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

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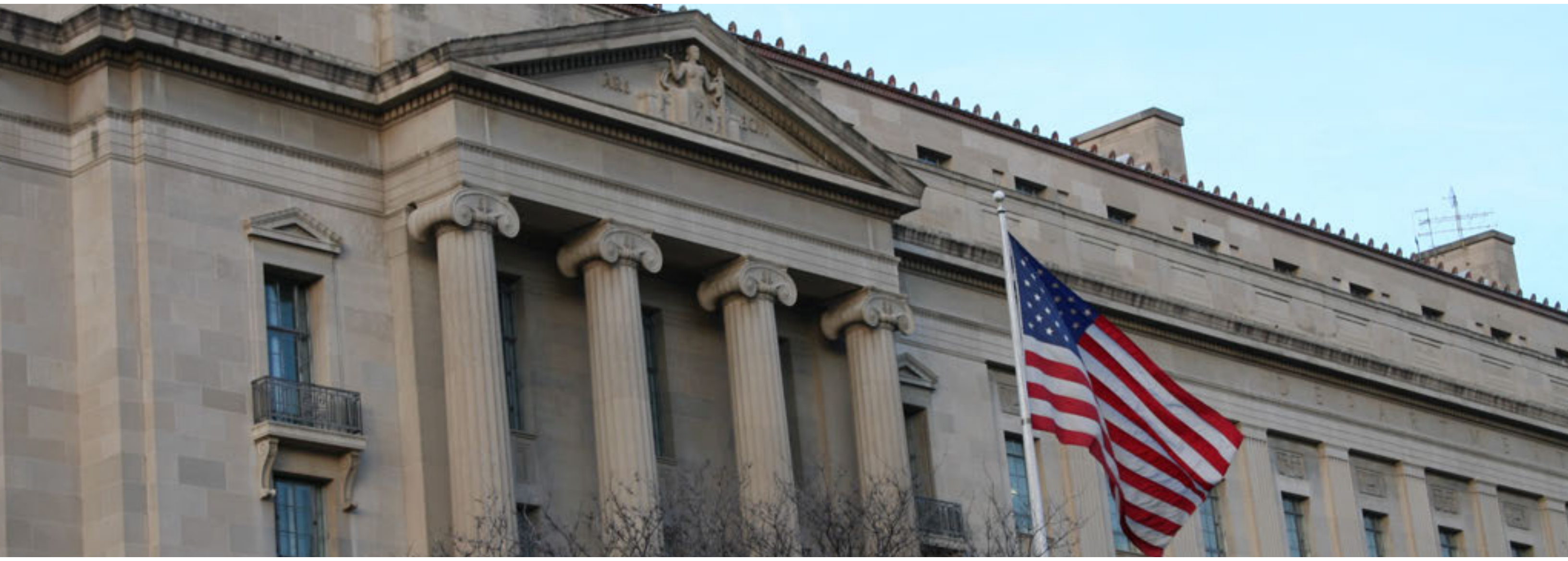

Audit of the Federal Bureau of Investigation Annual Financial Statements Fiscal Year 2018

Audit Division 19-07

December 2018

Commentary and Summary

Audit of the Federal Bureau of Investigation Annual Financial Statements
Fiscal Year 2018

Objectives

In support of the Department of Justice's annual financial statements audit, the Office of the Inspector General (OIG) contracted with an independent auditor to perform an audit of the Federal Bureau of Investigation's (FBI) 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

KPMG LLP (KPMG) found that the FBI's financial statements are fairly presented as of and for the year ended September 30, 2018. An unmodified opinion was issued. The Independent Auditors' Report did not report any material weaknesses or instances of non-compliance.

The OIG reviewed KPMG's report 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 FBI's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the FBI's financial management systems substantially complied with FFMIA, or conclusions on compliance and other matters. KPMG is responsible for the attached auditors' report dated November 5, 2018, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

Recommendations

No recommendations were provided in the report.

Audit Results

Under the direction of the OIG, KPMG performed the FBI's audit in accordance with auditing standards generally accepted in the United States of America. The fiscal year (FY) 2018 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 2017, the FBI also received an unmodified opinion on its financial statements (OIG Audit Division Report No. 18-07).

KPMG neither identified any material weaknesses, nor reported any significant deficiencies in the Independent Auditors' Report.

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 2018 *Independent Auditors' Report*. Additionally, KPMG's tests disclosed no instances in which the FBI's financial management systems did not substantially comply with FFMIA.

AUDIT OF THE FEDERAL BUREAU OF INVESTIGATION ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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MISSION

The Federal Bureau of Investigation (FBI or Bureau) is a component of the United States (U.S.) Department of Justice (DOJ or the Department) and a member of the U.S. Intelligence Community (IC). The mission of the FBI is to protect the American people and uphold the Constitution of the United States.

The FBI's priorities guide how the organization addresses its wide range of responsibilities. In executing the following priorities, the FBI produces and uses intelligence to protect the nation from threats and to bring to justice those who violate the law. The FBI's mission priorities are to:

- Protect the U.S. from terrorist attacks;
- Protect the U.S. against foreign intelligence operations and espionage;
- Protect the U.S. against cyber-based attacks and high-technology crimes;
- Combat public corruption at all levels;
- Protect civil rights;
- Combat domestic and transnational criminal organizations and enterprises;
- Combat major white-collar crime; and
- Combat significant violent crime.

STRATEGIC GOALS & OBJECTIVES

The FBI supports the DOJ Fiscal Year (FY) 2018 – 2022 Strategic Plan, with emphasis on protecting America's national security, reducing violent crime, and above all adhering to the Rule of Law. The FBI utilizes and aligns the appropriations made available to it to accomplish this plan. The methodology by which the FBI allocates gross costs and earned revenue across the four[1] DOJ Strategic Goals (SGs or Goals) is a percent-based methodology based on mission-specific alignment and workload. The four DOJ SGs are:

Strategic Goal 1: *Enhance National Security and Counter the Threat of Terrorism;*

Strategic Goal 2: *Secure the Borders and Enhance Immigration Enforcement and Adjudication[1];*

Strategic Goal 3: *Reduce Violent Crime and Promote Public Safety; and*

Strategic Goal 4: *Promote Rule of Law, Integrity, and Good Government.*

The applicable SGs expand across all aspects of the FBI's mission priorities and are foundational to the alignment of resources to anticipate and mitigate existing threats. In addition, the FBI uses an annual threat prioritization process to concentrate on the most concerning threat issues within each of the operational program areas.

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[1] The DOJ Strategic Plan includes four SGs; however the FBI will only be reporting on SGs 1, 3, and 4. The FBI does not have gross costs and earned revenue that align with the strategic objectives of SG 2.

To close strategic gaps, the FBI has 11 enterprise objectives, organized thematically into four pillars: Capability, Technology, Talent, and Stewardship. Each represents a broad area of focus for the entire FBI and an overarching strategy to accomplish the FBI's mission.

The 11 strategic objectives align within the four pillars as follows:

- Capability
  - Focus on Leadership in Every Aspect of the FBI
  - Incorporate Intelligence in All We Do
  - Enhance Cyber Capabilities
  - Improve Organizational Agility
  - Strengthen Partnerships
- Technology
  - Improve Information Technology
  - Deploy Innovative Solutions
- Talent
  - Promote a Culture of Accountability and Transparency
  - Transform Recruitment and Hiring
  - Improve Workforce Development
- Stewardship
  - Improve Stewardship of Resources

ORGANIZATION STRUCTURE

The FBI achieves its strategy and mission set through its network of operating locations. Along with the FBI's headquarters (HQ or Headquarters) located in Washington, DC, the FBI operates field offices in 56 major U.S. cities and 350 resident agencies (RAs) throughout the country and territories. RAs are satellite offices, typically staffed with fewer than 20 personnel that support the larger field offices and enable the FBI to maintain a presence in and serve a greater number of communities. The FBI also operates 63 Legal Attaché (Legat) offices and 28 sub-offices in 75 foreign countries. This number fluctuates based upon demand and the global threat environment. FBI employees assigned to field offices, RAs, and Legat offices perform the majority of the investigative and intelligence work for the FBI. Special Agents in Charge and Assistant Directors in Charge of FBI field offices report directly to the Director and Deputy Director.

Other major FBI facilities include the FBI Academy, the Engineering Research Facility (ERF), and the FBI Laboratory, all at Quantico, VA; a fingerprint identification complex in Clarksburg, WV that includes the Criminal Justice Information Services (CJIS) Division and the Biometrics Technology Center (BTC); the Hazardous Devices School (HDS) and Terrorist Explosive Device Analytical Center (TEDAC) at Redstone Arsenal in Huntsville, AL; and the Pocatello, ID campus.

In FY 2018, the FBI's appropriated staffing level of 35,390 consisted of 13,154 Special Agents, 3,107 Intelligence Analysts, and 19,129 professional staff along with an additional 3,166 reimbursable positions.

FINANCIAL STRUCTURE

The FBI's Salaries and Expenses (S&E) funding is appropriated among four decision units that are reflective of the FBI's key mission areas:

1. Intelligence
2. Counterterrorism (CT)/Counterintelligence (CI)
3. Criminal Enterprises and Federal Crimes (CEFC)
4. Criminal Justice Services (CJS)

Resources are allocated to these four decision units in one of three ways:

- Based on core mission function: Certain FBI divisions support one mission area exclusively and thus, are allocated entirely to the corresponding decision unit. For example, all of the resources of the Directorate of Intelligence (DI) are allocated to the Intelligence decision unit while all of the resources of the CJIS are allocated to the CJS decision unit.
- Based on workload: Critical investigative enablers, such as the Laboratory Division (LD), the International Operations Division, and the Operational Technology Division, are allocated to the decision units based on workload. For example, 21 percent of the LD's workload is in support of CT/CI investigations, and accordingly, 21 percent of LD's resources are allocated to the Counterterrorism/Counterintelligence decision unit. These percentage assignments may be revised upon review of workload.
- Pro-rated across all decision units: Administrative enablers, such as all three Information Technology Divisions and the Human Resources Division, are pro-rated across all four decision units since these divisions support the entire organization. This pro-rata spread is based on the allocation of operational divisions and critical investigative enablers.

The FBI's Construction funding is a separate no-year appropriation that is provided to support long-term infrastructure projects.

FY 2018 RESOURCE INFORMATION

Table 1 presents the sources of financing for FBI resources distinguished by Earned Revenue, Budgetary Financing Sources, and Other Financing Sources. Table 2 describes how the FBI spent its resources, divided across DOJ SGs 1, 3, and 4.

