

# Audit Report



U.S. Department of Justice  
Annual Financial  
Statement  
Fiscal Year 2000

February 2001

01-07

U. S. DEPARTMENT OF JUSTICE  
ANNUAL FINANCIAL STATEMENT  
FISCAL YEAR 2000

OFFICE OF THE INSPECTOR GENERAL  
COMMENTARY AND SUMMARY

The U.S. Department of Justice, under the direction of the Attorney General, is charged with protecting society against criminals and subversion; upholding the civil rights of all Americans; ensuring healthy competition of business in our free enterprise system; safeguarding the consumer; enforcing environmental, drug, immigration, and naturalization laws; and representing the American people in all legal matters involving the U.S. Government. The Department also plays a significant role in protecting citizens through its efforts for effective law enforcement, crime prevention, crime detection, and prosecution and rehabilitation of offenders. In FY 2000, the Department had over 123,000 employees and funding of approximately \$26 billion.

This audit report contains the Annual Financial Statement of the Department of Justice for the fiscal year ended September 30, 2000. Under the direction of the Office of the Inspector General, PricewaterhouseCoopers LLP performed the consolidated Department audit and three of the ten component audits. Three other independent public accounting firms performed the remaining seven component audits, which PricewaterhouseCoopers LLP relied upon in issuing the consolidated opinion. The Department received an unqualified opinion on its FY 2000 consolidated balance sheet and statement of custodial activity; the Department received a qualified opinion on its related consolidated statements of net cost and changes in net position and related combined statements of budgetary resources and financing. A qualified opinion means that the financial statements are presented fairly in all material respects, except for matters identified in the audit report. The qualification resulted from the Immigration and Naturalization Service's (INS) inability to substantiate the earned revenues offset portion of Immigration Program Costs because of inadequate records to support the pending applications at the beginning of the fiscal year. This amount represents approximately 32 percent of the Department's consolidated earned revenue.

For FY 1999, the Department received a qualification on all its financial statements. The removal of the qualification on the balance sheet required tremendous efforts and costs by the Department. Because the Department lacks automated systems to readily support ongoing accounting operations, financial statement preparation, and the audit process, many tasks had to be performed manually. For example, in order to determine deferred revenue at year end, the INS had to manually count approximately two million applications, an effort that involved substantial preparation and several preliminary counts throughout the fiscal year. It also caused delays in the processing of applications. Significant costly and time-intensive manual efforts will continue to be necessary for the INS, as well as the Department and other components, to maintain their unqualified opinions until automated, integrated processes and systems are implemented that readily produce the necessary information. The Department also

incurred substantial costs and depended heavily on the use of contractors to assist in the cleanup of accounting transaction backlogs and to provide other accounting support.

All three of the material weaknesses and the reportable condition identified in the FY 1999 consolidated Report on Internal Controls were reported again in FY 2000. The first material weakness occurred because auditors for all ten components reported deficiencies in the components' recording of financial transactions in accordance with generally accepted accounting principles, laws and regulations, or the Department's financial reporting policies. This weakness mostly reflected problems with the accounting and reporting of liabilities, revenue, property, and inventories.

The second material weakness identified weaknesses in component financial management systems' general and application controls and was cited at every Department component. This material weakness also included general control issues cited at the Department's data processing centers. Furthermore, in the consolidated Report on Compliance with Laws and Regulations, the auditors identified five Department components that were not compliant with the Federal Financial Management Improvement Act of 1996 (FFMIA), which specifically addresses the adequacy of federal financial management systems.

The third material weakness arose because six out of ten Department components did not have effective financial statement preparation processes to ensure financial statements were completed in conformance with the Department's requirements. Additional issues relating to the consolidation process were also noted. The reportable condition identified the need for improvement in three components' controls over their fund balance with Treasury.

In addition to the previously mentioned FFMIA system related deficiencies, the consolidated Report on Compliance with Laws and Regulations cited two other instances of components' noncompliance with laws and regulations. The first instance involved inadequate notification to Congress of reprogrammings and the second involved a failure to pay accrued interest in accordance with the Prompt Pay Act.

The table on the following page depicts the audit results for the Department's consolidated audit as well as for the ten individual component audits for FY 2000.

## Fiscal Year 2000 Audit Results

Reporting Entity	Auditors' Opinion on Balance Sheet and Statement of Custodial Activity	Auditors' Opinion on other Financial Statements	Number of Material Weaknesses <sup>1</sup>	Number of Reportable Conditions <sup>2</sup>
Consolidated Department of Justice	Unqualified <sup>3</sup>	Qualified <sup>4</sup>	3	1
Assets Forfeiture Fund and Seized Asset Deposit Fund	Unqualified	Unqualified	0	2
Bureau of Prisons	Unqualified	Unqualified	0	3
Drug Enforcement Administration	Unqualified	Unqualified	4	2
Federal Bureau of Investigation	Unqualified	Unqualified	2	1
Federal Prison Industries, Inc.	Qualified	Qualified	5	1
Immigration and Naturalization Service	Unqualified	Qualified	3	3
Offices, Boards and Divisions	Unqualified	Unqualified	0	2
Office of Justice Programs	Unqualified	Unqualified	0	3
U.S. Marshals Service	Unqualified	Unqualified	1	3
Working Capital Fund	Unqualified	Unqualified	0	3

<sup>1</sup> A material weakness is a reportable condition (see below) in which the design or operation of the internal control does not reduce to a relatively low level the risk that error, fraud or noncompliance in amounts that would be material in relation to the principal statements or to performance measures may occur and not be detected within a timely period by employees in the normal course of their assigned duties.

<sup>2</sup> A reportable condition includes matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal controls that could adversely affect the entity's ability to properly report financial data.

<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 generally accepted accounting principles.

<sup>4</sup> Qualified opinion -- An auditor's report that states, "except for" matters identified in the report, the financial statements present fairly, in all material respects, the financial position and results of operations of the reporting entity, in conformity with generally accepted accounting principles.

