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

OVERSIGHT ★ INTEGRITY ★ GUIDANCE

Audit of the Federal Bureau of Prisons Annual Financial Statements Fiscal Year 2017

Audit Division 18-06

December 2017

Commentary and Summary

Audit of the Federal Bureau of Prisons Annual Financial Statements Fiscal Year 2017

Objective

In support of the Department of Justice's annual financial statements audit, the Office of the Inspector General (OIG) performed an audit of the Federal Bureau of Prisons (BOP) annual financial statements.

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

Results in Brief

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

The OIG reviewed Kearney & Company's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards, was not intended to enable us to express, and we do not express, an opinion on the BOP's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the BOP's financial management systems substantially complied with FFMIA, or conclusions on compliance and other matters. Kearney & Company is responsible for the attached auditor's reports dated November 3, 2017, and the conclusions expressed in the reports. However, our review disclosed no instances where Kearney & Company did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

Recommendations

No recommendations were provided in the report.

Audit Results

Under the direction of the OIG, Kearney & Company performed the BOP's audit in accordance with auditing standards generally accepted in the United States of America. The FY 2017 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in accordance with U.S. generally accepted accounting principles. For FY 2016, the BOP also received an unmodified opinion on its financial statements (OIG Audit Division Report No. 17-02).

Kearney & Company also issued reports on internal control over financial reporting and on compliance and other matters. The auditors neither identified any material weaknesses, nor reported any significant deficiencies in the FY 2017 *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 were identified during the audit that are required to be reported under *Government Auditing Standards,* in the FY 2017 *Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Additionally, Kearney & Company's tests disclosed no instances in which the BOP's financial management systems did not substantially comply with FFMIA.

AUDIT OF THE FEDERAL BUREAU OF PRISONS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2017

TABLE OF CONTENTS

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

MANAGEMENT'S
DISCUSSION & ANALYSIS
(UNAUDITED)

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 (Department or DOJ).

As of September 30, 2017, the **BOP** was comprised of 122 institutions, six regional offices, two staff training centers, 24 Residential Reentry Management field offices, and a Central Office, or headquarters, in Washington, D.C. The Executive Office of the Director provides overall direction for agency operations, with ten 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, medical and psychiatric programs, and food and nutritional programs. Additionally, the Central Office plans for the acquisition, construction, and staffing of new facilities; and oversees budget development and execution, contracting, property management, and financial management. Additional operational support and direction are provided for residential reentry management 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 of 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 health care, occupational 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 Division** encompasses the FPI program 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 the 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 **Reentry Services Division** (RSD) enhances oversight and direction for the critical area of offender reentry. Within the RSD is the Education and Recreation Services Branch, who oversees the Bureau's recreation and education programs. The RSD prepares inmates for reentry by focusing on reentry programming and community resource transition, thereby increasing public safety.

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 fiscal year 2017, the BOP operated 122 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 2017: **Salaries and Expenses** and **Buildings and Facilities**. The Salaries and Expenses (S&E) portion includes annual, multi-year, and no-year appropriations, while Buildings and Facilities (B&F) is a no-year appropriation. The **Trust Fund** is not appropriated and 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.

FY 2017 RESOURCE INFORMATION

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, 2017 and 2016 for the purpose of achieving the strategic goals.

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

Source	FY 2017	FY 2016	Change %
Earned Revenue	$ 370,622	$ 378,243	-2%
Budgetary Financing Sources			
Appropriations Received	7,138,800	7,478,500	-5%
Appropriations Transferred-In/Out	(61,026)	(6,182)	887%
Other Adjustments and Other Budgetary Financing Sources	(3,567)	(166)	2,049%
Other Financing Sources			
Donations and Forfeitures of Property	15	-	100%
Imputed Financing	222,810	242,530	-8%
Total	**$ 7,667,654**	**$ 8,092,925**	-5%

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

Strategic Goal (SG)	FY 2017	FY 2016	Change %
SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ 10,366	$ 10,431	
Less: Earned Revenue	-	-	
Net Cost	$ 10,366	$ 10,431	-1%
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	$ 7,941,552	$ 7,974,513	
Less: Earned Revenue	370,622	378,243	
Net Cost	$ 7,570,930	$ 7,596,270	0%
Total Gross Cost	**$7,951,918**	**$7,984,944**	
Less: Total Earned Revenue	**370,622**	**378,243**	
Total Net Cost of Operations	**$7,581,296**	**$7,606,701**	0%

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, 2017, shows $6.701 billion in total assets, a decrease of $217 million from the previous year's total assets of $6.918 billion. General Property, Plant and Equipment, Net was $5.113 billion, which represents 76 percent of total assets.

Liabilities: The BOP's Consolidated Balance Sheets as of September 30, 2017, shows $2.385 billion in total liabilities, an increase of $67 million from the previous year's total liabilities of $2.318 billion. Actuarial FECA liabilities were $1.107 billion and Accounts Payable was $325 million, which represents 46 percent and 14 percent of total liabilities, respectively.

Net Cost of Operations: The BOP's 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 $7.581 billion for the fiscal year ended September 30, 2017, a decrease of $26 million from the previous year's net cost of operations of $7.607 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, *Financial Reporting Requirements,* 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's 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." Gross costs allocated to Goal 2 are incurred through the implementation of the Adam Walsh Child Protection and Safety Act (Adam Walsh Act) of 2006, which mandates the establishment of sex offender management programs and residential sex offender treatment. Goal 2 costs are tracked based on a designated project code that captures all costs associated with the Adam Walsh Act. The remaining gross costs and earned revenues are allocated to Goal 3.

2017 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 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 residential reentry centers. In addition, the BOP houses all Washington, D.C. adult felons sentenced to a term of confinement. In FY 2017, Goal 3 net costs decreased from the prior year.

FY 2017 REPORT ON SELECTED RESULTS

STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law. 0.1 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 2016 Actual Performance:* 16%**
***FY 2017 Target:* 13%**
***FY 2017 Actual Performance:* 13%**

The BOP inmate population decreased by 6,553 in FY 2017; this decrease matched projections and resulted in a crowding rate equal to what was expected. Crowding is the extent to which a facility's inmate population level exceeds its rated capacity. System-wide, BOP prisons exceed their rated capacity by 13 percent.

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

***FY 2016 Actual Performance:* 17,588**
***FY 2017 Target:* 18,591**
***FY 2017 Actual Performance:* 16,641**

The actual participation numbers were lower than the projected target (1,950). This is likely attributable to a decline in the BOP inmate population, resulting in a smaller pool of potential RDAP participants.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act (Integrity Act or FMFIA) of 1982 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 laws; 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, *Management's Responsibility for Internal Control*. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial systems requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting. 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. 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, 2017, 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 2017 and 2016, 50 and 41 Financial Management Program Reviews, respectively, were conducted at institutions, regional offices and the Central Office. The reviews covered the areas of Accounting, Budgeting, Laundry, Employee Organizations, Property Management, Commissary, and Warehouse.

