290	7,159,437
Less: Actual Offsetting Collections (discretionary and mandatory)	51,259	151,015	360,426	562,700
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	708	-	136	844
Budget Authority, Net (discretionary and mandatory)	**$ 6,543,581**	**$ 54,000**	$ -	**$ 6,597,581**
Outlays, Gross (discretionary and mandatory)	$ 6,565,969	$ 404,786	$ 353,717	$ 7,324,472
Less: Actual Offsetting Collections (discretionary and mandatory)	51,259	151,015	360,426	562,700
Outlays, Net (discretionary and mandatory)	6,514,710	253,771	(6,709)	6,761,772
Less: Distributed Offsetting Receipts	5,452	-	-	5,452
Agency Outlays, Net (discretionary and mandatory)	**$ 6,509,258**	**$ 253,771**	**$ (6,709)**	**$ 6,756,320**

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

OTHER INFORMATION
(UNAUDITED)

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U.S. Department of Justice
Bureau of Prisons
Combined Schedule of Spending
For the Fiscal Year Ended September 30, 2013
(Dollars in Thousands)

				Total
What Money is Available to Spend?				
Total Resources			$	7,293,804
Less: Amount Available but Not Agreed to be Spent				166,706
Less: Amount Not Available to be Spent				106,968
Total Amounts Available to be Spent			**$**	**7,020,130**
How was the Money Spent?				
Personnel Compensation and Benefits				
	1100	Personnel Compensation	$	2,649,349
	1200	Personnel Benefits		1,314,810
	1300	Former Personnel		1,769
Other Program Related Expenses				
	2100	Travel & Transportation of Persons	$	28,449
	2200	Transportation of Things		14,445
	2300	Rent, Communications, and Utilities		309,322
	2400	Printing and Reproduction		893
	2500	Other Contractual Services		1,758,933
	2600	Supplies and Materials		866,966
	3100	Equipment		58,987
	3200	Land and Structures		(8,550)
	4100	Grants, Subsidies, and Contributions		5,806
	4200	Insurance Claims and Indemnities		14,700
	4300	Interest and Dividends		4,251
Total Amounts Agreed to be Spent			**$**	**7,020,130**
Who did the Money Go To?				
	For Profit		$	2,551,047
	Government			1,709,009
	Employees			2,637,146
	Other			122,928
Total Amounts Agreed to be Spent			**$**	**7,020,130**

TREASURY SYMBOL MATRIX

15131060	Salaries and Expense
15121060	Salaries and Expense
15111060	Salaries and Expense
15101060	Salaries and Expense
15091060	Salaries and Expense
15081060	Salaries and Expense
1513/141060	Salaries and Expense
1512/131060	Salaries and Expense
1511/121060	Salaries and Expense
1510/111060	Salaries and Expense
1509/101060	Salaries and Expense
1508/091060	Salaries and Expense
1507/081060	Salaries and Expense
7515131060	Public Health Services
7515121060	Public Health Services
7515111060	Public Health Services
7515101060	Public Health Services
7515091060	Public Health Services
7515081060	Public Health Services
15X1003	Buildings and Facilities
15X8408	Revolving Trust Fund
15X1060	Salaries and Expense
15X6085	Deposit Fund (Prisoners)
151060	General Fund (Forfeiture Unclaimed)
151099	General Fund (Fines, Penalties, Forfeiture)
153200	General Fund (Miscellaneous Receipts)
153220	General Fund (Miscellaneous Receipts)
151210	Conscience Fund
151299	Gifts to U.S.
151435	Miscellaneous Interest Received
153502	Clearing Account (Budget)
15F3500	Clearing Account (Budget)
15F3880.10	Clearing Account (Budget)
15F3875.10	Clearing Account (Budget)
15X6275.10	Deposit Fund (State/Local Taxes)
20X1807	BOP Refund Erroneously Received
20X6133	BOP Payment Unclaimed Money
15_7001	Elimination Fund
15_7002	Elimination Fund

PRISONER CAPACITY REQUIREMENTS

The numbers in the chart reflect the additional requested, funded, and partially funded capacity (number of beds) required for each established facility.