U.S. DEPARTMENT OF JUSTICE  
ANNUAL FINANCIAL STATEMENT  
FISCAL YEAR 2000

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**U.S. Department of Justice**

**Management's Discussion and Analysis**

**Unaudited**

# **U.S. DEPARTMENT OF JUSTICE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Departmental Reporting Entity**

This report presents the Fiscal Year (FY) 2000 consolidated financial statements for the Department of Justice (Department). Under Title IV of the Government Management Reform Act (GMRA) of 1994, the Attorney General shall prepare and submit to the Director of the Office of Management and Budget (OMB), audited financial statements for the preceding FY, covering all accounts and associated activities of each office, bureau and activity of the Department. Under the direction of the Chief Financial Office (CFO), the Justice Management Division (JMD) prepares the Department's consolidated financial statements. The Office of the Inspector General (OIG) is responsible for the audit of these statements. The Department's FY 2000 audited financial statements were consolidated based upon the results of audits undertaken at each Department reporting entity.

### **The Mission and Major Activities of the Department of Justice**

The Department enforces the laws and defends the interests of the United States according to the law, provides Federal leadership in preventing and controlling crime, seeks just punishment for those guilty of unlawful behavior, administers and enforces the Nation's immigration laws fairly and effectively, and ensures fair and impartial administration of justice to all Americans.

To carry out the Department's mission, the Attorney General directs the activities of more than 123,000 attorneys, investigators, Border Patrol agents, deputy marshals, correctional officers, and other employees. Although headquartered in Washington, DC, most of the Department's work takes place outside of the Washington, DC, Metropolitan area. As a result, the majority of the employees work in any one of more than 2,700 Justice installations around the country and in more than 120 foreign cities.

In recent years, the Department has significantly increased its Federal financial assistance to strengthen and improve state and local criminal and juvenile justice systems. It has assisted states, localities, and others to adopt innovative practices in a wide variety of program areas, including community policing, domestic violence, and victim assistance. At the federal level, it has assisted in the development and dissemination of new knowledge about crime, delinquency and the criminal and juvenile justice systems. The Department formed numerous multi-jurisdictional partnerships with state and local law enforcement and supported improved information-sharing efforts among criminal justice agencies. These collaborative partnerships among federal, state, and local law enforcement agencies has strengthened and expanded over the years.

## **Organizational Structure of the U.S. Department of Justice**

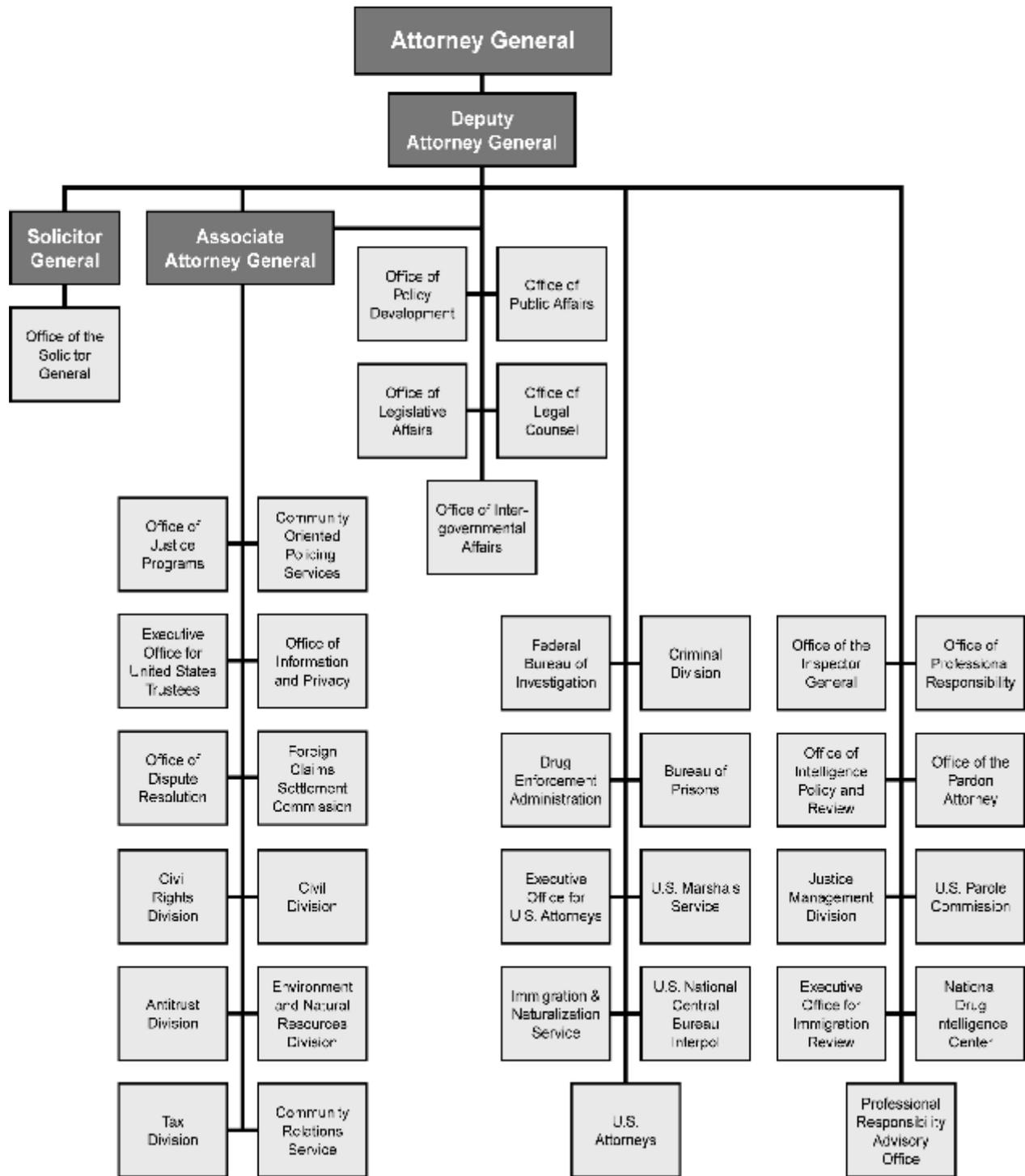
The Department is comprised of the following principal components:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Working Capital Fund (WCF)
- Offices, Boards and Divisions (OBD)