Systems

For fiscal year 2017, 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 of 2002 (IPIA), as amended, requires a risk assessment for 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 1.5 percent of program payments and $10 million. The BOP provides improper payments reporting on a quarterly basis in compliance with the DOJ requirements.

FMFIA Section 2 – Material Weaknesses

The Bureau of Prisons' management 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 controls over the effectiveness and efficiency of operations and compliance with the applicable laws and regulations in accordance with OMB Circular A-123 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, 2017, was operating effectively.

Since 2006, the BOP has reported a material weakness related to prison crowding. However, as of September 30, 2017, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by only 13 percent. In contrast, in 2013, overall crowding was close to 40 percent. The decrease is significant when compared to such past crowding levels. As such, the BOP has achieved its strategic goal of reducing crowding below 15 percent and is not reporting a material weakness or significant deficiency at this time.

FMFIA Section 4 – Material Nonconformances

The Bureau of Prisons' 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 advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the Government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the 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.

FFMIA Compliance Determination

During FY 2017, the BOP assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the BOP's financial statement audit.

IMPROPER PAYMENTS INFORMATION ACT OF 2002, AS AMENDED

In accordance with OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, and the Departmental guidance for implementing the IPIA, as amended, 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 IPIA, as amended, the BOP assessed its activities for susceptibility to significant improper payments and conducted its payment recapture audit program. 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 2017 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 the Federal inmate population. The BOP continues to rely on funding to expand existing institutions and acquire, construct, and activate new institutions to help manage its inmate population and reduce the crowding rate.

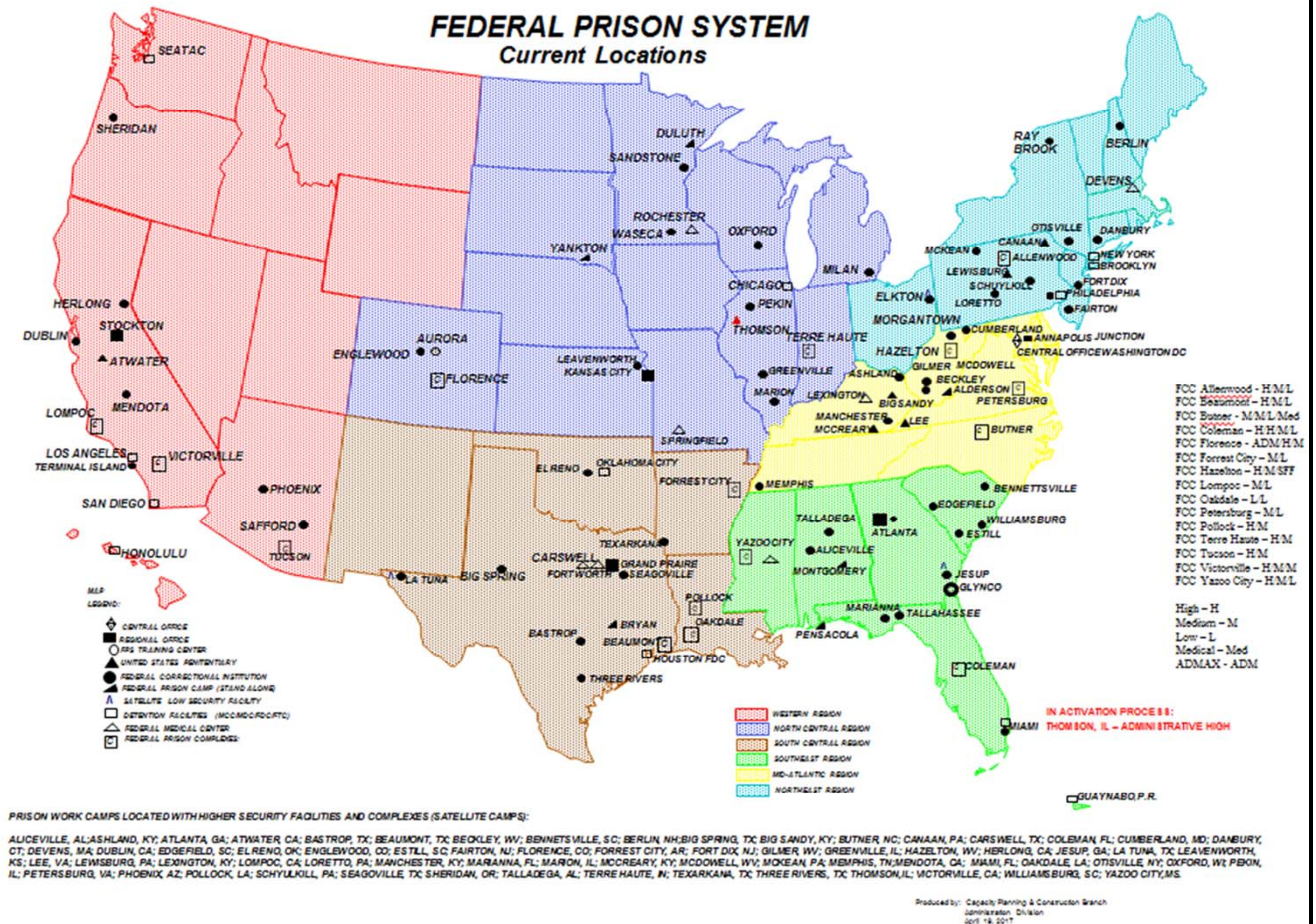
LIMITATIONS OF THE FINANCIAL STATEMENTS

- 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 (GAAP) 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



U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Inspector General
U.S. Department of Justice

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

Report on the Financial Statements

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, 2017 and 2016, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as the "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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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; in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the BOP as of September 30, 2017 and 2016, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Required Supplementary Information (hereinafter referred to as the "required supplementary information") be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by OMB and the Federal Accounting Standards Advisory Board, who consider 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 it for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit 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 taken as a whole. The Treasury Symbol Matrix, Prisoner Capacity Requirements, Operating Leases, and Appendix 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 audit of the consolidated financial statements; 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* and OMB Bulletin No. 17-03, we have also issued reports, dated November 3, 2017, on our consideration of the BOP's internal control over financial reporting and on our tests of the BOP's compliance with provisions of applicable laws, regulations, contracts, and other matters for the year ended September 30, 2017. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, as well as the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 17-03 in considering the BOP's internal control over financial reporting and compliance.

Kearney & Company

Alexandria, Virginia
November 3, 2017

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INDEPENDENT AUDITOR'S 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 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, 2017, and 2016, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements, and we have issued our report thereon dated November 3, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements.*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2017, we considered the 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 limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 17-03. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations.