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

Source	FY 2018	FY 2017	Change%
Earned Revenue	$ 924,916	$ 964,088	(4%)
Budgetary Financing Sources			
Appropriations Received	9,421,402	9,006,379	5%
Appropriation Transferred-In/Out	(27,229)	165,741	(116%)
Other Adjustments	(128,353)	(191,705)	33%
Transfers-In/Out Without Reimbursement	137,454	129,146	6%
Other Financing Sources			
Transfers-In/Out Without Reimbursement	12,722	37,833	(66%)
Imputed Financing from Costs Absorbed by Others	281,096	230,657	22%
Other Financing Sources	(9,077)	(8,156)	(11%)
Total FBI Resources	**$ 10,612,931**	**$ 10,333,983**	**3%**

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

Strategic Goal (SG)	FY 2018	FY 2017	Change%
SG 1: Enhance National Security and Counter the Threat of Terrorism			
Gross Cost	$ 5,051,842	$ 4,935,389	
Less: Earned Revenue	265,567	308,814	
Net Cost	$ 4,786,275	$ 4,626,575	3%
SG 3: Reduce Violent Crime and Promote Public Safety			
Gross Cost	$ 2,533,000	$ 2,425,951	
Less: Earned Revenue	590,045	581,390	
Net Cost	$ 1,942,955	$ 1,844,561	5%
SG 4: Promote Rule of Law, Integrity, and Good Government			
Gross Cost	$ 2,759,069	$ 2,823,812	
Less: Earned Revenue	69,304	73,884	
Net Cost	$ 2,689,765	$ 2,749,928	(2%)
Total Gross Cost	**$ 10,343,911**	**$ 10,185,152**	
Less: Total Earned Revenue	**924,916**	**964,088**	
Total Net Cost of Operations	**$ 9,418,995**	**$ 9,221,064**	2%

ANALYSIS OF FINANCIAL STATEMENTS

The FBI's financial statements received unmodified audit opinions for FYs 2018 and 2017. These financial statements were prepared from the accounting records of the FBI in conformity with U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements.*

Assets: Total Assets was $8.31 billion as of September 30, 2018, an increase of $380.0 million, or five percent, from the previous fiscal year's Total Assets of $7.92 billion. The increase is primarily related to increases in Fund Balance with Treasury. Fund Balance with Treasury increased in FY 2018 by $450.0 million, or 10 percent, which is primarily due to an increase in Appropriations Received and not yet disbursed. Intragovernmental Accounts Receivable decreased in FY 2018 by $60.0 million, or 13 percent, which is primarily due to improved collection efforts with IC partners. The remaining assets reflect a net decrease of $10.0 million.

Liabilities: Total Liabilities was $1.52 billion as of September 30, 2018, an increase of $111.0 million, or eight percent, from the previous fiscal year's Total Liabilities of $1.40 billion. Intragovernmental Accounts Payable increased by $29.0 million or 17 percent due mainly to additional accrued liabilities with other DOJ components. Accounts Payable with the Public had an increase of $46.0 million due mainly to additional accrued liabilities with the public. The remaining liabilities reflect a net increase of $36.0 million.

Net Position: Total Net Position was $6.79 billion as of September 30, 2018, an increase of $269.0 million, or four percent, from the previous fiscal year's Total Net Position of $6.52 billion. The net increase is primarily due to an increase in Appropriations Received. Appropriations Received increased by $415.0 million, or five percent. The net increase was offset by a net decrease in Cumulative Results of Operations of $125.0 million for FY 2018. The remaining changes in Net Position reflect a net decrease of $21.0 million.

Net Cost of Operations: Total Net Cost of Operations was $9.42 billion for FY 2018, an increase of $198.0 million, or two percent, from Total Net Cost of Operations of $9.22 billion for FY 2017. The increase is primarily attributed to a net increase of $159.0 million, or two percent in Gross Costs and a $39.0 million decrease or four percent in Earned Revenue. The decrease in Earned Revenue is primarily attributed to a decrease in reimbursable activity with IC partners.

Budgetary Resources: Total Budgetary Resources was $12.71 billion for FY 2018, an increase of $230.0 million, or two percent, from Total Budgetary Resources of $12.48 billion in FY 2017. The change is related to increases in Appropriations of $269.0 million and Spending Authority from Offsetting Collections of $36.0 million, which were offset by a decrease in Unobligated Balance from Prior Year Budget Authority, Net of $75.0 million, or three percent.

FY 2018 Financial Highlights

The FY 2018 actual performance measures are estimates as of the publication of this document, due to the requirement to disclose performance data in the Management's Discussion and Analysis before the close of the data entry period. The final FY 2018 actual performance measures will be reflected in the FY 2020 President's Budget.

DOJ SG 1, Enhance National Security and Counter the Threat of Terrorism, includes the FBI's CT and CI investigations, intelligence collection and analysis, computer intrusions investigations, and the Weapons of Mass Destruction (WMD) program. In FY 2018, SG 1 Net Cost was $4.8 billion, a net increase of three percent from FY 2017.

DOJ SG 3, Reduce Violent Crime and Promote Public Safety, includes the FBI's criminal investigative programs related to organized crime, drugs, and violent crime and programs supporting state, local and foreign law enforcement. It also includes other criminal justice services such as the FBI's Integrated Automation Fingerprint Identification Systems, Next Generation Identification, the National Instant Criminal Background Check System, and the Law Enforcement National Data Exchange. In FY 2018, SG 3 Net Cost was $1.9 billion, a net increase of five percent from FY 2017.

DOJ SG 4, Promote Rule of Law, Integrity, and Good Government, includes the FBI's criminal investigative programs related to white collar crime, public corruption, and civil rights. It also includes the administrative support functions that contribute to management excellence, such as its finance, human resources, and ethics and compliance programs. In FY 2018, SG 4 Net Cost was $2.7 billion, a net decrease of two percent from FY 2017.

FY 2018 REPORT ON SELECTED RESULTS

DOJ SG 1: Enhance National Security and Counter the Threat of Terrorism *51 percent of the FBI's Net Cost supports this SG.*

PROGRAM: Counterterrorism

Background/Program Objectives: The FBI is committed to disrupting and preventing terrorism, from thwarting those intending to conduct a terrorist act to investigating financiers of terrorist operations. The Counterterrorism Division (CTD) at FBI HQ provides oversight and management for all CT investigations. CTD provides a centralized, comprehensive, and intelligence-driven approach to addressing both international and domestic terrorism-related matters.

***Performance Measure*:** Number of Counterterrorism disruptions effected through investigations (1.1)

FY 2018 Target: 200

FY 2018 Actual Performance: 540

Discussion of FY 2018 Results:

The number of terrorism disruptions affected through counterterrorism investigations greatly surpassed the FY 2018 target. Direct FBI efforts were augmented by leveraging the capabilities of our state and local partners. In executing the FBI's number one priority to protect the U.S. from terrorist attacks, disruptions remain a key statistic that directly represents the Bureau's counterterrorism outcomes. The FBI is committed to stopping terrorism of any kind at any stage. Disruptions can only result from predicated investigations and are contingent upon the actions of the predicated subjects, which is outside the FBI's control. This environmental variability extends to significant events towards which the FBI must surge personnel resources. These events may be anticipated and deliberate in nature (on average a field office in whose area of responsibility the Super Bowl will be held spends two years preparing from a security standpoint) or may be unanticipated (natural disasters like the hurricane in San Juan or major investigations like the Mandalay Bay and Pulse Nightclub shootings). The extensive manpower required to address such events draws forces away from the daily churn of intelligence gathering and investigation. As such, it is a challenge to quantify future anticipated disruptions, necessitating prudence when forecasting.

PROGRAM: Cyber

Background/Program Objectives: The FBI Cyber Division (CyD) addresses the growing criminal and national security threat of unauthorized computer intrusions by targeting investigative and mitigation resources on top-priority cyber threat actors. The FBI CyD seeks to eliminate threat actor intrusion capabilities through detection, deterrence, disruption, and dismantlement outcomes.

A holistic view of the intrusion environment recognizes that threat actors have widely divergent means, motives, and opportunities to inflict damage on their intended victims. The FBI CyD uses four primary computer intrusion program actions to measure its mitigation success against the general threat of unauthorized computer intrusions. Detect is the FBI identification of a threat actor and/or criminal or national security related activity. Deter is the FBI prevention of a threat actor from engaging in criminal or national security related activity through defensive countermeasures which are implemented by the FBI, or implemented by strategic partners due to FBI engagement. Disruptions are interrupting or inhibiting a threat actor from engaging in criminal or national security related activity. Disruptions are the result of direct actions and may include, but are not limited to arrest, seizure of assets, or impairing the operational capabilities of key threat actors. Dismantlement occurs when the targeted organization's leadership, financial base, and supply network has been destroyed, such that the organization is incapable of operating and/or reconstituting itself. By definition, an organization can only be dismantled once. However, in the case of large organizations, a number of individual identifiable cells or subgroups may be present. Each of these cells or subgroups maintains and provides a distinct function supporting the entire organization. Actors respond differently to each of these FBI actions, and each action may be effective at different times in the lifespan of an investigation. Each fiscal year, the FBI CyD communicates cyber threat-level guidance to all FBI field offices, in order to direct FBI progress towards achieving these mitigation outcomes against the most important cyber threats.

***Performance Measure*:** Number of computer intrusion program, deterrences, detections, disruptions and dismantlements (1.2)

FY 2018 Target: 4,200

FY 2018 Actual Performance: 11,540

Discussion of FY 2018 Results:

Under the Department of Justice's Strategic Objectives, FBI CyD is accountable for Objective 1.2 "Combat cyber-based threats and attacks." The FBI engages in cyber detection, deterrence, disruption, and dismantlement operations to mitigate and eliminate the capabilities of a threat enterprise/organization engaged in criminal or national security related activities. In FY 2018, CyD successfully achieved a total of 11,540 investigative outcomes.

Throughout FY 2018, CyD, in coordination with other law enforcement agencies and members of the IC, gathered evidence of computer intrusion techniques, patterns of criminal activity, and copies of malicious software. When possible, the FBI notified victims of computer intrusions, which enabled them to protect themselves against such tactics. In many circumstances victims were unaware their networks had been compromised. The FBI's information sharing and analysis capabilities have ensured that computer intrusion information and other information about cyber threats are also shared with other agencies in support of their independent cyber-related missions, both in the U.S. and abroad. Noteworthy disruption activities in FY 2018 included public indictments against Iranian, Russian, and North Korean government operatives, accompanied by sanctions through the Department of the Treasury's Office of Foreign Assets Control.

Although the total number of detects, deters, disruptions, and dismantlements against criminal and national security related cyber threats is unpredictable because of the nature of ongoing cyber campaigns, the FBI expects continued and sustained performance on this metric.

PROGRAM: Counterintelligence

Background/Program Objectives: The mission of the FBI's counterintelligence program is to protect the United States by identifying, understanding, and combating foreign government activities that pose a threat to national security. To do this, the FBI must identify and protect the nation's vital assets, and it must identify and disrupt the actors who seek to obtain these assets for the benefit of foreign governments.

The United States faces a broad, rising threat from the hostile intelligence activities of foreign governments and their proxies. These activities are not conducted exclusively by foreign intelligence services, nor do they primarily target U.S. Government secrets. Instead, foreign nations combine traditional and non-traditional collectors in a whole-of-government approach, seeking to acquire a wide range of vital U.S. assets to give those adversaries an economic or national security advantage.

Once a foreign nation has acquired U.S. information, items, or other assets, this damage cannot be undone by punishing those who were responsible; therefore, the FBI's counterintelligence strategy emphasizes the prevention of loss and the proactive disruption of threat actors. To prevent losses, the FBI engages the governmental or private-sector entities that possess priority assets, and the FBI makes them aware of threats, trends, and indicators; because FBI resources are limited, this engagement is prioritized toward high-value and high-risk sectors, technologies, and agencies.

To identify and disrupt threat actors, the FBI uses the full range of lawful tools, from traditional techniques such as interviews and search warrants, to advanced techniques relying on technology or tradecraft. The FBI also partners with other government agencies to use the broadest possible set of legitimate tools, such as expulsions of personae non gratae, national security reviews of proposed foreign corporate acquisitions, and regulatory and export-control enforcement.