Attorney General	Deputy Attorney General
Associate Attorney General	Solicitor General
Legal Counsel	Legislative Affairs
Professional Responsibility	Policy Development
Public Affairs	Pardon Attorney
Inspector General	Community Relations Service
U.S. Attorneys	Dispute Resolution
INTERPOL	Intelligence Policy and Review
Executive Office for Immigration Review	U.S. Trustees
Intergovernmental Affairs	Community Oriented Policing Services (COPS)
National Drug Intelligence Center	Information and Privacy
Foreign Claims Settlement Commission	U.S. Parole Commission
Civil Rights Division	Antitrust Division
Criminal Division	Civil Division
Environment and Natural Resources Division	Tax Division
	Justice Management Division
	Office of Wireless Management

- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Immigration and Naturalization Service (INS)
- Bureau of Prisons (BOP)
- Federal Prison Industries, Inc. (FPI)

# U.S. Department of Justice



## **Performance Goals and Objectives**

The Government Performance and Results Act of 1993 (GPRA) was enacted to improve the public's confidence in the Federal Government's management of its programs and to improve the measurability of the effectiveness of those programs with an overall goal of improving efficiency and accountability in government programs. DOJ Strategic Plan for 1997-2002 sets forth the broad strategic direction for the Department in seven core goals. The goals, and selected objectives, include:

### **DOJ Goal 1 - Investigation and Prosecution of Criminal Offenses**

- C Reducing the threat, incidence, and prevalence of violent crime, especially as it stems from organized criminal enterprises and drug and gang-related violence.
- C Reducing the threat and trafficking of illegal drugs by identifying, disrupting, and dismantling drug trafficking organizations.
- C Deterring and detecting espionage and terrorist incidents against the United States.
- C Reducing white collar crime and public corruption.

### **DOJ Goal 2 - Assistance to Tribal, State and Local Governments**

- C Improving the crime fighting and criminal justice system capabilities of state, tribal and local governments.
- C Upholding the rights of, and improving services to, America's crime victims.

### **DOJ Goal 3 - Legal Representation, Enforcement of Federal Laws, Defense of U.S. Interests**

- C Upholding the civil rights of all Americans.
- C Enforcing and defending federal environmental laws and programs.
- C Promoting competition in the United States economy.

### **DOJ Goal 4 - Immigration**

- C Preserving the integrity of the legal immigration systems.
- C Securing the ports-of-entry, land borders and coasts of the United States against unlawful entry.
- C Facilitating lawful travel and commerce across the borders of the United States.

### **DOJ Goal 5 - Detention and Incarceration**

- C Providing safe, secure and humane confinement of persons who are detained while awaiting trial or sentencing, hearings on the immigration status, or deportation.
- C Providing services and programs to meet critical inmate needs and facilitate their successful reintegration into society, consistent with community expectations and standards.

## **DOJ Goal 5 - Detention and Incarceration, Continued**

- C Maintaining and operating Federal Prison System.
- C Ensuring that sufficient prison capacity exists so that violent and other serious criminal offenders are imprisoned to the fullest extent of the law.

## **DOJ Goal 6 - Protection of the Federal Judiciary and Improvement of the Justice System**

- C Protecting judges, witnesses and other participants in federal judicial proceedings and ensuring the safe and secure operation of the federal court system.
- C Meeting the needs of, and upholding the rights of, victims and witnesses of federal crimes.

## **DOJ Goal 7 - Management**

- C Fostering integrity, strengthening management accountability, and promoting the efficiency of the Department programs, information technology, security, and human resources.
- C Improving the effectiveness of the Department operations by strengthening and enforcing controls over assets, improving the usefulness and reliability of financial data for planning and reporting, and maximizing the use of available resources in accomplishing programmatic missions.

The Department's annual summary performance plan for FY 2000 ensures that performance planning and budgeting are driven by, and consistent with, the Attorney General's long term strategic goals. The FY 2000 performance plan and budget are linked to the seven CORE goals. This direct linkage between the Department's strategic goals and the annual plans and budgets ensures a coordinated and clear focus on missions and results.

## **Strategies to Achieve Objectives**

The Department will continue to identify, penetrate, and dismantle major criminal enterprises by establishing a proactive investigative effort, implementing gun violence reduction strategies, providing operational enforcement assistance and training to local governments, targeting drug traffickers, and providing financial and technical assistance to meet the needs of crime victims.

## **Selected Financial and Performance Results**

The Department of Justice FY 2000-2002 Performance Report provides a comprehensive report of the Departments performance results. This report is scheduled to be issued in the Spring, 2001. Selected FY 2000 Departmental performance results for the five major goals are reported below:

## **DOJ Goal 1**

***24.8 % of the Department Net Cost supports - Investigation and Prosecution of Criminal Offenses.*** Net costs for Goal 1 for FY 2000 totaled \$5.3 billion, an increase of 1.8 % over FY 1999. Selected highlights include:

The DEA's Operation Millennium effectively targeted major cocaine suppliers who were responsible for shipping vast quantities of cocaine from Colombia through Mexico into the United States. Phase one of this operation culminated in October 1999 with the arrest of 32 defendants and the seizure of 13.7 metric tons of cocaine and over \$2.25 million of U.S. currency. Additionally, 44 of the most significant Colombian and Mexican traffickers operating today were included in three separate superceding indictments. Operation Millennium successfully demonstrated that even the highest level traffickers based in foreign countries could not conduct drug operations inside the United States with impunity.

During FY 2000, the FBI had significant success in terms of its investigative accomplishments (e.g., arrests, indictments, convictions). Overall, the FBI arrested 36 thousand individuals on various federal and state charges. Additionally, the FBI investigative operations led to the indictment of 19 thousand individuals and the conviction of 21 thousand individuals. The FBI's efforts also led to \$947 million in fines, \$1 billion in recoveries, and \$3.2 billion in restitutions, or more than one and one half times the FBI's new direct budget authority for FY 2000.

The United States Attorney filed over 52 thousand cases, an increase of approximately 4% over FY 1999, involving over 72 thousand defendants.