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 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

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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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

The Exhibit presents the status of the prior year's finding and recommendations.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, as well as 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* and OMB Bulletin No. 17-03 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 3, 2017

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EXHIBIT

STATUS OF PRIOR YEAR'S FINDING AND RECOMMENDATIONS

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, we have evaluated whether the BOP has taken the appropriate corrective action to address the finding and recommendations from the prior year's financial statements audits that could have a material effect on the financial statements or other financial data significant to the audit objectives. The following table provides the Office of the Inspector General report number 17-02 where the deficiency was reported, our recommendations for improvement, and the status of the previously identified material weakness and recommendations as of the end of fiscal year 2016.

Report	Material Weakness	Recommendation	Status
Annual Financial Statements Fiscal Year 2016 Report No. 17-02	Restatement of Fiscal Year 2015 Financial Statements and Footnotes	**Recommendation No. 1:** Modify SRPMS to prevent a similar error from occurring in the future.	Completed
		Recommendation No. 2: Add a reconciliation of United States Standard General Ledger (USSGL) accounts 679000.30, Other Expenses – Renovations – Salaries and Expenses, and 661000.30, Cost Capitalization Offset – SRPMS Salaries and Expenses, to the monthly proof check reconciliation to identify any errors using the Salaries and Expense acquisition method.	Completed
		Recommendation No. 3: Add a variance analysis with an expectation level at the Institution, Regional Office, and Central Office levels designed to catch errors of this magnitude.	Completed
		Recommendation No. 4: Develop documented policies, procedures, and protocols that define appropriate action when errors in issued financial statements are identified.	Completed
		Recommendation No. 5: Establish a training program to ensure that all levels of BOP Finance (Institution, Regional Office, and Central Office) have appropriate knowledge of the Federal Accounting Standards Advisory Board and GAO standards, as well as OMB circulars and regulations, to address complex accounting and financial reporting issues.	Completed

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS 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 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, 2017 and 2016, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements, and we have issued our report thereon dated November 3, 2017. We conducted our audit 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. 17-03, *Audit Requirements for Federal Financial Statements*.

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 provisions of applicable laws, regulations, contracts, noncompliance which could have a direct and material effect on the determination of financial statement amounts, and provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, and contracts applicable to the BOP. Providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 17-03.

The results of our tests of compliance with FFMIA disclosed no instances in which the BOP's financial management systems did not substantially comply with the federal financial management system's requirements, applicable federal accounting standards, and application of the United States Standard General Ledger at the transaction level.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance, as well as 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* and OMB Bulletin No. 17-03 in considering the BOP's compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 3, 2017

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

PRINCIPAL FINANCIAL STATEMENTS

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

Dollars in Thousands	2017	2016
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	$ 1,543,720	$ 1,518,493
Accounts Receivable, Net (Note 6)	4,783	2,093
Other Assets (Note 9)	12,148	8,096
Total Intragovernmental	1,560,651	1,528,682
Cash and Other Monetary Assets (Note 4)	405	420
Accounts Receivable, Net (Note 6)	4,343	5,906
Inventory and Related Property, Net (Note 7)	19,131	18,564
General Property, Plant and Equipment, Net (Note 8)	5,113,385	5,358,410
Advances and Prepayments	3,162	5,745
Total Assets	**$ 6,701,077**	**$ 6,917,727**
LIABILITIES (Note 10)		
Intragovernmental		
Accounts Payable	$ 32,249	$ 36,694
Accrued Federal Employees' Compensation Act Liabilities	171,961	176,933
Other Liabilities (Note 13)	53,526	60,215
Total Intragovernmental	257,736	273,842
Accounts Payable	292,718	309,500
Actuarial Federal Employees' Compensation Act Liabilities	1,107,469	1,063,293
Accrued Payroll and Benefits	115,376	114,129
Accrued Annual and Compensatory Leave Liabilities	177,332	179,274
Environmental and Disposal Liabilities (Note 11)	69,796	68,407
Deferred Revenue	844	880
Contingent Liabilities (Note 14)	15,224	8,265
Other Liabilities (Note 13)	348,969	300,260
Total Liabilities	**$ 2,385,464**	**$ 2,317,850**
NET POSITION		
Unexpended Appropriations - All Other Funds	$ 949,020	$ 887,347
Cumulative Results of Operations - Funds from Dedicated Collections (Note 15)	67,120	75,189
Cumulative Results of Operations - All Other Funds	3,299,473	3,637,341
Total Net Position	**$ 4,315,613**	**$ 4,599,877**
Total Liabilities and Net Position	**$ 6,701,077**	**$ 6,917,727**

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

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

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 16)
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
Goal 2	**2017**	$ -	$ 10,366	$ 10,366	$ -	$ -	$ -	$ 10,366
	2016	$ -	$ 10,431	$ 10,431	$ -	$ -	$ -	$ 10,431
Goal 3	**2017**	1,863,646	6,077,906	7,941,552	5,938	364,684	370,622	7,570,930
	2016	1,876,331	6,098,182	7,974,513	3,037	375,206	378,243	7,596,270
Total	**2017**	**$ 1,863,646**	**$ 6,088,272**	**$ 7,951,918**	**$ 5,938**	**$ 364,684**	**$ 370,622**	**$ 7,581,296**
	2016	**$ 1,876,331**	**$ 6,108,613**	**$ 7,984,944**	**$ 3,037**	**$ 375,206**	**$ 378,243**	**$ 7,606,701**

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.

Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands

	2017		
	Funds from Dedicated Collections	**All other Funds**	**Total**
Cumulative Results of Operations			
Beginning Balances	**$ 75,189**	**$ 3,637,341**	**$ 3,712,530**
Budgetary Financing Sources			
Appropriations Used	-	7,012,534	7,012,534
Other Financing Sources			
Donations and Forfeitures of Property	-	15	15
Imputed Financing (Note 17)	4,082	218,728	222,810
Total Financing Sources	**4,082**	**7,231,277**	**7,235,359**
Net Cost of Operations	**(12,151)**	**(7,569,145)**	**(7,581,296)**
Net Change	(8,069)	(337,868)	(345,937)
Cumulative Results of Operations	**$ 67,120**	**$ 3,299,473**	**$ 3,366,593**
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 887,347**	**$ 887,347**
Budgetary Financing Sources			
Appropriations Received	-	7,138,800	7,138,800
Appropriations Transferred-In/Out	-	(61,026)	(61,026)
Other Adjustments	-	(3,567)	(3,567)
Appropriations Used	-	(7,012,534)	(7,012,534)
Total Budgetary Financing Sources	**-**	**61,673**	**61,673**
Unexpended Appropriations	**$ -**	**$ 949,020**	**$ 949,020**
Net Position	**$ 67,120**	**$ 4,248,493**	**$ 4,315,613**

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

Consolidated Statements of Changes in Net Position (continued)
For the Fiscal Year Ended September 30, 2016

