



# **U.S. DEPARTMENT OF JUSTICE ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2010**

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

Audit Report 11-03  
December 2010



# U.S. DEPARTMENT OF JUSTICE ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2010

## OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the U.S. Department of Justice (Department) for the fiscal years (FY) ended September 30, 2010, and September 30, 2009. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the Department's audit in accordance with U.S. generally accepted government auditing standards. The audit resulted in an unqualified opinion on the FY 2010 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles. For FY 2009, the Department also received an unqualified opinion on its financial statements (OIG Report No. 10-05).

KPMG LLP also issued reports on internal control and on compliance and other matters. For FY 2010, the *Independent Auditors' Report on Internal Control over Financial Reporting* identified one significant deficiency, which is an improvement over the prior year, where the auditors reported two significant deficiencies. The FY 2010 significant deficiency related to a few serious, but isolated, financial reporting issues, including the U.S. Marshals Service's funds management controls; the Assets Forfeiture Fund and Seized Asset Deposit Fund's seized and forfeited property reporting controls; and the Bureau of Alcohol, Tobacco, Firearms and Explosives' funds management controls. The chart at the end of our discussion illustrates the FYs 2010 and 2009 financial statements audit results for the Department and the nine reporting components.

As reflected in the chart, the Department has continued to show improvement in addressing major weaknesses identified in the OIG's previous annual financial statements audits. For example, at the component level the number of significant deficiencies has decreased from eight in FY 2009 to four in FY 2010. Nevertheless, it is important to note that the Department still does not have a unified financial management system to readily support ongoing accounting operations and preparation of financial statements. As discussed in past years, we believe the most important challenge facing the Department in its financial management is to

successfully implement an integrated financial management system to replace the disparate and, in some cases, antiquated financial systems used by Department components.

In the FY 2010 *Independent Auditors' Report on Compliance and Other Matters*, the auditors identified no instances of non-compliance with applicable laws and regulations, and the *Federal Financial Management Improvement Act of 1996*.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Department's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the Department's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 9, 2010, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Comparison of FY 2010 and FY 2009 Audit Results										
Reporting Entity	Auditors' Opinion On Financial Statements		Number of Material Weaknesses <sup>1</sup>				Number of Significant Deficiencies <sup>2</sup>			
			Financial		Information Systems		Financial		Information Systems	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Consolidated DOJ	U <sup>3</sup>	U	0	0	0	0	1	1	0	1
AFF/SADF	U	U	0	0	0	0	1	1	0	0
OBDs	U	U	0	0	0	0	0	1	0	0
USMS	U	U	1	1	0	0	0	0	0	1
OJP	U	U	0	0	0	0	0	1	0	0
DEA	U	U	0	0	0	0	0	1	0	0
FBI	U	U	0	0	0	0	0	0	1	0
ATF	U	U	0	0	0	0	1	0	0	0
BOP	U	U	0	0	0	0	0	0	0	1
FPI	U	U	0	0	0	0	0	1	0	0
<b>Component Totals</b>			1	1	0	0	2	5	1	2

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

<sup>1</sup> A material weakness is a deficiency (see below), or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

<sup>2</sup> A significant deficiency is a deficiency, or 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. 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.

<sup>3</sup> Unqualified opinion – An auditor's report that states the financial statements present fairly, in all material respects, the financial position and results of operations of the reporting entity, in conformity with U.S. generally accepted accounting principles.

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**U.S. DEPARTMENT OF JUSTICE  
ANNUAL FINANCIAL STATEMENTS  
FISCAL YEAR 2010**

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**Management's Discussion and Analysis**

**Unaudited**

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## Management's Discussion and Analysis (Unaudited)

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

### Mission

The mission of the Department of Justice, as reflected in its Strategic Plan for fiscal years (FY) 2007-2012, is as follows:

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

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

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

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

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

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

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### Strategic Goals and Objectives

From our mission and core values stem the Department's strategic and annual planning processes. The Department embraces the concepts of performance-based management. At the heart of these concepts is the understanding that improved performance is realized through greater focus on mission, agreement on goals and objectives, and timely reporting of results. In the Department, strategic planning is the first step in an iterative planning and implementation cycle. This cycle, which is the center of the Department's efforts to implement performance-based management, involves setting long-term goals and objectives, translating these goals and objectives into budgets and program plans, implementing programs, monitoring performance, and

evaluating results. In this cycle, the Department's Strategic Plan provides the overarching framework for component and function-specific plans as well as annual performance plans, budgets, and reports. The Strategic Plan is available electronically on the Department's website at: <http://www.justice.gov/jmd/mps/strategic2007-2012/index.html>.

The table below provides an overview of the Department's strategic goals and objectives. The Department expects to deliver an updated Strategic Plan in FY 2011.

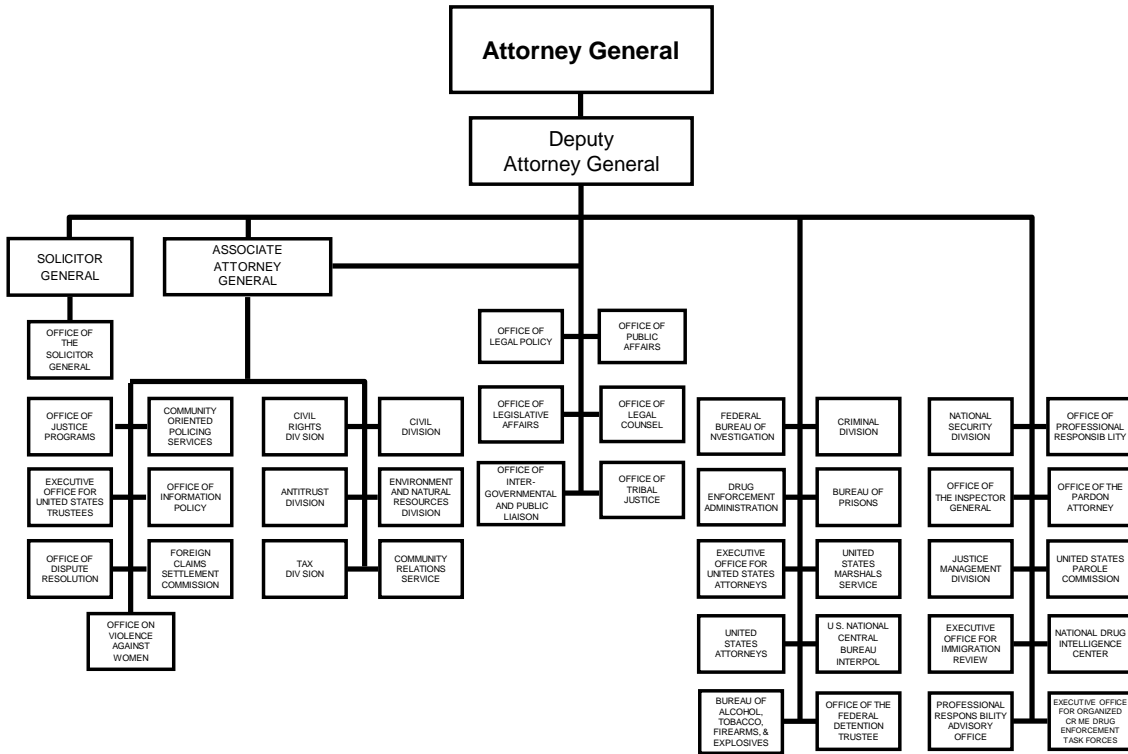
<b>Strategic Goal</b>		<b>Strategic Objectives</b>
<b>I</b>	Prevent Terrorism and Promote the Nation's Security	<p><b>1.1</b> Prevent, disrupt, and defeat terrorist operations before they occur</p> <p><b>1.2</b> Strengthen partnerships to prevent, deter, and respond to terrorist incidents</p> <p><b>1.3</b> Prosecute those who have committed, or intend to commit, terrorist acts in the United States</p> <p><b>1.4</b> Combat espionage against the United States</p>
<b>II</b>	Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People	<p><b>2.1</b> Strengthen partnerships for safer communities, and enhance the Nation's capacity to prevent, solve, and control crime</p> <p><b>2.2</b> Reduce the threat, incidence, and prevalence of violent crime</p> <p><b>2.3</b> Prevent, suppress, and intervene in crimes against children</p> <p><b>2.4</b> Reduce the threat, trafficking, use, and related violence of illegal drugs</p> <p><b>2.5</b> Combat public and corporate corruption, fraud, economic crime, and cybercrime</p> <p><b>2.6</b> Uphold the civil and Constitutional rights of all Americans</p> <p><b>2.7</b> Vigorously enforce and represent the interests of the United States in all matters over which the Department has jurisdiction</p> <p><b>2.8</b> Protect the integrity and ensure the effective operation of the Nation's bankruptcy system</p>
<b>III</b>	Ensure the Fair and Efficient Administration of Justice	<p><b>3.1</b> Protect judges, witnesses, and other participants in federal proceedings, and ensure the appearance of criminal defendants for judicial proceedings or confinement</p> <p><b>3.2</b> Ensure the apprehension of fugitives from justice</p> <p><b>3.3</b> Provide for the safe, secure, and humane confinement of detained persons awaiting trial and/or sentencing and those in the custody of the Federal Prison System</p> <p><b>3.4</b> Provide services and programs to facilitate inmates' successful reintegration into society, consistent with community expectations and standards</p> <p><b>3.5</b> Adjudicate all immigration cases promptly and impartially in accordance with due process</p> <p><b>3.6</b> Promote and strengthen innovative strategies in the administration of state and local justice systems</p> <p><b>3.7</b> Uphold the rights and improve services to America's crime victims</p>

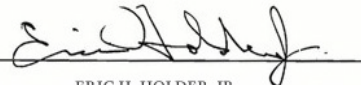
## Organizational and Financial Structure

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

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

# U.S. DEPARTMENT OF JUSTICE



APPROVED BY:  DATE: Apr. 30, 2010

ERIC H. HOLDER, JR.  
ATTORNEY GENERAL

## Department of Justice Financial Structure

The Department's financial reporting structure is comprised of the following nine principal components:

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

### **Offices**

Office of the Attorney General  
Office of the Deputy Attorney General  
Office of the Associate Attorney General  
Community Relations Service  
Executive Office for Immigration Review  
Executive Office for U.S. Attorneys  
Executive Office for U.S. Trustees  
Executive Office for Organized Crime Drug  
Enforcement Task Forces  
National Drug Intelligence Center  
Office of Community Oriented Policing Services  
Office of Dispute Resolution  
Office of Information Policy  
Office of Intergovernmental and Public Liaison  
Office of Legal Counsel  
Office of Legal Policy  
Office of Legislative Affairs  
Office of Professional Responsibility  
Office of Public Affairs  
Office of the Federal Detention Trustee  
Office of the Inspector General  
Office of the Pardon Attorney  
Office of the Solicitor General  
Office of Tribal Justice  
Office on Violence Against Women  
Professional Responsibility Advisory Office  
U.S. Attorneys  
U.S. National Central Bureau - INTERPOL

### **Boards**

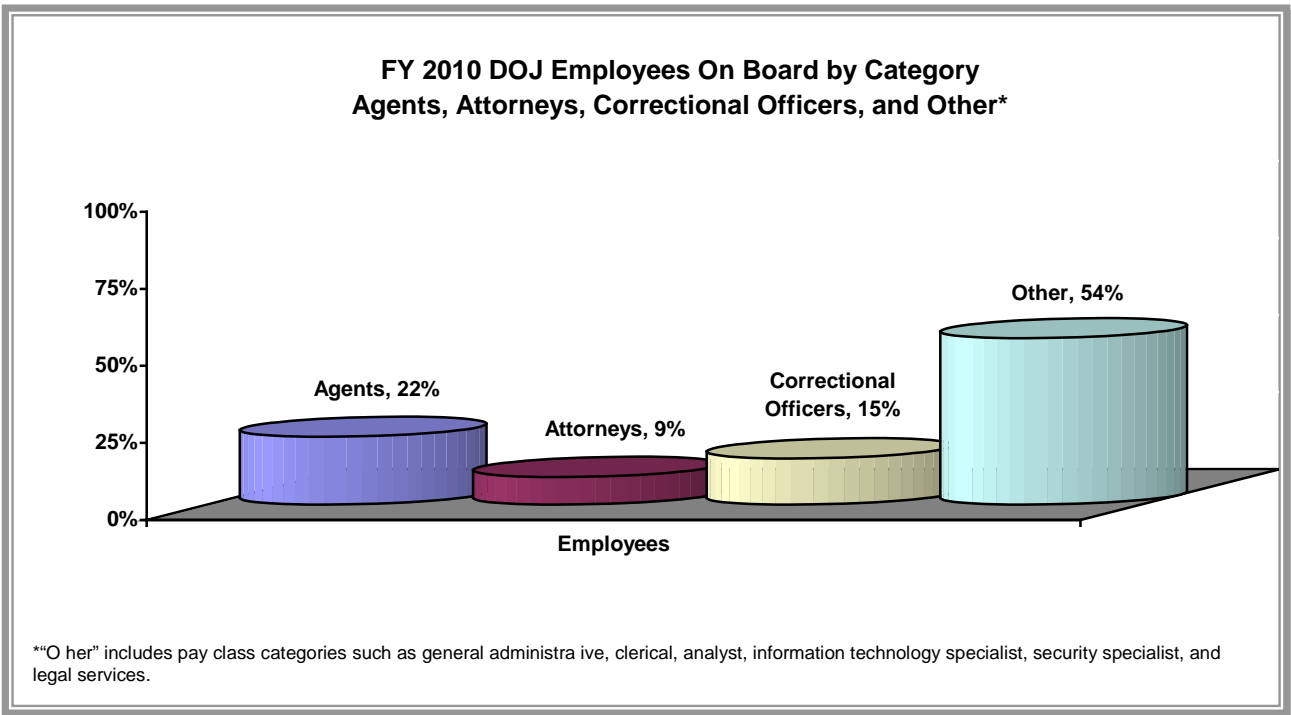
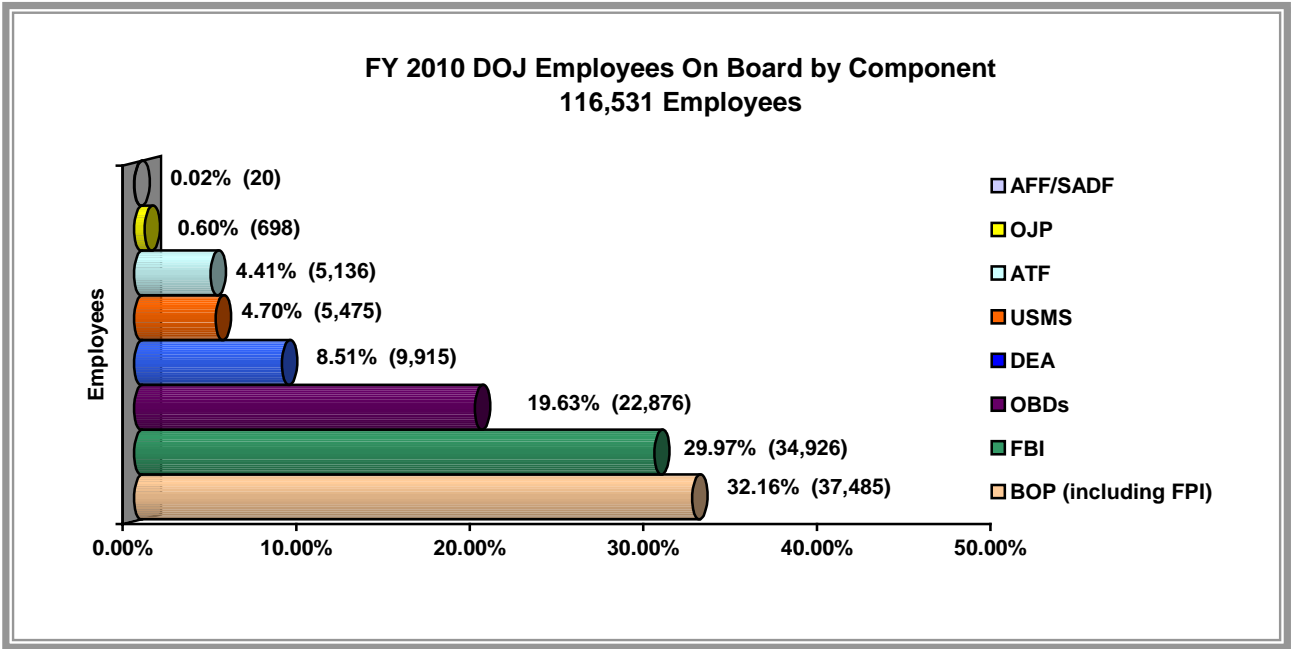
Foreign Claims Settlement Commission  
U.S. Parole Commission

### **Divisions**

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

## FY 2010 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2010. The charts on this page reflect employees on board as of September 25, 2010.





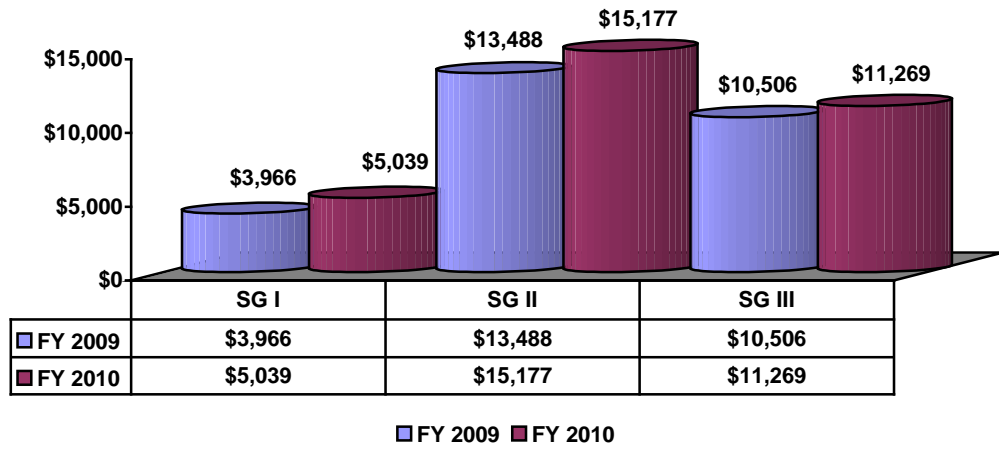
**Table 1. Sources of DOJ Resources**  
(Dollars in Thousands)

Source	FY 2010	FY 2009	% Change
<b>Earned Revenue:</b>	\$3,275,846	\$3,314,595	-1.2%
<b>Budgetary Financing Sources:</b>			
Appropriations Received	28,342,153	30,452,903	-6.9%
Appropriations Transferred In/Out	510,516	535,342	-4.6%
Nonexchange Revenues	2,367,453	1,757,766	34.7%
Donations and Forfeitures of Cash and Cash Equivalents	1,502,460	1,376,423	9.2%
Transfers In/Out Without Reimbursement	75,097	89,948	-16.5%
Other Adjustments and Other Budgetary Financing Sources	(153,751)	(331,068)	53.6%
<b>Other Financing Sources:</b>			
Donations and Forfeitures of Property	71,204	68,213	4.4%
Transfers In/Out Without Reimbursement	(1,889)	9,397	-120.1%
Imputed Financing from Costs Absorbed by Others	902,877	703,700	28.3%
<b>Total</b>	<b>\$36,891,966</b>	<b>\$37,977,219</b>	<b>-2.9%</b>

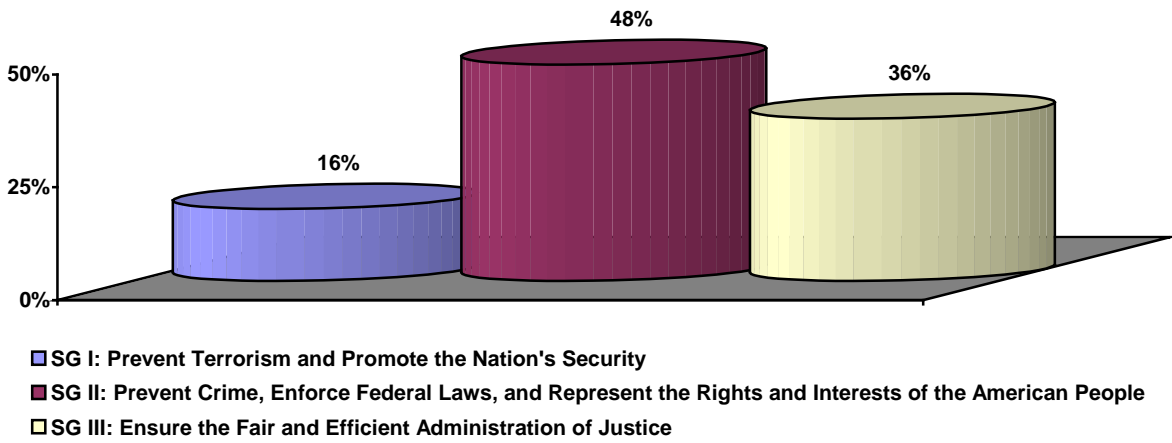
**Table 2. How DOJ Resources Were Spent**  
(Dollars in Thousands)

Strategic Goal (SG)	FY 2010	FY 2009	% Change
<b>I</b> Prevent Terrorism and Promote the Nation's Security			
Gross Cost	\$5,545,532	\$4,525,551	
Less: Earned Revenue	<u>506,463</u>	<u>559,958</u>	
<i>Net Cost</i>	5,039,069	3,965,593	27.1%
<b>II</b> Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People			
Gross Cost	16,665,443	14,878,016	
Less: Earned Revenue	<u>1,488,093</u>	<u>1,389,584</u>	
<i>Net Cost</i>	15,177,350	13,488,432	12.5%
<b>III</b> Ensure the Fair and Efficient Administration of Justice			
Gross Cost	12,550,173	11,870,824	
Less: Earned Revenue	<u>1,281,290</u>	<u>1,365,053</u>	
<i>Net Cost</i>	11,268,883	10,505,771	7.3%
<b>Total Gross Cost</b>	<b>34,761,148</b>	<b>31,274,391</b>	
<b>Less: Total Earned Revenue</b>	<b><u>3,275,846</u></b>	<b><u>3,314,595</u></b>	
<b>Total Net Cost of Operations</b>	<b>\$31,485,302</b>	<b>\$27,959,796</b>	<b>12.6%</b>

**Comparison of Net Costs by Strategic Goal - FY 2009 and 2010**  
(Dollars in Millions)



**FY 2010 Percentage of Net Costs by Strategic Goal**



## Analysis of Financial Statements

The Department's financial statements, which are provided in Section III of this document, received an unqualified audit opinion for the fiscal years ended September 30, 2010 and 2009. These statements were prepared from the accounting records of the Department in conformity with the accounting principles generally accepted in the United States and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. These principles are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The following information highlights the Department's financial position and results of operations in FY 2010. The complete set of financial statements, related notes, and the opinion of the Department's auditors are provided in Section III of this document.

**Assets:** The Department's Consolidated Balance Sheet as of September 30, 2010, shows \$40 billion in total assets, an increase of \$3.4 billion over the previous year's total assets of \$36.6 billion. Fund Balance with U.S. Treasury (FBWT) was \$23.6 billion, which represented 58.9 percent of total assets. This increase is predominantly due to an increase in Debt Collection Management (DCM) activity.

**Liabilities:** Total Department liabilities were \$10.6 billion as of September 30, 2010, an increase of \$1.4 billion from the previous year's total liabilities of \$9.2 billion. This increase is primarily due to DCM activity on behalf of other government agencies and substantial increases in the Radiation Exposure Compensation Act (RECA) liability estimations.

**Net Cost of Operations:** The Consolidated Statement of Net Cost presents the Department's gross and net cost by strategic goal. The net cost of the Department's operations totaled \$31.5 billion for the year ended September 30, 2010, an increase of \$3.5 billion (12.6 percent) from the previous year's net cost of operations of \$28 billion.

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

Strategic Goal	Description of Major Costs
I	Includes resources dedicated to counterterrorism initiatives for ATF, Criminal Division, DEA, FBI, NSD, USAs, and USMS
II	Includes resources for the AFF, ATF, BOP, COPS, CRS, DEA, FBI, Foreign Claims Settlement Commission (FCSC), Organized Crime Drug Enforcement Task Forces (OCDETF), Office of Dispute Resolution (ODR), OJP, Office of Legal Counsel, Office of the Pardon Attorney (OPA), Office of the Solicitor General (OSG), OVW, USAs, USMS, U.S. National Central Bureau (INTERPOL), UST, and the Antitrust, Civil, Civil Rights, Criminal, Environment and Natural Resources, and Tax Divisions
III	Includes resources for BOP, Executive Office for Immigration Review, Fees and Expenses of Witnesses, FPI, OJP, Justice Prisoner Alien Transportation System, USMS, U.S. Parole Commission, and services to America's crime victims

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

**Budgetary Resources:** The Department's FY 2010 Combined Statement of Budgetary Resources shows \$42.8 billion in total budgetary resources, a decrease of \$1.8 billion from the previous year's total budgetary resources of \$44.6 billion. This decrease is predominantly due to a decrease in the Appropriations Received.

**Net Outlays:** The Department's FY 2010 Combined Statement of Budgetary Resources shows \$30 billion in net outlays, an increase of \$1.9 billion from the previous year's total net outlays of \$28.1 billion.

## Data Reliability and Validity

The Department views data reliability and validity as critically important in the planning and assessment of its performance. As such, the Department makes every effort to constantly improve the completeness and reliability of its performance information by performing "data scrubs" (routine examination of current and historical data sets, as well as looking toward the future for trends) to ensure the data we rely on to make day-to-day management decisions are as accurate and reliable as possible and targets are ambitious enough given the resources provided. In an effort to communicate our data limitations and commitment to providing accurate data, this document includes a discussion of data validation, verification, and any identified data limitations for each performance measure presented. The Department ensures each reporting component providing data for this report meets the following criteria:

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

<sup>1</sup> FTE employment means the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees, divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off, and other approved leave categories are considered "hours worked" for purposes of defining FTE employment.