## **DOJ Goal 2**

***26.8 % of the Department Net Cost supports - Assistance to Tribal, State and Local Governments.*** Net costs for Goal 2 for FY 2000 totaled \$5.7 billion, an increase of 25.5 % over FY 1999. One of the key objectives of this goal is to strengthen and improve community policing services. Highlights include:

In FY 2000, the COPS awarded nearly \$564 million in grants for over 7,400 additional officers on the street. The Cops-In-Schools Program provides funding for law enforcement agencies to permanently place school resource officers in local schools. In FY 2000, COPS funded almost 1,700 school resource officers under the Cops-In-Schools Program.

In FY 2000, the USMS collaborated with other federal, state and local law enforcement agencies on 122 special task forces, which resulted in clearing almost 25,000 warrants.

## DOJ Goal 2 Continued

In support of the Department's goals, AFF/SADF allocations amounting to \$428 million were provided in FY 2000. From current balances, \$231.4 million was shared with state and local enforcement agencies and foreign governments that participated in joint investigations with Federal agencies which led to asset seizures and forfeitures.

## DOJ Goal 3

***6.8 % of the Department Net Cost supports - Legal Representation, Enforcement of Federal Laws, Defense of U.S. Interests.*** Net costs for Goal 3 for FY 2000 totaled \$1.5 billion, a decrease of 2.8 % below FY 1999 net costs. Highlights include:

The Criminal Section of the Civil Rights Division has been extremely successful, showing two-year average success rates in prosecuting the following types of cases: 96.5 % success rate prosecuting Racial/Religious Violence (Hate Crimes) cases; 100 % success rate prosecuting Federal Access to Clinic Entrance cases; 100 % success rate prosecuting Involuntary Servitude/Other cases; and a 100 % success rate prosecuting House of Worship Arson/Desecration cases.

The Environment and Natural Resources Division (ENRD), working with the Environmental Protection Agency, implemented an extraordinarily successful "whole sector" approach to addressing environmental non-compliance cases. Using this approach, ENRD reached an enforcement settlement with the seven heavy duty diesel engine manufacturers which culminated in the largest Clean Air Act enforcement action in history. The settlement is expected to reduce one-third of the total nitrous oxide emissions from diesel engines by the year 2003. This initiative, the product of several years work, resulted in a \$62.6 million penalty paid to the United States Treasury, \$20.9 million penalty paid to the states, and an agreement with the companies to spend \$109 million on other projects to reduce emissions.

The FBI recently completed its investigation of the United States' first identified "serial church arsonist", Jay Scott Ballinger. Following an extensive investigation by the FBI, Alcohol, Tobacco and Firearms, and numerous local agencies, Ballinger was sentenced on November 14, 2000. The FBI also reopened the investigation of a 1963 bombing of a predominantly African-American church in Birmingham, Alabama. This bombing resulted in the deaths of four young females. As a result of extensive investigation by FBI's Birmingham office, two subjects were indicted by a Jefferson County, Alabama grand jury on four counts each of "Murder in Connection with an Arson or Bombing."

## **DOJ Goal 4**

***12.1 % of the Department Net Cost supports - Immigration.*** Net costs for Goal 4 for FY 2000 totaled \$2.6 billion, an increase of 10.5 % over FY 1999 net costs. Highlights include:

The INS processed more than 1.2 million naturalization applications and reduced processing times from 27 months at the start of FY 1999 to 12 months by year-end. In FY 2000, the INS continued to reduce backlogs and processing times for naturalization applications. The INS met its FY 2000 targets for processing time and achieved 99.85 % of its completion goal for N-400 applications despite the loss of production resulting from Pending Application Inventory conducted during September and October.

The INS received 460,916 applications for naturalization and completed 1,297,985 in FY 2000. The INS has 817,728 naturalization applications pending, a 40 % decrease from last year's pending applications backlog and the lowest pending total since November 1996. Projected processing time for applications fell from 12 months at the end of FY 1999 to 6 months at the end of FY 2000; the INS achieved its 6 to 9 month average projected processing time goal for the fiscal year. This progress has been made with a processing accuracy rate of over 99 %.

## **DOJ Goal 5**

***25.5 % of the Department Net Cost supports - Detention and Incarceration.***

Net costs for Goal 5 for FY 2000 totaled \$5.4 billion, an increase of 17.1 % over FY 1999. Highlights include:

At the end of FY 2000, the BOP had an inmate population of 145,125, including 125,560 in Bureau facilities, 3,941 in privately managed facilities, and 15,624 in contract facilities. The Bureau's total inmate population increased by 11,436 from FY 1999 to FY 2000. The population increase was due to enhanced law enforcement efforts with particular regard to drug crimes (in conjunction with mandatory sentencing) and crimes along the southwest border. Despite the increase in population, there were no escapes from BOP institutions and no loss of life of their staff in the line of duty during FY 2000.

## **Other FY 2000 Changes**

During FY 2000, net cost for Management was \$191 million, a decrease of 45.9 % below FY 1999. Most of the decrease, however, resulted from the reclassification of WCF unobligated balance transfers (UBT). In FY 1999 and prior, WCF UBT was treated as WCF expenses. For FY 2000 and beyond, the Department treats the UBT as transfers of budget authority. The office segment change for FY 2000 was the creation of the Wireless Management Office (WMO) to oversee the Department's multi-year initiative to convert its wireless radio communications to narrowband operations pursuant to the National Telecommunications and Information Administration narrowband mandate.

With the enactment of the FY 2000 appropriations, base funding for the Justice Wireless Network (JWN) participant components was consolidated under the WMO in the OBD entity enabling the initial phases of the consolidated JWN infrastructure improvements and equipment acquisitions to begin.

## **Factors and Future Trends Affecting Goal Achievement**

### **Technology**

- C** 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**

- C Possible increases in consumer debt will affect bankruptcy filings.
- C Deregulation, economic growth, and globalization are changing the volume and nature of anti-competitive behavior.
- C The interconnected nature of the world's economy is increasing opportunities for criminal activity, including money laundering, white collar crime and alien smuggling.

### **Government**

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

### **Globalization**

- C** 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**

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

### **The Unpredictable**

- C Changes in federal laws may affect responsibilities and workload.
- C The Department has little control over the number, size and complexity of the civil lawsuits it must defend (much of the litigation caseload is defensive).