Dollars in Thousands

	2016		
	Funds from Dedicated Collections	All other Funds	Total
Cumulative Results of Operations			
Beginning Balances	$ 86,784	$ 3,985,615	$ 4,072,399
Budgetary Financing Sources			
Appropriations Used	-	7,004,302	7,004,302
Other Financing Sources			
Imputed Financing (Note 17)	4,456	238,074	242,530
Total Financing Sources	4,456	7,242,376	7,246,832
Net Cost of Operations	(16,051)	(7,590,650)	(7,606,701)
Net Change	(11,595)	(348,274)	(359,869)
Cumulative Results of Operations	$ 75,189	$ 3,637,341	$ 3,712,530
Unexpended Appropriations			
Beginning Balances	$ -	$ 419,497	$ 419,497
Budgetary Financing Sources			
Appropriations Received	-	7,478,500	7,478,500
Appropriations Transferred-In/Out	-	(6,182)	(6,182)
Other Adjustments	-	(166)	(166)
Appropriations Used	-	(7,004,302)	(7,004,302)
Total Budgetary Financing Sources	-	467,850	467,850
Unexpended Appropriations	$ -	$ 887,347	$ 887,347
Net Position	$ 75,189	$ 4,524,688	$ 4,599,877

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, 2017 and 2016

Dollars in Thousands		2017		2016
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$	746,272	$	336,597
Recoveries of Prior Year Unpaid Obligations		18,240		1,510
Other Changes in Unobligated Balance		(61,193)		(6,348)
Unobligated Balance from Prior Year Budget Authority, Net		703,319		331,759
Appropriations (discretionary and mandatory)		7,135,400		7,478,500
Spending Authority from Offsetting Collections (discretionary and mandatory)		381,703		378,448
Total Budgetary Resources	**$**	**8,220,422**	**$**	**8,188,707**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 18)	$	7,429,241	$	7,442,435
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts		661,446		568,221
Exempt from Apportionment, Unexpired Accounts		41,057		47,464
Unapportioned, Unexpired Accounts		(8,127)		-
Unexpired Unobligated Balance, End of Year		694,376		615,685
Expired Unobligated Balance, End of Year		96,805		130,587
Unobligated Balance - End of Year (Total)		791,181		746,272
Total Status of Budgetary Resources:	**$**	**8,220,422**	**$**	**8,188,707**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$	702,911	$	661,076
New Obligations and Upward Adjustments		7,429,241		7,442,435
Outlays, Gross		(7,416,253)		(7,399,090)
Recoveries of Prior Year Unpaid Obligations		(18,240)		(1,510)
Unpaid Obligations, End of Year		697,659		702,911
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1		(4,820)		(6,430)
Change in Uncollected Payments, Federal Sources		(13,188)		1,610
Uncollected Payments, Federal Sources, End of Year		(18,008)		(4,820)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	$	698,091	$	654,646
Obligated balance, End of Year	$	679,651	$	698,091
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	$	7,517,103	$	7,856,948
Less: Actual Offsetting Collections (discretionary and mandatory)		368,586		379,703
Change in Uncollected Payments, Federal Sources (discretionary and mandatory)		(13,188)		1,610
Budget Authority, Net (Total) (discretionary and mandatory)	**$**	**7,135,329**	**$**	**7,478,855**
Outlays, Gross (discretionary and mandatory)	$	7,416,253	$	7,399,090
Less: Actual Offsetting Collections (discretionary and mandatory)		368,586		379,703
Outlays, Net (Total) (discretionary and mandatory)		7,047,667		7,019,387
Less: Distributed Offsetting Receipts		(6,271)		5,336
Agency Outlays, Net (discretionary and mandatory)	**$**	**7,053,938**	**$**	**7,014,051**

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

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

NOTES TO THE PRINCIPAL 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, Section 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. 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, Inventory and Related Property, Other Assets, Federal Employee and Veteran Benefits, and Other Liabilities as defined by OMB Circular A-136 have been disaggregated on the balance sheet. These include Advances and Prepayments with the public, Accrued Federal Employees' Compensation Act (FECA) Liabilities, Accrued Payroll and Benefits, Accrued Annual and Compensatory Leave Liabilities, and Deferred Revenue.

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, 2017, and 2016 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 (AICPA). The Statements of Federal Financial Accounting Standards (SFFAS) that were in effect as of September 30, 2017, 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.

1. Summary of Significant Accounting Policies (continued)

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

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.

G. Investments

The Government does not set aside assets to pay future benefits or other expenditures associated with the Trust Fund. 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 considers all account receivables collectable, however, 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 98 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 $50 thousand is expensed when purchased.

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.**

Except for land, all general Property, Plant and Equipment (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.

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.

1. Summary of Significant Accounting Policies (continued)

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

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. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered "remote."

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.

1. Summary of Significant Accounting Policies (continued)

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). The BOP contributes 7 percent of the gross pay for regular employees and 7.5 percent for law enforcement officers.
2. Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).
   a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The BOP contributes 13.7 percent of the gross pay for regular employees and 30.1 percent for law enforcement officers.
   b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The BOP contributes 11.9 percent of the gross pay for regular employees and 28.4 percent for law enforcement officers.
   c. Employees hired January 1, 2014 or later are covered by the Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE). The BOP contributes 11.9 percent of the gross pay for regular employees and 28.4 percent for law enforcement officers.

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the BOP is required to contribute an additional 1 percent of gross pay and match employee contributions up to 4 percent. No Government 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 for additional details.

1. Summary of Significant Accounting Policies (continued)

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 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.

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.

1. Summary of Significant Accounting Policies (continued)

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; meals provided to the BOP staff; rental of staff housing on institution premises; utilities used by the FPI; purchase card rebates; and recycling income.

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 a calculation based on actual charges 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.

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources (continued)

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, 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. 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/ revenue share, 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, which includes the amount of phone credits that have not been used as of September 30, 2017.

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 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.

1. Summary of Significant Accounting Policies (continued)

T. Funds from Dedicated Collections (continued)

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.

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 \$110 and \$113 million for the fiscal years ended September 30, 2017 and 2016, respectively.

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.

1. Summary of Significant Accounting Policies (continued)

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 2016 financial statements were reclassified to conform to the FY 2017 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, 2017 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

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, 2017 and 2016 are presented in the following table.

As of September 30, 2017 and 2016	2017	2016
Intragovernmental		
Fund Balance With U.S. Treasury	$ 68,399	$ 69,728
With the Public		
Accounts Receivable, Net	352	428
Total With the Public	352	428
Total Non-Entity Assets	68,751	70,156
Total Entity Assets	6,632,326	6,847,571
Total Assets	$ 6,701,077	$ 6,917,727

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 as of September 30, 2017 and 2016. The Fund Balance with the Treasury are presented in the following table.

As of September 30, 2017 and 2016	2017	2016
Fund Balances		
Trust Fund	$ 62,469	$ 75,164
General Funds	1,412,852	1,373,601
Other Fund Types	68,399	69,728
Total Fund Balances with U.S. Treasury	$ 1,543,720	$ 1,518,493
Status of Fund Balances		
Unobligated Balance - Available	$ 702,503	$ 615,685
Unobligated Balance - Unavailable	88,678	130,587
Obligated Balance not yet Disbursed	679,651	698,091
Other Funds (With)/Without Budgetary Resources	67,989	69,302
Total Status of Fund Balances	$ 1,538,821	$ 1,513,665

The Fund Balance with the Treasury as reported in these financial statements and notes has been adjusted to account for the difference reported by the Treasury. The reported balance in the BOP's general ledger account, Fund Balance with the Treasury, before any adjustments, was $8,858 and $5,772 thousand greater than the actual fund balance reported by the Treasury as of September 30, 2017 and 2016, 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 111 agency location codes. Any cause for reconciliation must be done individually by location.