## Analysis of Performance Information

According to the Government Performance and Results Act (GPRA) of 1993, an agency's Strategic Plan must be updated and revised at least every three years and cover a period of not less than five years forward from the fiscal year in which it is submitted. In April 2007, the FY 2007-2012 Strategic Plan was approved by OMB and sent to Congress for review and approval. The final FY 2007-2012 Strategic Plan was made available to the public in July 2007. The Department anticipates the release in late 2010 of the new Strategic Plan for FY 2010-2015.

The Department's FY 2007-2012 Strategic Plan contains three goals. Additionally, the Department's Plan includes 23 key performance measures addressing its highest priorities toward achieving these long-term outcome goals. The measures are included in the Department's annual *Budget and Performance Summary* and reported on in this document. The Department's full Performance Report for these measures, including an update on our progress toward meeting the FY 2012 long-term outcome goals, is included in Section II of this document. The Department strives to present the highest-level outcome-oriented measures available and fully report the accomplishments achieved during the reporting period. However, data for the 23 key measures are compiled less than 30 days after the end of the fiscal year and, occasionally, data for an entire year are not available at the time of publication.

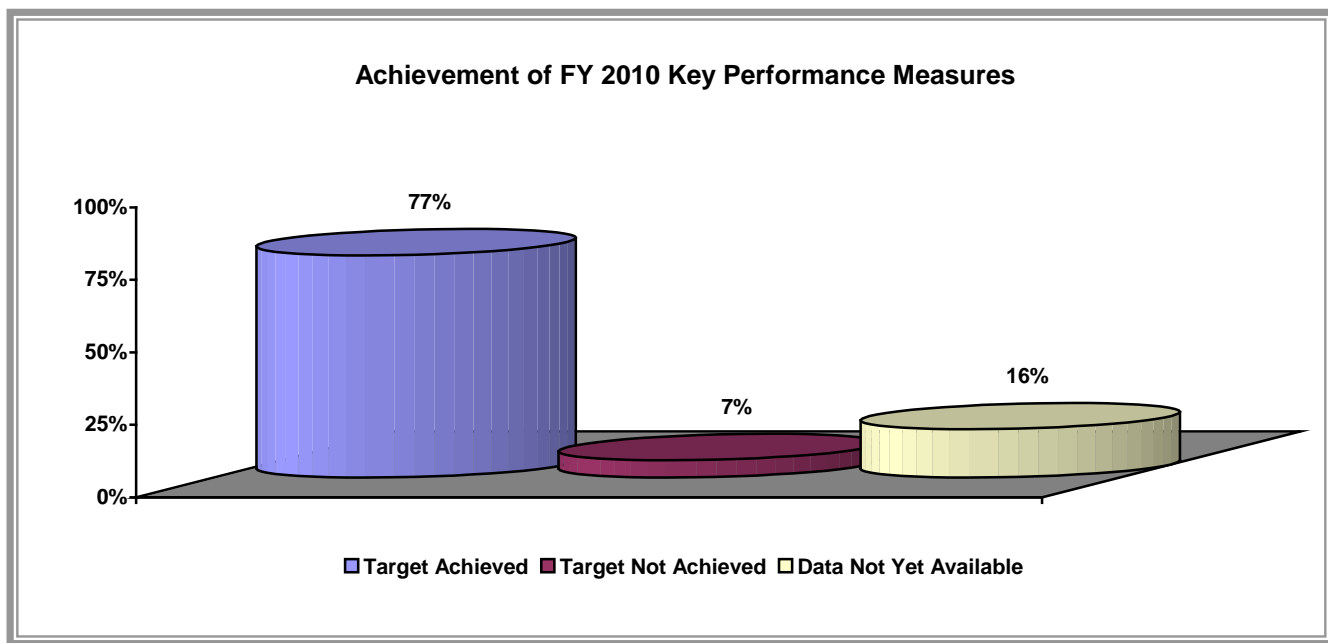
During FY 2010, Departmental leadership continued to display a clear commitment to performance management through the reliance on formal quarterly status reviews. Additionally, Departmental components have worked to improve the quality and timeliness of financial and performance information that informs quarterly status reporting and operating plans.

For this report, 83 percent of the performance measures have actual data for FY 2010. In some cases, indicators are reported on a calendar year basis while others have a one-year lag time and thus are not included in this report. The Department achieved 77 percent of its key indicators in FY 2010, which is higher than last year's overall success of 61 percent. The Department continues to emphasize long-term and annual performance measure development, placement of key performance indicators on cascading employee work plans, and Department-wide quarterly status reporting.

The Department will continue to examine its performance management system overall and implement improvements, where necessary. Additional improvement areas include continuing to improve the quality and utility of performance information, developing the capacity to use performance information through the use of technology and reliable data systems, and continuing to work with OMB and other federal agencies to develop mechanisms to target and measure efficiency of law enforcement and regulatory programs.

In addition to monitoring its annual progress, the Department continues to monitor progress made toward achieving its FY 2012 long-term performance goals for each of the 23 key performance measures. As of the close of FY 2010, the Department's long-term key measures are on-track for full achievement against FY 2012 targets. Two full years of performance remain until the Department reports against planned progress, and a number of mechanisms are in place to ensure that the current progress is maintained, including quarterly status reporting and performance-informed budget submissions that request the resources necessary for the Department to reach its goals.

The chart below and the table that follows summarize the Department's achievement of its FY 2010 key performance measures.



Note: For FY 2010, the Department of Justice had 23 key performance measures. Some measures had more than one annual target; therefore, for purposes of illustrating the Department's achievement rate in the chart above, a universe of 30 key performance measures instead of 23 was used.

[ ] Designates the reporting entity	FY 2010 Target	FY 2010 Actual	Target Achieved/ Not Achieved
<b>Strategic Goal I: Prevent Terrorism and Promote the Nation's Security</b>			
Terrorist acts committed by foreign nationals against U.S. interests within U.S. borders [FBI] [Discontinued] <sup>1</sup>	Zero	Zero	Not Applicable
<sup>1</sup> Measure was consolidated into catastrophic acts of terrorism.			
1 Catastrophic acts of terrorism [FBI] [Title Refined] <sup>2</sup>	Zero	Zero	Achieved
<sup>2</sup> Includes both domestic and international terrorist acts.			
<b>Strategic Goal II: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People</b>			
2 Number of organized criminal enterprises dismantled [FBI]	36	37	Achieved
3 Number of children depicted in child pornography identified by the FBI [FBI]	130	246	Achieved
4 Percentage of firearms investigations resulting in a referral for criminal prosecution [ATF]	60%	56%	Not Achieved <sup>3</sup>
<sup>3</sup> Target was missed by 4 percentage points. In FY 2010, ATF increased its commitment to Southwest Border firearms interdiction initiatives, detailing 80 special agents, investigators, and intelligence personnel to the Phoenix/Tucson Gunrunner Impact Teams.			
DOJ's reduction in the supply of illegal drugs available for consumption in the U.S. [OCDETF] [Discontinued] <sup>4</sup>	N/A	N/A	Not Applicable
<sup>4</sup> Baseline amounts for the supply of illegal drugs available for consumption in the United States have not been measurable. Therefore, the Department is no longer planning to report on its effect on the reduction of the supply of illegal drugs available for consumption in the United States.			

	[ ] Designates the reporting entity	FY 2010 Target	FY 2010 Actual	Target Achieved/ Not Achieved
5	Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data - OCDETF)]			
	Dismantled	149	176	Achieved
	Disrupted	281	365	Achieved
6	Number of high-impact Internet fraud targets neutralized [FBI]	13	12	Not Achieved <sup>5</sup>
	<sup>5</sup> Target for this measure was not met in FY 2010, due to the extent of IC3 resources needed to support high profile cases throughout the national and international law enforcement communities. Throughout FY 2010, many arrests were made in at least two very large investigations, one of which involved 390 FBI-wide investigations. Because of the 390 investigations throughout the field, the resources of several analysts were used to assist the entire scheme. While this was a large focus for the IC3 this fiscal year, FBI does not anticipate as much time being allocated to this initiative since the arrests were made.			
7	Number of criminal enterprises engaging in white-collar crimes dismantled [FBI]	160	309	Achieved
8	Percent of cases favorably resolved: [ENRD, ATR, CRM, USA, TAX, CIV, CRT (Consolidated data - JMD/Budget Staff)]			
	Criminal Cases	90%	94%	Achieved
	Civil Cases	80%	85%	Achieved
9	Percent of assets/funds returned to creditors: [USTP]			
	Chapter 7	58%	TBD <sup>6</sup>	TBD
	Chapter 13	84%	TBD <sup>6</sup>	TBD
	<sup>6</sup> Data lag one year due to the requirement to audit data submitted by U.S. Trustees prior to reporting.			
10	Number of homicides per site (funded under the Weed and Seed program) [OJP]	3.7	TBD <sup>7</sup>	TBD
	<sup>7</sup> Data are collected on a calendar year basis and reported with a one year lag.			
11	Percent reduction in DNA backlog (casework only) [OJP]	25%	29%	Achieved
12	Percent of children recovered within 72 hours of an issuance of an AMBER alert [OJP]	75.0%	86.9%	Achieved
<b>Strategic Goal III: Ensure the Fair and Efficient Administration of Justice</b>				
13	Number of participants in the Residential Substance Abuse Treatment (RSAT) Program [OJP]	25,000	TBD <sup>8</sup>	TBD
	<sup>8</sup> Data are collected on a calendar year basis and reported with a one year lag.			
14	Graduation rate of program participants in the Drug Courts Program (adult drug court participants only) [OJP]	71%	TBD <sup>9</sup>	TBD
	<sup>9</sup> Data unavailable at time of publication; to be reported at the end of calendar year 2010.			
15	Ensure judicial proceedings are not interrupted due to inadequate security [USMS]	Zero	Zero	Achieved
16	Total primary fugitives apprehended or cleared [USMS]			
	Number	33,000	36,126	Achieved
	Percent	53%	56%	Achieved
17	Per day jail costs [OFDT]	\$70.98	\$70.59	Achieved

	[ ] Designates the reporting entity	FY 2010 Target	FY 2010 Actual	Target Achieved/ Not Achieved
18	Percent of system-wide crowding in federal prisons [BOP]	40%	37%	Achieved
19	Ensure zero escapes from secure BOP facilities [BOP]	Zero	Zero	Achieved
20	Comparative recidivism for Federal Prison Industries (FPI) inmates versus non-FPI inmates [FPI / BOP provides data]			
	Percentage less likely to recidivate: 3 years after release	15%	18%	Achieved
	6 years after release	10%	19%	Achieved
21	Rate of serious assaults In federal prisons (per 5,000 Inmates) [BOP]	16/5,000 Assaults/Inmates	13/5,000 Assaults/Inmates	Achieved
22	Inspection results—Percent of federal facilities with American Correctional Association (ACA) accreditations [BOP]	99%	99%	Achieved
23	Percent of Executive Office for Immigration Review (EOIR) priority cases completed within established timeframes [EOIR]			
	Asylum (Discontinued) <sup>10</sup>	N/A	N/A	N/A
	Institutional Hearing Program	85%	87%	Achieved
	Detained Cases – Immigration Court <sup>11</sup>	85%	89%	Achieved
	Detained Appeals	90%	93%	Achieved
<p><sup>10</sup>At the end of FY 2009, the Executive Office for Immigration Review (EOIR) discontinued this measure. The agency shifted its highest priority to the detained caseload. These cases are the highest priority for EOIR because individuals involved in these proceedings are being detained at the expense of the United States government.</p> <p><sup>11</sup>The measure, "Detained Cases – Immigration Court," is technically a new measure because the pool of cases has changed from previous years. The pool of cases in previous years was based only on detained cases that did not have applications for relief submitted by the alien and the timeframe was 30 days. Beginning in FY 2010, the new pool of cases is based on all detained cases and the timeframe within 60 days.</p>				

Note: TBD – Data were not yet available as of the date of this document; however, the discussion below the measure indicates when data will be available.



## Analysis of Systems, Controls, and Legal Compliance

### Internal Control Program in the Department of Justice

The objective of the Department of Justice's internal control program is to provide reasonable assurance that operations are effective, efficient, and comply with applicable laws and regulations; financial reporting is reliable; and assets are safeguarded against waste, loss, and unauthorized use. The Department identifies issues of concern through a strong network of oversight councils and internal review teams. These include the Department's Senior Assessment Team, the Justice Management Division's Internal Review and Evaluation Office and Quality Control and Compliance Group, and Departmental component internal review teams. The Department also considers reports by the Office of the Inspector General (OIG) in its evaluation of internal control.

The Department's internal control continues to improve through the corrective actions implemented by senior management. The Department's commitment to management excellence, accountability, and compliance with applicable laws and regulations is evidenced in our continuing actions to establish effective controls, make sound determinations on corrective actions, and verify and validate the results. This commitment is further evidenced by the many control improvements and actions taken by Departmental management in response to OMB initiatives and OIG recommendations. For example, during FY 2010, in response to the OMB *Open Government Directive – Framework for the Quality of Federal Spending Information*, Departmental management developed a framework with details of the internal controls implemented over information quality, including system and process changes, and the integration of these controls within the Department's existing infrastructure. The framework reflects the coordinated efforts that are occurring among Departmental components and offices to ensure effective implementation of the principles of transparency, participation, and collaboration set forth in the President's January 2009 Memorandum on Transparency and Open Government. In addition, Departmental management continued in FY 2010 to further strengthen and maximize the effectiveness of the Department's assessment of internal control over financial reporting, which is required by Appendix A of OMB Circular A-123. Examples of such efforts include:

- refining the framework and process for assessing internal control over financial reporting,
- enhancing the oversight process to ensure prompt and proper implementation of corrective actions,
- providing direct assistance to components with previously identified material weaknesses and reportable conditions, and
- continuing to support and commit resources to Departmental component internal review programs.

Details on additional actions taken by Departmental management to build and sustain a strong internal control program are included later in this section.

## Management Assurances

### Federal Managers' Financial Integrity Act of 1982

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

Guidance for implementing the Integrity Act is provided through OMB Circular A-123. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial systems requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting.

### FMFIA Assurance Statement

Department of Justice 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, the Department conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations and compliance with applicable laws and regulations (FMFIA § 2) and whether financial management systems conform to government-wide requirements (FMFIA § 4). Based on the results of the assessment for the period ending September 30, 2010, I provide qualified assurance that the Department met the objectives of the FMFIA. The assessment did not identify any systems non-conformances required to be reported under FMFIA § 4; however, the assessment identified one programmatic material weakness required to be reported under FMFIA § 2. This weakness involves the need to reduce the Federal Bureau of Prisons (BOP) crowding rate, currently at 37 percent over the rated capacity. Details of the exception are provided in the section *Summary of Material Weakness and Corrective Actions*. Other than the exception noted, the internal controls were operating effectively, and no other material weakness was found in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment for the period ending June 30, 2010, I provide reasonable assurance that the Department's internal control over financial reporting was operating effectively, and no material weaknesses were found in the design or operation of the controls.

The Department of Justice is committed to maintaining strong program and financial management as we continue our mission of fighting terrorism and protecting our communities from crime. We take our program and financial accountability seriously and are dedicated to ensuring that funds received are expended responsibly and in a transparent manner. We look forward in FY 2011 to building on our achievements to further improve internal control as we continue the important work of the Department.



Eric H. Holder, Jr.  
Attorney General  
November 9, 2010

## **Federal Financial Management Improvement Act of 1996**

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

### **FFMIA Compliance Determination**

During FY 2010, the Department assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with the FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to issues identified during the Department's financial statement audit. A summary of the Department's compliance with the specific requirements of the FFMIA is provided at the end of this sub-section.

### **Financial Systems Strategy, Goals, and Framework**

The Department's financial management systems strategy is to ultimately replace the six major non-integrated accounting systems currently in use throughout the Department with a single, integrated financial management system that delivers standard, core accounting processes, as well as the data needed for effective financial and budget management. In FYs 2009 and 2010, the Department made measurable progress in implementing the integrated system – the Unified Financial Management System (UFMS). In FY 2009, the DEA successfully migrated to UFMS and, importantly, obtained an unqualified audit opinion on its financial statements produced from UFMS. As expected, the DEA project was a large, complex, and difficult migration, but one that helped to lay the foundation for the migration of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), which is set for the first quarter of FY 2011, and the migration of other Departmental components in the future pending the outcome of a systems review being conducted by OMB in accordance with M-10-26. UFMS implementation goals, such as the FY 2011 ATF migration, are based on and aligned with operational risks and requirements.

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

As required, the Department has compiled the current inventory of baseline financial management and mixed systems and will submit it separately to OMB through the General Services Administration.

## Summary of Financial Statement Audit and Management Assurances

The following two tables summarize the results of the Department’s financial statement audit and management assurances regarding the effectiveness of internal control over programmatic operations and financial reporting (FMFIA § 2), conformance with financial management systems requirements (FMFIA § 4), and compliance with the FFMIA. As noted in Table 4, sufficient progress was made in FY 2010 to remediate internal control deficiencies related to the Federal Bureau of Investigation’s previously reported material weakness related to the use of national security letters, and the issue is no longer considered a material weakness.

**Table 3. Summary of Financial Statement Audit**

<b>Financial Statement Audit Opinion and Material Weaknesses</b>					
<b>Audit Opinion</b>	Unqualified				
<b>Restatement</b>	No				
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
None	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 4. Summary of Management Assurances**

<b>Effectiveness of Internal Control over Programmatic Operations (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	Qualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Prison Crowding	1	0	0	0	0	1
Federal Bureau of Investigation Use of National Security Letters	1	0	1	0	0	0
<b>Total Material Weaknesses</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	Unqualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
None	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Conformance with the Financial Management Systems Requirements (FMFIA § 4)</b>						
<b>Statement of Assurance</b>	Systems Conform					
<b>Non-conformances</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
None	0	0	0	0	0	0
<b>Total Non-conformances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>						
<b>Overall Substantial Compliance</b>	<b>Agency</b>			<b>Auditor</b>		
	Yes			Yes		
<b>Compliance with Specific Requirements</b>						
<b>Systems Requirements</b>	Yes					
<b>Accounting Standards</b>	Yes					
<b>USSGL at Transaction Level</b>	Yes					

## Summary of Material Weakness and Corrective Actions

A summary of the material weakness identified in the Department's FY 2010 assessment of the effectiveness of internal control over programmatic operations (FMFIA § 2) follows, along with details regarding corrective actions. The associated Corrective Action Plan is available in Section IV of this document.

### Programmatic Material Weakness and Corrective Actions – Prison Crowding

As of September 30, 2010, the inmate population housed in BOP operated institutions exceeded the rated housing capacity by 37 percent. The BOP's Long Range Capacity Plan relies on multiple approaches to house the increasing federal inmate population, such as contracting with the private sector and state and local facilities for certain groups of low-security inmates; expanding existing institutions where infrastructure permits, programmatically appropriate, and cost effective to do so; and acquiring and constructing new facilities as funding permits. The Long Range Capacity Plan details the acquisition, expansion, and construction necessary to maximize the BOP's ability to keep pace with the increasing inmate population, thereby striving to maintain safe and secure operations in facilities housing federal inmates.

To address this material weakness, the BOP will continue implementing its Long Range Capacity Plan, making enhancements and modifications to the plan, as needed, commensurate with funding. The formal Corrective Action Plan includes utilizing contract facilities, expanding existing institutions, and acquiring and constructing new institutions as funding permits. The BOP will continue to validate progress on construction projects at new and existing facilities through on-site inspections or by reviewing monthly construction progress reports.

The Department's corrective action efforts are not limited to the BOP alone. The Department has begun considering an innovative array of crime prevention, sentencing, and corrections management improvements that will focus on accountability and rehabilitation, while protecting public safety. The Department recognizes that the BOP's capacity management efforts must be teamed with targeted programs that are proven to reduce recidivism and promote effective re-entry.

This material weakness was first reported in 2006. Remediation of the weakness through increasing prison capacity is largely dependent on funding, while other correctional reforms and alternatives may require policy and/or statutory changes. Other initiatives notwithstanding, if the acquisition, expansion, and construction plans detailed in the BOP's Long Range Capacity Plan are funded as proposed, the over-crowding rate for FY 2014 is projected to be 38 percent. Without the utilization of contract facilities and the BOP's other mitigating actions, the projected over-crowding rate would be 45 percent.

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

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

### Technology

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

### Economy

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

### Government

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

### Globalization

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

### Social-Demographic

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

### American Recovery and Reinvestment Act

- The Department received \$4.0 billion in funding for programs, under the American Recovery and Reinvestment Act of 2009. In addition, \$2.0 million was provided for the Department's Office of the Inspector General oversight activities related to Recovery Act funding. The Department is fully committed to ensuring that the funds received are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Act.
- Additional information regarding the Department's Recovery Act activities can be found on: <http://www.justice.gov/recovery/>; government-wide Recovery Act information can also be found on: <http://www.recovery.gov/Pages/home.aspx>.

- The following table summarizes appropriations, obligations, and outlays by component, as of September 30, 2010:

(Dollars in Thousands)

<b>Component</b>	<b>Appropriation Amount</b>	<b>Obligations</b>	<b>Outlays</b>
OJP	\$2,761,930	\$2,761,464	\$1,916,510
OVW	\$225,564	\$223,384	\$71,218
COPS	\$1,002,506	\$1,002,264	\$140,730
ATF	\$10,000	\$9,973	\$7,932
<b>DOJ Total*</b>	<b>\$4,000,000</b>	<b>\$3,997,085</b>	<b>\$2,136,391**</b>

\*Excludes \$2 million in funding for OIG oversight.

\*\*Individual component outlays do not sum to total outlays due to rounding

### **Unpredictable**

- Overseas Contingency Operations require continual adjustments to new conditions. The Department is determined to proactively confront new challenges in its efforts to protect the Nation.
- Responses to unanticipated natural disasters and their aftermath require the Department to divert resources to deter, investigate, and prosecute disaster-related federal crimes, such as charity fraud, insurance fraud and other crimes.
- Changes in federal laws may affect responsibilities and workload.
- Much of the litigation caseload is defensive. The Department has little control over the number, size, and complexity of the civil lawsuits it must defend.

## **Limitations of the Financial Statements**

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

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

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



**Independent Auditors' Reports**

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KPMG LLP  
2001 M Street, NW  
Washington, DC 20036-3389

## Independent Auditors' Report on Financial Statements

Inspector General  
U.S. Department of Justice

United States Attorney General  
U.S. Department of Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice (Department) as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended. These consolidated financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the following components of the Department: the U.S. Marshals Service (USMS); the Federal Prison Industries, Inc. (FPI); and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), which statements reflect total assets of \$2.4 billion and total net costs of \$2.8 billion, as of and for the year ended September 30, 2010. Additionally, we did not audit the financial statements of the USMS, which statements reflect total assets of \$945.7 million and total net costs of \$1.3 billion as of and for the year ended September 30, 2009. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those components, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice as of September 30, 2010 and 2009, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with U.S. generally accepted accounting principles.



Independent Auditors' Report on Financial Statements  
Page 2

As discussed in Note 26 to the consolidated financial statements, the Department changed its method of accounting for temporary rescissions of budgetary authority in fiscal year 2010.

The information in the *Management's Discussion and Analysis* and *Required Supplementary Stewardship Information* sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we and the other auditors did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating and combining information in the *Consolidating and Combining Financial Statements* section is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net costs, changes in net position, budgetary resources, and custodial activity of the Department's components individually. The consolidating and combining information has been subjected to the auditing procedures applied by us and the other auditors in the audits of the consolidated financial statements and, in our opinion, based on our audits and the reports of the other auditors, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The information in the *Introduction, FY 2010 Performance Report, Management Section, and Appendices* is presented for purposes of additional analysis and is not required as part of the consolidated financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audits of the consolidated financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 9, 2010, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 9, 2010



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2001 M Street, NW  
Washington, DC 20036-3389

## Independent Auditors' Report on Internal Control over Financial Reporting

Inspector General  
U.S. Department of Justice

United States Attorney General  
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice (Department) as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 9, 2010. We did not audit the financial statements of the following components of the Department: the U.S. Marshals Service (USMS); the Federal Prison Industries, Inc. (FPI); and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) as of and for the year ended September 30, 2010. Additionally, we did not audit the financial statements of the USMS as of and for the year ended September 30, 2009. Those financial statements were audited by other auditors whose reports have been furnished to us, and our report, insofar as it related to the amounts included for those components, was based solely on the reports of the other auditors. As discussed in Note 26 to the consolidated financial statements, the Department changed its method of accounting for temporary rescissions of budgetary authority in fiscal year 2010.

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

As stated above, we did not audit the fiscal year 2010 financial statements of the USMS, FPI, and ATF. Those financial statements were audited by other auditors whose reports thereon, including the other auditors' *Independent Auditors' Report on Internal Control over Financial Reporting*, have been furnished to us. Accordingly, our report on the Department's internal control over financial reporting, insofar as it relates to those components, is based solely on the reports and findings of the other auditors.

The Department's management is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2010 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on



Independent Auditors' Report on Internal Control over Financial Reporting  
Page 2

the effectiveness of the Department's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the fourth paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not, nor did the reports of the other auditors, identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses for the Department, as defined above. However, we noted, and the reports of the other auditors identified, a deficiency in internal control over financial reporting described in Exhibits I and II that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Exhibit I is an overview of the significant deficiencies identified in the Department's component auditors' *Independent Auditors' Reports on Internal Control over Financial Reporting*, and includes an explanation of how these component-level significant deficiencies are reported at the Department level. Exhibit II provides the details of the Department-wide significant deficiency. Exhibit III presents the status of prior years' findings and recommendations.

The Department's responses to the finding identified in our audit are presented in Exhibit II. We did not audit the Department's responses and, accordingly, we express no opinion on them.

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

KPMG LLP

November 9, 2010

**EXHIBIT I**

**OVERVIEW OF SIGNIFICANT DEFICIENCY**

The following table summarizes the four significant deficiencies identified by the Department's component auditors during fiscal year 2010. The component auditors considered one of these significant deficiencies to be a material weakness. We analyzed the component-level material weakness and significant deficiencies to determine their effect on the Department's internal control over financial reporting and concluded that they comprise one Department-wide significant deficiency.