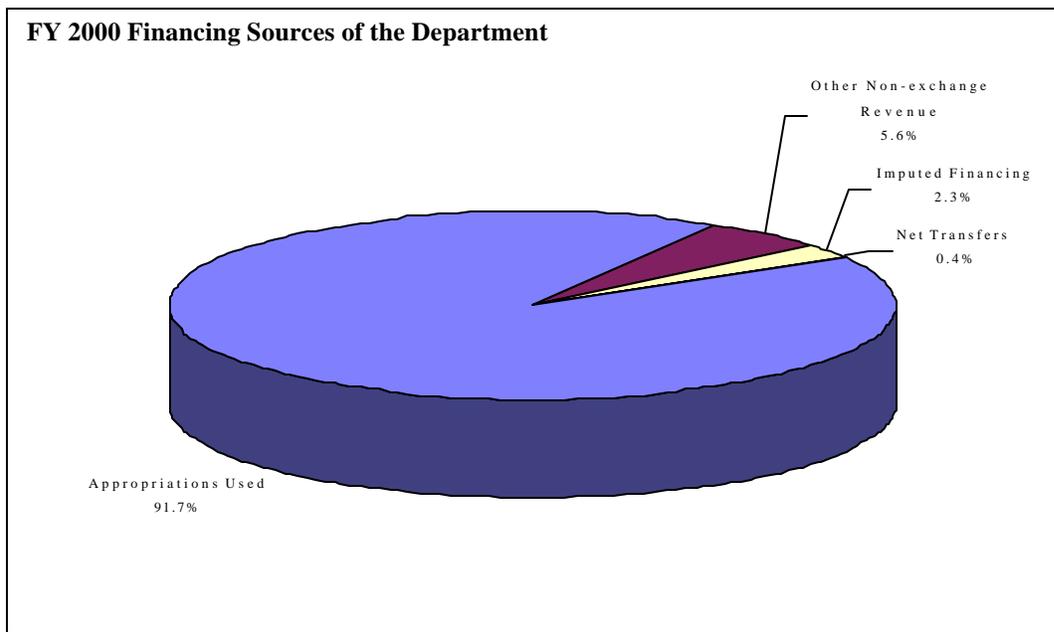
## **FY 2000 Financial Highlights**

**Overview of Financial Data.** The Department received an unqualified opinion on the FY 2000 Balance Sheet and Statement of Custodial Activity, an improvement from the qualified opinion issued on the FY 1999 financial statements. The fund balance with Treasury, approximately \$18.4 billion is the largest asset, comprising 68.3 percent of total assets. Total liabilities are approximately \$7.3 billion, of which \$5.1 consist of liabilities covered by budgetary resources.

Total financing sources, from the Statement of Changes in Net Position, are as follows:

### **FY 2000 Financing Sources (000)**

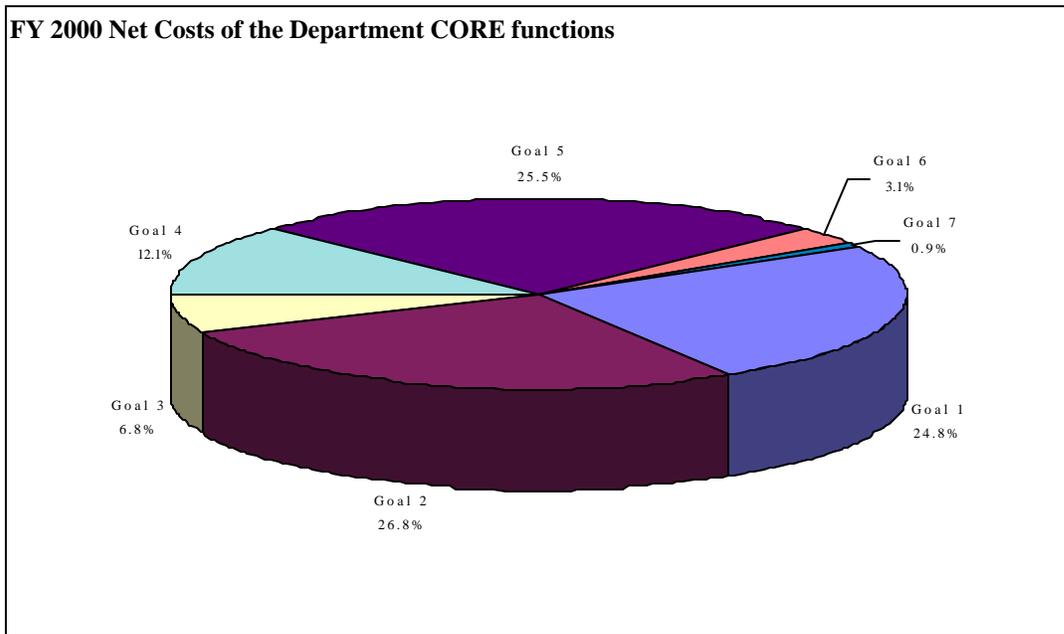
Appropriations Used	\$	20,363,468
Other Non-exchange Revenue		1,255,878
Imputed Financing		506,440
Net Transfers		88,602
Total	\$	<u>22,214,388</u>