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

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 $4,157 thousand greater than and $111 thousand less than the actual amount reported by each of the BOP's accounting stations to the Treasury as of September 30, 2017 and 2016, respectively. Additionally, the Fund Balance with the Treasury reflects $4,899 and $4,828 thousand sequester balance for the fiscal years ended September 30, 2017 and 2016, respectively, as requested by OMB.

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 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 Other Monetary Assets

Cash and Other 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, 2017 and 2016, respectively.

As of September 30, 2017 and 2016	2017	2016
Cash		
Imprest Funds	$ 405	$ 420

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 imprest funds totaling $405 and $420 thousand as of September 30, 2017 and 2016, 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 Fiscal Service. 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, 2017 and 2016, all Trust Fund security investments have matured. Therefore, the respective investment balances are zero.

6. Accounts Receivable, Net

Accounts Receivable represents the amounts due to the BOP as of September 30, 2017 and 2016, respectively, as shown in the following table. The Intergovernmental accounts receivable balance consists of refunds and reimbursements with Federal entities deemed fully collectable. The majority of the accounts receivable balance with the Public is billings to state municipalities in relation to the housing of non-Federal inmates.

As of September 30, 2017 and 2016	2017	2016
Intragovernmental		
Accounts Receivable	$ 4,783	$ 2,093
With the Public		
Accounts Receivable	4,343	5,906
Total Accounts Receivable, Net	$ 9,126	$ 7,999

7. Inventory and Related Property, Net

The Trust Fund Commissary inventory purchased for resale as of September 30, 2017 and 2016 is presented in the following table.

As of September 30, 2017 and 2016	2017	2016
Inventory		
Inventory Purchased for Resale	$ 19,131	$ 18,564

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 as of September 30, 2017 and 2016, respectively. See Note 1.J for method of depreciation, capitalization thresholds, and useful lives.

As of September 30, 2017	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 172,423	$ -	$ 172,423	N/A
Construction in Progress	75,211	-	75,211	N/A
Buildings, Improvements, and Renovations	9,944,350	(5,472,437)	4,471,913	2-30 yrs
Other Structures & Facilities	920,049	(643,717)	276,332	20 yrs
Vehicles	92,048	(72,176)	19,872	6-10 yrs
Equipment	148,509	(96,478)	52,031	10 yrs
Assets Under Capital Lease	89,652	(65,738)	23,914	5-30 yrs
Leasehold Improvements	100,656	(82,842)	17,814	2-20 yrs
Internal Use Software	28,425	(24,550)	3,875	5-7 yrs
Total	$ 11,571,323	$ (6,457,938)	$ 5,113,385	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2017	$ -	$ 133,878	$ 133,878

As of September 30, 2016	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 172,423	$ -	$ 172,423	N/A
Construction in Progress	76,238	-	76,238	N/A
Buildings, Improvements, and Renovations	9,822,985	(5,147,445)	4,675,540	2-30 yrs
Other Structures & Facilities	899,494	(609,805)	289,689	20 yrs
Vehicles	91,672	(66,878)	24,794	6-10 yrs
Equipment	150,353	(88,629)	61,724	10 yrs
Assets Under Capital Lease	89,625	(62,738)	26,887	5-30 yrs
Leasehold Improvements	101,550	(76,035)	25,515	2-20 yrs
Internal Use Software	28,425	(22,825)	5,600	5-7 yrs
Total	$ 11,432,765	$ (6,074,355)	$ 5,358,410	

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

	Federal		Public		Total	
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2016	$	354	$	172,661	$	173,015

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 $0 and $354 thousand from Federal sources, and $133,878 and $172,661 thousand from the public, for the fiscal years ended September 30, 2017 and 2016, respectively.

9. Other Assets

Intragovernmental assets consist of advances to the Department of Justice for computer equipment and to the Department of Transportation for transit subsidy benefits. The amounts as of September 30, 2017 and 2016 are presented in the following table.

As of September 30, 2017 and 2016	2017		2016	
Intragovernmental				
Advances and Prepayments	$	12,148	$	8,096

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, 2017 and 2016, respectively, are presented in the following table.

As of September 30, 2017 and 2016

	2017	2016
Intragovernmental		
Accrued FECA Liabilities	$ 170,842	$ 175,977
Other Unfunded Employment Related Liabilities	662	768
Other	2,106	2,761
Total Intragovernmental	173,610	179,506
With the Public		
Actuarial FECA Liabilities	1,107,469	1,063,293
Accrued Annual and Compensatory Leave Liabilities	177,332	179,274
Environmental and Disposal Liabilities (Note 11)	69,796	68,407
Contingent Liabilities (Note 14)	15,224	8,265
Capital Lease Liabilities (Note 12)	76	97
Other	271,997	224,746
Total With the Public	1,641,894	1,544,082
Total Liabilities not Covered by Budgetary Resources	1,815,504	1,723,588
Total Liabilities Covered by Budgetary Resources	569,960	594,262
Total Liabilities	$ 2,385,464	$ 2,317,850

11. Environmental and Disposal Liabilities

The BOP operates 122 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 as required by the BOP Facilities Management Policy. If, as a result of the testing, environmental contamination is detected on the BOP owned property or on non-BOP property but the 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.

11. Environmental and Disposal Liabilities (continued)

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, 2016, BOP management determined their estimated clean-up liability to be $29,057 thousand. In FY 2017, 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 $29,724 thousand, based on an inflation rate of 2.3 percent, should be recorded. In FY 2017, the liability cost for firing ranges increased by $667 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, the EPA first promulgated the Asbestos National Emissions Standards for Hazardous Air Pollutants (NESHAP).

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, 2016, BOP management determined their estimated clean-up liability to be $39,350 thousand. In FY 2017, BOP Management decreased the clean-up liability in the amount of $177 thousand for the abatement of asbestos at 10 locations. In addition, BOP Management increased the clean-up liability in the amount of $899 thousand by the current U.S. inflation rate of 2.3 percent as determined by the Treasury. In FY 2017, BOP management recorded a clean-up liability in the amount of $40,072 thousand, a $722 thousand increase in liability cost for asbestos from the previous year.

11. Environmental and Disposal Liabilities (continued)

These liabilities as of September 30, 2017 and 2016, respectively, are presented in the following table.