Significant Deficiencies Noted During Fiscal Year 2010	D O J	A F F	O B D S	U S M S (1)	O J P	D E A	F B I	A T F (1)	B O P	F P I (1)
Improvements are needed in the Department's component financial systems' general controls.							S			
Improvements are needed in the components' internal controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles.	S	S		M				S		
Total Material Weaknesses Reported by Components' Auditors	FY 2010	1	0	0	1	0	0	0	0	0
	FY 2009	1	0	0	1	0	0	0	0	0
Total Significant Deficiencies Reported by Components' Auditors	FY 2010	3	1	0	0	0	0	1	1	0
	FY 2009	7	1	1	1	1	1	0	0	1

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

Legend:

<sup>(1)</sup> The financial statements of the ATF and the FPI were audited by other auditors in FY 2010, and those of the USMS were audited by other auditors in FYs 2010 and 2009.

M – Material weakness  
S – Significant deficiency

In Exhibit II we discuss in detail the Department-wide significant deficiency noted above.

**SIGNIFICANT DEFICIENCY**

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**IMPROVEMENTS ARE NEEDED IN THE COMPONENTS' INTERNAL CONTROLS TO PROVIDE REASONABLE ASSURANCE THAT TRANSACTIONS ARE PROPERLY RECORDED, PROCESSED, AND SUMMARIZED TO PERMIT THE PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.**

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The Department and its component entities have made significant progress in addressing previously reported material weaknesses and significant deficiencies. However, three of the component entities' auditors continue to report a material weakness and significant deficiencies in internal controls that inhibit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. As detailed below, further improvement is needed in the following component entities' internal controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

**Funds Management Controls.** The USMS does not have adequate financial and compliance controls to ensure that obligation transactions are executed and recorded in accordance with laws and regulations and the related undelivered orders and accounts payable balances are accurate and complete. The component auditors identified accounting errors and instances of noncompliance with accounting standards, OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, and the United States Standard General Ledger, as follows:

*Undelivered Orders (UDOs).* As a result of their interim and year-end testing, the component auditors identified errors related to the accuracy of undelivered orders balances. Included in the errors identified by the component auditors were: (1) UDOs that were overstated due to the failure to establish an accounts payable upon receipt of the goods or services, (2) UDOs that were found to be invalid due to accounts payable accruals or deobligations not having been recorded after the period of performance had expired, (3) UDOs that were misstated due to the failure to record approved modification increases or deobligations not having been recorded, (4) UDOs that were misstated because the recorded amounts did not agree with the underlying source documents or unsupported because supporting documentation could not be provided, and (5) UDOs that were misstated due to errors having been made in the calculation of accounts payable accruals. As a result of these accounting errors, the USMS's undelivered orders balances were misstated at quarter-end, as follows:

<b>Sample Population</b>	<b>Likely Misstatement</b>
Headquarters and District Offices (March 31, 2010)	\$20.5 million net overstatement
Headquarters (June 30, 2010)	\$861 thousand net understatement
Headquarters and District Offices (September 30, 2010)	\$18.7 million net overstatement



**EXHIBIT II**

*Delivered Orders – Obligations Unpaid (Accounts Payable).* As a result of their interim and year-end testing, the component auditors identified accounting and recordkeeping errors related to the USMS's accounts payable accrual estimates. Included in the errors identified by the component auditors were accounts payable that were incorrect or unsupported due to: (1) the failure to accrue for services received before quarter-end, (2) the accrual methodology failing to take into consideration accruals that were already posted, and (3) lack of supporting documentation. As a result of these accounting errors, the USMS's accounts payable balance was misstated at quarter-end, as follows:

<b>Sample Population</b>	<b>Likely Misstatement</b>
Headquarters and District Offices (March 31, 2010)	\$9.9 million net overstatement
Headquarters (June 30, 2010)	\$6.3 million net understatement
Headquarters and District Offices (September 30, 2010)	\$15.8 million net understatement

*Prisoner Medical Obligations and Accounts Payable.* The component auditors noted that the USMS does not have consistent procedures or policies in place for estimating and recording medical obligations incurred by the district offices. During the fiscal year, the USMS established Medical Services Procedures that were scheduled to be implemented in July 2010 under a pilot program. These procedures were not implemented at the time the component auditors conducted district office site visits during June and July. Based on discussions with district office personnel during the site visits, the component auditors determined that district offices were applying the same inconsistent procedures that the USMS has used in prior years.

*Unauthorized Commitments.* The component auditors noted that the USMS made unauthorized commitments during the fiscal year in connection with projects related to security system monitoring, court security officers, guard services, and prisoner medical services and prescriptions. These unauthorized commitments resulted in 16 contract ratifications totaling \$2.3 million. In addition, 24 ratifications totaling \$2.2 million were in process pending receipt of additional documentation from the program offices. The *Federal Acquisition Regulation* prohibits agencies from entering into contracts unless the contracting officer ensures that all requirements of law, executive orders, regulations, and other applicable procedures have been satisfied. Unauthorized commitments could result in Anti-Deficiency Act violations or other funds management concerns if sufficient funds are not available to cover the unauthorized commitments.

**Undelivered Orders and Accounts Payable.** ATF's internal controls need improvement to ensure that undelivered orders are valid, accounts payable transactions are calculated correctly, and related account balances are accurate and complete. The component auditors noted that ATF personnel are not adequately reviewing and approving transactions before posting them to the general ledger, validating posted results to ensure data accuracy, or monitoring undelivered orders to determine their validity.

As a result of their interim and year-end testing of undelivered orders and accounts payable balances, the component auditors identified accounting errors and instances of noncompliance with accounting standards, OMB Circular No. A-11, and the United States Standard General Ledger, including: (1) UDOs that were misstated because accruals were calculated improperly, in duplicate, or not at all, (2) capital lease-related UDOs that were overstated because the amount related to the capital lease liability should have been classified as a budgetary accounts payable, (3) capital lease-related accounts payable that were overstated because "receivers" were posted in the accounting system, creating accounts payable that duplicated the capital lease liability that had already been recorded, and (4) UDOs and accounts payable that were incorrectly recorded because vendor accruals were calculated incorrectly.

**EXHIBIT II**

As a result of these accounting errors, ATF's undelivered orders and accounts payable balances were misstated at quarter-end, as follows:

<b>Sample Population</b>	<b>Likely Misstatement</b>
March 31, 2010	Undelivered Orders - \$2.0 million net overstatement Accounts Payable - \$550 thousand net overstatement
June 30, 2010	Undelivered Orders - \$4.3 million net overstatement Accounts Payable - \$7 thousand net overstatement
September 30, 2010	Undelivered Orders - \$404 thousand understatement Accounts Payable - \$2.6 million overstatement

**Seized and Forfeited Property.** The component auditors noted that the AFF's internal controls are in need of improvement with respect to the: (1) status and valuation of seized and forfeited assets, and (2) deletion of property records from the asset tracking system, as described below.

*Internal Controls Related to Status and Valuation.* In conducting interim and year-end tests of transactions recorded in the Consolidated Asset Tracking System (CATS), the component auditors identified various valuation and classification errors, including: (1) forfeited property items that were either misclassified or improperly valued, (2) seized property items that were either misclassified or improperly valued, and (3) FIRE assets that were improperly included in the seized asset footnote item count and dollar value disclosures (FIRE assets are assets that have been Frozen, Indicted, Restrained, or Encumbered as part of a federal investigation and are entered into CATS upon receipt of an indictment or temporary restraining order but have not yet been seized by the investigative agency).

As a result of the valuation and classification errors noted above, the seized and forfeited property balances were misstated as follows:

<b>Sample Area</b>	<b>Likely Misstatement</b>
June 30, 2010	
Seized property (cash and monetary instruments)	\$2.3 million net overstatement
Seized property (non-cash)	\$9.9 million net overstatement
August 31, 2010	
Forfeited property	\$6.8 million net overstatement
Seized property (non-cash)	\$7.9 million net overstatement
September 30, 2010	
Seized property (non-cash)	\$5.9 million net overstatement

*Internal Controls Related to the Deletion of Records from CATS.* In conducting tests related to the deletion of property records from CATS, the component auditors noted that 8 out of 80 records were not supported by evidence of authorization prior to their removal from CATS. If not properly authorized, such deletions could result in misstatements in the notes to the AFF's financial statements. In the cases at hand, there was no financial statement (footnote) effect because valid explanations were provided; however, these explanations were not supported by documentation authorizing the deletion of the records from CATS.

**EXHIBIT II**

**Recommendations:**

**We recommend the Department:**

1. Monitor the corrective actions taken by the USMS to improve the condition of its funds management controls, in response to the specific recommendations made in the component auditor's *Independent Auditors' Report on Internal Control over Financial Reporting* issued in connection with the audit of the USMS's financial statements as of and for the year ended September 30, 2010. (*Updated*)

**Management Response:**

DOJ management concurs. The Justice Management Division will continue to work with the USMS to document and improve processes related to external reporting to include continued evaluation of their business processes and financial activities associated with accounts payable and undelivered orders. In FY 2011, the USMS' Office of the Chief Financial Officer will continue to coordinate with relevant offices, external and internal, to ensure that advance reconciliations and analyses are performed at least quarterly and discrepancies resolved timely. The Audit Coordination and Remediation (ACR) team will continue to serve as an audit liaison, recommend and implement improvements in the funds management process, and advises the OCFO on remediation strategies. The USMS will continue its training efforts in FY 2011 to ensure staff and contractors understand their responsibilities for timely recording of obligations.

2. Assess the adequacy of the Department's accounting, internal control, and financial reporting policies in the areas of: (1) seized and forfeited property, and (2) undelivered orders/accounts payable. Based on the results of this assessment, determine the need to issue new guidance and/or reiterate to the AFF and ATF the existing policies for those areas in which the components' auditors identified significant deficiencies related to the recording of transactions and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Monitor the AFF's and ATF's adherence to the Department's accounting and financial reporting policies and procedures throughout the year. (*Updated*)

**Management Response:**

DOJ management concurs. AFF will continue to work closely with asset forfeiture components to strengthen data entry and period end closing procedures to ensure that property and accounting systems reflect accurate information. In addition, data quality control teams will be used to help validate and review the accuracy of the entries. ATF is establishing stronger oversight to validate and review accounts payable, obligation, and deobligation transactions. Specifically, ATF is enhancing financial management policies and procedures to address the above finding and reiterate all transaction review and documentation requirements.

3. Continue efforts to implement a Department-wide integrated financial management system that is in compliance with the United States Government Standard General Ledger, conforms to the financial management system requirements established by OMB Circular A-127, *Financial Management Systems*, and can accommodate the requirements of applicable federal accounting standards. (*Updated*)

**Management Response:**

DOJ management concurs. The UFMS initiative is a keystone to the Department's financial systems improvement planning for the future. UFMS is replacing the Department's multiple core financial

**EXHIBIT II**

management and procurement systems with an integrated Commercial-Off-The-Shelf (COTS) solution, Momentum, provided by CGI, Federal Inc. Implementation of the UFMS will improve financial management and procurement operations through streamlining and standardizing business processes and procedures across all components. As of September 2010, UFMS supported more than 2,000 users worldwide, including the DEA (fully implemented), BOP (UFMS Acquisitions), Marshals Service (UFMS Acquisitions), and Asset Forfeiture Program (pilot program). October 2010 the ATF went live on schedule and within budget with a full UFMS implementation. JMD and DOJ senior leadership meets on a regular basis to discuss and address the challenges and risks associated with the implementation of the UFMS across the Department (excluding FPI).

**EXHIBIT III**

**STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS**

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, and by OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended, we have reviewed the status of prior years' findings and recommendations. The following table provides our assessment of the progress DOJ has made in correcting the previously identified significant deficiencies. We also provide the Office of the Inspector General report number where the deficiency was reported, our recommendation for improvement, and the status of the recommendation as of the end of fiscal year 2010:

<b>Report</b>	<b>Significant Deficiency</b>	<b>Recommendation</b>	<b>Status</b>
Annual Financial Statement Fiscal Year 2007 Report No. 08-01	Improvements are needed in the components' internal controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles	<b>Recommendation No. 5:</b> Continue efforts to implement a Department-wide integrated financial management system that is in compliance with the United States Government Standard General Ledger, conforms to the financial management systems requirements established by the Financial Systems Integration Office (formerly the Joint Financial Management Improvement Program), and can accommodate the requirements of applicable Federal accounting standards.	In Process (Updated by Fiscal Year 2010 Recommendation No. 3)
Annual Financial Statement Fiscal Year 2009 Report No. 10-05	Improvements are needed in the Department's component financial management systems' general and application controls	<b>Recommendation No. 1:</b> Require the components to submit and implement corrective action plans that address the weaknesses identified above. The corrective action plans should focus on correcting the deficiencies in access controls and configuration management discussed in the component auditors' <i>Independent Auditors' Reports on Internal Control over Financial Reporting</i> , to the extent that the significant deficiencies had not been remediated prior to the end of the fiscal year. The corrective action plans should also include a timeline that establishes when major events must be completed. The Department's CIO should monitor the components' efforts to correct deficiencies, hold them accountable for meeting the action plan timelines, and ensure the corrective actions are implemented adequately to address the noted deficiencies.	Completed*

**EXHIBIT III**

Report	Significant Deficiency	Recommendation	Status
Annual Financial Statement Fiscal Year 2009 Report No. 10-05	Improvements are needed in the components' internal controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles	<b>Recommendation No. 2:</b> Monitor the corrective actions taken by the USMS to improve the condition of its funds management controls, in response to the specific recommendations made in the component auditor's <i>Independent Auditors' Report on Internal Control over Financial Reporting</i> issued in connection with the audit of the USMS's financial statements as of and for the year ended September 30, 2009.	In Process (Updated by Fiscal Year 2010 Recommendation No. 1)
		<b>Recommendation No. 3:</b> Assess the adequacy of the Department's accounting, internal control, and financial reporting policies in the areas of: (1) seized and forfeited property, (2) budgetary upward and downward adjustments, (3) deobligation of funds, (4) inventory controls, and (5) consideration of economic factors in the funding analysis journal entry process. Based on the results of this assessment, determine the need to issue new guidance and/or reiterate to components the existing policies for those areas in which the components' auditors identified significant deficiencies related to the recording of transactions and the preparation of financial statements in accordance with generally accepted accounting principles. Monitor the components' adherence to the Department's accounting and financial reporting policies and procedures throughout the year.	In Process (Updated by Fiscal Year 2010 Recommendation No. 2)

*\*Sufficient progress has been made in addressing this finding and the related recommendation such that the remaining risk of misstatement is inconsequential. Therefore, the condition has been downgraded to a control deficiency.*



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## Independent Auditors' Report on Compliance and Other Matters

Inspector General  
U.S. Department of Justice

United States Attorney General  
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice (Department) as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources and custodial activity (hereinafter referred to as the "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 9, 2010. We did not audit the financial statements of the following components of the Department: the U.S. Marshals Service (USMS); the Federal Prison Industries, Inc. (FPI); and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) as of and for the year ended September 30, 2010. Additionally, we did not audit the financial statements of the USMS as of and for the year ended September 30, 2009. Those financial statements were audited by other auditors whose reports have been furnished to us, and our report, insofar as it related to the amounts included for those components, was based solely on the reports of the other auditors. As discussed in Note 26 to the consolidated financial statements, the Department changed its method of accounting for temporary rescissions of budgetary authority in fiscal year 2010.

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

As stated above, we did not audit the fiscal year 2010 financial statements of the USMS, FPI, and ATF. Those financial statements were audited by other auditors whose reports thereon, including the other auditors' *Independent Auditors' Report on Compliance and Other Matters*, have been furnished to us. Accordingly, our report on the Department's compliance and other matters, insofar as it relates to those components, is based solely on the reports and findings of the other auditors.

The management of the Department is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Department. As part of obtaining reasonable assurance about whether the Department's fiscal year 2010 consolidated financial statements are free of material misstatement, we and the other auditors performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in



Independent Auditors' Report on Compliance and Other Matters  
Page 2

Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). We and the other auditors limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. 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 and the other auditors' tests of compliance described in the preceding paragraph, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our and the other auditors' tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management system requirements, (2) applicable Federal accounting standards, and (3) application of the United States Government Standard General Ledger at the transaction level.

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

KPMG LLP

November 9, 2010



**Principal Financial Statements  
and Related Notes**

**See Independent Auditors' Report on Financial Statements**

**U. S. Department of Justice**  
**Consolidated Balance Sheets**  
**As of September 30, 2010 and 2009**

Dollars in Thousands	2010	2009
<b>ASSETS (Note 2)</b>		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	\$ 23,596,587	\$ 20,857,015
Investments, Net (Note 5)	4,061,733	3,842,785
Accounts Receivable, Net (Note 6)	302,310	326,410
Other Assets (Note 10)	122,664	130,988
Total Intragovernmental	<u>28,083,294</u>	<u>25,157,198</u>
Cash and Monetary Assets (Note 4)	245,283	229,794
Accounts Receivable, Net (Note 6)	87,260	79,824
Inventory and Related Property, Net (Note 7)	237,347	298,701
Forfeited Property, Net (Note 8)	189,122	226,843
General Property, Plant and Equipment, Net (Note 9)	9,741,154	9,215,026
Advances and Prepayments	1,501,404	1,415,521
Other Assets (Note 10)	5,826	4,921
<b>Total Assets</b>	<b><u>\$ 40,090,690</u></b>	<b><u>\$ 36,627,828</u></b>
<b>LIABILITIES (Note 11)</b>		
Intragovernmental		
Accounts Payable	\$ 273,619	\$ 309,072
Accrued Federal Employees' Compensation Act Liabilities	243,446	236,258
Custodial Liabilities (Note 22)	331,172	136,106
Other Liabilities (Note 15)	958,914	545,205
Total Intragovernmental	<u>1,807,151</u>	<u>1,226,641</u>
Accounts Payable	2,520,022	2,253,013
Accrued Grant Liabilities	530,823	431,219
Actuarial Federal Employees' Compensation Act Liabilities	1,314,105	1,233,899
Accrued Payroll and Benefits	594,981	522,704
Accrued Annual and Compensatory Leave Liabilities	826,881	782,177
Environmental and Disposal Liabilities (Note 12)	71,657	22,316
Deferred Revenue	502,119	498,308
Seized Cash and Monetary Instruments (Note 14)	1,470,383	1,491,660
Contingent Liabilities (Note 16)	101,760	172,653
Capital Lease Liabilities (Note 13)	33,649	42,221
Radiation Exposure Compensation Act Liabilities	541,784	343,835
Other Liabilities (Note 15)	259,822	175,865
<b>Total Liabilities</b>	<b><u>\$ 10,575,137</u></b>	<b><u>\$ 9,196,511</u></b>
<b>NET POSITION</b>		
Unexpended Appropriations - Earmarked Funds (Note 17)	\$ 19,585	\$ 22,207
Unexpended Appropriations - All Other Funds	13,791,272	13,902,525
Cumulative Results of Operations - Earmarked Funds (Note 17)	7,636,045	5,631,023
Cumulative Results of Operations - All Other Funds	8,068,651	7,875,562
<b>Total Net Position</b>	<b><u>\$ 29,515,553</u></b>	<b><u>\$ 27,431,317</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 40,090,690</u></b>	<b><u>\$ 36,627,828</u></b>

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

**U. S. Department of Justice**  
**Consolidated Statements of Net Cost**  
**For the Fiscal Years Ended September 30, 2010 and 2009**

**Dollars in Thousands**

FY	Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 18)	
	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total		
<b>Goal 1</b>	<b>2010</b>	\$ 1,358,260	\$ 4,187,272	\$ 5,545,532	\$ 474,421	\$ 32,042	\$ 506,463	\$ 5,039,069
	<b>2009</b>	\$ 1,133,358	\$ 3,392,193	\$ 4,525,551	\$ 533,229	\$ 26,729	\$ 559,958	\$ 3,965,593
<b>Goal 2</b>	<b>2010</b>	3,464,016	13,201,427	16,665,443	751,806	736,287	1,488,093	15,177,350
	<b>2009</b>	3,482,029	11,395,987	14,878,016	769,559	620,025	1,389,584	13,488,432
<b>Goal 3</b>	<b>2010</b>	2,113,376	10,436,797	12,550,173	801,044	480,246	1,281,290	11,268,883
	<b>2009</b>	1,969,386	9,901,438	11,870,824	921,473	443,580	1,365,053	10,505,771
<b>Total</b>	<b>2010</b>	<u>\$ 6,935,652</u>	<u>\$ 27,825,496</u>	<u>\$ 34,761,148</u>	<u>\$ 2,027,271</u>	<u>\$ 1,248,575</u>	<u>\$ 3,275,846</u>	<u>\$ 31,485,302</u>
	<b>2009</b>	<u>\$ 6,584,773</u>	<u>\$ 24,689,618</u>	<u>\$ 31,274,391</u>	<u>\$ 2,224,261</u>	<u>\$ 1,090,334</u>	<u>\$ 3,314,595</u>	<u>\$ 27,959,796</u>

Goal 1: Prevent Terrorism and Promote the Nation's Security

Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People

Goal 3: Ensure the Fair and Efficient Administration of Justice

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

**U. S. Department of Justice**  
**Consolidated Statements of Changes in Net Position**  
**For the Fiscal Year Ended September 30, 2010**

**Dollars in Thousands**

	2010			
	Earmarked Funds	All Other Funds	Eliminations	Total
<b>Unexpended Appropriations</b>				
<b>Beginning Balances</b>	\$ 22,207	\$ 13,902,525	\$ -	\$ 13,924,732
<b>Budgetary Financing Sources</b>				
Appropriations Received	90,312	28,251,841	-	28,342,153
Appropriations Transferred-In/Out	-	510,516	-	510,516
Other Adjustments	(9,001)	(144,750)	-	(153,751)
Appropriations Used	(83,933)	(28,728,860)	-	(28,812,793)
<b>Total Budgetary Financing Sources</b>	<b>(2,622)</b>	<b>(111,253)</b>	<b>-</b>	<b>(113,875)</b>
<b>Unexpended Appropriations</b>	<b>\$ 19,585</b>	<b>\$ 13,791,272</b>	<b>\$ -</b>	<b>\$ 13,810,857</b>
<b>Cumulative Results of Operations</b>				
<b>Beginning Balances</b>	\$ 5,631,023	\$ 7,875,562	\$ -	\$ 13,506,585
<b>Adjustments (Note 26)</b>				
Changes in Accounting Principles	-	(46,588)	-	(46,588)
<b>Beginning Balances, as Adjusted</b>	<b>5,631,023</b>	<b>7,828,974</b>	<b>-</b>	<b>13,459,997</b>
<b>Budgetary Financing Sources</b>				
Appropriations Used	83,933	28,728,860	-	28,812,793
Nonexchange Revenues	2,366,521	932	-	2,367,453
Donations and Forfeitures of Cash and Cash Equivalents	1,502,466	-	-	1,502,466
Transfers-In/Out Without Reimbursement	-	75,097	-	75,097
<b>Other Financing Sources</b>				
Donations and Forfeitures of Property	70,864	340	-	71,204
Transfers-In/Out Without Reimbursement	(31,173)	29,284	-	(1,889)
Imputed Financing from Costs Absorbed by Others (Note 19)	12,161	918,164	(27,448)	902,877
<b>Total Financing Sources</b>	<b>4,004,772</b>	<b>29,752,677</b>	<b>(27,448)</b>	<b>33,730,001</b>
<b>Net Cost of Operations</b>	<b>(1,999,750)</b>	<b>(29,513,000)</b>	<b>27,448</b>	<b>(31,485,302)</b>
<b>Net Change</b>	2,005,022	239,677	-	2,244,699
<b>Cumulative Results of Operations</b>	<b>\$ 7,636,045</b>	<b>\$ 8,068,651</b>	<b>\$ -</b>	<b>\$ 15,704,696</b>
<b>Net Position</b>	<b>\$ 7,655,630</b>	<b>\$ 21,859,923</b>	<b>\$ -</b>	<b>\$ 29,515,553</b>

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

**U. S. Department of Justice**  
**Consolidated Statements of Changes in Net Position**  
**For the Fiscal Year Ended September 30, 2009**

**Dollars in Thousands**

	2009			
	Earmarked Funds	All Other Funds	Eliminations	Total
<b>Unexpended Appropriations</b>				
<b>Beginning Balances</b>	\$ 44,902	\$ 9,169,075	\$ -	\$ 9,213,977
<b>Budgetary Financing Sources</b>				
Appropriations Received	125,076	30,327,827	-	30,452,903
Appropriations Transferred-In/Out	-	535,342	-	535,342
Other Adjustments	-	(231,068)	-	(231,068)
Appropriations Used	(147,771)	(25,898,651)	-	(26,046,422)
<b>Total Budgetary Financing Sources</b>	<b>(22,695)</b>	<b>4,733,450</b>	<b>-</b>	<b>4,710,755</b>
<b>Unexpended Appropriations</b>	<b>\$ 22,207</b>	<b>\$ 13,902,525</b>	<b>\$ -</b>	<b>\$ 13,924,732</b>
<b>Cumulative Results of Operations</b>				
<b>Beginning Balances</b>	\$ 4,052,221	\$ 7,462,291	\$ -	\$ 11,514,512
<b>Budgetary Financing Sources</b>				
Appropriations Used	147,771	25,898,651	-	26,046,422
Nonexchange Revenues	1,756,595	1,171	-	1,757,766
Donations and Forfeitures of Cash and Cash Equivalents	1,376,423	-	-	1,376,423
Transfers-In/Out Without Reimbursement	-	89,948	-	89,948
Other Budgetary Financing Sources	-	(100,000)	-	(100,000)
<b>Other Financing Sources</b>				
Donations and Forfeitures of Property	68,145	68	-	68,213
Transfers-In/Out Without Reimbursement	(42,202)	51,599	-	9,397
Imputed Financing from Costs Absorbed by Others (Note 19)	10,573	721,476	(28,349)	703,700
<b>Total Financing Sources</b>	<b>3,317,305</b>	<b>26,662,913</b>	<b>(28,349)</b>	<b>29,951,869</b>
<b>Net Cost of Operations</b>	<b>(1,738,503)</b>	<b>(26,249,642)</b>	<b>28,349</b>	<b>(27,959,796)</b>
<b>Net Change</b>	1,578,802	413,271	-	1,992,073
<b>Cumulative Results of Operations</b>	<b>\$ 5,631,023</b>	<b>\$ 7,875,562</b>	<b>\$ -</b>	<b>\$ 13,506,585</b>
<b>Net Position</b>	<b>\$ 5,653,230</b>	<b>\$ 21,778,087</b>	<b>\$ -</b>	<b>\$ 27,431,317</b>