Performance Measure: Number of counterintelligence program disruptions and dismantlements (1.3)

FY 2018 Target: Not Disclosed

FY 2018 Actual Performance: Not Disclosed

Discussion of FY 2018 Results:

As in FY 2017, in FY 2018, espionage remained one of the counterintelligence (CI) program's most significant threats. In addition to traditional tradecraft used to access economic, national security, and proprietary information, the FBI continued to disrupt and monitor more advanced methods to infiltrate organizations.

In previous FYs, the FBI reported the percentage of Counterespionage Actions and Disruptions against National Counterintelligence Priorities that Result from FBI Outreach. Beginning in FY 2017 the FBI implemented new CI performance measures; however, these measures and/or their related analyses are classified for national security reasons. These CI performance measures continued throughout FY 2018 and will be carried over into FY 2019.

The FBI relies heavily on its coordination with the U.S. IC, other government agencies, international partners, and public as well as private entities. These relationships increase intelligence collection, identify emerging threats, and disrupt priority threats. As a result of this coordination, the FBI organized regular CI Working Group meetings and formed alliances with the academic and business sectors. Outreach predicated the opening of CI and counterespionage cases.

As hostile foreign intelligence services use more sophisticated techniques to breach key economic, national security, and technology sectors, it is essential that the FBI develop more robust partnerships outside the intelligence and law enforcement communities. In FY 2019, threat-prioritized strategic outreach will remain an important initiative for the CI program. Further, the CI program will address the emerging threat of foreign nation states increasingly using commercial enterprises to achieve their desired intelligence collection and operational capabilities.

DOJ SG 3: Reduce Violent Crime and Promote Public Safety *21 percent of the FBI's Net Cost supports this SG.*

PROGRAM: Criminal Enterprises

Background/Program Objectives: The FBI's criminal enterprise investigations, managed by the Criminal Investigative Division (CID) at FBI HQ, focuses on violent gangs, drug trafficking organizations (DTOs), transnational organized crime, and other organized violent criminal actors.

<u>Transnational Organized Crime (TOC)</u>

The mission of the FBI's TOC Program is to identify, prioritize, target, disrupt, and dismantle the most significant transnational criminal organizations (TCOs) and drug trafficking organizations (DTOs). These

TOC networks engage in a myriad of activities which impact the United States, including drug trafficking, money laundering, human trafficking, alien smuggling, public corruption, weapons trafficking, extortion, kidnapping, exploitation and trafficking of natural resources, theft of cultural property such as art and antiquities, and insurance and health care frauds.

CID continues to cultivate and leverage relationships with federal, state, local, and foreign partners to address the threat posed by TOC networks and criminal enterprises. As of September 2018, CID partners with federal, state, local, and tribal law enforcement in 83 formal organized crime and/or major theft task forces that are comprised of 406 FBI members and 449 task force officers across the United States. CID also maintains FBI investigative and intelligence personnel in 19 locations throughout the world and seven task forces or vetted teams of host country law enforcement to support criminal investigative work abroad targeting TOC networks and criminal enterprises.

These task forces serve as a force multiplier to address organized criminal threats through strategic resourcing, intelligence sharing, and increased collaboration. By leveraging these task forces and using sophisticated investigative techniques, such as undercover operations and Title III wire taps, CID and its partners successfully disrupt and dismantle the most harmful TOC networks and criminal enterprises.

<u>Violent Gang Criminal Enterprises (VGCEs)</u>

The mission of the FBI's Violent Gang Program is to address the VGCE threat in the U.S. by aggressively identifying, prioritizing, and targeting the most violent street and prison gangs whose activities constitute criminal enterprises. In January 1992, the FBI established the Safe Streets Violent Crime Initiative to attack gang and drug-related violence through the establishment of long-term, proactive, and coordinated teams of federal, state, and local law enforcement officers and prosecutors. The teams are manifested in Violent Gang Safe Streets Task Forces (VGSSTFs). As of September 30, 2018, the 170 VGSSTFs managed by the FBI were comprised of approximately 775 FBI Special Agents and 1,390 state, local, and other federal law enforcement officials.

Through VGSSTFs, the FBI pursues violent gangs through sustained, proactive, and coordinated investigations and prosecutes gang members for a number of violations that include, but are not limited to, racketeering, drug conspiracy, and firearms violations. The Safe Streets Task Forces (SSTFs) concept expands cooperation and communication among federal, state, and local law enforcement agencies, increasing productivity and avoiding duplication of investigative efforts. SSTFs combine short-term, street-level enforcement activity with sophisticated investigative techniques such as undercover operations and Title III wire taps to root out, prosecute, and disrupt and dismantle the entire gang, from the street-level enforcers and dealers to crew leaders and the gang's command structure.

State and local officers bring an unparalleled level of expertise and knowledge regarding local gangs, gang members, and violent offenders operating in their department's area of responsibility. This knowledge, combined with FBI resources, ensures VGSSTFs are successful in disrupting and dismantling the most violent gangs.

Performance Measure: Percent of gang/criminal enterprise dismantlements (non-Consolidated Priority Target Organizations (CPOTs)) (3.1)

FY 2018 Target: 15 percent

FY 2018 Actual Performance: 19 percent

Discussion of FY 2018 Results:

The FBI exceeded its FY 2018 target measure for gangs/criminal enterprise dismantlements. Currently, CID manages and oversees more than 516 task forces targeting violent crime, gangs, and criminal enterprises. These task forces comprised of FBI Special Agents, state, local and other federal law enforcement officials have been and continue to be at the forefront of the Federal Government's campaign to promote public safety and reduce violent crime across the nation. The level of expertise and knowledge of gangs and criminal activity manifested through these partnerships play a significant contribution to the achievements in disrupting and dismantling the most violent gangs and criminal enterprises.

Performance Measure: Number of disruptions and dismantlements of DTOs linked to CPOTs (3.2)

FY 2018 Target:	70
FY 2018 Actual Performance:	78

Discussion of FY 2018 Results:

The FBI met its FY 2018 target for the number of CPOT-linked organizations disrupted or dismantled. As a note, this is a shared performance measure with other DOJ components, Executive Office for Organized Crime Drug Enforcement Task Forces (OCDETF) and Drug Enforcement Administration (DEA). The amounts listed reflect only the FBI's portion of this performance measure.

DOJ SG 4: Promote Rule of Law, Integrity, and Good Government *28 percent of the FBI's Net Cost supports this SG.*

The FBI was not assigned performance measures that significantly led to managing, budgeting, or oversight of SG 4.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

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

Internal Controls Program

FBI's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, revised July 15, 2016, the FBI conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA Section 2). The FBI also assessed whether its financial management systems conform to financial systems requirements (FMFIA Section 4). Based on the results of the assessments, the FBI provided reasonable assurance that its internal controls and financial management systems met the objectives of the FMFIA, with the exception of the reportable conditions summarized below. Corrective Action Plans were established to institute programs and/or controls to eliminate this condition.

FMFIA Section 2 – Reportable Conditions

Cyber Threat Prioritization: In July 2016, the Office of the Inspector General (OIG) examined how the FBI prioritized cyber threats from FY 2014 – FY 2016 under the Threat Review and Prioritization (TRP) process. The OIG reported the TRP's subjective terminology is a substantial weakness in the FBI's efforts at prioritizing cyber threats. The OIG determined the FBI's TRP process does not prioritize cyber threats in an objective, data-driven, reproducible, and auditable manner because the criteria used is open to interpretation. The OIG identified two recommendations, to include the FBI developing an objective methodology used in scoping and prioritizing cyber threats and implementing a recordkeeping system that tracks agent time by threats. The FBI has completed various actions on the recommendations, and the remaining actions are in progress.

Hiring Disclosures: In FY 2015, the DOJ provided the FBI an exemption from implementing the hiring disclosure process mandated by the Deputy Attorney General in November 2014. The exemption was provided due to the FBI's ongoing significant resource investment in developing and implementing a new hiring system, HR Source. The FBI's evaluation in FY 2017 found that the hiring disclosure process has not been fully implemented across all HQ divisions and field offices. The FBI Human Resources Division (HRD) has been striving to automate the disclosure process within HR Source. Until this effort is completed, the HRD will continue to communicate to all HQ divisions and field offices that the hard copy disclosure forms must be used. Also, the HRD will reiterate the requirement during monthly teleconferences with field offices, monthly FBI Administrative Officer teleconferences, leadership briefings at the Special Agent in Charge Conference, advisory committee meetings, and the annual FBI HRD conference.

<u>Use of National Security Letters (NSLs):</u> In FYs 2007 through 2014, the FBI's use of NSLs has been the subject of four OIG reviews. The OIG reported in the first report in March 2007 that the FBI's use of NSLs had grown dramatically and shifted in focus since the enactment of the Patriot Act (October 2001) and because NSLs serve as an indispensable investigative tool. The OIG recommended improvements for the FBI's tracking, reporting, and guidance regarding NSL usage. A follow-up report in March 2008 stated that the FBI and DOJ had made significant progress in implementing the FY 2007 recommendations. The report included additional recommendations to further strengthen the use of NSLs. A report in January 2010 on the FBI's use of exigent letters to request information from communications service providers, a practice the FBI discontinued in FY 2007, stated that the FBI took appropriate action in FY 2007 to stop the use of exigent letters and address the problems created by their use. The report included additional recommendations to further strengthen controls over information requests. A follow-up report in August 2014 on the FBI's progress on implementing the recommendations from the prior reviews resulted in ten additional recommendations. All but one recommendation will be closed upon presentation of additional evidence provided by the FBI.

<u>OMB Circular A-123, Appendix A – Internal Control Over Financial Reporting</u>

In FY 2018, the FBI documented and assessed its significant business processes according to the requirements of DOJ's Implementation Plan for compliance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, revised July 15, 2016. The revised Circular A-123 re-examined internal control requirements for federal agencies in light of the requirements for publicly-traded companies implemented by the Sarbanes-Oxley Act of 2002. The full Circular A-123, *Appendix A: Internal Control Over Financial Reporting* assessment covered all processes deemed to be significant to the FBI and the DOJ. These processes were: Budget and Funds Management; Revenue and Receivables Management; Procurement; Property Management; Treasury and Fund Balance with Treasury; Human Resources; Financial Reporting; and Information Systems. The results of the assessment indicated no material weaknesses in the FBI's internal control over financial reporting as of June 30, 2018. Subsequently, independent auditors conducting the annual financial statement audit brought to FBI management's attention a deficiency in the area of validating the accuracy of open obligations. FBI management has reviewed the auditors' finding and taken appropriate corrective actions.

<u>Federal Financial Management Improvement Act of 1996</u>

The Federal Financial Management Improvement Act of 1996 (FFMIA or the Act) was designed to advance federal financial management by ensuring that federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with federal financial management system requirements, applicable federal accounting standards, and the application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report.

<u>FFMIA Compliance Determination</u>

During FY 2018, the FBI assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with the FFMIA. This determination is based on the results of the Federal Information Security Management Act (FISMA) reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the FY 2018 FBI financial statement audit.