As of September 30, 2017 and 2016	2017	2016
Firing Ranges		
Beginning Balance, Brought Forward	$ 29,057	$ 28,595
Inflation Adjustment	667	462
Total Firing Range Liability	$ 29,724	$ 29,057
Asbestos		
Beginning Balance, Brought Forward	$ 39,350	$ 39,070
New Asbestos	-	11
Abatements	(177)	(357)
Inflation Adjustment	899	626
Total Asbestos Liability	$ 40,072	$ 39,350
Total Environmental and Disposal Liabilities	$ 69,796	$ 68,407

12. Leases

Capital Leases

The two 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 last five years (lease years 21 through 25) will be land rental payments only. The BOP paid a total of $47 thousand in payments during the fiscal year ended September 30, 2017.

As of September 30, 2017 and 2016		
Capital Leases	2017	2016
Summary of Assets Under Capital Lease		
Land and Buildings	$ 89,652	$ 89,625
Accumulated Amortization	(65,738)	(62,738)
Total Assets Under Capital Lease (Note 8)	$ 23,914	$ 26,887

12. Leases (continued)

Future Capital Lease Payments

Future Capital Lease Payments Due

Fiscal Year		Land and Buildings
2018		38
2019		38
Total Future Capital Lease Payments		$ 76
FY 2017 Net Capital Lease Liabilities		$ 76
FY 2016 Net Capital Lease Liabilities		$ 97

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

Operating Leases

The following table represents the total of future noncancelable operating lease payments. The totals are comprised of five operating leases, with locations in California, Colorado, Pennsylvania and Texas.

Future Noncancelable Operating Lease Payments

As of September 30, 2017

Future Noncancelable Operating Lease Payments

Fiscal Year	Land and Buildings
2018	3,046
2019	3,046
2020	3,046
2021	1,791
2022	639
After 2022	1,063
Total Future Noncancelable Operating Lease Payments	$ 12,631

13. Other Liabilities

Other liabilities as of September 30, 2017 and 2016, totaled $402 and $360 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. The majority of 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.

As of September 30, 2017 and 2016	2017	2016
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 49,104	$ 49,121
Other Post-Employment Benefits Due and Payable	1,324	1,463
Other Unfunded Employment Related Liabilities	662	768
Liability for Deposit Fund, Clearing		
Advances from Others	-	65
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	330	6,037
Other Liabilities	2,106	2,761
Total Intragovernmental	53,526	60,215
With the Public		
Other Accrued Liabilities	7,317	6,763
Advances from Others	8,475	11,297
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	68,421	64,120
Capital Lease Liabilities	76	97
Other Liabilities	264,680	217,983
Total With the Public	348,969	300,260
Total Other Liabilities	$ 402,495	$ 360,475

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, 2017 and 2016 are presented in the following table.

14. Contingencies and Commitments (continued)

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2017			
Probable	$ 15,224	$ 15,224	$ 40,954
Reasonably Possible		46,685	146,439
As of September 30, 2016			
Probable	$ 8,265	$ 8,265	$ 25,450
Reasonably Possible		55,680	116,880

15. Funds from Dedicated Collections

In 1930, DOJ Circular No. 2126 granted the BOP authority to establish prisoner trust fund and commissary accounts. 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. 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. The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Fiscal Service. These securities are available to the public but cannot be resold. Trust fund will usually invest any amount over expected cost of operations; investing on the first of every month and liquidating the investments on the last Thursday of the month. 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. 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, 2017 and 2016.

15. Funds from Dedicated Collections (continued)

As of September 30, 2017 and 2016

	2017 Funds from Dedicated Collections	2016 Funds from Dedicated Collections
Balance Sheet		
Assets		
Fund Balance with U.S. Treasury	$ 62,469	$ 75,164
Other Assets	25,259	24,632
Total Assets	$ 87,728	$ 99,796
Liabilities		
Accounts Payable	$ 9,185	$ 13,169
Other Liabilities	11,423	11,438
Total Liabilities	$ 20,608	$ 24,607
Net Position		
Cumulative Results of Operations	$ 67,120	$ 75,189
Total Net Position	$ 67,120	$ 75,189
Total Liabilities and Net Position	$ 87,728	$ 99,796

For the Fiscal Years Ended September 30, 2017 and 2016

	2017	2016
Statement of Net Cost		
Gross Cost of Operations	$ 355,925	$ 369,144
Less: Earned Revenue	343,774	353,093
Net Cost of Operations	$ 12,151	$ 16,051
Statement of Changes in Net Position		
Net Position Beginning of Period	$ 75,189	$ 86,784
Other Financing Sources	4,082	4,456
Total Financing Sources	4,082	4,456
Net Cost of Operations	(12,151)	(16,051)
Net Change	(8,069)	(11,595)
Net Position End of Period	$ 67,120	$ 75,189

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, 2017 and 2016.

For the Fiscal Year Ended September 30, 2017

	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 10,366	$ 10,366
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	10,366	10,366
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	355,925	7,585,627	7,941,552
Less: Earned Revenue	343,774	26,848	370,622
Net Cost of Operations	12,151	7,558,779	7,570,930
Net Cost of Operations	$ 12,151	$ 7,569,145	$ 7,581,296

For the Fiscal Year Ended September 30, 2016

	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 10,431	$ 10,431
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	10,431	10,431
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	369,144	7,605,369	7,974,513
Less: Earned Revenue	353,093	25,150	378,243
Net Cost of Operations	16,051	7,580,219	7,596,270
Net Cost of Operations	$ 16,051	$ 7,590,650	$ 7,606,701

17. Imputed Financing

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the 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. The cost factors are as follows:

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees	32.8
	Regular Employees Offset	24.2
	Law Enforcement Officers	56.4
	Law Enforcement Officers Offset	48.5

Federal Employees Retirement System (FERS)	Regular Employees	14.7
	Regular Employees - Revised Annuity Employees (RAE)	15.3
	Regular Employees - Further Revised Annuity Employees (FRAE)	15.4
	Law Enforcement Officers	32.5
	Law Enforcement Officers - RAE	33.2
	Law Enforcement Officers - FRAE	33.3

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 (continued)

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts 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. As of September 30, 2017, these intra-departmental costs are deemed immaterial and are not reported. Those inter-departmental costs determined to be material are presented below.

For the Fiscal Year Ended September 30, 2017 and 2016

	2017	2016
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	$ 4,534	$ 4,229
Health Insurance	177,692	198,051
Life Insurance	498	493
Pension	40,086	39,757
Total Imputed Inter-Departmental	$ 222,810	$ 242,530
Total Imputed Financing	$ 222,810	$ 242,530

18. Information Related to the Statement of Budgetary Resources

Apportionment Categories of New Obligations and Upward Adjustments:

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.