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

**U. S. Department of Justice**  
**Combined Statements of Budgetary Resources**  
**For the Fiscal Years Ended September 30, 2010 and 2009**

<b>Dollars in Thousands</b>	<b>2010</b>	<b>2009</b>
<b>Budgetary Resources</b>		
Unobligated Balance, Net, Brought Forward, October 1	\$ 4,046,852	\$ 3,549,862
Recoveries of Prior Year Unpaid Obligations	766,846	956,534
Budget Authority		
Appropriations Received	32,769,570	34,394,369
Spending Authority from Offsetting Collections		
Earned		
Collected	7,071,984	6,833,760
Change in Receivables from Federal Sources	(133,650)	121,266
Change in Unfilled Customer Orders		
Advance Received	(46,906)	(245,721)
Without Advance from Federal Sources	(31,324)	(32,542)
Subtotal Budget Authority	<u>39,629,674</u>	<u>41,071,132</u>
Nonexpenditure Transfers, Net, Anticipated and Actual	585,613	625,290
Temporarily not Available Pursuant to Public Law	(2,041,625)	(1,295,083)
Permanently not Available	<u>(154,303)</u>	<u>(331,080)</u>
<b>Total Budgetary Resources (Note 20)</b>	<b><u>\$ 42,833,057</u></b>	<b><u>\$ 44,576,655</u></b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred		
Direct	\$ 32,257,303	\$ 34,077,757
Reimbursable	<u>6,536,456</u>	<u>6,452,046</u>
Total Obligations Incurred (Note 20)	38,793,759	40,529,803
Unobligated Balance - Available		
Apportioned	2,739,193	2,646,548
Exempt from Apportionment	<u>120,016</u>	<u>101,425</u>
Total Unobligated Balance - Available	2,859,209	2,747,973
Unobligated Balance not Available	<u>1,180,089</u>	<u>1,298,879</u>
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 42,833,057</u></b>	<b><u>\$ 44,576,655</u></b>

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

**U. S. Department of Justice**  
**Combined Statements of Budgetary Resources - Continued**  
**For the Fiscal Years Ended September 30, 2010 and 2009**

<b>Dollars in Thousands</b>	<b>2010</b>	<b>2009</b>
<b>Change in Obligated Balance</b>		
Obligated Balance, Net - Brought Forward, October 1		
Unpaid Obligations	\$ 17,646,368	\$ 13,268,917
Less: Uncollected Customer Payments from Federal Sources	1,918,071	1,829,346
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	<u>15,728,297</u>	<u>11,439,571</u>
Obligations Incurred	38,793,759	40,529,803
Less: Gross Outlays	37,913,953	35,195,818
Less: Recoveries of Prior Year Unpaid Obligations, Actual	766,846	956,534
Change in Uncollected Customer Payments from Federal Sources	164,974	(88,725)
Obligated Balance, Net - End of Period		
Unpaid Obligations	17,759,329	17,646,368
Less: Uncollected Customer Payments from Federal Sources	1,753,098	1,918,071
<b>Total Unpaid Obligated Balance, Net - End of Period</b>	<u><u>\$ 16,006,231</u></u>	<u><u>\$ 15,728,297</u></u>
<b>Net Outlays</b>		
Gross Outlays	\$ 37,913,953	\$ 35,195,818
Less: Offsetting Collections	7,025,077	6,588,035
Less: Distributed Offsetting Receipts (Note 20)	941,368	539,325
<b>Total Net Outlays (Note 20)</b>	<u><u>\$ 29,947,508</u></u>	<u><u>\$ 28,068,458</u></u>

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

**U. S. Department of Justice**  
**Combined Statements of Custodial Activity**  
**For the Fiscal Years Ended September 30, 2010 and 2009**

**Dollars in Thousands**

**Revenue Activity**

**Sources of Cash Collections**

Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	\$ 4,789,655	\$ 2,884,775
Fees and Licenses	28,985	29,224
Fines, Penalties and Restitution Payments - Civil	5,985	44,979
Fines, Penalties and Restitution Payments - Criminal	33,048	22,997
Miscellaneous	704	357
Total Cash Collections	<u>4,858,377</u>	<u>2,982,332</u>

**Accrual Adjustments**

**Total Custodial Revenue**

271	188
<u>4,858,648</u>	<u>2,982,520</u>

**Disposition of Collections**

Transferred to Federal Agencies		
U.S. Department of Agriculture	(84,620)	(92,073)
U.S. Department of Commerce	(1,725)	(771)
U.S. Department of the Interior	(283,244)	(25,059)
U.S. Department of Justice	(510,634)	(123,787)
U.S. Department of Labor	(3,537)	(528)
U.S. Postal Service	(6,762)	(4,435)
U.S. Department of State	(199)	-
U.S. Department of the Treasury	(606,978)	(368,790)
Office of Personnel Management	(46,636)	(19,833)
National Credit Union Administration	-	(470)
Federal Communications Commission	(2,693)	(9,773)
Social Security Administration	(3,558)	(982)
Smithsonian Institution	(209)	(8)
U.S. Department of Veterans Affairs	(35,068)	(28,710)
General Services Administration	(4,008)	(116,631)
Securities and Exchange Commission	(2)	(4)
Federal Deposit Insurance Corporation	(42)	(1,958)
Railroad Retirement Board	(143)	(335)
Tennessee Valley Authority	-	(4,207)
Environmental Protection Agency	(720,010)	(223,334)
U.S. Department of Transportation	(765)	(1,357)
U.S. Department of Homeland Security	(30,872)	(17,169)
Agency for International Development	(2,155)	-
Small Business Administration	(5,360)	(5,332)
U.S. Department of Health and Human Services	(1,528,861)	(1,367,320)
National Aeronautics and Space Administration	(2,859)	(2,957)
Export-Import Bank of the United States	(4,704)	-
U.S. Department of Housing and Urban Development	(25,985)	(18,347)
U.S. Department of Energy	(2,281)	(4,065)
U.S. Department of Education	(63,002)	(18,003)
Independent Agencies	(54,493)	(54,916)
U.S. Department of Defense	(112,640)	(113,023)
Transferred to the Public	(391,304)	(329,816)
(Increase)/Decrease in Amounts Yet to be Transferred	(210,508)	55,568
Refunds and Other Payments	(11,016)	(918)
Retained by the Reporting Entity	<u>(101,775)</u>	<u>(83,177)</u>

**Net Custodial Activity (Note 22)**

<u>\$ -</u>	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.



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

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**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

The American Recovery and Reinvestment Act of 2009 (ARRA) (Public Law 111-5) was signed into law by President Obama on February 17, 2009. As one of its many elements, the Recovery Act provides the Department with funding for grants to assist state, local, and tribal law enforcement (including support for hiring), to combat violence against women, to fight internet crimes against children, to improve the functioning of the criminal justice system, to assist victims of crime, and to support youth mentoring.

These notes are an integral part of the financial statements.

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

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**B. Basis of Presentation**

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

**C. Basis of Consolidation**

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, OBDs, USMS, OJP, DEA, FBI, ATF, BOP, and FPI. All significant proprietary intra-departmental transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2010 and 2009, and as such, intra-departmental transactions have not been eliminated.

**D. Basis of Accounting**

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

Custodial activity reported on the Combined Statement of Custodial Activity is prepared on the modified cash basis. Civil and Criminal Debt Collections are recorded when the Department receives payment from debtors. Accrual adjustments are made related to collections of fees and licenses.

These notes are an integral part of the financial statements.

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

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**D. Basis of Accounting (continued)**

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

**E. Non-Entity Assets**

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

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

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

**G. Investments**

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

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

These notes are an integral part of the financial statements.

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

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**G. Investments (continued)**

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

**H. Accounts Receivable**

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

**I. Inventory and Related Property**

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

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

These notes are an integral part of the financial statements.

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

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**J. General Property, Plant and Equipment**

With the exception of land, real property and leasehold improvements are capitalized when the cost of acquiring and/or improving the asset is \$100 or more and the asset has a useful life of two or more years. Land is capitalized regardless of the acquisition cost. Real property is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset.

Except for BOP and FPI, Department acquisitions of personal property, excluding internal use software, \$25 and over are capitalized if the asset has an estimated useful life of two or more years. Personal property is depreciated, based on historical cost, using the straight-line method over the estimated useful life of the asset. BOP and FPI capitalize personal property acquisitions over \$5.

Internal use software is capitalized when developmental phase costs or enhancement costs are \$500 or more and the asset has an estimated useful life of two or more years. Except for FBI, aircraft are capitalized when the initial cost of acquiring those assets is \$100 or more. FBI capitalizes aircraft over \$25. Internal use software and aircraft are depreciated, based on historical cost, using the straight-line method over the estimated useful life of the asset.

**K. Advances and Prepayments**

Advances and prepayments, classified as assets on the Consolidated Balance Sheets, consist primarily of funds disbursed to grantees in excess of total expenditures made by those grantees to third parties, funds advanced to state and local participants in the DEA Domestic Cannabis Eradication and Suppression Program, and travel advances issued to federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by the employees during official travel. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of payment and are recognized as expenses when the goods and services are received.

**L. Forfeited and Seized Property**

Forfeited property is property for which the title has passed to the U.S. Government. This property is recorded at the estimated fair market value at the time of forfeiture and is not adjusted for any subsequent increases and decreases in estimated fair market value. The value of the property is reduced by the estimated liens of record.

Property is seized in consequence of a violation of public law. Seized property can include monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. Most non-cash property is held by the USMS from the point of seizure until its disposition. This property is recorded at the estimated fair market value at the time of seizure.

These notes are an integral part of the financial statements.

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

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**M. Liabilities**

Liabilities represent the monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 11.

On October 15, 1990, Congress passed the Radiation Exposure Compensation Act (RECA), 42 U.S.C. § 2210 (1990), providing for compassionate payments to individuals who contracted certain cancers and other serious diseases as a result of their exposure to radiation released during above-ground nuclear weapons tests or as a result of their exposure to radiation during employment in underground uranium mines. The September 30, 2010 and 2009 estimated liabilities are based on activity between FYs 2006 - 2010, and management's assumptions concerning receipt and approval of claims in the future.

Key factors in determining liability are the number of claims filed, the number of claims approved, and estimates for these factors through FY 2022. These estimates are then discounted in accordance with the discount rates set by OMB.

**N. Accrued Grant Liabilities**

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

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

**O. Contingencies and Commitments**

The Department is involved in various legal actions, including administrative proceedings, lawsuits, and claims. A liability is generally recognized as an unfunded liability for those legal actions where unfavorable decisions are considered "probable" and an estimate for the liability can be made. Contingent liabilities that are considered "probable" or "reasonably possible" are disclosed in Note 16. Liabilities that are considered "remote" are not recognized in the financial statements or disclosed in the notes to the financial statements.

These notes are an integral part of the financial statements.

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

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**P. Annual, Sick, and Other Leave**

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

**Q. Interest on Late Payments**

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

**R. Retirement Plan**

With few exceptions, employees hired before January 1, 1984 are covered by the Civil Service Retirement System (CSRS) and employees hired on or after that date are covered by the Federal Employees Retirement System (FERS). For employees covered by CSRS, the Department contributes 7% of the employees' gross pay for regular and 7.5% for law enforcement officers' retirement. For employees covered by FERS, the Department contributes 11.2% of employees' gross pay for regular and 24.9% for law enforcement officers' retirement. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP account is automatically established to which the Department is required to contribute an additional 1% of gross pay and match employee contributions up to 4%. No contributions are made to the TSP accounts established by the CSRS employees. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM). Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 19, *Imputed Financing from Costs Absorbed by Others*, for additional details.

These notes are an integral part of the financial statements.

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

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**S. 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 employees whose death is attributable to a job-related injury or occupational disease. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

**Actuarial Liability:** The Department of Labor (DOL) calculates the liability of the federal government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value. The resulting federal government liability is then distributed by agency. The Department's portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the Department employees. The Department liability is further allocated to component reporting entities on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total Department payments made over the same period.

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

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

**T. Intragovernmental Activity**

These transactions and/or balances result from business activities conducted between two different federal government entities.



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

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**U. Revenues and Other Financing Sources**

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

Appropriations Used are recognized as budgetary financing sources at the time the related program or administrative expenses are incurred. Exchange revenues are recognized when earned, for example, when goods have been delivered or services rendered. Nonexchange revenues are resources that the government demands or receives, for example, forfeiture revenue and fines and penalties.

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

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

The Department's deferred revenue includes fees received for processing various applications and licenses with DEA for which the process was not completed at the end of fiscal year or for licenses that are valid for multiple years. These monies are recorded as liabilities in the financial statements. Deferred revenue also includes forfeited property held for sale. When the property is sold, deferred revenue is reversed and forfeiture revenue in the amount of the gross proceeds of the sale is recorded.

**V. Earmarked Funds**

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, defines 'earmarked funds' as being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues. The three required criteria for an Earmarked Fund are:

These notes are an integral part of the financial statements.

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

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**V. Earmarked Funds (continued)**

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

The following funds meet the definition of an earmarked fund: AFF, UST System Fund, Antitrust Division, Crime Victims Fund, Diversion Control Fee Account, and Federal Prison Commissary Fund.

**W. Tax Exempt Status**

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

**X. Use of Estimates**

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

**Y. Reclassifications**

The FY 2009 financial statements were reclassified to conform to the FY 2010 Departmental financial statement presentation requirements. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

**Z. Subsequent Events**

Subsequent events and transactions occurring after September 30, 2010 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.

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

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**Note 2. Non-Entity Assets**

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Intragovernmental		
Fund Balance with U.S. Treasury	\$ 908,929	\$ 293,403
Investments, Net	<u>1,379,942</u>	<u>1,376,821</u>
Total Intragovernmental	<u>2,288,871</u>	<u>1,670,224</u>
With the Public		
Cash and Monetary Assets	228,085	208,617
Accounts Receivable, Net	<u>15,257</u>	<u>15,053</u>
Total With the Public	<u>243,342</u>	<u>223,670</u>
Total Non-Entity Assets	2,532,213	1,893,894
Total Entity Assets	<u>37,558,477</u>	<u>34,733,934</u>
Total Assets	<u>\$ 40,090,690</u>	<u>\$ 36,627,828</u>

These notes are an integral part of the financial statements.

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

**Note 3. Fund Balance with U.S. Treasury**

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

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Fund Balances		
Trust Funds	\$ 84,695	\$ 96,440
Special Funds	6,248,505	4,396,836
Revolving Funds	455,486	414,811
General Funds	16,746,926	15,886,777
Other Fund Types	<u>60,975</u>	<u>62,151</u>
Total Fund Balances with U.S. Treasury	<u>\$ 23,596,587</u>	<u>\$ 20,857,015</u>
Status of Fund Balances		
Unobligated Balance - Available	\$ 2,859,209	\$ 2,747,973
Unobligated Balance - Unavailable	1,180,089	1,298,879
Obligated Balance not yet Disbursed	16,006,230	15,728,297
Other Funds (With)/Without Budgetary Resources	<u>3,551,059</u>	<u>1,081,866</u>
Total Status of Fund Balances	<u>\$ 23,596,587</u>	<u>\$ 20,857,015</u>

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

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

These notes are an integral part of the financial statements.

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

**Note 4. Cash and Monetary Assets**

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash		
Undeposited Collections	\$ 3,132	\$ 10,022
Imprest Funds	14,068	11,158
Seized Cash Deposited	106,154	135,002
Other Cash	<u>51,476</u>	<u>7,691</u>
Total Cash	<u>174,830</u>	<u>163,873</u>
Monetary Assets		
Seized Monetary Instruments	<u>70,453</u>	<u>65,921</u>
Total Cash and Monetary Assets	<u>\$ 245,283</u>	<u>\$ 229,794</u>

**Note 5. Investments, Net**

	<u>Face Value</u>	<u>Unamortized Premium (Discount)</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Market Value</u>
As of September 30, 2010					
Intragovernmental					
Non-Marketable Securities					
Market Based	\$ 4,062,336	\$ (798)	\$ 195	\$ 4,061,733	\$ 4,061,690
As of September 30, 2009					
Intragovernmental					
Non-Marketable Securities					
Market Based	\$ 3,843,066	\$ (476)	\$ 195	\$ 3,842,785	\$ 3,843,218

These notes are an integral part of the financial statements.

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

**Note 6. Accounts Receivable, Net**

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Intragovernmental		
Accounts Receivable	\$ 304,000	\$ 332,216
Allowance for Uncollectible Accounts	<u>(1,690)</u>	<u>(5,806)</u>
Total Intragovernmental	<u>302,310</u>	<u>326,410</u>
With the Public		
Accounts Receivable	93,552	94,791
Allowance for Uncollectible Accounts	<u>(6,292)</u>	<u>(14,967)</u>
Total With the Public	<u>87,260</u>	<u>79,824</u>
Total Accounts Receivable, Net	<u>\$ 389,570</u>	<u>\$ 406,234</u>

The accounts receivable with the public primarily consists of OBDs U.S. Trustee Chapter 11 quarterly fees, FBI Non-Federal User Fee Program, FBI National Name Check Program, court mandated restitution, and refunds due from the public.

**Note 7. Inventory and Related Property, Net**

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Inventory		
Raw Materials	\$ 116,826	\$ 148,399
Work in Process	38,442	49,282
Finished Goods	53,308	55,939
Inventory Purchased for Resale	16,580	16,653
Excess, Obsolete, and Unserviceable	43,494	22,825
Inventory Allowance	<u>(48,739)</u>	<u>(12,213)</u>
Operating Materials and Supplies		
Held for Current Use	<u>17,436</u>	<u>17,816</u>
Total Inventory and Related Property, Net	<u>\$ 237,347</u>	<u>\$ 298,701</u>

These notes are an integral part of the financial statements.

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

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**Note 8. Forfeited and Seized Property**

**Equitable Sharing Payments:**

The statute governing the use of the AFF (28 U.S.C. ' 524(c)) permits the payment of equitable shares of forfeiture proceeds to participating foreign governments and state and local law enforcement agencies. The statute does not require such sharing and permits the Attorney General wide discretion in determining those transfers. Actual sharing is difficult to predict because many factors influence both the amount and timing of disbursement of equitable sharing payments, such as the length of time required to move an asset through the forfeiture process to disposition, the amount of net proceeds available for sharing, the elapse of time for Departmental approval of equitable sharing requests for cases with asset values exceeding \$1 million, and appeal of forfeiture judgments. Because of uncertainties surrounding the timing and amount of any equitable sharing payment, an obligation and expense are recorded only when the actual disbursement of the equitable sharing payment is imminent. The anticipated equitable sharing allocation level for FY 2011 is \$400 million.

**Analysis of Change in Forfeited Property:**

The number of items represents quantities calculated using many different units of measure. The adjustments for FYs 2010 and 2009 include property status and valuation changes received after, but properly credited to FYs 2009 and 2008, respectively. The valuation changes include updates and corrections to an asset's value recorded in a prior year.

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

**Note 8. Forfeited and Seized Property (continued)**

For the Fiscal Year Ended September 30, 2010

Forfeited Property Category		Beginning Balance	Adjust- ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	90	-	162	(155)	97	-	97
	Value	\$ 19,680	\$ -	\$ 10,043	\$ (27,504)	\$ 2,219	\$ (155)	\$ 2,064
Real Property	Number	496	-	358	(377)	477	-	477
	Value	\$ 104,905	\$ -	\$ 60,739	\$ (76,626)	\$ 89,018	\$ (3,468)	\$ 85,550
Personal Property	Number	3,496	-	5,264	(5,713)	3,047	-	3,047
	Value	\$ 105,038	\$ -	\$ 67,480	\$ (70,322)	\$ 102,196	\$ (688)	\$ 101,508
Non-Valued Firearms	Number	21,940	-	9,457	(12,019)	19,378	-	19,378
Total	Number	26,022	-	15,241	(18,264)	22,999	-	22,999
	Value	\$ 229,623	\$ -	\$ 138,262	\$ (174,452)	\$ 193,433	\$ (4,311)	\$ 189,122

For the Fiscal Year Ended September 30, 2009

Forfeited Property Category		Beginning Balance	Adjust- ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	80	-	143	(133)	90	-	90
	Value	\$ 1,847	\$ -	\$ 49,642	\$ (31,809)	\$ 19,680	\$ -	\$ 19,680
Real Property	Number	478	-	451	(433)	496	-	496
	Value	\$ 103,163	\$ -	\$ 93,195	\$ (91,453)	\$ 104,905	\$ (1,488)	\$ 103,417
Personal Property	Number	2,899	-	5,725	(5,128)	3,496	-	3,496
	Value	\$ 41,532	\$ (3,252)	\$ 123,799	\$ (57,041)	\$ 105,038	\$ (1,292)	\$ 103,746
Non-Valued Firearms	Number	22,607	-	11,377	(12,044)	21,940	-	21,940
Total	Number	26,064	-	17,696	(17,738)	26,022	-	26,022
	Value	\$ 146,542	\$ (3,252)	\$ 266,636	\$ (180,303)	\$ 229,623	\$ (2,780)	\$ 226,843

These notes are an integral part of the financial statements.



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

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**Note 8. Forfeited and Seized Property (continued)**

**Method of Disposition of Forfeited Property:**

During FYs 2010 and 2009, \$103,678 and \$104,883 of forfeited property were sold, \$6,560 and \$7,032 were destroyed or donated, \$17,045 and \$24,831 were returned to owners, and \$47,169 and \$43,557 were disposed of by other means, respectively. Other means of distribution include property transferred to other federal agencies for official use or equitable sharing, or property distributed to a state or local agency.

**Analysis of Change in Seized Property:**

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

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

The adjustments for FYs 2010 and 2009 include property status and valuation changes received after, but properly credited to FYs 2009 and 2008, respectively. The valuation changes include updates and corrections to an asset's value recorded in a prior year.

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

These notes are an integral part of the financial statements.

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

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**Note 8. Forfeited and Seized Property (continued)**

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

“Adjustments” are primarily due to the validation of drug weights that occurs after the drugs have been analyzed. “Other Drugs” are illegal substances not including cocaine, heroin, marijuana, bulk drug evidence, and methamphetamine. “Bulk Drug Evidence” is comprised of controlled substances housed by the DEA in secured storage facilities of which only a sample is taken for laboratory analysis. The actual bulk drug weight may vary from seizure weight due to changes in moisture content over time.

Unanalyzed drug evidence is qualitatively different from analyzed and bulk drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. For these reasons, unanalyzed drug evidence is not reported by the Department. Seized drug evidence must be analyzed and confirmed through laboratory testing to be placed in one of the five categories of drug above. “Disposals” occur when evidence is either returned to the owner or destroyed in accordance with federal guidelines.

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

**Note 8. Forfeited and Seized Property (continued)**

For the Fiscal Year Ended September 30, 2010

Seized Property Category		Beginning Balance	Adjustments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
<b>Seized for Forfeiture</b>								
Seized Cash Deposited and Seized Monetary Instruments	Value	\$ 1,451,259	\$ -	\$ 1,588,064	\$ (1,614,517)	\$ 1,424,806	\$ (91,260)	\$ 1,333,546
Financial Instruments	Number	365	-	114	(66)	413	-	413
	Value	\$ 124,578	\$ (37,259)	\$ 28,692	\$ (16,299)	\$ 99,712	\$ (9,045)	\$ 90,667
Real Property	Number	210	-	162	(189)	183	-	183
	Value	\$ 66,178	\$ (5,699)	\$ 56,409	\$ (55,618)	\$ 61,270	\$ (9,675)	\$ 51,595
Personal Property	Number	7,429	-	6,699	(6,809)	7,319	-	7,319
	Value	\$ 158,880	\$ -	\$ 88,032	\$ (85,360)	\$ 161,552	\$ (11,544)	\$ 150,008
Non-Valued Firearms	Number	39,569	-	9,459	(14,747)	34,281	-	34,281

For the Fiscal Year Ended September 30, 2009

Seized Property Category		Beginning Balance	Adjustments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
<b>Seized for Forfeiture</b>								
Seized Cash Deposited and Seized Monetary Instruments	Value	\$ 1,228,440	\$ -	\$ 1,544,033	\$ (1,321,214)	\$ 1,451,259	\$ (62,683)	\$ 1,388,576
Financial Instruments	Number	384	-	71	(90)	365	-	365
	Value	\$ 102,209	\$ -	\$ 50,116	\$ (27,747)	\$ 124,578	\$ (8,272)	\$ 116,306
Real Property	Number	199	-	190	(179)	210	-	210
	Value	\$ 65,663	\$ -	\$ 61,426	\$ (60,911)	\$ 66,178	\$ (9,761)	\$ 56,417
Personal Property	Number	7,365	3	7,501	(7,440)	7,429	-	7,429
	Value	\$ 144,304	\$ 389	\$ 154,686	\$ (140,499)	\$ 158,880	\$ (15,238)	\$ 143,642
Non-Valued Firearms	Number	42,708	-	14,919	(18,058)	39,569	-	39,569

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

**Note 8. Forfeited and Seized Property (continued)**

For the Fiscal Year Ended September 30, 2010

Seized Property Category		Beginning Balance	Adjust- ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
<b>Seized for Evidence</b>								
Seized Monetary Instruments	Value	\$ 40,401	\$ (2,164)	\$ 34,425	\$ (27,085)	\$ 45,577	\$ -	\$ 45,577
Personal Property	Number	1,485	47	300	(230)	1,602	-	1,602
	Value	\$ 27,943	\$ (2,186)	\$ 13,202	\$ (12,268)	\$ 26,691	\$ -	\$ 26,691
Non-Valued								
Firearms	Number	43,878	(230)	8,685	(7,868)	44,465	-	44,465
Drug Evidence								
Cocaine	KG	349,451	(34,698)	33,711	(70,015)	278,449	-	278,449
Heroin	KG	3,572	(20)	643	(745)	3,450	-	3,450
Marijuana	KG	19,913	(26)	5,400	(5,226)	20,061	-	20,061
Bulk Drug Evidence	KG	223,936	1,278	1,128,098	(1,125,748)	227,564	-	227,564
Methamphetamine	KG	6,791	(47)	2,154	(1,276)	7,622	-	7,622
Other Drugs	KG	47,180	386	5,359	(6,262)	46,663	-	46,663
Total Drug Evidence	KG	650,843	(33,127)	1,175,365	(1,209,272)	583,809	-	583,809

For the Fiscal Year Ended September 30, 2009

Seized Property Category		Beginning Balance	Adjust- ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
<b>Seized for Evidence</b>								
Seized Monetary Instruments	Value	\$ 38,171	\$ (4,946)	\$ 35,375	\$ (28,199)	\$ 40,401	\$ -	\$ 40,401
Personal Property	Number	51,693	(50,625)	740	(323)	1,485	-	1,485
	Value	\$ 29,459	\$ (18,475)	\$ 25,717	\$ (8,758)	\$ 27,943	\$ -	\$ 27,943
Non-Valued								
Firearms	Number	45,259	(269)	6,807	(7,919)	43,878	-	43,878
Drug Evidence								
Cocaine	KG	393,021	540	58,114	(102,224)	349,451	-	349,451
Heroin	KG	3,489	(81)	654	(490)	3,572	-	3,572
Marijuana	KG	21,017	(1,776)	5,359	(4,687)	19,913	-	19,913
Bulk Drug Evidence	KG	216,689	2,358	1,200,533	(1,195,644)	223,936	-	223,936
Methamphetamine	KG	6,212	204	1,741	(1,366)	6,791	-	6,791
Other Drugs	KG	52,598	(370)	6,217	(11,265)	47,180	-	47,180
Total Drug Evidence	KG	693,026	875	1,272,618	(1,315,676)	650,843	-	650,843

These notes are an integral part of the financial statements.