Analysis of Legal Compliance

In the FBI's update to the FY 2017 Assurance Statement and Sub-certification, FBI management reported deficiencies for the Digital Accountability and Transparency Act (DATA Act) compliance because the preliminary results of the OIG's statistical sample of the FBI's 2017 Quarter 2 spending data on USASpending.gov identified deficiencies. FBI management reviewed the OIG's findings and took action to improve data quality and compliance. The FBI's analyses in FY 2018 identified some deficiencies, none of which was significant enough individually or in the aggregate to be considered a significant deficiency or material weakness. In FY 2019, the FBI will continue to work with the Department's DATA Act Team to strengthen the controls for which additional focus is needed.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Factors and Future Trends Affecting Federal Bureau of Investigation Programs' Goal Achievement

The Changing Threat

The U.S. continues to face a range of criminal, terrorist, and nation-state actor threats, such as organized crime syndicates seeking to defraud banks and corporations or spies seeking to steal defense and intelligence secrets. While these threats are not new, the means by which actors implement them are changing. Today, these actors engage via the Internet and other computer networks. These networks provide ample cover from attribution, making the identification of the intrusion difficult as the motive of the attacker – be it criminal, and terrorist or nation-state espionage – can remain unknown.

The FBI continues to identify individuals who seek to join the ranks of foreign fighters traveling in support of the Islamic State of ash-Sham, commonly known as ISIS, as well as homegrown violent extremists (HVE) who may aspire to attack the U.S. from within. These threats remain among the highest priorities for the FBI and the IC as a whole.

HVEs aspire to carry out attacks in the U.S. or travel overseas to participate in terrorist activity. Countering the HVE threat is especially challenging for law enforcement because it is difficult to distinguish violent rhetoric from terrorist intent. The FBI's ongoing HVE cases span all 50 states and all 56 field offices.

The foreign intelligence threat to the U.S. continues to increase as foreign powers seek to establish economic, military, and political preeminence and to position themselves to compete with the U.S. in economic and diplomatic arenas. The most desirable U.S. targets are political and military plans, technology, and economic institutions, both governmental and non-governmental. Foreign intelligence services continue to target and recruit U.S. travelers abroad to acquire intelligence and information. Foreign adversaries are increasingly employing non-traditional collectors – e.g., students and visiting scientists, scholars, and businesspersons – as well as cyber-based tools to target, penetrate, and influence U.S. institutions.

The FBI's cyber mission is to counter the threat by investigating intrusions to determine criminal, terrorist, and nation-state actor identities, and engaging in activities to reduce or neutralize these threats. At the same time, the FBI collects and disseminates information significant to those responsible for defending networks, including information regarding threat actor targets and techniques. The FBI's jurisdiction is not defined by network boundaries; rather, it includes all territory governed by U.S. law, whether domestic or overseas, and spans individual citizens, private industry, critical infrastructure, U.S. government, and other interests alike. Collectively, the FBI and its federal partners take a whole-of-government approach to help deter future threats and bring closure to current threats that would otherwise continue to infiltrate and harm our network defenses.

Budget Environment

The foundation of the FBI's budget strategy is supported by the FBI's mission, vision, and strategic objectives as discussed in previous sections. At the heart of the FBI's strategy is the vision statement: Ahead of the threat through leadership, agility, and integration. By understanding the threat-based landscape and identifying critical enterprise-wide capabilities needed to perform its mission, the FBI crafts a strategy that maximizes the effectiveness of current resources as well as forecasts programmatic areas that require enhanced resources in order to meet threats of the future, some known and some not. This strategic planning of resources is increasingly important given the number of FBI programs and initiatives that are multi-year in nature, and require phased development, deployment, and operations/maintenance funding.

First and foremost, the FBI prioritizes core operational needs, to include resources to sustain Special Agents, Intelligence Analysts, and critical enabling personnel. The FBI ensures that funding is available to establish and sustain sources that are critical to gathering intelligence and building cases. In addition to operational funding, the FBI requires a robust physical and information technology (IT) infrastructure that meets the needs of the workforce of the future, as well as a threat environment that is increasingly impacted by the digital revolution. Two significant investments in FY 2018 that will positively impact FBI operational capacity for years to come are the data center optimization initiative and the 21st Century Facilities Plan implementation.

FBI and the Data Center Optimization Initiative

The DOJ and FBI have committed to operate smaller and smarter through their joint Data Center Optimization Initiative, aligning with the OMB-directed Federal Data Center Consolidation Initiative. This joint initiative optimizes and standardizes IT infrastructure to improve operational efficiencies and agility, reduces the energy and real property footprint of existing data center facilities, enhances security posture, and better aligns the use of IT staff and labor resources supporting DOJ and FBI missions.

The DOJ and FBI will reduce the number of data centers that exist today and consolidate into three Core Enterprise Facilities (CEFs) by the end of 2019. The FBI will host two of the three CEFs in Clarksburg, WV and Pocatello, ID; construction of the FBI's CEF at Pocatello is estimated to be completed in FY 2019.

FBI's 21st Century Facilities Plan

The FBI continues to work towards consolidating and improving its operations through the construction of modern facilities. Construction of the Central Records Complex (CRC) in Frederick County, Winchester, Virginia began in April 2017. Facility completion is estimated in 2020. The CRC will centralize FBI records from around the world, including FBI Headquarters, field offices, and Legat offices. The CRC will ensure FBI records are stored in a facility which is compliant with the National Archives and Records Administration's federal records storage standards.

The largest investment in the FBI's 21st Century Facilities plan will occur at Redstone Arsenal in Huntsville, Alabama. The U.S. Army made available approximately 1,600 acres of land at Redstone Arsenal to the FBI, which enables the FBI to enhance operations, operational support, technology, training, and research and development capabilities and capacities. The FBI's plans for constructing new facilities at Redstone Arsenal center around three key opportunities:

1) Creating a center for collocating FBI explosives and counter-IED programs and activities;
2) Creating advanced and specialized training capacities and capabilities to address requirements that cannot be satisfied at the FBI Academy campus; and
3) Creating space to proactively meet future operational requirements, particularly technology and analytics requirements impacted by the digital revolution.

FORWARD LOOKING INFORMATION

The FBI must continue to invest in the future. Threat actors continue to evolve and become more sophisticated, and so must the FBI. Data center and Huntsville investments represent only a portion of those areas that will require resources and energy. As data usage continues to expand, the FBI is in the process of re-envisioning its network strategy given current and projected network infrastructure gaps. Developing more sophisticated ways to ingest and transport this data is only part of the equation. The opportunities to leverage this data for maximum operational gain require greater investments in analytical tools and data structure design. The security of this data from external and internal threat actors requires enhanced network monitoring. These IT improvements and transformations are critical to effectively support threat watchlisting, whether they be TOC actors, terrorists, or cyber attackers. Technology improvements are also essential in the identification of DarkNet marketplaces used to facilitate the opioid crisis and the investigation of CI threat actors seeking to influence U.S. domestic life, among other threat areas.

Physical infrastructure gaps remain a challenge to FBI mission success as well. Despite recent investments in Quantico, the FBI Academy still requires sustained resources, to include the replacement of end-of-life HVAC systems and basic repairs to cracks in the brick and mortar of facilities. The current FBI HQ facility remains insufficient to effectively facilitate operational success given the significant deficiencies in engineering systems and sufficient workspace to enable inter- and intra- agency collaboration.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

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

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

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

INDEPENDENT AUDITORS' REPORT

KPMG LLP
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Washington, DC 20006

Independent Auditors' Report

Inspector General
U.S. Department of Justice

Director
Federal Bureau of Investigation
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 Investigation (FBI), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Federal Bureau of Investigation as of September 30, 2018 and 2017, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

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, 2018, we considered the FBI'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 FBI's internal control. Accordingly, we do not express an opinion on the effectiveness of the FBI's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FBI's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-01.

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

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the FBI's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 5, 2018

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 FBI has taken the appropriate corrective action to address the finding and recommendations from the prior year's financial statements audit 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 where the deficiency was reported, our recommendations for improvement, and the status of previously identified significant deficiency and recommendations as of the end of FY 2018.

Report	Significant Deficiency	Recommendations	Status
Annual Financial Statements Fiscal Year 2017 Report No. 18-07	Improvements Needed in Controls over Obligations	**Recommendation No. 1:** Enhance the quarterly open obligations certification process by establishing more effective lines of communication and coordination within the Finance Division to properly validate open obligations.	Completed[1]
		Recommendation No. 2: Revise the processes for monitoring open obligations in order to timely identify and de-obligate obligated balances that are no longer needed.	Completed[1]

[1] *Sufficient progress has been made in addressing this finding and the related recommendation such that the remaining risk of misstatement no longer merits the attention by those charged with governance. Therefore, the condition has been downgraded to a deficiency in internal control.*

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

PRINCIPAL FINANCIAL STATEMENTS
AND RELATED NOTES

U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Balance Sheets
As of September 30, 2018 and 2017

Dollars in Thousands		2018		2017
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with Treasury (Note 3)	$	4,922,248	$	4,471,449
Accounts Receivable (Note 5)		412,866		472,806
Other Assets (Note 8)		24,870		29,059
Total Intragovernmental		5,359,984		4,973,314
Cash and Other Monetary Assets (Note 4)		91,687		84,674
Accounts Receivable, Net (Note 5)		33,246		30,368
General Property, Plant and Equipment, Net (Note 7)		2,743,307		2,742,297
Advances and Prepayments		77,217		94,324
Total Assets	**$**	**8,305,441**	**$**	**7,924,977**
LIABILITIES (Note 9)				
Intragovernmental				
Accounts Payable	$	204,477	$	175,487
Accrued Federal Employees' Compensation Act Liabilities		34,090		33,049
Custodial Liabilities (Note 18)		1,592		999
Other Liabilities (Note 13)		116,259		114,131
Total Intragovernmental		356,418		323,666
Accounts Payable		387,293		341,195
Actuarial Federal Employees' Compensation Act Liabilities		217,008		203,492
Accrued Payroll and Benefits		158,674		158,380
Accrued Annual and Compensatory Leave Liabilities		314,545		308,006
Environmental and Disposal Liabilities (Note 10)		5,633		5,565
Seized Cash and Monetary Instruments (Note 12)		46,385		40,074
Contingent Liabilities (Note 14)		5,169		1,659
Other Liabilities (Note 13)		24,277		21,921
Total Liabilities	**$**	**1,515,402**	**$**	**1,403,958**
NET POSITION				
Unexpended Appropriations	$	3,518,062	$	3,123,968
Cumulative Results of Operations		3,271,977		3,397,051
Total Net Position	**$**	**6,790,039**	**$**	**6,521,019**
Total Liabilities and Net Position	**$**	**8,305,441**	**$**	**7,924,977**

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

U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2018 and 2017

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of
	FY	**Intra-governmental**	**With the Public**	**Total**	**Intra-governmental**	**With the Public**	**Total**	**Operations (Note 15)**
Goal 1	**2018**	$ 1,473,521	$ 3,578,321	$ 5,051,842	$ 255,272	$ 10,295	$ 265,567	$ 4,786,275
	2017	$ 1,430,241	$ 3,505,148	$ 4,935,389	$ 299,884	$ 8,930	$ 308,814	$ 4,626,575
Goal 3	**2018**	596,183	1,936,817	2,533,000	435,535	154,510	590,045	1,942,955
	2017	576,035	1,849,916	2,425,951	435,691	145,699	581,390	1,844,561
Goal 4	**2018**	853,289	1,905,780	2,759,069	65,792	3,512	69,304	2,689,765
	2017	873,308	1,950,504	2,823,812	71,089	2,795	73,884	2,749,928
Total	**2018**	**$ 2,922,993**	**$ 7,420,918**	**$ 10,343,911**	**$ 756,599**	**$ 168,317**	**$ 924,916**	**$ 9,418,995**
	2017	**$ 2,879,584**	**$ 7,305,568**	**$ 10,185,152**	**$ 806,664**	**$ 157,424**	**$ 964,088**	**$ 9,221,064**