## **FY 2000 Net Cost by Goal (000)**

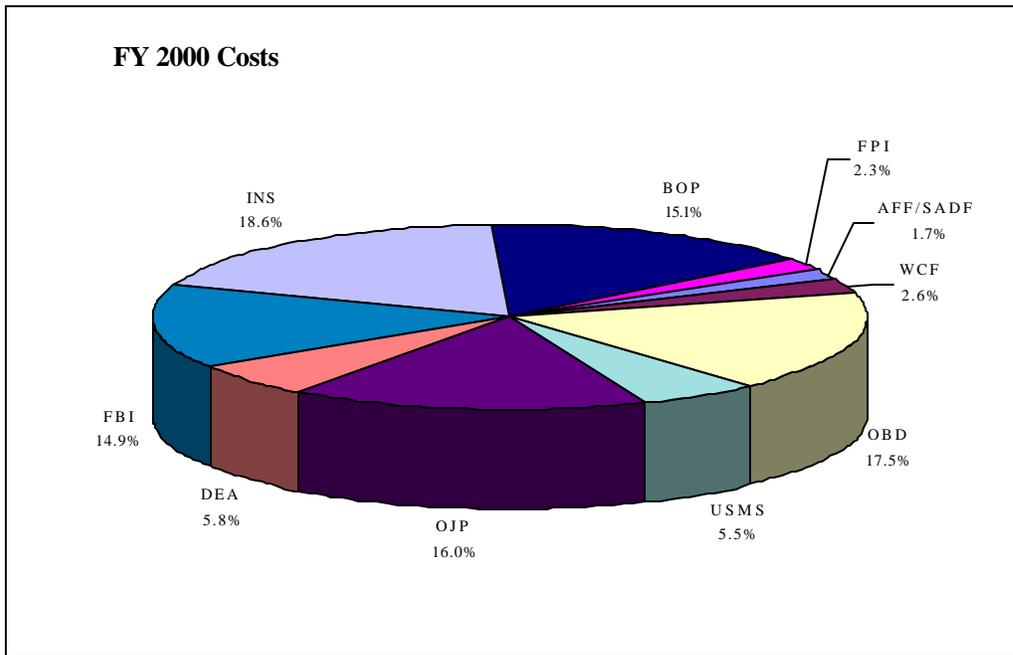
The chart below summarizes the activity on the Statement of Net Cost by presenting how the Department's resources were used.

Goal 1	Investigation and Prosecution of Criminal Offenses	\$ 5,277,625
Goal 2	Assistance to Tribal, State and Local Governments	5,719,599
Goal 3	Legal Representation, Enforcement of Federal Laws and Defense of U.S. Interests	1,453,357
Goal 4	Immigration	2,575,713
Goal 5	Detention and Incarceration	5,431,096
Goal 6	Protection of the Federal Judiciary and Improvement of the Justice System	662,459
Goal 7	Management	191,045
Total Net Cost		<u><u>\$21,310,894</u></u>



**Gross Cost by Department Component (000)**

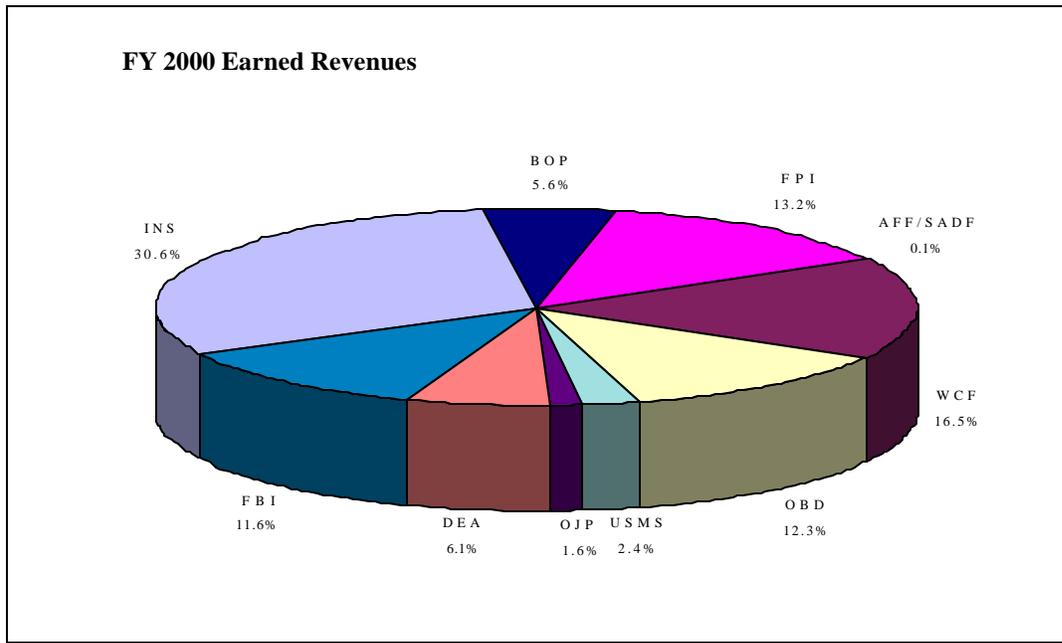
AFF/SADF	\$ 432,101
WCF	678,011
OBD	4,485,744
USMS	1,411,749
OJP	4,112,455
DEA	1,495,577
FBI	3,804,418
INS	4,763,616
BOP	3,859,814
FPI	586,843
Total Costs	<u><u>\$ 25,630,328</u></u>



Note: Eliminations are not included in the Gross Cost and Earned Revenue charts.

**Earned Revenues by Department Component (000)**

AFF/SADF	\$	3,661
WCF		714,251
OBD		533,188
USMS		102,958
OJP		70,096
DEA		262,291
FBI		503,092
INS		1,321,834
BOP		240,395
FPI		567,668
Total Earned Revenues	\$	<u>4,319,434</u>



## **Systems, Controls and Legal Compliance**

Despite significant progress in modernizing its financial systems during FY 2000, five Justice entities are non-compliant with certain systems and systems security elements of the Federal Financial Management Improvement Act. These entities operate financial systems which do not meet all federal systems security or accounting standards. Each of these entities has ongoing corrective action measures designed to address the instances of noncompliance.

The Department reported a material nonconformance this year under Section 4 of the Federal Managers Financial Integrity Act (FMFIA) due to accounting and related systems weaknesses at the five components, the INS, USMS, DEA, FBI, and FPI. While the Department provided overall reasonable assurance that its financial systems, taken as a whole, meet the objectives of Section 4 provisions of FMFIA, the Department clearly recognizes that it has substantial risk related to outdated financial systems. All ten of the Department's reporting entities are engaged in some phase of system replacement or replacement planning. While some entities are near completion and others are still in the early phases, the Department is committed to successfully addressing the weaknesses and instances of non-compliance related to its financial systems.

Three components had other instances of non-compliance with certain other laws and regulations. One entity did not fully comply with all requirements of the Prompt Payment Act. The Department is addressing instances where an entity did not fully comply with required reprogramming notifications. Finally, one entity did not fully comply with certain accounting procedures related to processing for the Crime Victims Fund. Each entity is providing corrective action plans to ensure compliance in FY 2001 and beyond.