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

**Note 8. Forfeited and Seized Property (continued)**

**Method of Disposition of Seized Property:**

During FYs 2010 and 2009, \$1,628,886 and \$1,402,885 of seized property were forfeited, \$155,022 and \$136,939 were returned to parties with a bonafide interest, and \$27,239 and \$47,504 were disposed of by other means, respectively. Other means of disposition include seized property that is sold, converted to cash, or destroyed.

**Note 9. General Property, Plant and Equipment, Net**

As of September 30, 2010

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	\$ 192,821	\$ -	\$ 192,821	N/A
Improvements to Land	4,518	(552)	3,966	15 yrs
Construction in Progress	728,617	-	728,617	N/A
Buildings, Improvements and Renovations	9,365,319	(3,679,717)	5,685,602	2-50 yrs
Other Structures and Facilities	808,964	(395,986)	412,978	10-50 yrs
Aircraft	377,329	(115,798)	261,531	5-30 yrs
Boats	9,967	(5,302)	4,665	5-25 yrs
Vehicles	549,692	(335,338)	214,354	2-25 yrs
Equipment	1,612,309	(995,050)	617,259	2-25 yrs
Assets Under Capital Lease	107,399	(58,688)	48,711	5-30 yrs
Leasehold Improvements	1,129,117	(609,571)	519,546	2-20 yrs
Internal Use Software	408,472	(194,868)	213,604	3-10 yrs
Internal Use Software in Development	837,500	-	837,500	N/A
<b>Total</b>	<u>\$ 16,132,024</u>	<u>\$ (6,390,870)</u>	<u>\$ 9,741,154</u>	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2010	<u>\$ 235,776</u>	<u>\$ 1,121,727</u>	<u>\$ 1,357,503</u>

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

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

As of September 30, 2009

	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Useful Life</u>
Land and Land Rights	\$ 192,971	\$ -	\$ 192,971	N/A
Improvements to Land	4,518	(251)	4,267	15 yrs
Construction in Progress	884,163	-	884,163	N/A
Buildings, Improvements and Renovations	8,789,318	(3,374,721)	5,414,597	2-50 yrs
Other Structures and Facilities	774,780	(358,344)	416,436	10-50 yrs
Aircraft	343,708	(102,815)	240,893	5-30 yrs
Boats	10,061	(4,709)	5,352	5-25 yrs
Vehicles	500,119	(311,073)	189,046	2-25 yrs
Equipment	1,548,950	(982,552)	566,398	2-25 yrs
Assets Under Capital Lease	107,247	(54,366)	52,881	5-30 yrs
Leasehold Improvements	971,367	(509,398)	461,969	2-20 yrs
Internal Use Software	333,728	(151,195)	182,533	3-10 yrs
Internal Use Software in Development	603,520	-	603,520	N/A
<b>Total</b>	<u><u>\$ 15,064,450</u></u>	<u><u>\$ (5,849,424)</u></u>	<u><u>\$ 9,215,026</u></u>	

	<u>Federal</u>	<u>Public</u>	<u>Total</u>
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2009	<u><u>\$ 252,302</u></u>	<u><u>\$ 911,475</u></u>	<u><u>\$ 1,163,777</u></u>

**Note 10. Other Assets**

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Intragovernmental		
Advances and Prepayments	\$ 122,609	\$ 130,878
Other Intragovernmental Assets	55	110
Total Intragovernmental	<u>122,664</u>	<u>130,988</u>
Other Assets With the Public	<u>5,826</u>	<u>4,921</u>
Total Other Assets	<u><u>\$ 128,490</u></u>	<u><u>\$ 135,909</u></u>

Other Assets With the Public primarily consist of farm livestock held by the BOP.

These notes are an integral part of the financial statements.

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

**Note 11. Liabilities not Covered by Budgetary Resources**

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Intragovernmental		
Accrued FECA Liabilities	\$ 241,124	\$ 234,173
Other Unfunded Employment Related Liabilities	1,758	1,528
Other	<u>58</u>	<u>46</u>
Total Intragovernmental	<u>242,940</u>	<u>235,747</u>
With the Public		
Actuarial FECA Liabilities	1,314,105	1,233,899
Accrued Annual and Compensatory Leave Liabilities	816,970	771,814
Environmental and Disposal Liabilities (Note 12)	71,657	22,112
Deferred Revenue	311,164	269,840
Contingent Liabilities (Note 16)	101,760	172,653
Capital Lease Liabilities (Note 13)	30,703	36,956
RECA Liabilities	541,784	343,835
Other	<u>47,300</u>	<u>14,282</u>
Total With the Public	<u>3,235,443</u>	<u>2,865,391</u>
Total Liabilities not Covered by Budgetary Resources	3,478,383	3,101,138
Total Liabilities Covered by Budgetary Resources	<u>7,096,754</u>	<u>6,095,373</u>
Total Liabilities	<u>\$ 10,575,137</u>	<u>\$ 9,196,511</u>

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

**Note 12. Environmental and Disposal Liabilities**

The BOP operates firing ranges on 65 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2009, BOP management determined their estimated clean-up liability to be \$22,112. In FY 2010, BOP management adjusted the estimated clean-up liability by the current U.S. inflation rate as determined by the U.S. Treasury and as such determined that an estimated firing range clean-up liability of \$25,069, based on an inflation rate of 11.6 percent, should be recorded.

These notes are an integral part of the financial statements.

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

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**Note 12. Environmental and Disposal Liabilities (continued)**

An extensive review of the current and past safety practices of FPI's Recycling business segment revealed that cleanup of past lead and other contamination was recommended as the result of their glass breaking operation. Included in FPI's Balance Sheet as of September 30, 2010 and 2009 are \$0 and \$204 in Environmental and Disposal Liabilities, respectively.

Per SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and Technical Release No. 2, *Determining Probably and Reasonably Estimable for Environmental Liabilities in the Federal Government*, federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

BOP conducted a review of 46 institutions that were in service prior to April 6, 1973; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. The BOP recognized the estimated total clean-up cost for friable and non-friable asbestos for those facilities as a liability and recorded the offsetting charge as a "Change in Accounting Principles" in the Statement of Changes in Net Position (SCNP). As of September 30, 2010, BOP management has determined their estimated asbestos clean-up liability is \$36,833.

The FBI operates a facility in Quantico, Virginia, built in 1968 with an estimated useful life of 50 years. The FBI recognized the estimated total cleanup cost for friable and non-friable asbestos for the facility as a liability and reported the offsetting charge as a "Change in Accounting Principles" in the Statement of Change in Net Position. As of September 30, 2010, FBI management has determined their estimated asbestos clean-up liability is \$9,755.

These notes are an integral part of the financial statements.



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

**Note 13. Leases**

Capital leases include a Federal Detention Center (25 year lease term) in Oklahoma City, Oklahoma; an airplane hangar (20 year lease term) in Oklahoma City, Oklahoma; and other machinery and equipment that expire over future periods.

As of September 30, 2010 and 2009

Capital Leases	<u>2010</u>	<u>2009</u>
Summary of Assets Under Capital Lease		
Land and Buildings	\$ 100,352	\$ 100,352
Machinery and Equipment	7,047	6,895
Accumulated Amortization	<u>(58,688)</u>	<u>(54,366)</u>
Total Assets Under Capital Lease (Note 9)	<u>\$ 48,711</u>	<u>\$ 52,881</u>

Future Capital Lease Payments Due

<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2011	\$ 10,086	\$ 1,095	\$ 11,181
2012	9,073	939	10,012
2013	9,073	571	9,644
2014	9,073	-	9,073
2015	32	-	32
After 2015	<u>128</u>	<u>-</u>	<u>128</u>
Total Future Capital Lease Payments	<u>\$ 37,465</u>	<u>\$ 2,605</u>	<u>\$ 40,070</u>
Less: Imputed Interest	(5,816)	(71)	(5,887)
Less: Executory Costs	<u>-</u>	<u>(534)</u>	<u>(534)</u>
FY 2010 Net Capital Lease Liabilities	<u>\$ 31,649</u>	<u>\$ 2,000</u>	<u>\$ 33,649</u>
FY 2009 Net Capital Lease Liabilities	<u>\$ 38,787</u>	<u>\$ 3,434</u>	<u>\$ 42,221</u>

	<u>2010</u>	<u>2009</u>
Net Capital Lease Liabilities Covered by Budgetary Resources	\$ 2,946	\$ 5,265
Net Capital Lease Liabilities not Covered by Budgetary Resources	\$ 30,703	\$ 36,956

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

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

**Note 13. Leases (continued)**

Operating leases have been established for multiple years. Many of the operating leases that expire over an extended period of time include an option to purchase the equipment at the current fair market value, or to renew the lease for additional periods.

Operating Lease Expenses

<u>Lease Type</u>	<u>2010</u>	<u>2009</u>
Noncancelable Operating Leases	\$ 103,569	\$ 100,079
Cancelable Operating Leases	<u>1,579,021</u>	<u>1,500,363</u>
Total Operating Lease Expenses	<u>\$ 1,682,590</u>	<u>\$ 1,600,442</u>

Future Noncancelable Operating Lease Payments Due

<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2011	\$ 154,838	\$ 10,724	\$ 165,562
2012	226,102	9,025	235,127
2013	272,443	9,011	281,454
2014	285,557	4,405	289,962
2015	283,547	4,382	287,929
After 2015	<u>3,282,286</u>	<u>-</u>	<u>3,282,286</u>
Total Future Noncancelable Operating Lease Payments	<u>\$ 4,504,773</u>	<u>\$ 37,547</u>	<u>\$ 4,542,320</u>

**Note 14. Seized Cash and Monetary Instruments**

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

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Investments, Net	\$ 1,293,776	\$ 1,290,737
Seized Cash Deposited	106,154	135,002
Seized Monetary Instruments	<u>70,453</u>	<u>65,921</u>
Total Seized Cash and Monetary Instruments	<u>\$ 1,470,383</u>	<u>\$ 1,491,660</u>

These notes are an integral part of the financial statements.

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

**Note 15. Other Liabilities**

As of September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	\$ 176,303	\$ 151,946
Other Post-Employment Benefits Due and Payable	37	125
Other Unfunded Employment Related Liabilities	1,759	1,528
Advances from Others	262,847	259,841
Liability for Deposit Funds, Clearing		
Accounts and Undeposited Collections	4,208	31,773
Other Liabilities	<u>513,760</u>	<u>99,992</u>
Total Intragovernmental	<u>958,914</u>	<u>545,205</u>
With the Public		
Other Accrued Liabilities	47,360	14,400
Advances from Others	3,951	8,591
Liability for Deposit Funds, Clearing		
Accounts and Undeposited Collections	45,616	46,438
Custodial Liabilities	118,879	104,446
Other Liabilities	<u>44,016</u>	<u>1,990</u>
Total With the Public	<u>259,822</u>	<u>175,865</u>
Total Other Liabilities	<u>\$ 1,218,736</u>	<u>\$ 721,070</u>

Intragovernmental Other Liabilities primarily represent civil debt collections where the Treasury General Fund is designated as the recipient of either a portion of a collection or the entire amount of a collection.

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

The majority of Liabilities are current with the exception of a portion that consists of capital leases and those liabilities related to future employee related expenses.

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

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**Note 16. Contingencies and Commitments**

	<u>Accrued Liabilities</u>	<u>Estimated Range of Loss</u>	
		<u>Lower</u>	<u>Upper</u>
As of September 30, 2010			
Probable	\$ 101,760	\$ 101,760	\$ 214,237
Reasonably Possible		95,585	124,326
As of September 30, 2009			
Probable	\$ 172,653	\$ 172,653	\$ 197,535
Reasonably Possible		173,765	200,307

Additionally, FPI has entered into firm purchase commitments for solar panel material totaling \$25,485 to be delivered in fiscal year 2011 and \$23,671 to be delivered in fiscal year 2014.

These notes are an integral part of the financial statements.

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

**Note 17. Earmarked Funds**

Earmarked funds are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Government's general revenues. See SFFAS 27, *Identifying and Reporting Earmarked Funds*, for the required criteria for an earmarked fund.

As of September 30, 2010

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
<b>Balance Sheet</b>							
<b>Assets</b>							
Fund Balance with U. S. Treasury	\$ 180,150	\$ 4,439	\$ 30,210	\$ 5,938,699	\$ 123,755	\$ 67,328	\$ 6,344,581
Investments, Net	2,197,486	184,105	-	-	-	-	2,381,591
Other Assets	197,403	20,704	4,894	3,380	52,534	27,560	306,475
<b>Total Assets</b>	<b>\$ 2,575,039</b>	<b>\$ 209,248</b>	<b>\$ 35,104</b>	<b>\$ 5,942,079</b>	<b>\$ 176,289</b>	<b>\$ 94,888</b>	<b>\$ 9,032,647</b>
<b>Liabilities</b>							
Accounts Payable	\$ 698,517	\$ 11,370	\$ 5,652	\$ 15,560	\$ 8,479	\$ 12,696	\$ 752,274
Other Liabilities	189,122	21,203	15,067	59,923	327,089	12,339	624,743
<b>Total Liabilities</b>	<b>\$ 887,639</b>	<b>\$ 32,573</b>	<b>\$ 20,719</b>	<b>\$ 75,483</b>	<b>\$ 335,568</b>	<b>\$ 25,035</b>	<b>\$ 1,377,017</b>
<b>Net Position</b>							
Unexpended Appropriations	\$ -	\$ -	\$ 19,585	\$ -	\$ -	\$ -	\$ 19,585
Cumulative Results of Operations	1,687,400	176,675	(5,200)	5,866,596	(159,279)	69,853	7,636,045
<b>Total Net Position</b>	<b>\$ 1,687,400</b>	<b>\$ 176,675</b>	<b>\$ 14,385</b>	<b>\$ 5,866,596</b>	<b>\$ (159,279)</b>	<b>\$ 69,853</b>	<b>\$ 7,655,630</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,575,039</b>	<b>\$ 209,248</b>	<b>\$ 35,104</b>	<b>\$ 5,942,079</b>	<b>\$ 176,289</b>	<b>\$ 94,888</b>	<b>\$ 9,032,647</b>

For the Fiscal Year Ended September 30, 2010

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
<b>Statement of Net Cost</b>							
Gross Cost of Operations	\$ 1,291,742	\$ 229,760	\$ 166,135	\$ 608,723	\$ 255,152	\$ 338,286	\$ 2,889,798
Less: Exchange Revenues	7,324	289,191	72,958	-	189,376	331,199	890,048
<b>Net Cost (Revenue) of Operations</b>	<b>\$ 1,284,418</b>	<b>\$ (59,431)</b>	<b>\$ 93,177</b>	<b>\$ 608,723</b>	<b>\$ 65,776</b>	<b>\$ 7,087</b>	<b>\$ 1,999,750</b>
<b>Statement of Changes in Net Position</b>							
Net Position Beginning of Period	\$ 1,425,883	\$ 116,141	\$ 25,734	\$ 4,112,981	\$ (100,558)	\$ 73,049	\$ 5,653,230
Budgetary Financing Sources	1,506,330	319	81,311	2,362,338	-	-	3,950,298
Other Financing Sources	39,605	784	517	-	7,055	3,891	51,852
<b>Total Financing Sources</b>	<b>1,545,935</b>	<b>1,103</b>	<b>81,828</b>	<b>2,362,338</b>	<b>7,055</b>	<b>3,891</b>	<b>4,002,150</b>
Net Cost of Operations	(1,284,418)	59,431	(93,177)	(608,723)	(65,776)	(7,087)	(1,999,750)
<b>Net Change</b>	<b>261,517</b>	<b>60,534</b>	<b>(11,349)</b>	<b>1,753,615</b>	<b>(58,721)</b>	<b>(3,196)</b>	<b>2,002,400</b>
<b>Net Position End of Period</b>	<b>\$ 1,687,400</b>	<b>\$ 176,675</b>	<b>\$ 14,385</b>	<b>\$ 5,866,596</b>	<b>\$ (159,279)</b>	<b>\$ 69,853</b>	<b>\$ 7,655,630</b>

These notes are an integral part of the financial statements.

**FY 2010 U. S. Department of Justice Annual Financial Statements**

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

**Note 17. Earmarked Funds (continued)**

As of September 30, 2009

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
<b>Balance Sheet</b>							
<b>Assets</b>							
Fund Balance with U. S. Treasury	\$ 39,583	\$ 9,018	\$ 45,651	\$ 4,203,542	\$ 143,100	\$ 76,756	\$ 4,517,650
Investments, Net	2,072,999	129,065	-	-	-	-	2,202,064
Other Assets	235,695	11,223	6,091	3,807	46,228	26,997	330,041
Total Assets	<u>\$ 2,348,277</u>	<u>\$ 149,306</u>	<u>\$ 51,742</u>	<u>\$ 4,207,349</u>	<u>\$ 189,328</u>	<u>\$ 103,753</u>	<u>\$ 7,049,755</u>
<b>Liabilities</b>							
Accounts Payable	\$ 695,551	\$ 13,222	\$ 11,660	\$ 36,329	\$ 995	\$ 19,165	\$ 776,922
Other Liabilities	226,843	19,943	14,348	58,039	288,891	11,539	619,603
Total Liabilities	<u>\$ 922,394</u>	<u>\$ 33,165</u>	<u>\$ 26,008</u>	<u>\$ 94,368</u>	<u>\$ 289,886</u>	<u>\$ 30,704</u>	<u>\$ 1,396,525</u>
<b>Net Position</b>							
Unexpended Appropriations	\$ -	\$ -	\$ 22,207	\$ -	\$ -	\$ -	\$ 22,207
Cumulative Results of Operations	1,425,883	116,141	3,527	4,112,981	(100,558)	73,049	5,631,023
Total Net Position	<u>\$ 1,425,883</u>	<u>\$ 116,141</u>	<u>\$ 25,734</u>	<u>\$ 4,112,981</u>	<u>\$ (100,558)</u>	<u>\$ 73,049</u>	<u>\$ 5,653,230</u>
Total Liabilities and Net Position	<u>\$ 2,348,277</u>	<u>\$ 149,306</u>	<u>\$ 51,742</u>	<u>\$ 4,207,349</u>	<u>\$ 189,328</u>	<u>\$ 103,753</u>	<u>\$ 7,049,755</u>

For the Fiscal Year Ended September 30, 2009

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
<b>Statement of Net Cost</b>							
Gross Cost of Operations	\$ 1,001,512	\$ 223,649	\$ 159,370	\$ 588,070	\$ 217,450	\$ 328,415	\$ 2,518,466
Less: Exchange Revenues	6,723	231,498	42,208	-	179,933	319,601	779,963
Net Cost (Revenue) of Operations	<u>\$ 994,789</u>	<u>\$ (7,849)</u>	<u>\$ 117,162</u>	<u>\$ 588,070</u>	<u>\$ 37,517</u>	<u>\$ 8,814</u>	<u>\$ 1,738,503</u>
<b>Statement of Changes in Net Position</b>							
Net Position Beginning of Period	\$ 1,007,809	\$ 107,305	\$ 17,330	\$ 2,955,373	\$ (69,174)	\$ 78,480	\$ 4,097,123
Budgetary Financing Sources	1,387,107	234	125,075	1,745,678	-	-	3,258,094
Other Financing Sources	25,756	753	491	-	6,133	3,383	36,516
Total Financing Sources	1,412,863	987	125,566	1,745,678	6,133	3,383	3,294,610
Net Cost of Operations	(994,789)	7,849	(117,162)	(588,070)	(37,517)	(8,814)	(1,738,503)
Net Change	418,074	8,836	8,404	1,157,608	(31,384)	(5,431)	1,556,107
Net Position End of Period	<u>\$ 1,425,883</u>	<u>\$ 116,141</u>	<u>\$ 25,734</u>	<u>\$ 4,112,981</u>	<u>\$ (100,558)</u>	<u>\$ 73,049</u>	<u>\$ 5,653,230</u>

These notes are an integral part of the financial statements.

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

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**Note 17. Earmarked Funds (continued)**

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

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

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

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

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

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

These notes are an integral part of the financial statements.

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

**Note 18. Net Cost of Operations by Suborganization**

For the Fiscal Year Ended September 30, 2010

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
<b>Goal 1: Prevent Terrorism and Promote the Nation's Security</b>											
Gross Cost	\$ -	\$ 359,943	\$ 5,159	\$ -	\$ 100,315	\$ 5,185,327	\$ 7,185	\$ -	\$ -	\$ (112,397)	\$ 5,545,532
Less: Earned Revenue	-	110,232	-	-	632	507,996	-	-	-	(112,397)	506,463
Net Cost (Revenue) of Operations	-	249,711	5,159	-	99,683	4,677,331	7,185	-	-	-	5,039,069
<b>Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People</b>											
Gross Cost	1,291,742	5,763,437	4,872	2,757,971	2,801,202	3,846,770	1,265,934	6,860	-	(1,073,345)	16,665,443
Less: Earned Revenue	7,324	968,224	-	49,851	677,670	767,210	91,159	-	-	(1,073,345)	1,488,093
Net Cost (Revenue) of Operations	1,284,418	4,795,213	4,872	2,708,120	2,123,532	3,079,560	1,174,775	6,860	-	-	15,177,350
<b>Goal 3: Ensure the Fair and Efficient Administration of Justice</b>											
Gross Cost	-	2,269,929	3,016,174	988,230	-	-	-	7,021,759	951,139	(1,697,058)	12,550,173
Less: Earned Revenue	-	180,804	1,514,103	26,252	-	-	-	372,199	857,542	(1,669,610)	1,281,290
Net Cost (Revenue) of Operations	-	2,089,125	1,502,071	961,978	-	-	-	6,649,560	93,597	(27,448)	11,268,883
<b>Net Cost (Revenue) of Operations</b>	<b>\$ 1,284,418</b>	<b>\$ 7,134,049</b>	<b>\$ 1,512,102</b>	<b>\$ 3,670,098</b>	<b>\$ 2,223,215</b>	<b>\$ 7,756,891</b>	<b>\$ 1,181,960</b>	<b>\$ 6,656,420</b>	<b>\$ 93,597</b>	<b>\$ (27,448)</b>	<b>\$ 31,485,302</b>

For the Fiscal Year Ended September 30, 2009

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
<b>Goal 1: Prevent Terrorism and Promote the Nation's Security</b>											
Gross Cost	\$ -	\$ 340,620	\$ 5,138	\$ -	\$ 66,558	\$ 4,220,194	\$ 8,321	\$ -	\$ -	\$ (115,280)	\$ 4,525,551
Less: Earned Revenue	-	114,099	-	-	536	560,603	-	-	-	(115,280)	559,958
Net Cost (Revenue) of Operations	-	226,521	5,138	-	66,022	3,659,591	8,321	-	-	-	3,965,593
<b>Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People</b>											
Gross Cost	1,001,512	5,265,364	4,129	1,919,976	2,672,648	3,819,673	1,153,318	6,987	-	(965,591)	14,878,016
Less: Earned Revenue	6,723	865,107	-	116,353	592,747	718,689	55,556	-	-	(965,591)	1,389,584
Net Cost (Revenue) of Operations	994,789	4,400,257	4,129	1,803,623	2,079,901	3,100,984	1,097,762	6,987	-	-	13,488,432
<b>Goal 3: Ensure the Fair and Efficient Administration of Justice</b>											
Gross Cost	-	2,156,636	2,792,695	1,024,312	-	-	-	6,573,615	1,061,586	(1,738,020)	11,870,824
Less: Earned Revenue	-	198,914	1,471,465	58,795	-	-	-	357,601	987,949	(1,709,671)	1,365,053
Net Cost (Revenue) of Operations	-	1,957,722	1,321,230	965,517	-	-	-	6,216,014	73,637	(28,349)	10,505,771
<b>Net Cost (Revenue) of Operations</b>	<b>\$ 994,789</b>	<b>\$ 6,584,500</b>	<b>\$ 1,330,497</b>	<b>\$ 2,769,140</b>	<b>\$ 2,145,923</b>	<b>\$ 6,760,575</b>	<b>\$ 1,106,083</b>	<b>\$ 6,223,001</b>	<b>\$ 73,637</b>	<b>\$ (28,349)</b>	<b>\$ 27,959,796</b>

Intragovernmental costs and exchange revenue, as presented on the Consolidated Statements of Net Cost, represent transactions made between two reporting entities within the federal government. The classification of revenue or cost as "intragovernmental" 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 intragovernmental revenue with the costs incurred to produce intragovernmental revenue.