Goal 1 Enhance National Security and Counter the Threat of Terrorism
Goal 3 Reduce Violent Crime and Promote Public Safety
Goal 4 Promote Rule of Law, Integrity, and Good Government

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

U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2018 and 2017

Dollars in Thousands		**2018**		**2017**
Unexpended Appropriations				
Beginning Balances	**$**	**3,123,968**	**$**	**2,798,520**
Budgetary Financing Sources				
Appropriations Received		9,421,402		9,006,379
Appropriations Transferred-In/Out		(27,229)		165,741
Other Adjustments		(54,353)		(51,705)
Appropriations Used		(8,945,726)		(8,794,967)
Total Budgetary Financing Sources		**394,094**		**325,448**
Net Change		394,094		325,448
Total Unexpended Appropriations	**$**	**3,518,062**	**$**	**3,123,968**
Cumulative Results of Operations				
Beginning Balances	**$**	**3,397,051**	**$**	**3,573,668**
Budgetary Financing Sources				
Other Adjustments		(74,000)		(140,000)
Appropriations Used		8,945,726		8,794,967
Transfers-In/Out Without Reimbursement		137,454		129,146
Other Financing Sources				
Transfers-In/Out Without Reimbursement		12,722		37,833
Imputed Financing (Note 16)		281,096		230,657
Other Financing Sources		(9,077)		(8,156)
Total Financing Sources		**9,293,921**		**9,044,447**
Net Cost of Operations		**(9,418,995)**		**(9,221,064)**
Net Change		(125,074)		(176,617)
Cumulative Results of Operations	**$**	**3,271,977**	**$**	**3,397,051**
Net Position	**$**	**6,790,039**	**$**	**6,521,019**

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

U.S. Department of Justice
Federal Bureau of Investigation
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2018 and 2017

Dollars in Thousands	2018	2017
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	$ 2,357,815	$ 2,433,055
Appropriations (discretionary and mandatory)	9,267,056	8,997,756
Spending Authority from Offsetting Collections (discretionary and mandatory)	1,084,008	1,047,522
Total Budgetary Resources	**$ 12,708,879**	**$ 12,478,333**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total) (Note 17)	$ 10,408,254	$ 10,312,562
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,813,520	1,702,175
Unapportioned, Unexpired Accounts	11,305	16,262
Unexpired Unobligated Balance, End of Year	1,824,825	1,718,437
Expired Unobligated Balance, End of Year	475,800	447,334
Unobligated Balance - End of Year (Total)	2,300,625	2,165,771
Total Status of Budgetary Resources	**$ 12,708,879**	**$ 12,478,333**
Outlays, Net:		
Outlays, Net (Total) (discretionary and mandatory)	$ 8,795,237	$ 8,932,522
Less: Distributed Offsetting Receipts (-)	(9,734)	12,279
Agency Outlays, Net (discretionary and mandatory)	**$ 8,804,971**	**$ 8,920,243**

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

U.S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
NOTES TO THE FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT AS NOTED)

1. Summary of Significant Accounting Policies

A. Reporting Entity

The FBI, established in 1908, is an integral component of the DOJ. The mission of the FBI is to protect and defend the United States (U.S.) against terrorist and foreign intelligence threats, to uphold and enforce the criminal laws of the U.S., and to provide leadership and criminal justice services to federal, state, local, and international agencies and partners. The FBI also provides assistance to other federal, state, and local law enforcement agencies and the public at large. Assistance includes forensic services, training law enforcement officials, background investigations, name checks, fingerprint analyses, and cooperative criminal investigations.

The accompanying financial statements of the FBI include the following funds under the administrative and/or operational control of the FBI: appropriated single year, multi-year, and no-year Salaries and Expense (S&E) funds; and appropriated no-year Construction (CNST) funds. These funds include new appropriations, transfers of appropriations from other federal agencies, and the carry-over of prior years' unobligated balances for multi-year and no-year appropriated funds. The FBI also receives reimbursable funding from other agencies for services rendered.

B. Basis of Presentation

These financial statements have been prepared from the books and records of the FBI in accordance with U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the OMB Circular A-136, *Financial Reporting Requirements*. These financial statements are different from the financial reports prepared pursuant to OMB directives used to monitor and control the use of the FBI's budgetary resources. To ensure that the FBI financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Other Assets and Other Liabilities, as defined by OMB Circular A-136, have been disaggregated on the balance sheets. These include from Other Assets, Advances and Prepayments with the Public; and from Other Liabilities, Accrued Federal Employees' Compensation Act Liabilities, Accrued Payroll and Benefits, Accrued Annual and Compensatory Leave Liabilities, Seized Cash and Monetary Instruments, and Contingent Liabilities.

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the FBI. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for FYs 2018 and 2017, and as such, intra-entity transactions have not been eliminated. The consolidated financial statements do not include centrally administered assets and liabilities of the Federal Government as a whole, such

1. Summary of Significant Accounting Policies (continued)

as General Services Administration (GSA) owned property and equipment, and borrowings from the public by the U.S. Department of the Treasury (Treasury), which may in part be attributed to the FBI.

D. Basis of Accounting

Transactions are recorded on the accrual and budgetary bases of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements.

E. Non-Entity Assets

Non-entity assets represent assets temporarily controlled and administered by the FBI, but not available to the FBI as a financing source for operations. The FBI withholds state and local income taxes from taxable travel and transfer related expenses from FBI employees for subsequent disbursement to the applicable taxing authorities. Undisbursed withholdings at fiscal year-end are recorded as non-entity assets on the balance sheet with an offsetting liability. Cash temporarily held by the FBI as evidence for legal proceedings is also included on the balance sheet as a non-entity asset with an offsetting liability.

F. Fund Balance with Treasury and Cash

Fund Balance with the Treasury primarily represents appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases of goods and services. Receipts are processed by commercial banks for deposit to individual accounts maintained at the Treasury. Treasury and other Treasury-designated disbursing officers process cash receipts and disbursements as directed by authorized FBI certifying officers. The FBI field offices and Legats maintain imprest and emergency funds to accommodate law enforcement cash requirements occurring outside normal banking system operating hours.

G. Accounts Receivable

Accounts receivable are established for reimbursable expenses incurred by the FBI in providing goods and services ordered by other entities. Intragovernmental accounts receivable represent amounts due from federal entities and agencies, which are considered fully collectible. Receivables with the public represent amounts due from state and local governments, individuals, and other non-federal entities.

The Allowance for Uncollectible Accounts calculation methodology is a percentage based on outstanding receivables by number of days outstanding weighted against the collection rate of receivables with the public. An analytical review is conducted annually and the percentages applied are updated as needed. An invoice with the public is deemed delinquent if it is unpaid after 30 days or 180 days dependent upon the associated business line.

1. Summary of Significant Accounting Policies (continued)

H. Inventory and Related Property

Operating materials and supplies (OM&S) consist of fuel, ammunition, spare aircraft parts, and office supplies. OM&S are valued at acquisition cost. Supplies and materials are for entity use only and are not for sale.

The FBI used the purchase method, under Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property* to record OM&S. Per SFFAS No. 3, an exception to the consumption method is provided when (1) the OM&S are not significant amounts (2) they are in the hands of the end users for use in normal operations, or (3) it is not cost-beneficial to apply the consumption method. The purchase method may be used if any of these circumstances exist.

I. General Property, Plant, and Equipment (PP&E)

With the exception of land, all general PP&E is capitalized when the cost of acquiring or improving the property meets the capitalization thresholds noted in the table below and has a useful life of two or more years. 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. The FBI calculates a salvage value of 10 percent or less for capitalized property. Land is capitalized regardless of its acquisition cost and is never depreciated.

Expenditures for property and equipment with an acquisition cost or individual asset recognition value less than the applicable threshold are charged to operating expenses as incurred. The FBI uses work-in-process (WIP) accounts to capitalize expenditures associated with on-going leasehold improvement projects, the on-going construction of facilities, and the development of Internal Use Software that meet FBI's capitalization thresholds. Upon completion of the project(s), the applicable costs are transferred from WIP to a depreciable asset if the project exceeds the capitalization threshold.

Below are the capitalization thresholds:

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

While the FBI owns some land, buildings, and other structures, it leases its headquarters building, field office buildings, and warehouse space from the GSA. The FBI also leases office space from non-governmental entities, both in the U.S. and abroad. The FBI, independently, enters into lease agreements for the purchase of property, equipment, buildings, or facilities expressly for use in undercover investigative operations. These leases are classified as operating leases within the financial statements.

1. Summary of Significant Accounting Policies (continued)

J. Advances and Prepayments

Advances and prepayments classified as assets include funds disbursed to finance operations that exceed the total expenditures incurred. This amount also includes advances of funds to federal employees for official travel, and the balance of travel advances in excess of travel expenses claimed on reimbursement vouchers. When authorized by procurement regulations, payments made in advance of the FBI's receipt of goods and services are recorded as prepaid charges and recognized as expenditures/expenses when the related goods and services are received. Advances and prepayments involving other federal agencies are classified as *Other Assets* on the balance sheet.

K. Seized Property

All property seized for forfeiture, including property with evidentiary value, is reported by the DOJ Assets Forfeiture Fund and Seized Asset Deposit Fund. The FBI has an established reporting threshold of $1 or more for Personal Property seized for evidentiary purposes. The FBI reports each seized personal property evidence record as a single unit of measure.

Cash in the custody of the FBI for evidentiary purposes is recognized as an asset on the balance sheet with an offsetting liability. Non-monetary valuable property held as evidence is disclosed in Note 6 Seized Property, Net and valued at the appraised or fair market value upon seizure, or, when market value could not be readily determined, as soon as reasonably possible. These items are not adjusted to any subsequent increases and decreases in estimated fair market value. Non-monetary valuable property is not recognized as assets on the balance sheet.

Quantities of illegal drugs and firearms held as evidence are disclosed in Note 6 in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*, and Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*. Reported quantities of drugs include only substances over one kilogram (KG) that are laboratory-analyzed and confirmed.

L. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the FBI as the result of a transaction or an event that has already occurred. However, absent proper budget authority, the FBI cannot pay a liability. Liabilities for which an appropriation has not been enacted are considered unfunded liabilities. As a result, there is no certainty that corresponding future appropriations will be enacted to liquidate these unfunded liabilities.

M. Contingencies and Commitments

The FBI is party to various administrative proceedings, legal actions, and claims. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel considers adverse decisions "probable" and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 14, *Contingencies and Commitments.* However, there are cases where amounts have not been

1. Summary of Significant Accounting Policies (continued)

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 leave and compensatory leave are expensed as earned with an offsetting liability. Liabilities are reduced as leave is taken. At the end of each fiscal quarter, the balance in the accrued annual leave liability account is adjusted to reflect valuation at current pay rates. To the extent current-year or prior-year appropriations are not available to fund annual and compensatory leave that is 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 of 1999 (31 U.S.C. 3901-3907), the FBI pays interest to commercial concerns for payments made after the payment due date. The payment due date is generally 30 days after the receipt of a valid invoice by the designated activity, or 30 days after the receipt and acceptance of the goods or services, whichever is later. Interest is computed on the principal amount due at the rate of interest established by the Secretary of the Treasury, and published in the Federal Register, for interest payments under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611). Interest is paid for the period beginning one day after the principal payment due date and ending on the date on which the principal payment is made.