Note that the estimated construction completion dates supplied below are projections, not fixed dates. Also, once construction is completed at an institution, that institution does not immediately begin accepting inmates, as there are necessary activation and preparatory procedures that must be enacted beforehand.

REQUESTED, FUNDED, OR PARTIALLY FUNDED CAPACITY REQUIREMENTS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
ADDITIONAL CAPACITY:											
FCI Mendota, CA (Medium/Camp)											-
FCI Berlin, NH (Medium/Camp)	752										752
FCI Aliceville, AL (Secure Female/Low Camp)	600	339									939
FCI Hazelton, WV (Medium/Camp)	256	680	344								1,280
USP Yazoo City, MS (High/Camp)	256	576	384								1,216
USP Thomson, IL (High/Camp)		200	1,900								2,100
USP Bennettsville, SC (High/Camp)											-
USP Letcher County, KY (High/Camp)											-
FCI Leavenworth, KS (Medium/Camp)											-
FCI Florida (Medium/Camp)											-
FCI South Central (Medium/Camp)											-
USP South Central (High/Camp)											-
USP El Reno, OK (High/Camp)											-
USP North Central/Pekin, IL (High/Camp)											-
USP Southeast (High/Camp)											-
FCI Northeast (Medium/Camp)											-
FCI South Central (Medium/Camp)											-
FCI Western (Medium/Camp)											-
FCI North Central (Medium/Camp)											-
USP Mid-Atlantic (High/Camp)											-
USP Western (High/Camp)											-
USP Mid-Atlantic (High/Camp)											-
FCI Northeast (Medium/Camp)											-
USP South Central (High/Camp)											-
USP Mid-Atlantic (High/Camp)											-
FCI Southeast (Medium/Camp)											-
FCI South Central (Medium/Camp)											-
FCI North Central (Medium/Camp)											-
Total	1,864	1,795	2,628	-	-	-	-	-	-	-	6,287

This exhibit includes facilities requested, funded, or partially funded capacity requirements through September 30, 2013.

Operating Leases as of September 30, 2013 (In Thousands)

Operating Lease Identifier		Total Future Payments
230 N First Avenue	Phoenix, AZ	$ 469
230 N First Avenue	Phoenix, AZ	152
255 E Temple Street	Los Angeles, CA	12
501 I Street	Sacramento, CA	183
2880 Sunrise Boulevard	Rancho Cordova, CA	630
7338 Shoreline Drive	Stockton, CA	5,798
324 Horton Plaza	San Diego, CA	325
9692 Via Excelencia	San Diego, CA	489
11900 East Cornell Avenue	Aurora, CO	17,808
320 First Street, NW	Washington, DC	31,007
500 First Street NW	Washington, DC	25,204
200 Constitution Avenue NW	Washington, DC	984
3800 Camp Creek Parkway	Atlanta, GA	4,334
450 S Federal Street	Chicago, IL	483
5270 S Cicero Avenue	Chicago, IL	2,747
55 E Monroe Street	Chicago, IL	187
200 W Adams Street	Chicago, IL	42
318 S Federal	Chicago, IL	965
Fourth & State Avenue	Kansas City, KS	870
302 Sentinel Drive	Annapolis Junction, MD	5,186
300 S Fourth Street	Minneapolis, MN	2,165
1222 Spruce	St. Louis, MO	306
1222 Spruce	St. Louis, MO	45
36 E Seventh Street	Cincinnati, OH	297
200 Chestnut Street	Philadelphia, PA	222
1000 Liberty Avenue	Pittsburgh, PA	230
600 Arch Street	Philadelphia, PA	66
701 Market Street	Philadelphia, PA	325
145 W. Thompson St.	Philadelphia, PA	2,040
701 Broadway	Nashville, TN	216
701 San Jacinto Street	Houston, TX	75
701 San Jacinto Street	Houston, TX	357
15431 W Vantage Parkway, Suites 200 & 205	Houston, TX	131
727 E Durango Boulevard	San Antonio, TX	1,209
4211 Cedar Springs Road	Dallas, TX	7,877
324 S State St	Salt Lake City, UT	20
Building A, 6810	Franconia, VA	266
796 N Foxcroft Avenue	Martinsburg, WV	2,332
		$ 116,054