These notes are an integral part of the financial statements.



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

**Note 19. Imputed Financing from Costs Absorbed by Others**

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

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. For employees covered by Civil Service Retirement System (CSRS), the cost factors are 30.1% of basic pay for regular, 51.1% law enforcement officers, 23.5% regular offset, and 45.6% law enforcement officers offset. For employees covered by Federal Employees Retirement System (FERS), the cost factors are 13.8% of basic pay for regular and 29.8% for law enforcement officers.

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

For the Fiscal Years Ended September 30, 2010 and 2009

	2010	2009
Imputed Inter-Departmental Financing		
U.S. Treasury Judgment Fund	\$ 135,498	\$ 40,448
Health Insurance	553,366	540,484
Life Insurance	1,969	1,843
Pension	212,044	120,925
Total Imputed Inter-Departmental	\$ 902,877	\$ 703,700

These notes are an integral part of the financial statements.

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

**Note 19. Imputed Financing from Costs Absorbed by Others (continued)**

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, are the unreimbursed portion of the full costs of goods and services received by a Department component from a providing entity that is part of the Department. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Cost are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The FPI imputed \$27,448 and \$28,349 for FYs 2010 and 2009, respectively of unreimbursed costs for BOP warehouse space used in the production of goods by the FPI and for managerial and operational services BOP provided to FPI. These imputed costs have been eliminated from the consolidated financial statements.

**Note 20. Information Related to the Statement of Budgetary Resources**

**Apportionment Categories of Obligations Incurred:**

	<u>Direct Obligations</u>	<u>Reimbursable Obligations</u>	<u>Total Obligations Incurred</u>
For the Fiscal Year Ended September 30, 2010			
Obligations Apportioned Under			
Category A	\$ 29,509,630	\$ 5,664,568	\$ 35,174,198
Category B	2,747,673	30,019	2,777,692
Exempt from Apportionment	-	841,869	841,869
Total	<u>\$ 32,257,303</u>	<u>\$ 6,536,456</u>	<u>\$ 38,793,759</u>
For the Fiscal Year Ended September 30, 2009			
Obligations Apportioned Under			
Category A	\$ 32,327,966	\$ 5,359,554	\$ 37,687,520
Category B	1,749,791	66,542	1,816,333
Exempt from Apportionment	-	1,025,950	1,025,950
Total	<u>\$ 34,077,757</u>	<u>\$ 6,452,046</u>	<u>\$ 40,529,803</u>

Per OMB Circular A-11, Category A obligations represent resources apportioned for calendar quarters. Category B obligations represent resources apportioned for other time periods; for activities, projects, and objectives or for a combination thereof.

These notes are an integral part of the financial statements.

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

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

**Status of Undelivered Orders:**

Undelivered Orders (UDO) 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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UDO Obligations Unpaid	\$ 12,835,522	\$ 13,063,814
UDO Obligations Prepaid/Advanced	<u>1,824,439</u>	<u>1,799,409</u>
Total UDO	<u>\$ 14,659,961</u>	<u>\$ 14,863,223</u>

**Permanent Indefinite Appropriations:**

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

- 28 U.S.C. ' 524(c)(4) authorized the Attorney General to retain AFF receipts to pay operations expenses, equitable sharing to state and local law enforcement agencies who assist in forfeiture cases, and lien holders.
- On October 5, 1990, Congress passed the Radiation Exposure Compensation Act ("RECA" or "the Act"), 42 U.S.C. §2210, providing for compassionate payments to individuals who contracted certain cancers and other serious diseases as a result of their exposure to radiation released during above-ground nuclear weapons tests or as a result of their exposure to radiation during employment in underground uranium mines. Implementing regulations were issued by the Department of Justice and published in the Federal Register on April 10, 1992. These regulations established procedures to resolve claims in a reliable, objective, and non-adversarial manner, with little administrative cost to the United States or to the person filing the claim. Revisions to the regulations, published in the Federal Register on March 22, 1999, served to greater assist claimants in establishing entitlement to an award. On July 10, 2000, P.L. 106-245, the Radiation Exposure Compensation Act Amendments of 2000 ("the 2000 Amendments") were passed. On November 2, 2002, the President signed the "21st Century Department of Justice Appropriation Authorization Act" (P.L. 107-273). Contained in the law were several provisions relating to RECA. While most of these amendments were "technical" in nature, some affected eligibility criteria and revised claims adjudication procedures. The Consolidated Appropriations Act, 2005 provides a permanent indefinite appropriation for the OBDs' Radiation Exposure Compensation Act program beginning FY 2006.

These notes are an integral part of the financial statements.

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

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

**Permanent Indefinite Appropriations (continued):**

- Congress established the Federal Prison Commissary Fund (Trust Fund) in 1932 to allow inmates a means to purchase additional products and services above the necessities provided by appropriated federal funds. The BOP Trust Fund is now a self-sustaining revolving account that is funded through the sales of goods and services, rather than annual or no-year appropriations.
- The Public Safety Officers' Benefits Act of 1976 (the "PSOB Act") is generally codified at 42 U.S.C. Chapter 46 Subchapter XII.

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

The PSOB Program offers three types of benefits:

1. Death Benefits, a one-time financial benefit to survivors of public safety officers whose deaths resulted from injuries sustained in the line of duty. Under the Hometown Heroes Survivors Benefit Act of 2003, survivors of public safety officers who die of a heart attack or stroke within 24 hours of stressful, non-routine public safety activities may also qualify for death benefits.
2. Disability Benefits, a one-time financial benefit to public safety officers permanently disabled by catastrophic injuries sustained in the line of duty.
3. Education Benefits, which provide financial support for higher education expenses (such as tuition and fees, books, supplies, and room and board) to the eligible spouses and children of public safety officers killed or permanently disabled in the line of duty.

**Legal Arrangements Affecting Use of Unobligated Balances:**

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

These notes are an integral part of the financial statements.

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

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

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

The reconciliation as of September 30, 2009 is presented below. The reconciliation as of September 30, 2010 is not presented, because the submission of the Budget of the United States (Budget) for FY 2012, which presents the execution of the FY 2010 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (<http://www.whitehouse.gov/omb/budget>) and will be available in early February 2011.

For the Fiscal Year Ended September 30, 2009  
(Dollars in Millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	\$ 44,577	\$ 40,530	\$ 539	\$ 28,068
Funds not Reported in the Budget				
Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP	(889)	(314)	-	-
AFB/SADF Forfeiture Activity	(60)	-	-	-
OCDETF Adjustments	(3)	6	-	-
USMS Court Security Funds	(378)	(371)	-	(347)
Distributed Offsetting Receipts	-	-	7	3
OBDs/DEA Special and Trust Fund Receipts	-	-	(1)	536
Other	(1)	(4)	6	-
	<u>\$ 43,246</u>	<u>\$ 39,847</u>	<u>\$ 551</u>	<u>\$ 28,260</u>
Budget of the United States				

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

These notes are an integral part of the financial statements.

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

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**Note 21. Allocation Transfers of Appropriation**

The Department is a party to allocation transfers with other Federal agencies as a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

During FY 2010, the Department transferred \$17,000 from the Crime Victims Fund to the Department of Health and Human Services (HHS). For FY 2009, the OJP, as the parent, transferred the same amount to HHS. This funding is required by 42 U.S.C. §10603a {Sec. 14-4A} for *Child Abuse Prevention and Treatment Grants*. Amounts made available by section §10601(d)(2) of this title, for the purpose of this section, shall be obligated and expended by the Secretary of HHS for grants under section §5106c of this title. The activity related to these transfers is included as part of these financial statements.

The Department also allocated funds from BOP to the Public Health Service (PHS). PHS provides a portion of medical treatment for federal inmates. The money is designated and expended for current year obligation of PHS staff salaries, benefits, and applicable relocation expenses. The amounts BOP, as the parent, transferred to PHS totaled \$90,000 and \$82,000 for the fiscal years ended September 30, 2010 and 2009, respectively, and the related activity is included as part of these financial statements.

The Department receives allocation transfers of appropriation from the Administrative Office of U.S. Courts (AOUSC). However, the AOUSC is not an Executive Branch entity and is not required to report annual financial statements. Although the USMS is the child in the allocation transfer, per OMB guidance, all activity relative to these allocation transfers is reported in these financial statements. The allocation transfers are used for costs associated with protective guard services - Court Security Officers (CSOs) at United States courthouses and other facilities housing federal court operations. These costs include their salaries (paid through contracts), equipment, and supplies. This transfer is performed on an annual basis.

**Note 22. Net Custodial Revenue Activity**

Custodial revenue activity represents those collections of non-exchange revenue on behalf of other recipient entities. These collections are not recorded as revenue by the Department but as activity on the Statement of Custodial Activity. The custodial liabilities presented on the Consolidated Balance Sheet and Note 15 represent funds held by the Department that have yet to be disbursed to the appropriate Federal agency or individual.

These notes are an integral part of the financial statements.

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

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**Note 22. Net Custodial Revenue Activity (continued)**

The primary source of DCM collections consists of civil litigated matters (i.e., student loan defaults, health care fraud, etc.). The DCM also processes certain payments on criminal debts as an accommodation for the Bureau of Prisons (BOP) and the Clerks of the U.S. District Courts. The BOP aggregates collections of inmate criminal debt by correction facility, and the DCM sorts the collections by judicial district and disburses payments to the respective Clerks of the U.S. Court. The DCM also accepts wire transfers or other payments on a criminal debt if a Clerk of the U.S. Court is unable or unwilling to do so. In addition, other negligible custodial collections occur for interest, fines and penalties.

The OBDs collect civil fines, penalties, and restitution payments that are incidental to its mission. By court order, the OBDs were given the investment authority and the settlement funds collected must be invested. The OBDs invest these funds with the Treasury, Bureau of the Public Debt. As of September 30, 2010 and 2009, the custodial assets and liabilities recorded by the OBDs on the balance sheet are \$448,467 and \$238,242 respectively. The OBDs custodial collections totaled \$4,822,740 and \$2,907,842 for the fiscal years ended September 30, 2010 and 2009.

For the fiscal years ended September 30, 2010 and 2009, DEA collected \$20,963 and \$59,961, respectively. DEA's collections include \$15 million of the total fees collected for the Diversion Control Program and civil monetary penalties related to violations of the Controlled Substances Act that were incidental to DEA's mission. Since DEA has no statutory authority to use these excess funds, DEA transmits them to the Treasury General Fund. The DEA has a custodial liability for funds that have not yet been transmitted to the Treasury General Fund. The September 30, 2010 and 2009 balances for custodial liabilities were \$1,584 and \$2,310 respectively.

As an agent of the federal government and as authorized by 26 U.S.C. § 6301, ATF collects fees from firearms and explosives industries, as well as import, permit and license fees. In addition, Special Occupational Taxes are collected from certain firearms businesses. As ATF is unable to use these collections in its operations, ATF also has the authority to transfer these collections to the Treasury General Fund. The ATF custodial collections totaled \$14,674 and \$14,529 for the fiscal years ended September 30, 2010 and 2009, respectively.

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

**Note 23. OMB Circular A-136 Consolidated Balance Sheet Presentation**

**U.S. Department of Justice**  
**Consolidated Balance Sheets**  
**As of September 30, 2010 and 2009**

<b>Dollars in Thousands</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Intragovernmental		
Fund Balance with U.S. Treasury	\$ 23,596,587	\$ 20,857,015
Investments, Net	4,061,733	3,842,785
Accounts Receivable, Net	302,310	326,410
Other Assets	122,664	130,988
<b>Total Intragovernmental</b>	<b>28,083,294</b>	<b>25,157,198</b>
Cash and Other Monetary Assets	245,283	229,794
Accounts Receivable, Net	87,260	79,824
Inventory and Related Property, Net	237,347	298,701
General Property, Plant and Equipment, Net	9,741,154	9,215,026
Other Assets	1,696,352	1,647,285
<b>Total Assets</b>	<b>\$ 40,090,690</b>	<b>\$ 36,627,828</b>
<b>LIABILITIES</b>		
Intragovernmental		
Accounts Payable	\$ 273,619	\$ 309,072
Other Liabilities	1,533,532	917,569
<b>Total Intragovernmental</b>	<b>1,807,151</b>	<b>1,226,641</b>
Accounts Payable	2,505,665	2,253,013
Federal Employee and Veteran Benefits	1,314,105	1,233,899
Environmental and Disposal Liabilities	71,657	22,316
Other Liabilities	4,862,202	4,460,642
<b>Total Liabilities</b>	<b>\$ 10,560,780</b>	<b>\$ 9,196,511</b>
<b>NET POSITION</b>		
Unexpended Appropriations - Earmarked Funds	\$ 19,585	\$ 22,207
Unexpended Appropriations - All Other Funds	13,805,629	13,902,525
Cumulative Results of Operations - Earmarked Funds	7,636,045	5,631,023
Cumulative Results of Operations - All Other Funds	8,068,651	7,875,562
<b>Total Net Position</b>	<b>\$ 29,529,910</b>	<b>\$ 27,431,317</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 40,090,690</b>	<b>\$ 36,627,828</b>

These notes are an integral part of the financial statements.



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

**Note 24. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)**

For the Fiscal Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Resources Used to Finance Activities</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 38,793,759	\$ 40,529,803
Less: Spending Authority from Offsetting Collections and Recoveries	<u>7,626,950</u>	<u>7,633,297</u>
Obligations Net of Offsetting Collections and Recoveries	31,166,809	32,896,506
Less: Offsetting Receipts	<u>941,368</u>	<u>539,325</u>
Net Obligations	30,225,441	32,357,181
<b>Other Resources</b>		
Donations and Forfeitures of Property	71,204	68,213
Transfers-In/Out Without Reimbursement	(3,433)	9,170
Imputed Financing from Costs Absorbed by Others (Note 19)	<u>902,877</u>	<u>703,700</u>
Net Other Resources Used to Finance Activities	<u>970,648</u>	<u>781,083</u>
<b>Total Resources Used to Finance Activities</b>	31,196,089	33,138,264
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	139,965	(4,940,729)
Resources That Fund Expenses Recognized in Prior Periods (Note 25)	(77,146)	(7,656)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	300,608	(65,939)
Resources That Finance the Acquisition of Assets	(1,295,160)	(1,174,153)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	<u>(49,768)</u>	<u>29,514</u>
<b>Total Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<u>(981,501)</u>	<u>(6,158,963)</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	\$ 30,214,588	\$ 26,979,301

These notes are an integral part of the financial statements.

*FY 2010 U. S. Department of Justice Annual Financial Statements*

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

**Note 24. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) (continued)**

For the Fiscal Years Ended September 30, 2010 and 2009	2010	2009
<b>Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period</b>		
Components of Net Cost of Operations That will Require or Generate Resources in Future Periods (Note 25)	\$ 450,866	\$ 267,978
Components not Requiring or Generating Resources		
Depreciation and Amortization	727,012	685,778
Revaluation of Assets or Liabilities	29,772	28,129
Other	63,064	(1,390)
Total Components of Net Cost of Operations That will not Require or Generate Resources	819,848	712,517
<b>Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period</b>	<b>1,270,714</b>	<b>980,495</b>
<b>Net Cost of Operations</b>	<b>\$ 31,485,302</b>	<b>\$ 27,959,796</b>

These notes are an integral part of the financial statements.

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

**Note 25. Explanation of Differences Between Liabilities not Covered by Budgetary Resources and Components of Net Cost of Operations Requiring or Generating Resources in Future Periods**

Liabilities that are not covered by realized budgetary resources and for which there is not certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling \$3,478,383 and \$3,101,138 on September 30, 2010 and 2009, respectively, are discussed in Note 11, *Liabilities not Covered by Budgetary Resources*. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2010 and 2009

	2010	2009
Resources that Fund Expenses Recognized in Prior Periods		
Other		
Decrease in Contingent Liabilities	\$ (70,893)	\$ -
Decrease in Capital Lease Liabilities	(6,253)	(5,779)
Decrease in Other Unfunded Employment Related Liabilities	-	(1,877)
Total Resources that Fund Expenses Recognized in Prior Periods	\$ (77,146)	\$ (7,656)
Components of Net Cost of Operations Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	\$ 45,156	\$ 54,646
Increase in Environmental and Disposal Liabilities	49,545	-
(Increase)/Decrease in Exchange Revenue Receivable from the Public	(1,671)	3,877
Other		
Increase in Actuarial FECA Liabilities	80,206	97,330
Increase in Accrued FECA Liabilities	6,951	9,494
Increase in Deferred Revenue	41,324	54,510
Increase in Contingent Liabilities	-	8,341
Increase in RECA Liabilities	197,949	22,164
Increase in Other Unfunded Employee Related Liabilities	230	-
Increase in Other Liabilities	33,030	5,953
(Increase)/Decrease in Nonexchange Receivables from the Public	(63)	113
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	(1,791)	11,550
Total Other	357,836	209,455
Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods	\$ 450,866	\$ 267,978

These notes are an integral part of the financial statements.

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

**Note 26. Change in Accounting Principle**

For FY 2010, in accordance with guidance provided by the Office of Management and Budget (OMB), the AFF changed its method of reporting rescissions of budgetary authority by reporting \$387,200 as temporarily not available pursuant to public law in the budgetary resources section of the SBR. In FY 2009, based on guidance issued by OMB, rescissions were reported as unobligated balances not available in the status of budgetary resources of the SBR. The new method of accounting for rescissions was adopted based on guidance received from the OMB to better align rescissions reported in the SBR with the amounts reported by OMB in the Budget of the United States.

OMB Circular No. A-136 states that the cost for any clean-up cost liability recognized upon implementation of the FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, requiring recognition shall be shown on the SCNP as a prior period adjustment. The BOP and FBI recognized the estimated total clean-up cost for friable and non-friable asbestos as a liability and reported the offsetting charge as a "Change in Accounting Principles" in the SCNP. As of September 30, 2010, BOP and FBI management has determined their estimated asbestos clean-up liability is \$36,833 thousand and \$9,755 thousand, respectively

For the Fiscal Year Ended September 30, 2010	
Statement of Changes in Net Position	\$ 46,588

These notes are an integral part of the financial statements.

**Consolidating and Combining  
Financial Statements**

**U. S. Department of Justice  
Consolidating Balance Sheet  
As of September 30, 2010**

	AFES/ADF	OBDS	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
<b>ASSETS</b>											
Intragovernmental											
Fund Balance with U.S. Treasury	\$ 180,150	\$ 5,825,079	\$ 684,686	\$ 10,519,156	\$ 809,035	\$ 3,694,239	\$ 261,136	\$ 1,600,858	\$ 22,248	\$ -	\$ 23,596,587
Investments, Net	3,491,262	270,271	270,271	-	-	-	-	-	300,200	-	4,061,733
Accounts Receivable, Net	4,245	149,713	6,883	39,117	6,883	158,737	28,291	6,235	25,219	(407,323)	302,310
Other Assets	2,607	134,244	76,831	17,212	51,090	30,638	14,349	407	-	(204,714)	122,664
<b>Total Intragovernmental</b>	<b>3,678,264</b>	<b>6,520,787</b>	<b>851,611</b>	<b>10,602,870</b>	<b>899,242</b>	<b>3,883,614</b>	<b>303,776</b>	<b>1,607,500</b>	<b>347,667</b>	<b>(612,037)</b>	<b>28,083,294</b>
Cash and Monetary Assets	131,030	46	-	-	13,407	51,017	49,009	774	-	-	245,283
Inventory and Related Property, Net	-	19,769	47	5,774	2,325	30,384	162	20,012	8,787	-	87,260
Forfeited Property, Net	189,122	106	2,739	6,770	6,770	7,927	-	16,474	203,351	-	237,347
General Property, Plant and Equipment, Net	1,417	231,301	257,937	12,032	382,137	2,197,590	207,118	6,334,726	116,896	-	189,122
Advances and Prepayments	12	8,225	17	1,428,298	9,929	46,698	1,669	3,845	2,711	-	9,741,154
Other Assets	-	-	184	-	-	-	-	4,662	980	-	1,501,404
<b>Total Assets</b>	<b>\$ 3,999,845</b>	<b>\$ 6,780,234</b>	<b>\$ 1,112,535</b>	<b>\$ 12,048,974</b>	<b>\$ 1,313,810</b>	<b>\$ 6,217,230</b>	<b>\$ 561,734</b>	<b>\$ 7,987,993</b>	<b>\$ 680,372</b>	<b>\$ (612,037)</b>	<b>\$ 40,990,690</b>
<b>LIABILITIES</b>											
Intragovernmental											
Accounts Payable	\$ 69,170	\$ 306,300	\$ 26,177	\$ 18,928	\$ 42,007	\$ 162,573	\$ 14,803	\$ 33,303	\$ 4,621	\$ (404,263)	\$ 273,619
Accrued FECA Liabilities	-	9,265	15,725	129	26,651	31,231	19,567	139,222	1,656	-	243,446
Contractual Liabilities	-	329,588	-	1,479,914	1,584	114,588	9,393	73,926	201,167	(207,774)	331,172
Other Liabilities	-	569,083	24,344	147,914	26,273	114,588	9,393	73,926	201,167	(207,774)	658,914
<b>Total Intragovernmental</b>	<b>69,170</b>	<b>1,214,236</b>	<b>66,246</b>	<b>1,667,971</b>	<b>96,515</b>	<b>308,392</b>	<b>43,763</b>	<b>246,451</b>	<b>207,444</b>	<b>(612,037)</b>	<b>1,807,151</b>
Accounts Payable	629,347	363,569	406,268	33,369	117,280	488,886	45,744	389,178	46,381	-	2,520,022
Accrued Grant Liabilities	-	147,652	-	383,171	-	-	-	-	-	-	530,823
Accrued FECA Liabilities	-	50,022	83,490	657	144,858	176,353	107,012	735,856	15,857	-	1,314,105
Accrued Payroll and Benefits	-	128,797	30,525	7,930	59,032	187,572	31,560	140,727	8,838	-	594,981
Accrued Annual and Compensatory Leave Liabilities	-	183,120	42,138	6,068	98,608	265,775	52,408	168,853	9,911	-	826,881
Environmental and Disposal Liabilities	-	-	-	-	-	9,755	-	61,902	-	-	71,657
Deferred Revenue	189,122	-	-	-	311,164	-	-	1,833	-	-	502,119
Seized Cash and Monetary Instruments	1,424,806	-	-	-	447	42,120	3,010	4,827	-	-	1,470,383
Contingent Liabilities	-	4,738	17,000	-	4,928	66,762	3,505	30,703	107	-	101,760
Capital Lease Liabilities	-	-	946	18	-	-	1,875	-	-	-	33,649
Radiation Exposure Compensation Act Liabilities	-	541,784	-	-	-	-	-	-	-	-	541,784
Other Liabilities	-	118,879	-	-	92	3,297	41,416	96,138	-	-	259,822
<b>Total Liabilities</b>	<b>\$ 2,312,445</b>	<b>\$ 2,752,797</b>	<b>\$ 646,613</b>	<b>\$ 598,184</b>	<b>\$ 832,924</b>	<b>\$ 1,548,912</b>	<b>\$ 330,293</b>	<b>\$ 1,876,468</b>	<b>\$ 288,538</b>	<b>\$ (612,037)</b>	<b>\$ 10,573,137</b>
<b>NET POSITION</b>											
Unexpended Appropriations - Earmarked Funds	\$ -	\$ 19,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,585
Unexpended Appropriations - All Other Funds	-	3,979,216	328,900	5,571,977	559,167	2,255,206	202,183	894,623	-	-	13,791,272
Cumulative Results of Operations - Earmarked Funds	1,687,400	171,475	-	5,866,596	(159,279)	-	-	69,853	-	-	7,636,045
Cumulative Results of Operations - All Other Funds	-	(142,839)	137,022	12,217	80,998	2,413,112	29,258	5,147,049	391,834	-	8,068,651
<b>Total Net Position</b>	<b>\$ 1,687,400</b>	<b>\$ 4,027,437</b>	<b>\$ 465,922</b>	<b>\$ 11,450,790</b>	<b>\$ 480,866</b>	<b>\$ 4,668,318</b>	<b>\$ 231,441</b>	<b>\$ 6,111,525</b>	<b>\$ 391,834</b>	<b>\$ -</b>	<b>\$ 29,513,553</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,999,845</b>	<b>\$ 6,780,234</b>	<b>\$ 1,112,535</b>	<b>\$ 12,048,974</b>	<b>\$ 1,313,810</b>	<b>\$ 6,217,230</b>	<b>\$ 561,734</b>	<b>\$ 7,987,993</b>	<b>\$ 680,372</b>	<b>\$ (612,037)</b>	<b>\$ 40,990,690</b>