	Direct New Obligations and Upward Adjustments	Reimbursable New Obligations and Upward Adjustments	Total New Obligations and Upward Adjustments
For the Fiscal Year Ended September 30, 2017			
Apportioned Under			
Category A	$ 7,396,680	$ 32,561	$ 7,429,241
Total	$ 7,396,680	$ 32,561	$ 7,429,241
For the Fiscal Year Ended September 30, 2016			
Apportioned Under			
Category A	$ 7,423,264	$ 19,150	$ 7,442,414
Category B	21	-	21
Total	$ 7,423,285	$ 19,150	$ 7,442,435

Status of Undelivered Orders:

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

As of September 30, 2017 and 2016	2017	2016
UDO Obligations Unpaid	$ 205,769	$ 191,048
UDO Obligations Prepaid/Advanced	7,915	4,423
Total UDO	$ 213,684	$ 195,471

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

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.

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 2016 is shown in the following table. The reconciliation as of September 30, 2017 is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2019, which presents the execution of the FY 2017 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in February 2018.

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

For the Fiscal Year Ended September 30, 2016
(Dollars in millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 8,189	$ 7,442	$ 5	$ 7,014
Funds not Reported in the Budget				
Expired Funds	(147)	(17)	-	-
Reconciling Item 15F3875.10 (YH)	-	-	1	(1)
Reconciling Item 151435(ZM)	-	-	(1)	1
Reconciling Item 153220(ZX)	-	-	(5)	5
Other (Rounding)	-	1	-	-
Budget of the United States Government	**$ 8,042**	**$ 7,426**	**$ -**	**$ 7,019**

19. Net Custodial Revenue Activity

For the fiscal years ended September 30, 2017 and 2016, the BOP collected $43 and $49 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, 2017 and 2016, the BOP did not have any custodial liabilities.

20. Reconciliation of Net Cost of Operations (proprietary) to Budget

For the Fiscal Year Ended September 30, 2017 and 2016	2017	2016
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 7,429,241	$ 7,442,435
Less: Spending Authority from Offsetting Collections and Recoveries	400,014	379,603
Obligations Net of Offsetting Collections and Recoveries	7,029,227	7,062,832
Less: Offsetting Receipts	(6,271)	5,336
Net Obligations	7,035,498	7,057,496
Other Resources		
Donations and Forfeitures of Property	15	-
Imputed Financing (Note 17)	222,810	242,530
Net Other Resources Used to Finance Activities	222,825	242,530
Total Resources Used to Finance Activities	7,258,323	7,300,026
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	(7,126)	(47,347)
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(7,204)	(2,695)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(6,270)	5,336
Resources That Finance the Acquisition of Assets	(146,953)	(183,193)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(167,553)	(227,899)
Total Resources Used to Finance Net Cost of Operations	$ 7,090,770	$ 7,072,127
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)	$ 99,120	$ 146,722
Depreciation and Amortization	389,854	386,911
Revaluation of Assets or Liabilities	1,552	941
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	490,526	534,574
Net Cost of Operations	$ 7,581,296	$ 7,606,701

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 $1,816 and $1,724 million on September 30, 2017 and 2016, 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, 2017 and 2016	2017	2016
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Liabilities Not Covered by Budgetary Resources:		
Decrease in Accrued FECA Liabilities	$ (5,135)	$ -
Decrease in Accrued Annual and Compensatory Leave Liabilities	(1,942)	-
Decrease in Contingent Liabilities	-	(2,655)
Decrease in Unfunded Capital Lease Liabilities	(21)	(32)
Decrease in Other Unfunded Employment Related Liabilities	(106)	(8)
Total Decrease in Liabilities Not Covered by Budgetary Resources	(7,204)	(2,695)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (7,204)	$ (2,695)
Components That Will Require or Generate Resources in Future Periods		
Increase in Liabilities Not Covered by Budgetary Resources:		
Increase in Accrued FECA Liabilities	$ -	$ 3,778
Increase in Actuarial FECA Liabilities	44,176	60,114
Increase in Accrued Annual and Compensatory Leave Liabilities	-	1,685
Increase in Environmental and Disposal Liabilities	1,389	742
Increase in Contingent Liabilities	6,959	-
Increase in Other Liabilities	46,596	80,403
Total Increase in Liabilities Not Covered by Budgetary Resources	99,120	146,722
Total Components that Will Require or Generate Resources in Future Periods	$ 99,120	$ 146,722

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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, 2017

Dollars in Thousands				2017
	S&E	B&F	TF	Total
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 202,237	$ 496,571	$ 47,464	$ 746,272
Recoveries of Prior Year Unpaid Obligations	18,240	-	-	18,240
Other Changes in Unobligated Balance	(61,193)	-	-	(61,193)
Unobligated Balance from Prior Year Budget Authority, Net	159,284	496,571	47,464	703,319
Appropriations (discretionary and mandatory)	7,008,800	126,600	-	7,135,400
Spending Authority from Offsetting Collections (discretionary and mandatory)	37,966	34	343,703	381,703
Total Budgetary Resources	**$ 7,206,050**	**$ 623,205**	**$ 391,167**	**$ 8,220,422**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 6,986,720	$ 92,411	$ 350,110	$ 7,429,241
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	130,652	530,794	-	661,446
Exempt from Apportionment, Unexpired Accounts	-	-	41,057	41,057
Unapportioned, Unexpired Accounts	(8,127)	-	-	(8,127)
Unexpired Unobligated Balance, End of Year	122,525	530,794	41,057	694,376
Expired Unobligated Balance, End of Year	96,805	-	-	96,805
Unobligated Balance - End of Year (Total)	219,330	530,794	41,057	791,181
Total Status of Budgetary Resources:	**$ 7,206,050**	**$ 623,205**	**$ 391,167**	**$ 8,220,422**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 607,680	$ 71,189	$ 24,042	$ 702,911
New Obligations and Upward Adjustments	6,986,720	92,411	350,110	7,429,241
Outlays, Gross	(6,961,667)	(98,008)	(356,578)	(7,416,253)
Recoveries of Prior Year Unpaid Obligations	(18,240)	-	-	(18,240)
Unpaid Obligations, End of Year	614,493	65,592	17,574	697,659
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(3,655)	-	(1,165)	(4,820)
Change in Uncollected Payments, Federal Sources	(13,286)	(11)	109	(13,188)
Uncollected Payments, Federal Sources, End of Year	(16,941)	(11)	(1,056)	(18,008)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	$ 604,025	$ 71,189	$ 22,877	$ 698,091
Obligated balance, End of Year	$ 597,552	$ 65,581	$ 16,518	$ 679,651
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	$ 7,046,766	$ 126,634	$ 343,703	$ 7,517,103
Less: Actual Offsetting Collections (discretionary and mandatory)	24,680	23	343,883	368,586
Change in Uncollected Payments, Federal Sources (discretionary and mandatory)	(13,286)	(11)	109	(13,188)
Budget Authority, Net (Total) (discretionary and mandatory)	**$ 7,008,800**	**$ 126,600**	**$ (71)**	**$ 7,135,329**
Outlays, Gross (discretionary and mandatory)	$ 6,961,667	$ 98,008	$ 356,578	$ 7,416,253
Less: Actual Offsetting Collections (discretionary and mandatory)	24,680	23	343,883	368,586
Outlays, Net (Total) (discretionary and mandatory)	6,936,987	97,985	12,695	7,047,667
Less: Distributed Offsetting Receipts	(6,271)	-	-	(6,271)
Agency Outlays, Net (discretionary and mandatory)	**$ 6,943,258**	**$ 97,985**	**$ 12,695**	**$ 7,053,938**