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 FBI contributes 7.0 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 FBI 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) System. The FBI 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 FBI contributes 11.9 percent of the gross pay for regular employees and 28.4 percent for law enforcement officers.

1. Summary of Significant Accounting Policies (continued)

The accompanying financial statements report expenses incurred by the FBI for required contributions made to retirement accounts administered by the Office of Personnel Management (OPM). All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the FBI is required to contribute an additional 1.0 percent of gross pay and match employee contributions up to 4.0 percent. The FBI is not authorized to make automatic or matching contributions to the TSP for employees covered by the CSRS. The FBI's financial statements do 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 OPM. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 16, Imputed Financing, for additional details.

The FBI recognizes an additional expense and an offsetting imputed financing source for FBI Pension and Other Retirement Benefits Expense not covered by employee and FBI contributions; this expense is ultimately paid by OPM. Refer to Note 16, Imputed Financing, for additional details.

Q. Federal Employee Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of any employee whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for FBI employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the FBI.

The total FECA liability has two components: (1) unpaid billings and (2) an amount of estimated unbilled claims. Unpaid billings represent claims already paid by the DOL, which have not yet been reimbursed by the FBI. There is generally a two-year delay in the processing of the DOL payments through DOJ to the FBI. The FBI reports the unpaid billings as Accrued FECA Liabilities.

Unbilled claims are estimated by the DOL by applying actuarial projections to incurred (both reported and unreported) claims. The DOL calculates the actuarial liability of the Federal Government for future compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous approved compensation costs. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. This method uses historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Federal Government liability is then distributed by the DOL to the respective departments.

DOJ calculates and distributes each reporting components respective portion of the total DOJ actuarial liability that is recorded for reporting purposes only. The Actuarial FECA Liability constitutes an extended estimate of future costs that will be obligated against budgetary resources the fiscal year in which the cost is actually paid to DOL by DOJ and, subsequently, by the FBI.

1. Summary of Significant Accounting Policies (continued)

R. Intragovernmental Activity

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

S. Revenues and Other Financing Sources

The FBI receives funding to support its programs and executes its assigned mission from three primary sources: (1) annual, no-year, and multi-year appropriations by the U.S. Congress; (2) appropriated funds transferred to the FBI; and (3) reimbursable program funding. Appropriated funds (appropriated to the FBI or appropriated to other federal entities and transferred to the FBI for execution) represent the majority of the FBI's operating budget.

A source of revenue to the FBI are fees authorized by law for providing fingerprint-based and name-based Criminal History Record Information checks and other identification services submitted by authorized users for noncriminal justice purposes, including employment and licensing. The fee is based on full-cost recovery, determined by using an activity-based cost model. By law, the FBI may set such fees at a level to include an additional amount to establish a fund to defray expenses for the automation of fingerprint identification and criminal justice information services and associated costs. Fee schedules are announced in the Federal Register following a public comment period. The FBI is not authorized to charge fees for fingerprint identification and criminal justice information services for law enforcement purposes.

Other financing sources to the FBI include assets transferred to the FBI without reimbursement and imputed financing for: (1) FBI pension and other benefits expenses not covered by employee and FBI contributions and which are ultimately paid by OPM; and (2) expenses for legal claims paid out of the Treasury Judgment Fund on behalf of the FBI.

Appropriations are recognized as financing sources when the goods and services authorized to be paid from the appropriations have been received and accepted, or when program or administrative expenses have been incurred. Revenue from reimbursable activities is recognized when it is earned, i.e. when the goods or services ordered have been delivered or rendered to the ordering entity. The FBI also earns revenue from the sale of assets, principally vehicles.

1. Summary of Significant Accounting Policies (continued)

T. Funds from Dedicated Collections

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

The three required criteria for a fund from dedicated collections are:

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

There are no funds that meet the definition of funds from dedicated collections.

U. Tax Exempt Status

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

V. Use of Estimates

The preparation of financial statements requires management to make 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.

W. Reclassifications

The FY 2017 financial statements, related notes, and Required Supplementary Information were reclassified to conform to the Department's FY 2018 financial statement presentation. The FBI has realigned its Statement of Net Cost and Note 15, Net Cost of Operations by Suborganization, to align to the revised goal structure in the Department's FY 2018 - 2022 Strategic Plan. In addition, changes to the presentation of the Combined and Combining Statements of Budgetary Resources were made in accordance with OMB Circular A-136. As such, activity and balances reported on the FY 2017 Combined and Combining Statements of Budgetary Resources have been reclassified to conform to the current year presentation. Certain other prior year amounts have also been reclassified to conform with the current year presentation.

1. Summary of Significant Accounting Policies (continued)

These reclassifications have no effect on total assets, liabilities, net position, change in net position or budgetary resources, as previously reported.

X. Subsequent Events

Subsequent events and transactions occurring after September 30, 2018 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

As of September 30, 2018 and 2017

	2018	2017
With the Public		
Cash and Other Monetary Assets	67,158	61,910
Accounts Receivable, Net	2,737	2,272
Total With the Public	69,895	64,182
Total Non-Entity Assets	69,895	64,182
Total Entity Assets	8,235,546	7,860,795
Total Assets	$ 8,305,441	$ 7,924,977

Non-entity assets are assets that are held by the FBI but are not available for its use.

3. Fund Balance with Treasury

As of September 30, 2018 and 2017

	2018	2017
Status of Fund Balances		
Unobligated Balance - Available	$ 1,575,189	$ 1,404,946
Unobligated Balance - Available in Subsequent Periods	238,331	297,229
Unobligated Balance - Unavailable	487,105	463,596
Obligated Balance not yet Disbursed	2,646,080	2,318,636
Non-Budgetary Fund Balance with Treasury	(24,457)	(12,958)
Total Status of Fund Balances	$ 4,922,248	$ 4,471,449

The General Funds amount includes the remaining funds resulting from budget authority to pay valid obligations. Other Fund Types amount includes deposit, clearing, and suspense accounts temporarily held with Treasury until such time they are required for use.

Unobligated Balance – Available includes current year apportionments that may be used for new obligations.

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

Unobligated Balance – Unavailable includes amounts appropriated in prior fiscal years that are no longer available to fund new obligations, but can be used for upward and/or downward adjustments for existing obligations. Additionally, this line includes amounts received that are restricted to future use and as a result are not apportioned for current use.

Obligated Balance not yet Disbursed includes obligations of appropriated funds and obligations related to reimbursable activity.

3. Fund Balance with Treasury (continued)

Non-Budgetary Fund Balance with Treasury includes unavailable receipt accounts and clearing accounts that do not have budget authority.

4. Cash and Other Monetary Assets

As of September 30, 2018 and 2017	2018	2017
Cash		
Imprest Funds	$ 24,530	$ 22,764
Other	20,772	21,836
Total Cash	45,302	44,600
Other Monetary Assets		
Seized Monetary Instruments	46,385	40,074
Total Cash and Other Monetary Assets	$ 91,687	$ 84,674

Imprest Funds reflects monies dedicated for operational support, such as petty cash and emergency funds.

Other Cash consists of project-generated proceeds.

Seized Monetary Instruments represents cash and cash equivalent evidence obtained during FBI investigations held pending release to the rightful owners.

5. Accounts Receivable, Net

As of September 30, 2018 and 2017	2018	2017
Intragovernmental		
Accounts Receivable	$ 412,866	$ 472,806
With the Public		
Accounts Receivable	33,254	30,384
Allowance for Uncollectible Accounts	(8)	(16)
Total With the Public	33,246	30,368
Total Accounts Receivable, Net	$ 446,112	$ 503,174

Intragovernmental receivables are based on services provided to other federal agencies for activities such as name checks, requests for international travel, and training. The significant types of receivables reported in With the Public include the Non-Federal User Fee Program and the National Name Check Program. These customers are typically state and local government agencies conducting background checks on individuals.

6. Seized Property, Net

Analysis of Change in Seized Property:

Seized Monetary Instruments (see also Notes 4 and 12) includes cash held by the FBI as evidence for legal proceedings, and is reported on the balance sheet as an asset, with an offsetting liability. Non-monetary evidence includes art, jewelry, and other valuables (see Note 1.K). According to DOJ guidelines, evidence items subject to forfeiture are not disclosed by the seizing agency.

The item counts and financial value of non-monetary valuable property in the custody of the FBI as of September 30, 2018 and 2017, excluding forfeited property for evidentiary purposes, and activity during each fiscal year are summarized in the following charts in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*.

Drug evidence is presented in accordance with Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*. Analyzed drug evidence represents actual laboratory-tested classification and weight in kilograms (KG). Since enforcement of the controlled substances laws and regulations of the U.S. is incidental to the mission of the FBI, only individual seizures exceeding one KG in weight are reported.

"Other" primarily consists of substances, both controlled and non-controlled as defined per the Controlled Substances Act, other than cocaine, heroin, marijuana, or methamphetamine. The actual drug weight may vary from seizure weight due to changes in moisture content over time.

Unanalyzed drug evidence is not reported by the FBI because it is neither weighed nor confirmed by laboratory chemists. Seized drug evidence must be analyzed and confirmed through laboratory testing to be placed in one of the five categories of drugs above.

For the Fiscal Year Ended September 30, 2018

Seized Property Category		Beginning Balance	Adjustments*	Seizures	Disposals	Ending Balance
Seized for Evidence						
Seized Monetary Instruments	Value	$ 40,074	$ (7,253)	$ 20,173	$ (6,609)	$ 46,385
Personal Property	Number	284	(12)	67	(42)	297
	Value	$ 4,867	$ (643)	$ 2,573	$ (1,127)	$ 5,670
Non-Valued						
Firearms	Number	29,390	(861)	5,266	(3,018)	30,777
Drug Evidence						
Cocaine	KG	6,616	462	407	(551)	6,934
Heroin	KG	246	22	43	(30)	281
Marijuana	KG	1,147	104	50	(127)	1,174
Methamphetamine	KG	1,099	229	363	(82)	1,609
Other	KG	193	(44)	36	(2)	183
Total Drug Evidence	KG	9,301	773	899	(792)	10,181

6. Seized Property, Net (continued)

For the Fiscal Year Ended September 30, 2017

Seized Property Category			Beginning Balance		Adjustments*		Seizures		Disposals		Ending Balance
Seized for Evidence											
Seized Monetary Instruments	Value	$	38,260	$	(6,140)	$	14,217	$	(6,263)	$	40,074
Personal Property	Number		309		(19)		56		(62)		284
	Value	$	4,103	$	(202)	$	1,702	$	(736)	$	4,867
Non-Valued											
Firearms	Number		28,158		(563)		4,509		(2,714)		29,390
Drug Evidence											
Cocaine	KG		5,459		1,684		81		(608)		6,616
Heroin	KG		238		28		4		(24)		246
Marijuana	KG		1,278		(42)		37		(126)		1,147
Methamphetamine	KG		847		120		204		(72)		1,099
Other	KG		209		75		9		(100)		193
Total Drug Evidence	KG		8,031		1,865		335		(930)		9,301

*Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur when an item is appraised and are not subsequently adjusted.