**U. S. Department of Justice  
Consolidating Balance Sheet  
As of September 30, 2009**

	AFF/SADF	OBDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
<b>ASSETS</b>											
Intragovernmental											
Fund Balances with U.S. Treasury	\$ 39,583	\$ 4,900,344	\$ 497,604	\$ 9,306,877	\$ 783,421	\$ 3,292,066	\$ 257,432	\$ 1,758,029	\$ 21,659	\$ -	\$ 20,857,015
Investments, Net	3,363,736	213,149	-	-	-	-	-	-	263,900	-	3,842,785
Accounts Receivable, Net	4,021	334,297	188,213	10,372	72,897	137,156	18,612	3,765	46,798	(489,721)	326,640
Other Assets	2,757	199,351	5,025	49,746	55,295	57,512	20,694	347	-	(257,759)	130,988
<b>Total Intragovernmental</b>	<b>3,410,097</b>	<b>5,649,141</b>	<b>688,842</b>	<b>9,366,995</b>	<b>911,613</b>	<b>3,486,734</b>	<b>296,738</b>	<b>1,762,141</b>	<b>332,357</b>	<b>(747,460)</b>	<b>25,157,198</b>
Cash and Monetary Assets	160,522	46	-	-	10,089	52,058	6,341	738	-	-	229,794
Accounts Receivable, Net	-	10,144	146	7,208	2,543	31,159	99	19,611	8,914	-	79,824
Inventory and Related Property, Net	-	120	2,150	-	6,862	8,804	-	16,533	264,232	-	298,701
Forfeited Property, Net	226,843	-	-	-	-	-	-	-	-	-	226,843
General Property, Plant and Equipment, Net	2,071	183,139	254,273	13,781	387,325	1,814,851	196,681	6,239,221	123,684	-	9,215,026
Advances and Prepayments	3	6,907	68	1,337,788	9,241	51,986	853	3,721	1,016	-	1,415,521
Other Assets	-	184	-	-	-	-	-	-	-	-	1,421,921
<b>Total Assets</b>	<b>\$ 3,799,536</b>	<b>\$ 5,849,497</b>	<b>\$ 945,663</b>	<b>\$ 10,725,772</b>	<b>\$ 1,327,673</b>	<b>\$ 5,445,592</b>	<b>\$ 500,712</b>	<b>\$ 8,045,694</b>	<b>\$ 735,149</b>	<b>\$ (747,460)</b>	<b>\$ 36,627,828</b>
<b>LIABILITIES</b>											
Intragovernmental											
Accounts Payable	\$ 67,523	\$ 347,723	\$ 35,165	\$ 50,095	\$ 65,505	\$ 166,513	\$ 18,366	\$ 41,402	\$ 4,982	\$ (488,202)	\$ 309,072
Accrued FECA Liabilities	-	8,973	15,222	136	25,594	32,785	19,751	132,154	1,643	-	236,258
Custodial Liabilities	-	133,796	-	-	2,310	-	-	-	-	-	136,106
Other Liabilities	-	178,149	20,878	230,852	21,888	87,513	8,332	62,659	194,192	(259,258)	545,205
<b>Total Intragovernmental</b>	<b>67,523</b>	<b>668,641</b>	<b>71,265</b>	<b>281,083</b>	<b>115,297</b>	<b>286,811</b>	<b>46,449</b>	<b>236,215</b>	<b>208,817</b>	<b>(747,460)</b>	<b>1,226,641</b>
Accounts Payable	628,028	329,785	353,922	29,365	113,778	356,100	46,047	343,619	52,369	-	2,253,013
Accrued Grant Liabilities	-	109,498	-	321,721	-	-	-	-	-	-	431,219
Actuarial FECA Liabilities	-	47,504	81,314	494	139,308	176,818	105,498	669,020	13,943	-	1,233,899
Accrued Payroll and Benefits	-	114,220	24,728	7,470	52,574	161,029	28,055	52,574	9,118	-	522,704
Accrued Annual and Compensatory Leave Liabilities	-	178,265	38,931	5,625	93,474	244,863	48,600	162,056	10,363	-	782,177
Environmental and Disposal Liabilities	-	-	-	-	-	-	-	22,112	204	-	22,316
Deferred Revenue	226,843	-	-	-	269,840	-	-	1,625	-	-	498,308
Seized Cash and Monetary Instruments	1,451,259	-	18,250	-	575	37,390	2,436	4,930	-	-	1,491,660
Contingent Liabilities	-	-	1,831	-	16,995	128,978	5,500	36,956	173	-	172,653
Capital Lease Liabilities	-	-	-	20	-	-	3,241	-	-	-	4,221
Radiation Exposure Compensation Act Liabilities	-	343,835	-	-	-	5,362	110	65,880	-	-	343,835
Other Liabilities	-	104,446	-	-	67	-	-	-	-	-	175,865
<b>Total Liabilities</b>	<b>\$ 2,373,653</b>	<b>\$ 1,896,194</b>	<b>\$ 890,241</b>	<b>\$ 645,778</b>	<b>\$ 801,908</b>	<b>\$ 1,397,351</b>	<b>\$ 283,936</b>	<b>\$ 1,667,923</b>	<b>\$ 286,987</b>	<b>\$ (747,460)</b>	<b>\$ 9,196,511</b>
<b>NET POSITION</b>											
Unexpended Appropriations - Earmarked Funds	\$ -	\$ 22,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,207
Unexpended Appropriations - All Other Funds	-	3,782,236	222,502	5,951,999	540,670	2,114,589	183,607	1,106,922	-	-	13,902,525
Cumulative Results of Operations - Earmarked Funds	1,425,883	119,668	-	4,112,981	(100,558)	-	-	73,049	-	-	5,631,023
Cumulative Results of Operations - All Other Funds	-	29,192	139,920	15,014	85,653	1,933,652	33,169	5,197,800	448,162	-	7,875,562
<b>Total Net Position</b>	<b>\$ 1,425,883</b>	<b>\$ 3,953,303</b>	<b>\$ 355,422</b>	<b>\$ 10,079,994</b>	<b>\$ 525,765</b>	<b>\$ 4,048,241</b>	<b>\$ 216,776</b>	<b>\$ 6,377,771</b>	<b>\$ 448,162</b>	<b>\$ -</b>	<b>\$ 27,431,317</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,799,536</b>	<b>\$ 5,849,497</b>	<b>\$ 945,663</b>	<b>\$ 10,725,772</b>	<b>\$ 1,327,673</b>	<b>\$ 5,445,592</b>	<b>\$ 500,712</b>	<b>\$ 8,045,694</b>	<b>\$ 735,149</b>	<b>\$ (747,460)</b>	<b>\$ 36,627,828</b>

**U. S. Department of Justice  
Consolidating Statement of Net Cost  
For the Fiscal Year Ended September 30, 2010**

Dollars in Thousands	AFF/SA/DF	OBDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated					
<b>Goal 1: Prevent Terrorism and Promote the Nation's Security</b>																
	\$	-	82,443	\$	5,159	\$	24,424	\$	1,358,631	\$	-	\$	1,358,260			
Gross Cost - Intragovernmental		-	277,500		-		75,891		3,826,696		-		4,187,272			
Gross Cost - With the Public		-	359,943		5,159		100,315		5,185,327		-		5,545,532			
Subtotal Gross Costs		-	637,443		10,318		176,206		9,012,023		-		9,738,802			
Earned Revenues - Intragovernmental		-	90,793		-		632		495,393		-		474,421			
Earned Revenues - With the Public		-	19,439		-		12,603		12,603		-		32,642			
Subtotal Earned Revenues		-	110,232		-		12,603		617,996		-		507,063			
Subtotal Net Cost (Revenues) of Operations		\$	249,711	\$	5,159	\$	99,683	\$	4,677,331	\$	7,185	\$	5,039,069			
<b>Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People</b>																
	\$	382,798	\$	1,799,980	\$	4,872	\$	140,429	\$	856,028	\$	1,007,910	\$	3,654,444		
Gross Cost - Intragovernmental		-	908,944		3,963,457		2,617,542		2,838,860		900,590		6,860	13,201,427		
Gross Cost - With the Public		1,291,742	5,763,437	4,872	2,757,971	2,801,202	3,846,770	1,265,934	6,860	(1,073,345)	16,665,443		751,806			
Subtotal Gross Costs		7,324	563,603	49,844	482,951	631,012	90,417	90,417	136,198	(1,073,345)	16,665,443		751,806			
Earned Revenues - Intragovernmental		-	404,621	-	194,719	742	742	-	742	-	736,287		736,287			
Earned Revenues - With the Public		7,324	968,224	49,851	677,670	767,210	91,159	-	-	(1,073,345)	1,488,093		1,488,093			
Subtotal Earned Revenues		1,284,418	4,795,213	4,872	2,708,120	2,123,532	3,079,560	6,860	6,860	-	15,177,350		15,177,350			
Subtotal Net Cost (Revenues) of Operations		\$	1,284,418	\$	4,795,213	\$	2,123,532	\$	3,079,560	\$	1,174,775	\$	6,860	\$	15,177,350	
<b>Goal 3: Ensure the Fair and Efficient Administration of Justice</b>																
	\$	-	1,535,834	\$	523,823	\$	56,647	\$	-	\$	-	\$	1,802,339			
Gross Cost - Intragovernmental		-	734,095		2,492,351		931,583		5,507,868		-		7,700,900			
Gross Cost - With the Public		-	2,269,929		3,016,174		988,230		7,021,759		-		12,550,173			
Subtotal Gross Costs		-	141,722		1,511,198		26,252		12,903		-		778,579			
Earned Revenues - Intragovernmental		-	39,082		2,905		39,082		359,296		-		78,963			
Earned Revenues - With the Public		-	180,804		1,514,103		26,252		372,199		-		857,542			
Subtotal Earned Revenues		-	2,089,125		1,502,071		961,978		6,649,560		-		93,597			
Subtotal Net Cost (Revenues) of Operations		\$	2,089,125	\$	1,502,071	\$	961,978	\$	6,649,560	\$	93,597	\$	11,268,883			
<b>Total Net Cost (Revenue) of Operations</b>		\$	1,284,418	\$	7,134,049	\$	1,512,102	\$	3,670,098	\$	2,223,215	\$	1,181,960	\$	6,656,420	
															\$	31,485,302



U. S. Department of Justice  
Consolidating Statement of Net Cost  
For the Fiscal Year Ended September 30, 2009

	AF/SADF	OBDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated					
<b>Goal 1: Prevent Terrorism and Promote the Nation's Security</b>																
Gross Cost - Intragovernmental	\$	-	86,405	\$	5,138	\$	-	\$	13,414	\$	1,143,681	\$	1,133,358			
Gross Cost - With the Public		-	254,215		-		53,144		3,076,513		8,321		3,392,193			
		-	340,620		5,138		4,220,194		8,321		(115,280)		4,525,551			
Earned Revenues - Intragovernmental		-	98,711		-		501		549,297		-		533,229			
Earned Revenues - With the Public		-	15,388		-		11,306		-		(115,280)		26,729			
		-	114,099		-		560,603		-		(115,280)		559,958			
	\$	-	226,521	\$	5,138	\$	66,022	\$	3,659,591	\$	8,321	\$	3,965,593			
<b>Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People</b>																
Gross Cost - Intragovernmental	\$	291,499	\$	1,840,475	\$	4,129	\$	119,310	\$	1,035,139	\$	339,493	\$	3,482,029		
Gross Cost - With the Public		710,013		3,424,889		-		1,800,666		1,855,073		813,825		11,395,987		
		1,001,512		5,265,364		4,129		1,919,976		2,890,206		1,153,318		14,878,016		
Earned Revenues - Intragovernmental		6,723		556,405		-		116,353		409,000		55,400		769,559		
Earned Revenues - With the Public		6,723		308,702		-		187,747		127,420		156		620,025		
		13,446		865,107		-		304,100		234,420		156		1,389,584		
	\$	994,789	\$	4,400,257	\$	4,129	\$	1,803,623	\$	2,079,901	\$	1,097,762	\$	13,488,432		
<b>Goal 3: Ensure the Fair and Efficient Administration of Justice</b>																
Gross Cost - Intragovernmental	\$	-	1,478,170	\$	467,739	\$	105,707	\$	-	\$	1,398,657	\$	257,133	\$	1,969,386	
Gross Cost - With the Public		-	678,466		2,324,956		918,605		-		5,174,958		804,453		9,901,458	
		-	2,156,636		2,792,695		1,024,312		-		6,573,615		1,061,586		11,870,834	
Earned Revenues - Intragovernmental		-	166,974		1,468,876		58,795		-		17,598		918,901		921,473	
Earned Revenues - With the Public		-	31,940		2,589		-		-		340,003		69,048		443,580	
		-	198,914		1,471,465		58,795		-		357,601		987,949		1,365,053	
	\$	-	1,957,722	\$	1,321,230	\$	965,517	\$	-	\$	6,216,014	\$	73,637	\$	10,305,771	
<b>Total Net Cost (Revenue) of Operations</b>	\$	994,789	\$	6,584,500	\$	1,330,497	\$	2,769,140	\$	2,145,923	\$	1,106,083	\$	6,223,001	\$	27,959,796

U. S. Department of Justice  
 Consolidating Statement of Changes in Net Position  
 For the Fiscal Year Ended September 30, 2010

Dollars in Thousands	AF/SADF	OBDs	USMS	OIP	DEA	FBI	ATF	ROP	FPI	Eliminations	Consolidated
<b>Unexpended Appropriations</b>											
Beginning Balances	\$ -	\$ 22,207	\$ -	\$ -	\$ -	\$ -	\$ 183,607	\$ -	\$ -	\$ -	\$ 22,207
Earmarked Funds	-	3,782,236	222,502	5,951,999	540,670	2,114,589	-	1,106,922	-	-	13,902,525
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
<b>Budgetary Financing Sources</b>											
Appropriations Received	-	90,312	-	-	-	-	-	-	-	-	90,312
Earmarked Funds	-	7,220,403	1,190,039	2,501,851	2,053,353	7,922,537	1,158,272	6,205,386	-	-	28,251,841
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
Appropriations Transferred-In/Out	-	(209,609)	393,936	200,453	39,756	90,116	(3,318)	(818)	-	-	510,516
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments	-	(9,001)	-	-	-	-	-	-	-	-	(9,001)
Earmarked Funds	-	(40,750)	-	(54,000)	-	(50,000)	-	-	-	-	(144,750)
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
Appropriations Used	-	(83,933)	-	-	-	-	-	-	-	-	(83,933)
Earmarked Funds	-	(6,773,064)	(1,477,577)	(3,028,326)	(2,074,612)	(7,822,036)	(1,136,378)	(6,416,867)	-	-	(28,728,860)
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financing Sources</b>											
Earmarked Funds	-	(2,622)	106,398	(380,022)	18,497	140,617	18,576	(212,299)	-	-	(2,622)
All Other Funds	-	196,980	-	-	-	-	-	-	-	-	196,980
<b>Net Change</b>											
Earmarked Funds	-	(2,622)	106,398	(380,022)	18,497	140,617	18,576	(212,299)	-	-	(2,622)
All Other Funds	-	196,980	-	-	-	-	-	-	-	-	196,980
<b>Ending Balances</b>											
Earmarked Funds	-	19,585	328,900	5,571,977	559,167	2,255,206	202,183	894,623	-	-	19,585
All Other Funds	-	3,979,216	-	-	-	-	-	-	-	-	3,979,216
<b>Total All Funds</b>											
	\$ -	\$ 3,998,801	\$ 328,900	\$ 5,571,977	\$ 559,167	\$ 2,255,206	\$ 202,183	\$ 894,623	\$ -	\$ -	\$ 13,810,857

U. S. Department of Justice  
Consolidating Statement of Changes in Net Position - Continued  
For the Fiscal Year Ended September 30, 2010

Dollars in Thousands	AFPSADF	OBDS	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
<b>Cumulative Results of Operations</b>											
Beginning Balances											
Earmarked Funds	\$ 1,425,883	\$ 119,668	\$ 132,920	\$ 4,112,981	\$ (100,558)	\$ 1,933,652	\$ 33,169	\$ 73,049	\$ 448,162	\$ -	\$ 5,631,023
All Other Funds	-	29,192	15,014	-	85,653	-	-	5,197,800	-	-	7,875,562
Adjustments:											
Changes in Accounting Principles (Note 27)											
All Other Funds	-	-	-	-	-	(9,755)	-	(56,833)	-	-	(46,588)
<b>Beginning Balances, as Adjusted</b>											
Earmarked Funds	1,425,883	119,668	132,920	4,112,981	(100,558)	1,933,652	33,169	73,049	448,162	-	5,631,023
All Other Funds	-	29,192	15,014	-	85,653	-	-	5,160,967	448,162	-	7,828,974
<b>Budgetary Financing Sources</b>											
Appropriations Used											
Earmarked Funds	-	83,933	1,477,577	3,028,326	2,074,612	7,822,036	1,136,378	6,416,867	-	-	83,933
All Other Funds	-	6,773,064	-	-	-	-	-	-	-	-	28,728,860
Nonexchange Revenues											
Earmarked Funds	3,864	319	-	2,362,338	-	-	-	-	-	-	2,366,521
All Other Funds	-	-	-	932	-	-	-	-	-	-	932
Donations and Forfeitures of Cash and Cash Equivalents											
Earmarked Funds	1,502,466	-	-	-	-	-	-	-	-	-	1,502,466
All Other Funds	-	75,097	-	-	-	-	-	-	-	-	75,097
<b>Other Financing Sources</b>											
Donations and Forfeitures of Property											
Earmarked Funds	70,864	-	-	-	-	-	-	-	-	-	70,864
All Other Funds	-	-	-	-	-	-	-	340	-	-	340
Transfers-In/Out Without Reimbursement											
Earmarked Funds	(31,259)	-	-	-	-	-	-	-	-	-	(31,259)
All Other Funds	-	(81,783)	186	24,608	9,432	69,206	2,407	5,394	(166)	-	29,284
Imputed Financing from Costs Absorbed by Others											
Earmarked Funds	-	1,301	-	-	6,969	-	-	3,891	-	-	12,161
All Other Funds	-	161,894	38,441	4,712	68,740	354,864	39,264	212,814	37,435	(27,448)	890,716
<b>Total Financing Sources</b>											
Earmarked Funds	1,545,935	85,553	1,516,204	2,362,338	7,055	8,246,106	1,178,049	6,635,415	37,269	(27,448)	4,004,772
All Other Funds	-	6,928,272	1,516,204	3,058,578	2,152,784	-	-	-	-	-	29,725,229
<b>Net Cost of Operations</b>											
Earmarked Funds	(1,284,418)	(33,746)	(1,512,102)	(608,723)	(65,776)	(7,756,891)	(1,181,960)	(7,087)	-	-	(1,995,750)
All Other Funds	-	(7,100,303)	-	(3,061,375)	(2,157,439)	-	-	(6,649,333)	(93,597)	27,448	(29,485,552)
<b>Net Change</b>											
Earmarked Funds	261,517	51,807	4,102	1,753,615	(58,721)	489,215	(3,911)	(3,196)	(56,328)	-	2,005,022
All Other Funds	-	(172,031)	-	(2,797)	(4,655)	-	(3,911)	(13,918)	-	-	(239,677)
<b>Ending Balances</b>											
Earmarked Funds	1,687,400	171,475	137,022	5,866,596	(159,279)	2,413,112	29,258	69,853	391,834	-	7,636,045
All Other Funds	-	(142,839)	137,022	12,217	80,998	2,413,112	29,258	5,147,049	391,834	-	8,068,651
<b>Total All Funds</b>	<b>\$ 1,687,400</b>	<b>\$ 28,636</b>	<b>\$ 137,022</b>	<b>\$ 5,878,813</b>	<b>\$ (78,281)</b>	<b>\$ 2,413,112</b>	<b>\$ 29,258</b>	<b>\$ 5,216,902</b>	<b>\$ 391,834</b>	<b>\$ -</b>	<b>\$ 15,704,696</b>

U. S. Department of Justice  
 Consolidating Statement of Changes in Net Position  
 For the Fiscal Year Ended September 30, 2009

Dollars in Thousands	AF/SA/DF	OEDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated			
<b>Unexpended Appropriations</b>														
Beginning Balances														
Earmarked Funds	\$	44,902	\$	191,625	\$	2,881,349	\$	475,267	\$	1,884,207	\$	899,745	\$	44,902
All Other Funds	-	2,669,214	-	-	-	-	-	-	-	-	-	-	-	9,169,075
<b>Budgetary Financing Sources</b>														
Appropriations Received														
Earmarked Funds	-	125,076	-	964,000	-	5,056,600	-	1,959,084	-	7,336,191	-	1,068,215	-	125,076
All Other Funds	-	7,787,138	-	-	-	-	-	-	-	-	-	-	-	30,327,827
Appropriations Transferred-In/Out														
All Other Funds	-	(361,192)	-	354,616	-	283,817	-	158,467	-	(8,978)	-	16,647	-	535,342
Other Adjustments	-	-	-	-	-	(121,642)	-	-	-	-	-	-	-	(231,068)
Appropriations Used														
Earmarked Funds	-	(147,771)	-	-	-	-	-	(2,052,148)	-	(7,096,831)	-	(1,068,923)	-	(147,771)
All Other Funds	-	(6,303,498)	-	(1,287,739)	-	(2,128,125)	-	-	-	-	-	(5,961,387)	-	(25,898,651)
<b>Total Financing Sources</b>														
Earmarked Funds	-	(22,695)	-	30,877	-	3,070,650	-	65,403	-	230,382	-	15,939	-	(22,695)
All Other Funds	-	1,113,022	-	-	-	-	-	-	-	-	-	-	-	4,733,450
<b>Net Change</b>														
Earmarked Funds	-	(22,695)	-	-	-	-	-	-	-	-	-	-	-	(22,695)
All Other Funds	-	1,113,022	-	30,877	-	3,070,650	-	65,403	-	230,382	-	15,939	-	4,733,450
<b>Ending Balances</b>														
Earmarked Funds	-	22,207	-	222,502	-	5,951,999	-	540,670	-	2,114,589	-	183,607	-	22,207
All Other Funds	-	3,782,236	-	222,502	-	5,951,999	-	540,670	-	2,114,589	-	183,607	-	13,902,525
<b>Total All Funds</b>	\$	3,804,443	\$	222,502	\$	5,951,999	\$	540,670	\$	2,114,589	\$	183,607	\$	13,924,732

**U. S. Department of Justice**  
**Consolidating Statement of Changes in Net Position - Continued**  
**For the Fiscal Year Ended September 30, 2009**

Dollars in Thousands	AF/SADF	OBDs	USMS	OJP	DEA	FBI	AIF	BOP	FPI	Eliminations	Consolidated
<b>Cumulative Results of Operations</b>											
<b>Beginning Balances</b>											
Earmarked Funds	\$ 1,007,809	\$ 79,733	\$ -	\$ 2,955,373	\$ (69,174)	\$ -	\$ -	\$ 78,480	\$ -	\$ -	\$ 4,052,221
All Other Funds	-	139,314	143,048	13,519	69,323	1,328,549	35,030	5,249,477	484,031	-	7,462,291
<b>Adjustments</b>											
Changes in Accounting Principles (Note 27)											
Earmarked Funds	-	-	-	-	-	-	-	-	-	-	-
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-
Earmarked Funds	-	-	-	-	-	-	-	-	-	-	-
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
<b>Beginning Balances, as Adjusted</b>											
Earmarked Funds	1,007,809	79,733	-	2,955,373	(69,174)	-	-	78,480	-	-	4,052,221
All Other Funds	-	139,314	143,048	13,519	69,323	1,328,549	35,030	5,249,477	484,031	-	7,462,291
<b>Budgetary Financing Sources</b>											
Appropriations Used											
Earmarked Funds	-	147,771	-	-	-	-	-	-	-	-	147,771
All Other Funds	-	6,303,498	1,287,739	2,128,125	2,052,148	7,096,831	1,068,923	5,961,387	-	-	25,898,651
Nonexchange Revenues											
Earmarked Funds	10,684	233	-	1,745,678	-	-	-	-	-	-	1,756,595
All Other Funds	-	-	-	1,171	-	-	-	-	-	-	1,171
Donations and Forfeitures of Cash and Cash Equivalents											
Earmarked Funds	1,376,423	-	-	-	-	-	-	-	-	-	1,376,423
Transfers-In/Out Without Reimbursement											
All Other Funds	-	89,948	-	-	-	-	-	-	-	-	89,948
Other Budgetary Financing Sources											
All Other Funds	-	(100,000)	-	-	-	-	-	-	-	-	(100,000)
<b>Other Financing Sources</b>											
Donations and Forfeitures of Property											
Earmarked Funds	68,145	-	-	-	-	-	-	-	-	-	68,145
All Other Funds	-	-	-	-	-	-	-	68	-	-	68
Transfers-In/Out Without Reimbursement											
Earmarked Funds	(42,389)	-	-	-	180	-	-	7	-	-	(42,202)
All Other Funds	-	(88,381)	335	49,215	12,143	61,342	2,173	14,766	6	-	51,599
Imputed Financing from Costs Absorbed by Others											
Earmarked Funds	-	1,244	-	4,054	5,953	-	-	3,376	-	-	10,573
All Other Funds	-	160,000	(1,330,497)	(2,181,070)	(2,108,406)	207,505	33,126	186,289	37,762	(28,349)	693,127
<b>Total Financing Sources</b>											
Earmarked Funds	1,412,863	149,248	1,320,369	1,745,678	6,133	7,365,678	1,104,222	6,162,510	37,768	(28,349)	3,317,305
All Other Funds	-	6,365,065	1,320,369	2,182,565	2,124,736	1,933,652	33,169	5,270,849	448,162	-	26,634,564
<b>Net Cost of Operations</b>											
Earmarked Funds	(994,789)	(109,313)	-	(588,070)	(37,517)	-	-	(8,814)	-	-	(1,738,503)
All Other Funds	-	(6,375,187)	(1,330,497)	(2,181,070)	(2,108,406)	(6,760,575)	(1,106,083)	(6,214,187)	(73,637)	28,349	(26,221,293)
<b>Net Change</b>											
Earmarked Funds	418,074	39,935	-	1,157,608	(31,384)	-	-	(5,431)	-	-	1,578,802
All Other Funds	-	(110,122)	(10,128)	1,495	16,330	605,103	(1,861)	(51,677)	(35,869)	-	413,271
<b>Ending Balances</b>											
Earmarked Funds	1,425,883	119,668	-	4,112,981	(100,558)	-	-	73,049	-	-	5,631,023
All Other Funds	-	29,192	132,920	15,014	85,653	1,933,652	33,169	5,197,800	448,162	-	7,875,562
<b>Total All Funds</b>	\$ 1,425,883	\$ 148,860	\$ 132,920	\$ 4,127,995	\$ (14,905)	\$ 1,933,652	\$ 33,169	\$ 5,270,849	\$ 448,162	\$ -	\$ 13,506,585

**U. S. Department of Justice  
Combining Statement of Budgetary Resources  
For the Fiscal Year Ended September 30, 2010**