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, 2016

Dollars in Thousands				2016
	S&E	B&F	TF	Total
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 199,343	$ 81,133	$ 56,121	$ 336,597
Recoveries of Prior Year Unpaid Obligations	1,510	-	-	1,510
Other Changes in Unobligated Balance	(6,348)	-	-	(6,348)
Unobligated Balance from Prior Year Budget Authority, Net	194,505	81,133	56,121	331,759
Appropriations (discretionary and mandatory)	6,948,500	530,000	-	7,478,500
Spending Authority from Offsetting Collections (discretionary and mandatory)	25,000	-	353,448	378,448
Total Budgetary Resources	**$ 7,168,005**	**$ 611,133**	**$ 409,569**	**$ 8,188,707**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 18)	$ 6,965,768	$ 114,562	$ 362,105	$ 7,442,435
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	71,650	496,571	-	568,221
Exempt from Apportionment, Unexpired Accounts	-	-	47,464	47,464
Unexpired Unobligated Balance, End of Year	71,650	496,571	47,464	615,685
Expired Unobligated Balance, End of Year	130,587	-	-	130,587
Unobligated Balance - End of Year (Total)	202,237	496,571	47,464	746,272
Total Status of Budgetary Resources:	**$ 7,168,005**	**$ 611,133**	**$ 409,569**	**$ 8,188,707**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 577,944	$ 57,152	$ 25,980	$ 661,076
New Obligations and Upward Adjustments	6,965,768	114,562	362,105	7,442,435
Outlays, Gross	(6,934,522)	(100,525)	(364,043)	(7,399,090)
Recoveries of Prior Year Unpaid Obligations	(1,510)	-	-	(1,510)
Unpaid Obligations, End of Year	607,680	71,189	24,042	702,911
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(5,601)	(150)	(679)	(6,430)
Change in Uncollected Payments, Federal Sources	1,946	150	(486)	1,610
Uncollected Payments, Federal Sources, End of Year	(3,655)	-	(1,165)	(4,820)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	$ 572,343	$ 57,002	$ 25,301	$ 654,646
Obligated balance, End of Year	$ 604,025	$ 71,189	$ 22,877	$ 698,091
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	6,973,500	530,000	353,448	7,856,948
Less: Actual Offsetting Collections (discretionary and mandatory)	26,946	150	352,607	379,703
Change in Uncollected Payments, Federal Sources (discretionary and mandatory)	1,946	150	(486)	1,610
Budget Authority, Net (Total) (discretionary and mandatory)	**$ 6,948,500**	**$ 530,000**	**$ 355**	**$ 7,478,855**
Outlays, Gross (discretionary and mandatory)	$ 6,934,522	$ 100,525	$ 364,043	$ 7,399,090
Less: Actual Offsetting Collections (discretionary and mandatory)	26,946	150	352,607	379,703
Outlays, Net (Total) (discretionary and mandatory)	6,907,576	100,375	11,436	7,019,387
Less: Distributed Offsetting Receipts	5,336	-	-	5,336
Agency Outlays, Net (discretionary and mandatory)	**$ 6,902,240**	**$ 100,375**	**$ 11,436**	**$ 7,014,051**

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

OTHER INFORMATION
(UNAUDITED)

Treasury Symbol Matrix

15171060	Salaries and Expense
15161060	Salaries and Expense
15151060	Salaries and Expense
15141060	Salaries and Expense
15131060	Salaries and Expense
15121060	Salaries and Expense
1516/171060	Salaries and Expense
1515/161060	Salaries and Expense
1514/151060	Salaries and Expense
1513/141060	Salaries and Expense
1512/131060	Salaries and Expense
1511/121060	Salaries and Expense
7515171060	Public Health Services
7515161060	Public Health Services
7515151060	Public Health Services
7515141060	Public Health Services
7515131060	Public Health Services
7515121060	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)
151435	Miscellaneous Interest Received
15F3875.10	Clearing Account (Budget)
15F3880.10	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

ADDITIONAL CAPACITY:	2018	2019	2020	2021	2022	Total
FCI Mendota, CA (Medium/Camp)						-
FCI Berlin, NH (Medium/Camp)						-
FCI Aliceville, AL (Secure Female/Low Camp)						-
FCI Hazelton, WV (Medium/Camp)						-
USP Yazoo City, MS (High/Camp)						-
FCI Danbury, CT (Secure Female/Female Camp)						-
USP Thomson, IL (High/Camp)	500	950	450			1,900
USP Letcher County, KY (High/Camp)						-
FCI Leavenworth, KS (Medium/Camp)						-
USP Bennettsville, SC (High/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 Western (Medium/Camp)						-
FCI North Central (Medium/Camp)						-
USP Mid-Atlantic (High/Camp)						-
USP Western (High/Camp)						-
Total	500	950	450	-	-	1,900

This exhibit includes facilities requested, funded, or partially funded capacity requirements as of September 30, 2017.

Operating Leases as of September 30, 2017 (In Thousands)

Operating Lease Identifier		Total Future Payments
230 N First Avenue	Phoenix, AZ	$ 217
255 E Temple Street	Los Angeles, CA	25
501 I Street	Sacramento, CA	259
2880 Sunrise Boulevard	Rancho Cordova, CA	211
7338 Shoreline Drive	Stockton, CA	751
324 Horton Plaza	San Diego, CA	2,961
9692 Via Excelencia, Suite 104	San Diego, CA	395
11900 East Cornell Avenue	Aurora, CO	8,373
320 First Street NW	Washington, DC	3,042
500 First Street NW	Washington, DC	4,774
200 Constitution Avenue NW	Washington, DC	223
3800 Camp Creek Parkway	Atlanta, GA	1,335
450 S Federal Street	Chicago, IL	2,563
5270 S Cicero Avenue	Chicago, IL	1,385
200 W Adams Street	Chicago, IL	54
230 S Dearborn Street	Chicago, IL	104
400 State Avenue	Kansas City, KS	8,807
300 S Fourth Street	Minneapolis, MN	1,423
36 E Seventh Street	Cincinnati, OH	141
200 Chestnut Street	Philadelphia, PA	5,681
600 Arch Street	Philadelphia, PA	41
701 Market Street	Philadelphia, PA	1,141
145 W Thompson Street	Philadelphia, PA	1,158
701 San Jacinto Street	Houston, TX	350
15431 W Vantage Parkway, Suites 200 & 205	Houston, TX	1,565
727 E Cesar E. Chavez Boulevard	San Antonio, TX	370
324 S State Street	Salt Lake City, UT	53
6810 Loisdale Road, Building A	Springfield, VA	499
796 N Foxcroft Avenue	Martinsburg, WV	675
		$ 48,576

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