The Department will continue to strengthen its management control process. During FY 2000, the Department entities conducted internal control reviews at field sites and central offices in accounting, budgeting, and property management. The OBD, WCF, and AFF/SADF completed their first comprehensive risk analysis of their financial systems controls and disbursing operations. Based on the report recommendations, additional controls were implemented, with further improvements scheduled for FY 2001. DEA plans to form a Management Control Board to annually review and verify the adequacy of its internal control policies and develop new management controls when needed. BOP continues to employ its formal program review process which covers a wide array of financial management and other internal control functions in its headquarters and institutions.

## **Limitations of the Financial Statements**

The financial statements have been prepared to report the financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are also prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication is that liabilities cannot be liquidated without legislation that provides resources to do so.

**REPORT OF INDEPENDENT ACCOUNTANTS**

United States Attorney General and  
The Office of the Inspector General  
United States Department of Justice

We have audited the accompanying consolidated balance sheet of the U.S. Department of Justice (the Department) and its components as of September 30, 2000, and the related consolidated statements of net cost and changes in net position, and the related combined statements of budgetary resources and financing, and consolidated statement of custodial activity, for the year then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain components of the Department, including the Office of Justice Programs, Drug Enforcement Administration, Federal Bureau of Investigation, Immigration and Naturalization Service, U.S. Marshals Service, Bureau of Prisons, and Federal Prison Industries, Inc., which statements reflect total combined assets of \$21.2 billion and total combined net costs of \$16.9 billion for the year ended September 30, 2000. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these components, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of inadequate records supporting the number of pending immigration and naturalization benefit applications as of October 1, 1999, the auditors of the Immigration and Naturalization Service (INS) were unable to obtain sufficient evidential matter to form an opinion regarding the earned revenues offset portion of Immigration Program Costs for the year ended September 30, 2000. The INS's earned revenues offset portion of Immigration Program Costs represents 31.6% of the Department's consolidated earned revenues.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary in the statements of net cost, changes in net position, budgetary resources, and financing, had other auditors been able to obtain sufficient evidential matter concerning the earned revenues offset portion of Immigration Program Costs of the Immigration and Naturalization Service, the consolidated and combined financial

statements referred to above, after giving effect to the adjustments described in Note 19, present fairly, in all material respects, the financial position of the Department of Justice and its components, at September 30, 2000, and their net cost, changes in net position, budgetary resources, financing and custodial activity for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the Department's consolidated and combined financial statements taken as a whole. The consolidating and combining information is presented for purposes of additional analysis of the Department's consolidated and combined financial statements rather than to present the financial position, net costs, changes in net position, budgetary resources, and financing of the Department's components. The consolidating and combining information has been subjected to the auditing procedures applied in the audit of the Department's consolidated and combined financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary in the statements of net cost, changes in net position, budgetary resources, and financing, had other auditors been able to obtain sufficient evidential matter concerning the earned revenues offset portion of Immigration Program Costs of the Immigration and Naturalization Service, the consolidating and combining information is fairly stated in all material respects in relation to the Department's consolidated and combined financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) are not required parts of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended. We did not audit the information and express no opinion on it. However, other auditors and we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. The Department's components did not fully complete the reconciliation of financial transactions with their intra-governmental trading partners as required by OMB Bulletin No. 97-01, as amended.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 2001 on our consideration of the Department's internal control and a report dated February 26, 2001 on its compliance with laws and regulations. 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 considering the results of our audit.



February 26, 2001  
Arlington, Virginia

**REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROLS**

United States Attorney General and  
The Office of the Inspector General  
United States Department of Justice

We have audited the accompanying consolidated balance sheet of the U.S. Department of Justice (the Department) and its components as of September 30, 2000, and the related consolidated statements of net cost and changes in net position, and the related combined statements of budgetary resources, financing, and consolidated statement of custodial activity, for the year then ended, and have issued our report thereon dated February 26, 2001. Except as explained in that report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

We did not audit the financial statements of certain components of the Department, including the Office of Justice Programs (OJP), Drug Enforcement Administration (DEA), Federal Bureau of Investigation (FBI), Immigration and Naturalization Service (INS), U.S. Marshals Service (USM), Bureau of Prisons (BOP), and Federal Prison Industries, Inc. (FPI), which statements reflect total combined assets of \$21.2 billion and total combined net costs of \$16.9 billion for the year ended September 30, 2000. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our report on the Department's internal control herein, insofar as it relates to the internal controls specific to these components, is based solely on the reports of the other auditors.

Management of the Department is responsible for establishing and maintaining accounting systems and internal control. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that:

(1) transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements in accordance with generally accepted accounting principles, and to safeguard assets against loss from unauthorized acquisition, use or disposition; (2) transactions are executed in compliance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and any other laws, regulations and government-wide policies identified in Appendix C of OMB Bulletin No. 01-02; and (3) 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 Department management. Because of inherent limitations in any internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Department's financial statements, we obtained an understanding of the design of significant internal controls and whether they had been placed in operation, tested certain controls and assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. We limited our control testing to those controls necessary to achieve the objectives described above and we did not test all controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. Our purpose was not to provide an opinion on the Department's internal controls. Accordingly, we do not express such an opinion.

With respect to internal control relevant to data that support reported performance measures, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures. Accordingly, we do not provide an opinion on such controls.

We noted, and the reports of other auditors identified, certain matters in the Department's internal control that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to the auditors' attention relating to significant deficiencies in the design or operation of internal control that, in their judgment, could adversely affect the Department's ability to meet the internal control objectives described in the third paragraph. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited or material to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The auditors' consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

\* \* \* \* \*

**Overview of Material Weaknesses and Reportable Conditions**

Table 1 on the following page summarizes the 15 material weaknesses and 23 reportable conditions identified by components' auditors. We analyzed the reportable conditions identified by the components' auditors to determine their effect on the Department's internal control over financial reporting and identified four Department-wide reportable conditions; the first three are considered to be material weaknesses. All four conditions were identified in our previous fiscal year's report on internal controls.