Method of Disposition of Seized Property:

During FYs 2018 and 2017, $2,324 and $2,170, respectively, were returned to parties with a bona fide interest, and $5,412 and $4,829, respectively, were either released to a designated party or transferred to the appropriate federal entity under abandonment proceedings. Non-valued property was primarily disposed of through destruction.

7. General Property, Plant and Equipment, Net

As of September 30, 2018

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 6,667	$ -	$ 6,667	N/A
Construction in Progress	320,696	-	320,696	N/A
Buildings, Improvements, and Renovations	1,195,089	(425,297)	769,792	10-50 years
Other Structures and Facilities	225,511	(67,426)	158,085	10-50 years
Aircraft	399,466	(126,901)	272,565	5-30 years
Boats	9,217	(4,051)	5,166	5-25 years
Vehicles	165,412	(94,526)	70,886	2-25 years
Equipment	946,356	(582,873)	363,483	2-25 years
Leasehold Improvements	782,255	(485,586)	296,669	3-10 years
Internal Use Software	1,785,996	(1,380,473)	405,523	3-7 years
Internal Use Software in Development	73,775	-	73,775	N/A
Total	$ 5,910,440	$ (3,167,133)	$ 2,743,307	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2018	$ 74,796	$ 341,744	$ 416,540

As of September 30, 2017

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 6,667	$ -	$ 6,667	N/A
Construction in Progress	183,058	-	$ 183,058	N/A
Buildings, Improvements, and Renovations	1,266,047	(433,137)	$ 832,910	10-50 years
Other Structures and Facilities	72,747	(23,100)	$ 49,647	10-50 years
Aircraft	427,143	(129,311)	$ 297,832	5-30 years
Boats	9,984	(4,248)	$ 5,736	5-25 years
Vehicles	156,577	(95,718)	$ 60,859	2-25 years
Equipment	852,907	(531,853)	$ 321,054	2-25 years
Leasehold Improvements	763,718	(417,225)	$ 346,493	3-10 years
Internal Use Software	1,718,573	(1,185,985)	$ 532,588	3-7 years
Internal Use Software in Development	105,453	-	$ 105,453	N/A
Total	$ 5,562,874	$ (2,820,577)	$ 2,742,297	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2017	$ 112,088	$ 362,778	$ 474,866

8. Other Assets

As of September 30, 2018 and 2017	2018	2017
Intragovernmental		
Advances and Prepayments	$ 24,870	$ 29,059

9. Liabilities not Covered by Budgetary Resources

As of September 30, 2018 and 2017	2018	2017
Intragovernmental		
Accrued FECA Liabilities	$ 34,090	$ 33,049
Other Unfunded Employment Related Liabilities	136	86
Total Intragovernmental	34,226	33,135
With the Public		
Actuarial FECA Liabilities	217,008	203,492
Accrued Annual and Compensatory Leave Liabilities	314,545	308,006
Environmental and Disposal Liabilities (Note 10)	5,633	5,565
Contingent Liabilities (Note 14)	5,169	1,659
Total With the Public	542,355	518,722
Total Liabilities not Covered by Budgetary Resources	576,581	551,857
Total Liabilities Covered by Budgetary Resources	935,967	839,981
Total Liabilities not requiring Budgetary Resources	2,854	12,120
Total Liabilities	$ 1,515,402	$ 1,403,958

Liabilities not Covered by Budgetary Resources reports the receipt of goods and services, or eligible events in the current or prior periods, for which funds to pay the liabilities have not been made available through appropriations to the FBI.

Liabilities not Requiring Budgetary Resources reports liabilities that have not in the past required and will not in the future require the use of budgetary resources.

10. Environmental and Disposal Liabilities

In accordance with the SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, Federal Financial Accounting and Auditing Technical Release No. 2, *Environmental Liabilities Guidance*, and Federal Financial Accounting and Auditing Technical Release No. 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, federal agencies are required to recognize liabilities for environmental cleanup costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

As environmental-related cleanup costs are paid, the liabilities are reduced. Additionally, estimates will be revised periodically to account for material changes due to inflation, technology, and applicable laws

10. Environmental and Disposal Liabilities (continued)

and regulations. Any material changes in the estimated total cleanup costs will be expensed when estimates are revised and the liability balance adjusted.

As of September 30, 2018 and 2017		2018		2017
Firing Ranges				
Beginning Balance, Brought Forward	$	2,303	$	1,504
Future Funded Expenses		-		799
Total Firing Range Liability		2,303		2,303
Asbestos				
Beginning Balance, Brought Forward	$	3,262	$	476
New Asbestos		-		2,718
Inflation Adjustment		1		1
Future Funded Expenses		67		67
Total Asbestos Liability	$	3,330	$	3,262
Total Environmental and Disposal Liabilities	$	5,633	$	5,565

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 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.

The FBI exercises due care in determining the presence of contamination in adherence to the law, rules and regulations, and policies of the Clean Air Act. The FBI has identified owned facilities in Quantico that contain hazardous friable and non-friable asbestos. The facilities have a useful life of 50 years. The estimated total asbestos liability over the 50 year useful life is $3,330 and is based on the square footage of the facilities that may be contaminated. This value divided by the useful life and multiplied by the number of years in service, less any current year abatements, and adjusted for inflation is the estimated cleanup liability. The estimated asbestos cleanup liability is increased each quarter by recording future funded expenses for the asbestos cleanup costs.

EPA's Statement on National Guidance EPA-902-B-01-001 discusses the potential environmental impacts of firing ranges. The FBI has identified owned range facilities in Quantico and El Toro that contain possible contamination issues based on the Federal Financial Accounting and Auditing Technical Release No. 2, *Environmental Liabilities Guidance* and EPA-902-B-01-001. Due care requires the agency to exert a reasonable effort to identify the presence or likely presence of contamination. The FBI completed a remedial investigation/feasibility study (RI/FS) for the Quantico ranges in March 2015 which is used to estimate the cost of cleanup for the Quantico ranges. The FBI has not conducted a RI/FS for

10. Environmental and Disposal Liabilities (continued)

the El Toro ranges. Technical Release No. 2, Environmental Liabilities Guidance then requires the agency to recognize the anticipated cost of conducting a future study, plus any other identifiable costs, as a future environmental and disposal liability. The FBI has estimated the cost of the RI/FS for El Toro based on the cost of the Quantico study, adjusted for range size.

The estimated total firing range liability of $2,303 is based on the estimated costs for contamination remediation. As of September 30, 2018 and 2017, the FBI reported the estimated firing range cleanup liability of $2,303 and $2,303, respectively.

There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2018.

11. Leases

The majority of space occupied by the FBI is leased from the GSA. The rental cost is based on the area occupied at the commercial rate per square foot, negotiated by the GSA along with appropriate GSA fees. The majority of the leases are cancelable; however, if tenant improvement (TI) costs are amortized in the lease and the FBI terminates prior to the end of the amortized period, the FBI will be responsible for the unpaid TI costs.

Typically, the minimum lease term for a Resident Agency (RA) is five years and the maximum is 15 years. The minimum lease term for a field office is 15 years and the maximum is 20 years. Some leases for field offices and RAs are noncancelable.

The FBI has submitted requirement packages to the General Services Administration (GSA) for the Birmingham, Chicago, Dallas, Houston, Las Vegas, New Haven, Richmond, San Antonio, Seattle, Tampa, and Newark Field Offices which are scheduled to expire within the next five years. The FBI recently submitted the requirements package for Anchorage to GSA as the lease expires October 2024. The FBI is relocating 2 field offices through FY 2023 with the potential for one additional relocation before FY 2023 and currently reviewing the expiration for the Little Rock Field Office.

When field offices relocate, often from space leased for 20 years or longer, the rental rates may increase. The field offices that relocate will accommodate the FBI’s growth in workforce, space needs, and increased security requirements.

11. Leases (continued)

As of September 30, 2018

Future Noncancelable Operating Lease Payments Due

Intragovernmental

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2019	239,097	-	239,097
2020	242,080	-	242,080
2021	223,435	-	223,435
2022	215,957	-	215,957
2023	210,445	-	210,445
After 2023	1,771,828	-	1,771,828
Total Future Noncancelable Operating Lease Payments	$ 2,902,842	$ -	$ 2,902,842

With the Public

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2019	6,211	7,335	13,546
2020	5,878	-	5,878
2021	5,472	-	5,472
2022	4,778	-	4,778
2023	4,325	-	4,325
After 2023	9,399	-	9,399
Total Future Noncancelable Operating Lease Payments	$ 36,063	$ 7,335	$ 43,398

12. Seized Cash and Monetary Instruments

Seized Cash and Monetary Instruments represents liabilities for seized assets held by the FBI pending disposition. The Seized Cash and Monetary Instruments as of September 30, 2018 and 2017 are $46,385 and $40,074, respectively.

13. Other Liabilities

All Other Liabilities are current and presented in the following table:

As of September 30, 2018 and 2017	2018	2017
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 55,697	$ 55,139
Other Post-Employment Benefits Due and Payable	203	172
Other Unfunded Employment Related Liabilities	136	86
Advances from Others	59,039	47,668
Liability for Clearing Accounts	(5)	9,751
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	1,189	1,315
Total Intragovernmental	116,259	114,131
With the Public		
Advances from Others	3,426	30
Liability for Clearing Accounts	78	55
Other Liabilities	20,773	21,836
Total With the Public	24,277	21,921
Total Other Liabilities	$ 140,536	$ 136,052

14. Contingencies and Commitments

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2018			
Probable	$ 5,169	$ 5,169	$ 13,705
Reasonably Possible	-	3,500	11,650
As of September 30, 2017			
Probable	$ 1,659	$ 1,659	$ 3,448
Reasonably Possible	-	6,450	17,450

15. Net Cost of Operations by Suborganization

The tables below and on the next page break out costs and revenue across three DOJ SGs. These funds include new appropriations, transfers of appropriations from other federal agencies, and the carry-over of prior years' unobligated balances for multi-year and no-year appropriated funds.