	AFF/SADF	OBDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Combined
<b>Budgetary Resources</b>										
Unobligated Balance, Net, Brought Forward, October 1	1,195,445	653,984	75,661	224,290	323,879	1,060,034	82,195	372,051	59,313	4,046,852
Recoveries of Prior Year Unpaid Obligations	67,328	225,639	66,898	66,225	129,127	166,563	38,221	6,845	-	766,846
Budget Authority	1,554,993	7,589,965	1,190,039	4,864,189	2,284,189	7,922,537	1,158,272	6,205,386	-	32,769,570
Appropriations Received	10,073	2,135,632	1,592,758	129,382	537,802	1,338,006	81,707	374,407	872,217	7,071,984
Spending Authority from Offsetting Collections Earned	223	(44,709)	(39,937)	(3,489)	(33,532)	1,699	9,679	(2,005)	(21,579)	(133,650)
Change in Receivables from Federal Sources	-	7,520	4,475	(83,090)	25	17,463	-	(203)	6,904	(46,906)
Change in Unfilled Customer Orders	-	92,950	(18,314)	4,745	(5,407)	(106,807)	1,509	-	-	(31,524)
Advance Received	1,565,289	9,781,358	2,729,021	4,911,737	2,783,077	9,172,898	1,251,167	6,577,585	857,542	39,629,674
Without Advance from Federal Sources	-	(134,512)	393,956	200,453	39,756	90,116	(3,318)	(818)	-	585,613
Subtotal Budget Authority	(387,200)	-	-	(1,654,425)	-	-	-	-	-	(2,041,625)
Nonexpenditure Transfers, Net, Anticipated and Actual	-	(50,303)	-	(54,000)	-	-	-	-	-	(154,303)
Temporarily not Available Pursuant to Public Law	-	-	-	-	-	-	-	-	-	-
Permanently not Available	-	-	-	-	-	-	-	-	-	-
<b>Total Budgetary Resources</b>	<b>\$ 2,440,862</b>	<b>\$ 10,476,166</b>	<b>\$ 3,265,516</b>	<b>\$ 3,694,280</b>	<b>\$ 3,275,839</b>	<b>\$ 10,439,611</b>	<b>\$ 1,368,265</b>	<b>\$ 6,955,663</b>	<b>\$ 916,855</b>	<b>\$ 42,833,057</b>
<b>Status of Budgetary Resources</b>										
Obligations Incurred	\$ 1,423,309	\$ 7,327,826	\$ 1,569,307	\$ 3,434,149	\$ 2,532,674	\$ 8,278,414	\$ 1,155,484	\$ 6,536,140	\$ -	\$ 32,257,303
Direct	7,574	2,218,387	1,562,834	27,631	519,774	1,214,320	102,650	41,617	841,869	6,536,456
Reimbursable	1,430,683	9,546,213	3,132,141	3,461,780	3,052,448	9,492,734	1,258,134	6,577,757	841,869	38,793,759
Total Obligations Incurred	669,036	667,416	97,391	208,972	195,008	547,896	53,461	300,013	-	2,739,193
Unobligated Balance - Available	-	-	-	-	-	-	-	-	-	45,030
Appropriated	669,036	667,416	97,391	208,972	195,008	547,896	53,461	345,043	74,986	12,001.6
Exempt from Appropriation	341,143	262,537	35,984	23,528	28,383	398,981	56,670	32,863	-	2,839,209
Total Unobligated Balance - Available	-	-	-	-	-	-	-	-	-	-
Unobligated Balance not Available	-	-	-	-	-	-	-	-	-	1,180,089
<b>Total Status of Budgetary Resources</b>	<b>\$ 2,440,862</b>	<b>\$ 10,476,166</b>	<b>\$ 3,265,516</b>	<b>\$ 3,694,280</b>	<b>\$ 3,275,839</b>	<b>\$ 10,439,611</b>	<b>\$ 1,368,265</b>	<b>\$ 6,955,663</b>	<b>\$ 916,855</b>	<b>\$ 42,833,057</b>

**U. S. Department of Justice**  
**Combining Statement of Budgetary Resources - Continued**  
**For the Fiscal Year Ended September 30, 2010**

Dollars in Thousands	AF/SADF	OBDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Combined
<b>Change in Obligated Balance</b>										
Obligated Balance, Net - Brought Forward, October 1										17,646,368
Unpaid Obligations	919,387	4,771,602	634,587	5,959,947	687,246	2,810,122	238,351	1,352,082	273,044	\$ 46,798
Less: Uncollected Customer Payments from Federal Sources	4,022	746,533	223,465	24,410	220,915	584,369	59,209	8,350		1,918,071
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	915,365	4,025,069	411,122	5,935,537	466,331	2,225,753	179,142	1,343,732	226,246	15,728,297
Obligations Incurred	1,430,683	9,546,213	3,132,141	3,461,780	3,052,448	9,492,734	1,258,134	6,577,757	841,869	38,793,759
Less: Gross Outlays	1,300,063	9,217,715	2,991,279	3,844,655	2,833,524	8,914,482	1,232,222	6,737,782	842,231	37,913,953
Less: Recoveries of Prior Year Unpaid Obligations, Actual	67,328	225,639	66,898	66,225	129,127	166,563	38,221	6,845	-	766,846
Change in Uncollected Customer Payments from Federal Sources	(223)	(48,241)	58,251	(1,256)	38,939	105,108	(11,188)	2,005	21,579	164,974
Obligated Balance, Net - End of Period	982,679	4,874,461	708,551	5,510,847	777,043	3,221,811	226,043	1,185,212	272,682	17,759,329
Unpaid Obligations	4,245	794,774	165,214	25,666	181,976	479,261	70,398	6,345	25,219	1,753,098
Less: Uncollected Customer Payments from Federal Sources	978,434	4,079,687	543,337	5,485,181	595,067	2,742,550	155,645	1,178,867	247,463	16,006,231
Total Unpaid Obligated Balance, Net - End of Period	\$ 1,300,063	\$ 9,217,715	\$ 2,991,279	\$ 3,844,655	\$ 2,833,524	\$ 8,914,482	\$ 1,232,222	\$ 6,737,782	\$ 842,231	\$ 37,913,953
<b>Outlays</b>	10,073	2,143,152	1,597,233	46,292	537,827	1,355,469	81,707	374,204	879,120	7,025,077
Gross Outlays	3,864	691,754	-	242	231,967	253	622	12,666	-	941,568
Less: Offsetting Collections										
Less: Distributed Offsetting Receipts										
<b>Total Net Outlays</b>	\$ 1,286,126	\$ 6,382,809	\$ 1,394,046	\$ 3,798,121	\$ 2,063,730	\$ 7,558,760	\$ 1,149,893	\$ 6,350,912	\$ (36,889)	\$ 29,947,508

**U. S. Department of Justice  
Combining Statement of Budgetary Resources  
For the Fiscal Year Ended September 30, 2009**

	Dollars in Thousands									
	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOB	FPI	Combined
<b>Budgetary Resources</b>										
Unobligated Balance, Net, Brought Forward, October 1	\$ 595,213	\$ 651,099	\$ 93,320	\$ 460,054	\$ 161,745	\$ 1,076,486	\$ 55,971	\$ 360,659	\$ 97,315	\$ 3,549,862
Recoveries of Prior Year Unpaid Obligations	79,515	252,846	61,319	106,867	86,345	270,506	80,237	18,899	-	956,534
Budget Authority	1,669,860	8,203,630	964,000	6,782,278	2,193,596	7,336,191	1,068,215	6,176,599	-	34,394,369
Appropriations Received	7,215	1,845,846	1,482,381	240,818	385,364	1,442,098	61,800	372,994	995,244	6,833,760
Spending Authority from Offsetting Collections Earned	2,376	142,149	22,610	599	39,199	(86,453)	(5,500)	(4,015)	10,301	121,266
Change in Receivables from Federal Sources	-	-	-	-	-	-	-	-	-	-
Change in Unfilled Customer Orders	-	13,671	1,078	(216,745)	(9)	(26,471)	-	352	(17,597)	(245,721)
Advance Received	(681)	16,972	9,393	(12,506)	42,199	(121,340)	33,421	-	-	(32,542)
Without Advance from Federal Sources	1,678,770	10,222,268	2,479,462	6,794,444	2,660,349	8,544,025	1,157,936	6,545,930	987,948	41,071,132
Subtotal Budget Authority	-	(171,244)	354,616	283,817	158,467	(8,978)	16,647	(8,035)	-	625,290
Nonexpenditure Transfers, Net, Anticipated and Actual	-	-	-	-	-	-	-	-	-	-
Temporarily not Available Pursuant to Public Law	-	-	-	(1,295,083)	-	-	-	-	-	(1,295,083)
Permanently not Available	-	(209,438)	-	(121,642)	-	-	-	-	-	(331,080)
<b>Total Budgetary Resources</b>	<b>\$ 2,353,498</b>	<b>\$ 10,745,531</b>	<b>\$ 2,988,717</b>	<b>\$ 6,228,457</b>	<b>\$ 3,066,906</b>	<b>\$ 9,882,039</b>	<b>\$ 1,308,791</b>	<b>\$ 6,917,453</b>	<b>\$ 1,085,263</b>	<b>\$ 44,576,655</b>
<b>Status of Budgetary Resources</b>										
Obligations Incurred	\$ 1,151,330	\$ 7,999,433	\$ 1,375,617	\$ 5,945,243	\$ 2,304,512	\$ 7,672,318	\$ 1,132,564	\$ 6,496,740	\$ -	\$ 34,077,757
Direct	6,723	2,092,114	1,537,439	58,924	438,515	1,149,687	94,032	48,662	1,025,950	6,452,046
Reimbursable	1,158,053	10,091,547	2,913,056	6,004,167	2,743,027	8,822,005	1,226,596	6,545,402	1,025,950	40,529,803
Total Obligations Incurred	539,014	450,832	51,934	225,179	313,155	737,212	44,648	284,574	-	2,646,548
Unobligated Balance - Available	539,014	450,832	51,934	225,179	313,155	737,212	44,648	326,686	59,313	101,425
Appropriated	539,014	450,832	51,934	225,179	313,155	737,212	44,648	326,686	59,313	2,747,973
Exempt from Apportionment	656,431	203,152	23,727	(889)	10,724	322,822	37,547	45,365	-	1,298,879
Total Unobligated Balance - Available										
Unobligated Balance not Available										
<b>Total Status of Budgetary Resources</b>	<b>\$ 2,353,498</b>	<b>\$ 10,745,531</b>	<b>\$ 2,988,717</b>	<b>\$ 6,228,457</b>	<b>\$ 3,066,906</b>	<b>\$ 9,882,039</b>	<b>\$ 1,308,791</b>	<b>\$ 6,917,453</b>	<b>\$ 1,085,263</b>	<b>\$ 44,576,655</b>



**U. S. Department of Justice  
Combining Statement of Budgetary Resources - Continued  
For the Fiscal Year Ended September 30, 2009**

	AFF/SADF	OBDs	USMS	OIP	DEA	FBI	AIF	BOP	FPI	Combined
<b>Change in Obligated Balance</b>										
Obligated Balance, Net - Brought Forward, October 1	\$ 909,109	\$ 3,271,864	\$ 546,861	\$ 3,927,350	\$ 702,505	\$ 2,262,951	\$ 215,902	\$ 1,120,502	\$ 311,873	\$ 13,268,917
Unpaid Obligations	2,327	587,412	191,462	36,317	139,516	792,162	31,288	12,365	36,497	1,829,346
Less: Uncollected Customer Payments from Federal Sources	906,782	2,684,452	355,399	3,891,033	562,989	1,470,789	184,614	1,108,137	275,376	11,439,371
Total Unpaid Obligated Balance, Net - Brought Forward, October 1										
Obligations Incurred	1,158,053	10,091,547	2,913,056	6,004,167	2,743,027	8,822,005	1,226,596	6,545,402	1,025,950	40,529,803
Less: Gross Outlays	1,068,260	8,338,963	2,764,011	3,864,703	2,671,941	8,004,328	1,123,910	6,294,923	1,064,779	35,195,818
Less: Recoveries of Prior Year Unpaid Obligations, Actual	79,515	252,846	61,319	106,867	86,345	270,506	80,237	18,899	-	956,534
Change in Uncollected Customer Payments from Federal Sources	(1,695)	(159,121)	(32,003)	11,907	(81,399)	207,793	(27,921)	4,015	(10,301)	(88,725)
Obligated Balance, Net - End of Period	919,387	4,771,602	634,587	5,959,947	687,246	2,810,122	238,351	1,352,082	273,044	17,646,368
Unpaid Obligations	4,022	746,533	223,465	24,410	220,915	584,369	59,209	8,350	46,798	1,918,071
Less: Uncollected Customer Payments from Federal Sources	915,365	4,025,069	411,122	5,935,537	466,331	2,225,753	179,142	1,343,732	226,246	15,728,397
Total Unpaid Obligated Balance, Net - End of Period										
<b>Outlays</b>										
Gross Outlays	\$ 1,068,260	\$ 8,338,963	\$ 2,764,011	\$ 3,864,703	\$ 2,671,941	\$ 8,004,328	\$ 1,123,910	\$ 6,294,923	\$ 1,064,779	\$ 35,195,818
Less: Offsetting Collections	7,215	1,859,517	1,483,459	24,071	385,354	1,415,627	61,800	373,346	977,646	6,588,035
Less: Distributed Offsetting Receipts	10,684	287,073	(520)	1,362	235,998	1,668	247	2,813	-	539,325
<b>Total Net Outlays</b>	\$ 1,050,361	\$ 6,192,373	\$ 1,281,072	\$ 3,839,270	\$ 2,050,589	\$ 6,587,033	\$ 1,061,863	\$ 5,918,764	\$ 87,133	\$ 28,068,458

U. S. Department of Justice  
 Combining Statement of Custodial Activity  
 For the Fiscal Year Ended September 30, 2010

	AFF/SA/DF	OBDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Combined
<b>Revenue Activity</b>										
<b>Sources of Cash Collections</b>										
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	\$ -	\$ 4,789,655	\$ -	\$ -	\$ 15,000	\$ -	\$ 13,985	\$ -	\$ -	\$ 4,789,655
Fees and Licenses	-	-	-	-	5,963	-	22	-	-	28,985
Fines, Penalties and Restitution Payments - Civil	-	-	-	-	-	-	44	-	-	5,985
Fines, Penalties and Restitution Payments - Criminal	-	33,004	-	-	-	-	-	-	-	33,048
Miscellaneous	-	81	-	-	-	-	623	-	-	704
<b>Total Cash Collections</b>	\$ -	\$ 4,822,740	\$ -	\$ -	\$ 20,963	\$ -	\$ 14,674	\$ -	\$ -	\$ 4,858,377
<b>Accrual Adjustments</b>	-	-	-	-	211	-	60	-	-	271
<b>Total Custodial Revenue</b>	\$ -	\$ 4,822,740	\$ -	\$ -	\$ 21,174	\$ -	\$ 14,734	\$ -	\$ -	\$ 4,858,648
<b>Disposition of Collections</b>										
Transferred to Federal Agencies	-	(84,620)	-	-	-	-	-	-	-	(84,620)
U.S. Department of Agriculture	-	(1,725)	-	-	-	-	-	-	-	(1,725)
U.S. Department of Commerce	-	(283,244)	-	-	-	-	-	-	-	(283,244)
U.S. Department of the Interior	-	(510,634)	-	-	-	-	-	-	-	(510,634)
U.S. Department of Justice	-	(3,537)	-	-	-	-	-	-	-	(3,537)
U.S. Department of Labor	-	(6,762)	-	-	-	-	-	-	-	(6,762)
U.S. Postal Service	-	(199)	-	-	-	-	-	-	-	(199)
U.S. Department of State	-	(571,742)	-	-	(20,891)	-	(14,345)	-	-	(606,978)
U.S. Department of the Treasury	-	(46,636)	-	-	-	-	-	-	-	(46,636)
Office of Personnel Management	-	(2,693)	-	-	-	-	-	-	-	(2,693)
Federal Communications Commission	-	(3,558)	-	-	-	-	-	-	-	(3,558)
Social Security Administration	-	(209)	-	-	-	-	-	-	-	(209)
Smithsonian Institution	-	(35,068)	-	-	-	-	-	-	-	(35,068)
U.S. Department of Veterans Affairs	-	(4,008)	-	-	-	-	-	-	-	(4,008)
General Services Administration	-	(2)	-	-	-	-	-	-	-	(2)
Securities and Exchange Commission	-	(42)	-	-	-	-	-	-	-	(42)
Federal Deposit Insurance Corporation	-	(143)	-	-	-	-	-	-	-	(143)
Railroad Retirement Board	-	(720,010)	-	-	-	-	-	-	-	(720,010)
Environmental Protection Agency	-	(765)	-	-	-	-	-	-	-	(765)
U.S. Department of Transportation	-	(30,872)	-	-	-	-	-	-	-	(30,872)
U.S. Department of Homeland Security	-	(21,555)	-	-	-	-	-	-	-	(21,555)
Agency for International Development	-	(5,360)	-	-	-	-	-	-	-	(5,360)
Small Business Administration	-	(1,528,861)	-	-	-	-	-	-	-	(1,528,861)
U.S. Department of Health and Human Services	-	(2,859)	-	-	-	-	-	-	-	(2,859)
National Aeronautics and Space Administration	-	(4,704)	-	-	-	-	-	-	-	(4,704)
Export-Import Bank of the United States	-	(25,985)	-	-	-	-	-	-	-	(25,985)
U.S. Department of Housing and Urban Development	-	(2,281)	-	-	-	-	-	-	-	(2,281)
U.S. Department of Energy	-	(63,002)	-	-	-	-	-	-	-	(63,002)
U.S. Department of Education	-	(54,493)	-	-	-	-	-	-	-	(54,493)
Independent Agencies	-	(112,640)	-	-	-	-	-	-	-	(112,640)
U.S. Department of Defense	-	(391,304)	-	-	-	-	-	-	-	(391,304)
Transferred to the Public	-	(210,225)	-	-	(283)	-	-	-	-	(210,508)
(Increase)/Decrease in Amounts Yet to be Transferred	-	(10,627)	-	-	-	-	(389)	-	-	(11,016)
Refunds and Other Payments	-	(101,775)	-	-	-	-	-	-	-	(101,775)
Retained by the Reoriente Entity	-	-	-	-	-	-	-	-	-	-
<b>Net Custodial Activity</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

U. S. Department of Justice  
 Combining Statement of Custodial Activity  
 For the Fiscal Year Ended September 30, 2009

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined		
<b>Revenue Activity</b>												
<b>Sources of Cash Collections</b>												
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	\$	-	\$	2,884,775	\$	-	\$	-	\$	-	\$	2,884,775
Fees and Licenses	-	-	-	-	-	15,000	-	-	-	-	-	29,224
Fines, Penalties and Restitution Payments - Civil	-	-	-	-	44,961	-	14,224	-	-	-	-	44,979
Fines, Penalties and Restitution Payments - Criminal	-	22,959	-	-	-	-	18	-	-	-	-	22,997
Miscellaneous	-	108	-	-	-	-	38	-	-	-	-	357
<b>Total Cash Collections</b>	\$	-	\$	2,907,842	\$	59,961	\$	14,529	\$	-	\$	2,982,332
Accrual Adjustments	-	-	-	-	-	211	(23)	-	-	-	-	188
<b>Total Custodial Revenue</b>	\$	-	\$	2,907,842	\$	60,172	\$	14,506	\$	-	\$	2,982,520
<b>Disposition of Collections</b>												
Transferred to Federal Agencies	-	(92,073)	-	-	-	-	-	-	-	-	-	(92,073)
U.S. Department of Agriculture	-	(771)	-	-	-	-	-	-	-	-	-	(771)
U.S. Department of Commerce	-	(25,059)	-	-	-	-	-	-	-	-	-	(25,059)
U.S. Department of the Interior	-	(123,787)	-	-	-	-	-	-	-	-	-	(123,787)
U.S. Department of Justice	-	(528)	-	-	-	-	-	-	-	-	-	(528)
U.S. Department of Labor	-	(4,435)	-	-	-	-	-	-	-	-	-	(4,435)
U.S. Postal Service	-	(294,619)	-	-	(59,961)	-	(14,210)	-	-	-	-	(368,790)
U.S. Department of the Treasury	-	(19,833)	-	-	-	-	-	-	-	-	-	(19,833)
Office of Personnel Management	-	(470)	-	-	-	-	-	-	-	-	-	(470)
National Credit Union Administration	-	(9,773)	-	-	-	-	-	-	-	-	-	(9,773)
Federal Communications Commission	-	(982)	-	-	-	-	-	-	-	-	-	(982)
Social Security Administration	-	(8)	-	-	-	-	-	-	-	-	-	(8)
Smithsonian Institution	-	(28,710)	-	-	-	-	-	-	-	-	-	(28,710)
U.S. Department of Veterans Affairs	-	(116,631)	-	-	-	-	-	-	-	-	-	(116,631)
General Services Administration	-	(4)	-	-	-	-	-	-	-	-	-	(4)
Securities and Exchange Commission	-	(1,958)	-	-	-	-	-	-	-	-	-	(1,958)
Federal Deposit Insurance Corporation	-	(335)	-	-	-	-	-	-	-	-	-	(335)
Railroad Retirement Board	-	(4,207)	-	-	-	-	-	-	-	-	-	(4,207)
Tennessee Valley Authority	-	(223,334)	-	-	-	-	-	-	-	-	-	(223,334)
Environmental Protection Agency	-	(1,357)	-	-	-	-	-	-	-	-	-	(1,357)
U.S. Department of Transportation	-	(171,69)	-	-	-	-	-	-	-	-	-	(171,69)
U.S. Department of Homeland Security	-	(5,332)	-	-	-	-	-	-	-	-	-	(5,332)
Small Business Administration	-	(1,367,320)	-	-	-	-	-	-	-	-	-	(1,367,320)
U.S. Department of Health and Human Services	-	(2,957)	-	-	-	-	-	-	-	-	-	(2,957)
National Aeronautics and Space Administration	-	(18,347)	-	-	-	-	-	-	-	-	-	(18,347)
U.S. Department of Housing and Urban Development	-	(4,065)	-	-	-	-	-	-	-	-	-	(4,065)
U.S. Department of Energy	-	(18,003)	-	-	-	-	-	-	-	-	-	(18,003)
U.S. Department of Education	-	(54,916)	-	-	-	-	-	-	-	-	-	(54,916)
Independent Agencies	-	(113,023)	-	-	-	-	-	-	-	-	-	(113,023)
U.S. Department of Defense	-	(329,816)	-	-	-	-	-	-	-	-	-	(329,816)
Transferred to the Public	-	55,779	-	-	(211)	-	-	-	-	-	-	55,568
(Increase)/Decrease in Amounts Yet to be Transferred	-	(622)	-	-	-	-	(296)	-	-	-	-	(918)
Refunds and Other Payments	-	(83,177)	-	-	-	-	-	-	-	-	-	(83,177)
Retained by the Reporting Entity	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Custodial Activity</b>	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

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**Required Supplementary Stewardship Information**

**Unaudited**

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**U.S. Department of Justice**  
**Required Supplementary Stewardship Information**  
**Consolidated Stewardship Investments**  
**For the Fiscal Years Ended September 30, 2010, 2009, 2008, 2007 and 2006**

The Violent Offender Incarceration and Truth-In Sentencing (VOI/TIS) and the Correctional Grants for Tribal Programs are administered by OJP's Bureau of Justice Assistance (BJA). The VOI/TIS and Correctional Grants for Tribal Land programs provide grants to all states as well as the District of Columbia, Puerto Rico, Virgin Islands, American Samoa, Guam, the Northern Mariana Islands, and Tribes for the purposes of building or expanding correctional facilities and jails to increase secure confinement space for violent offenders. The facilities built or expanded with these funds constitute non-federal physical property.

The Recovery Act Correctional Facilities on Tribal Lands Program and the Correctional Facilities on Tribal Lands Program assist tribes in cost effectively constructing and renovating correctional facilities associated with the incarceration and rehabilitation of juvenile and adult offenders subject to tribal jurisdiction. In addition, this funding allows tribes to explore community-based alternatives to help control and prevent jail overcrowding due to alcohol and other substance abuse. The Bureau of Justice Assistance administers both programs in coordination with the Bureau of Indian Affairs and the Office of Juvenile Justice and Delinquency Prevention.

VOI/TIS and Correctional Grants for Tribal Lands funds expended from FY 2006 through FY 2010 are as follows:

<b>Dollars in Thousands</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Cooperative Agreement Program Administered by USMS	\$0	\$0	\$1,140	\$2,839	\$2,521
Discretionary Grants to Indian Tribes	24,768	14,320	5,094	11,334	4,007
Formula Grants to States	11,389	41,561	59,011	188,171	222,650
<b>Total</b>	<b>\$ 36,157</b>	<b>\$55,881</b>	<b>\$65,245</b>	<b>\$202,344</b>	<b>\$229,178</b>

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## Appendix

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

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

### Recommendation Number:

- 1. Resolved.** The Department concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that the Department monitored the corrective actions taken by the USMS to improve the condition of its funds management controls, in response to the specific recommendations made in the component auditors' *Independent Auditors' Report on Internal Control over Financial Reporting* issued in connection with the audit of the USMS's financial statements as of and for the year ended September 30, 2010.
- 2. Resolved.** The Department concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that the Department assessed the adequacy of the Department's accounting, internal control, and financial reporting policies in the areas of: (1) seized and forfeited property and (2) undelivered orders and accounts payable. Based on the results of this assessment, the Department should determine the need to issue new guidance and/or reiterate to the AFF and ATF the existing policies for those areas in which the components' auditors identified significant deficiencies related to the recording of transactions and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. The Department should monitor the AFF's and ATF's adherence to the Department's accounting and financial reporting policies and procedures throughout the year.
- 3. Resolved.** The Department concurred with our recommendation. This recommendation can be closed when the Department has implemented a Department-wide integrated financial management system that is in compliance with the United States Government Standard General Ledger, conforms to the financial management system requirements established by OMB Circular A-127, *Financial Management Systems*, and can accommodate the requirements of applicable federal accounting standards.