For the Fiscal Year Ended September 30, 2018

	Suborganizations		
	CNST	S&E	Consolidated
Goal 1: Enhance National Security and Counter the Threat of Terrorism			
Gross Cost	$ 9,173	$ 5,042,669	$ 5,051,842
Less: Earned Revenue	-	265,567	$ 265,567
Net Cost of Operations	9,173	4,777,102	4,786,275
Goal 3: Reduce Violent Crime and Promote Public Safety			
Gross Cost	$ 4,596	$ 2,528,404	$ 2,533,000
Less: Earned Revenue	-	590,045	$ 590,045
Net Cost of Operations	4,596	1,938,359	1,942,955
Goal 4: Promote Rule of Law, Integrity, and Good Government			
Gross Cost	$ 5,010	$ 2,754,059	$ 2,759,069
Less: Earned Revenue	-	69,304	$ 69,304
Net Cost of Operations	5,010	2,684,755	2,689,765
Net Cost of Operations	$ 18,779	$ 9,400,216	$ 9,418,995

15. Net Cost of Operations by Suborganization (continued)

For the Fiscal Year Ended September 30, 2017

	Suborganizations		
	CNST	S&E	Consolidated
Goal 1: Enhance National Security and Counter the Threat of Terrorism			
Gross Cost	$ 7,914	$ 4,927,475	$ 4,935,389
Less: Earned Revenue	-	308,814	308,814
Net Cost of Operations	7,914	4,618,661	4,626,575
Goal 3: Reduce Violent Crime and Promote Public Safety			
Gross Cost	3,723	2,422,228	2,425,951
Less: Earned Revenue	-	581,390	581,390
Net Cost of Operations	3,723	1,840,838	1,844,561
Goal 4: Promote Rule of Law, Integrity, and Good Government			
Gross Cost	4,601	2,819,211	2,823,812
Less: Earned Revenue	-	73,884	73,884
Net Cost of Operations	4,601	2,745,327	2,749,928
Net Cost of Operations	$ 16,238	$ 9,204,826	$ 9,221,064

16. 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 FBI from a providing federal entity that is not part of the U.S. Department of Justice. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental Financing Sources recognized by the FBI 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 unreimbursed payments made from the Treasury Judgment Fund on behalf of the FBI. The Treasury Judgment Fund was established by 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 No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expense when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

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

16. Imputed Financing (continued)

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees	37.4
	Regular Employees Offset	27.9
	Law Enforcement Officers	62.0
	Law Enforcement Officers Offset	53.2

Federal Employees Retirement System (FERS)	Regular Employees	16.2
	Regular Employees - Revised Annuity Employees (RAE)	16.7
	Regular Employees - Further Revised Annuity Employees (FRAE)	16.9
	Law Enforcement Officers	33.8
	Law Enforcement Officers Offset - RAE	34.3
	Law Enforcement Officers Offset - FRAE	34.5

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

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government,* are the unreimbursed portion of the full costs of goods and services received by the FBI 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. The FBI does not have any imputed intra-departmental financing sources.

For the Fiscal Years Ended September 30, 2018 and 2017

	2018	2017
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	$ 6,790	$ 6,916
Health Insurance	227,983	169,834
Life Insurance	776	754
Pension	45,547	53,153
Total Imputed Financing	$ 281,096	$ 230,657

17. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

The apportionment categories are determined in accordance with the guidance provided in Part 4, *Instructions on Budget Execution*, of OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B spending includes funds appropriated for construction projects, such as: the FBI's Secure Work Environment Program, Biometrics Technology Center, Terrorist Explosive Device Analytic Center, Hazardous Devices School, DOJ Consolidated Data Center, FBI Headquarters Building, 21st Century Facilities Program and CJIS Campus, and the training academy facility at Quantico, Virginia. Category B also includes funding for Law Enforcement Wireless Communication, Health Care Fraud, FBI Headquarters, and Spectrum AWS. A total of $238,331 of Spectrum AWS Funding is Category C, apportioned for obligation in future fiscal years.

	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, 2018			
Obligations Apportioned Under:			
Category A	$ 9,049,441	$ 961,870	$ 10,011,311
Category B	395,490	1,453	396,943
Total	$ 9,444,931	$ 963,323	$ 10,408,254
For the Fiscal Year Ended September 30, 2017			
Obligations Apportioned Under:			
Category A	$ 8,846,545	$ 1,000,236	$ 9,846,781
Category B	460,473	5,308	$ 465,781
Total	$ 9,307,018	$ 1,005,544	$ 10,312,562

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

Status of Undelivered Orders:

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

As of September 30, 2018		
Intragovernmental		2018
UDO Obligations Unpaid	$	452,444
UDO Obligations Prepaid/Advanced		24,870
Total Intragovernmental UDO		477,314
With the Public		2018
UDO Obligations Unpaid	$	1,931,718
UDO Obligations Prepaid/Advanced		77,217
Total With the Public UDO		2,008,935
Total UDO	$	2,486,249

As of September 30, 2017		2017
UDO Obligations Unpaid	$	2,198,115
UDO Obligations Prepaid/Advanced		123,383
Total UDO	$	2,321,498

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 have 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.

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

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

The Statement of Budgetary Resources versus the Budget of the U.S. Government as of September 30, 2017 is presented below.

The reconciliation as of September 30, 2018 is not presented because the submission of the Budget of the United States Government (Budget) for FY 2020, which presents the execution of the FY 2018 Budget, occurs after publication of these financial statements. The DOJ Budget Appendix can be found on the OMB website and will be available in early February 2019.

Expired Funds and Offsetting Receipts are reported in the FBI's Statement of Budgetary Resources, but not reported in the Budget. The principal component of the amounts presented on the Other line are attributed to rounding.

For the Fiscal Year Ended September 30, 2017
(Dollars in Millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 12,478	$ 10,313	$ 12	$ 8,920
Funds not Reported in the Budget				
Expired Funds	(524)	(77)	-	-
Distributed Offsetting Receipts	-	-	(12)	12
Other	(1)	-	-	-
Budget of the United States Government	$ 11,953	$ 10,236	$ -	$ 8,932

18. Custodial Revenues

For the fiscal years ended September 30, 2018 and 2017, the FBI collected $2,831 and $3,765, respectively, in restitution payments, seized abandoned cash, and project-generated proceeds. These collections were incidental to the FBI's mission. Since the FBI does not have statutory authority to use these funds, the FBI remits these funds upon receipt to the U.S. Treasury's General Fund. As of September 30, 2018 and 2017, the FBI had custodial liabilities of $1,592 and $999 respectively.

19. Reconciliation of Net Cost of Operations to Budget

For the Fiscal Years Ended September 30, 2018 and 2017

	2018	2017
Resources Used to Finance Activities		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	$ 10,408,254	$ 10,312,562
Less: Spending Authority from Offsetting Collections and Recoveries	1,285,573	1,357,815
Obligations Net of Offsetting Collections and Recoveries	9,122,681	8,954,747
Less: Offsetting Receipts	(9,734)	12,279
Net Obligations	9,132,415	8,942,468
Other Resources		
Transfers-In/Out Without Reimbursement	12,722	37,833
Imputed Financing (Note 16)	281,096	230,657
Other	(9,077)	(8,156)
Net Other Resources Used to Finance Activities	284,741	260,334
Total Resources Used to Finance Activities	9,417,156	9,202,802
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	(156,105)	(132,713)
Resources That Fund Expenses Recognized in Prior Periods (Note 20)	-	(2,184)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(9,729)	12,258
Resources That Finance the Acquisition of Assets	(416,540)	(474,866)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	146,574	122,498
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(435,800)	(475,007)
Total Resources Used to Finance the Net Cost of Operations	$ 8,981,356	$ 8,727,795
Components of Net Cost of Operations That Did not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 20)	$ 23,621	$ 21,808
Depreciation and Amortization	408,550	462,388
Revaluation of Assets or Liabilities	19,575	14,086
Other	(14,107)	(5,013)
Total Components of Net Cost of Operations That Did not Require or Generate Resources in the Current Period	437,639	493,269
Net Cost of Operations	$ 9,418,995	$ 9,221,064

20. 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 $576,581 and $551,857 as of September 30, 2018 and 2017 respectively, are discussed in Note 9, *Liabilities not Covered by Budgetary Resources*. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2018 and 2017	2018	2017
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Liabilities Not Covered by Budgetary Resources:		
Decrease in Contingent Liabilties	$ -	$ (2,130)
Decrease in Other Unfunded Employment Related Liabilities	-	(54)
Total Decrease in Liabilities Not Covered by Budgetary Resources	-	(2,184)
Total Resources that Fund Expenses Recognized in Prior Periods	$ -	$ (2,184)
Components That Will Require or Generate Resources in Future Periods		
(Increase)/Decrease in Exchange Revenue Receivable from the Public	$ (956)	$ (140)
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	(147)	8,333
Increase in Liabilities Not Covered by Budgetary Resources:		
Increase in Accrued FECA Liabilities	1,041	776
Increase in Actuarial FECA Liabilities	13,516	1,755
Increase in Accrued Annual and Compensatory Leave Liabilities	6,539	7,499
Increase in Environmental and Disposal Liabilities	68	3,585
Increase in Contingent Liabilities	3,510	-
Increase in Other Unfunded Employment Related Liabilities	50	-
Total Increase in Liabilities Not Covered by Budgetary Resources	24,724	13,615
Total Components That Will Require or Generate Resources in Future Periods	$ 23,621	$ 21,808

The change in the exchange revenue from the public presented in this note does not equal the change in the accounts receivable balance on the Balance Sheet. The Balance Sheet includes non-exchange receivable balances that are not reflected in the exchange revenue balances for this footnote.

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

U.S. Department of Justice
Federal Bureau of Investigation
Combining Statement of Budgetary Resources
By Major Appropriation
For the Fiscal Year Ended September 30, 2018

Dollars in Thousands	CNST	S&E	TOTAL
			2018
Budgetary Resources:			
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	$ 619,765	$ 1,738,050	$ 2,357,815
Appropriations (discretionary and mandatory)	370,000	8,897,056	9,267,056
Spending Authority from Offsetting Collections (discretionary and mandatory)	-	1,084,008	1,084,008
Total Budgetary Resources	**$ 989,765**	**$ 11,719,114**	**$ 12,708,879**
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total) (Note 17)	$ 125,073	$ 10,283,181	$ 10,408,254
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	864,692	948,828	1,813,520
Unapportioned, Unexpired Accounts	-	11,305	11,305
Unexpired Unobligated Balance, End of Year	864,692	960,133	1,824,825
Expired Unobligated Balance, End of Year	-	475,800	475,800
Unobligated Balance - End of Year (Total)	864,692	1,435,933	2,300,625
Total Status of Budgetary Resources	**$ 989,765**	**$ 11,719,114**	**$ 12,708,879**
Outlays, Net:			
Outlays, Net (Total) (discretionary and mandatory)	$ 113,468	$ 8,681,769	$ 8,795,237
Less: Distributed Offsetting Receipts (-)	-	(9,734)	(9,734)
Agency Outlays, Net (discretionary and mandatory)	**$ 113,468**	**$ 8,691,503**	**$ 8,804,971**

U.S. Department of Justice
Federal Bureau of Investigation
Combining Statement of Budgetary Resources
By Major Appropriation
For the Fiscal Year Ended September 30, 2017

Dollars in Thousands			2017
	CNST	S&E	TOTAL
Budgetary Resources:			
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	$ 353,700	$ 2,079,355	$ 2,433,055
Appropriations (discretionary and mandatory)	420,178	8,577,578	8,997,756
Spending Authority from Offsetting Collections (discretionary and mandatory)	-	1,047,522	1,047,522
Total Budgetary Resources	**$ 773,878**	**$ 11,704,455**	**$ 12,478,333**
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total) (Note 17)	$ 164,187	$ 10,148,375	$ 10,312,562
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	608,394	1,093,781	1,702,175
Unapportioned, Unexpired Accounts	1,297	14,965	16,262
Unexpired Unobligated Balance, End of Year	609,691	1,108,746	1,718,437
Expired Unobligated Balance, End of Year	-	447,334	447,334
Unobligated Balance - End of Year (Total)	609,691	1,556,080	2,165,771
Total Status of Budgetary Resources	**$ 773,878**	**$ 11,704,455**	**$ 12,478,333**
Outlays, Net:			
Outlays, Net (Total) (discretionary and mandatory)	$ 105,869	$ 8,826,653	$ 8,932,522
Less: Distributed Offsetting Receipts (-)	-	12,279	12,279
Agency Outlays, Net (discretionary and mandatory)	**$ 105,869**	**$ 8,814,374**	**$ 8,920,243**

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