**Table 1: Department-wide Material Weaknesses (M) and Reportable Conditions (R)**

Department (DOJ) Condition	D O J	O B D	A F F	F B I	D E A	O J P	I N S	U S M	B O P	F P I	W C F
The Department's components did not record financial transactions in accordance with generally accepted accounting principles, laws and regulations, or the Department's financial reporting policies.	M	R	R	M	M R	R	M R R	R R	R	M M R	R
Improvements are needed in components' general and application controls over financial management systems and the general controls at the Department's data processing centers. (see note)	M	R	R	M R	M R	R	M M	M	R	M	R
Financial reporting controls were not effective to ensure components' financial statements were prepared in conformance with the Department's requirements.	M	-	-	-	M	R	R	R	R	M	-
Improvements are needed in controls over fund balance with Treasury.	R	-	-	-	M	-	-	-	-	M	R
Total Material Weaknesses Reported by Auditors	15	0	0	2	4	0	3	1	0	5	0
Total Reportable Conditions Reported by Auditors	23	2	2	1	2	3	3	3	3	1	3
(OBD) - Offices, Boards and Divisions (AFF) - Assets Forfeiture Fund and Seized Asset Deposit Fund (WCF) - Working Capital Fund Note: Two reportable conditions were identified at the Department's data centers that are not included in Table 1.											

The remainder of this report discusses these reportable conditions in greater detail. Because of the frequency with which these conditions were found within the ten components, we recommend Department-wide corrective actions.

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**The Department's components did not record financial transactions in accordance with generally accepted accounting principles, laws and regulations, or the Department's financial reporting policies.**

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All ten of the components' auditors reported deficiencies in the components' recording of financial transactions in accordance with the Statements of Federal Financial Accounting Standards (SFFAS) prescribed by the Federal Accounting Standards Advisory Board, applicable laws and regulations, the financial reporting requirements prescribed in the Office of Management and Budget (OMB) Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended, or the Department's financial reporting requirements. Auditors reported the following:

**SFFAS No. 5, Accounting for Liabilities of the Federal Government:** Auditors of the OJP, INS, BOP, and OBD reported that estimates of components' accounts payable balances at September 30, 2000 were not performed correctly or were not adequately documented, and in some cases, required significant adjustment to the components' financial statements to properly reflect the September 30, 2000, account balances for accounts payable and related expenses. Improvements are needed in the processing of accounts payable transactions to ensure timely and reliable component financial statements.

**SFFAS No. 7, Accounting for Revenue and Other Financing Sources:** Auditors of the INS reported that the current systems and management controls used by INS to process applications for immigration and naturalization benefits do not ensure applications are adequately controlled or provide reliable data on the status of the applications. Without adequate control over the status of applications received and completed, INS is unable to determine proper deferred and earned revenue, and must rely on service-wide manual application inventory counts. In fiscal year 1999, the INS's auditors did not deem the manual inventory count of pending applications reliable; accordingly, the auditors qualified their opinion on INS's fiscal year 1999 financial statements. In fiscal year 2000, the auditors reported that INS was able to perform an accurate count of pending applications and adequately support the deferred revenue balance at September 30, 2000. However, the auditors were not able to extend the scope of their work to verify the number of pending applications at the beginning of fiscal year 2000. As a result, INS's auditors qualified their opinion on INS's statements of net cost and changes in net position and on its combined statements of budgetary resources and financing for the fiscal year ended September 30, 2000. Because of this qualification, we also qualified our opinion on the Department's consolidated statements of net cost and changes in net position and on its combined statements of budgetary resources and financing.

Auditors of the FPI identified many conditions in accounts receivable management, that when viewed in the aggregate, were indicative of material weaknesses in internal control. The auditors reported that the FPI: (a) had not developed procedures to ensure accounts receivable were valid, (b) did not have an effective credit card transaction processing system, (c) did not bill timely for approximately \$29 million in sales that were recorded at the end of the fiscal year, (d) did not correctly report non-

governmental accounts receivable, resulting in an error of approximately \$3.7 million, and (e) did not clear miscellaneous chargebacks and receipts of approximately \$2.4 million in a timely manner.

Auditors of the USM reported that interim reconciliation of costs, billings, and related receivables with the balances recorded in the general ledger either were not performed or were not adequately documented. We reported that the OBD's Office of Community Oriented Policing Services (COPS) used non-current information in the calculation of grant advances and estimated that grant expenses were understated by \$79 million; we also noted that the OBD did not always "invoice" their customers in a timely manner, including, services performed for other Department components and other Federal agencies.

**SFFAS No 6, Accounting for Property, Plant and Equipment; and SFFAS No. 3, Accounting for Inventory and Related Property:** Auditors of the FPI reported that during a system conversion, data elements related to inventory records were, in some cases, either mapped incorrectly from legacy systems or were not mapped at all. In addition, the FPI did not (a) record periodic or systematic counts of its perpetual inventory, (b) adequately review existing inventory data for reasonableness in a timely manner, or (c) generate reliable variance analysis reports to determine the reasonableness of existing standard costs. In addition, other errors that misstated the amounts reported in work-in-process and finished sub-assembly components of inventory were identified. The auditors of the FPI were not able to extend their audit procedures to the inventory components discussed above; accordingly, the auditors qualified their opinion on the FPI's financial statements in fiscal year 2000. Finally, the FPI's auditors reported a lack of adequate controls around accounting and reporting of leases, and the procurement of property, plant and equipment.

Auditors of the FBI reported that assets were not properly capitalized in accordance with generally accepted accounting principles. Approximately \$60 million of disbursements were expensed when paid, however, auditors determined that these amounts should have been capitalized. In addition, the FBI recorded a prior period adjustment for another \$4 million in equipment that was expensed in fiscal year 1999 and earlier.

Auditors of the USM reported various errors and inconsistencies in the calculations of depreciable value, construction work-in-process, percentage of completion, accrued liabilities and depreciation for reimbursable work agreements. Auditors also reported that the USM did not retain sufficient information to record approximately \$11 million in operating inventory and capitalized maintenance equipment. Finally, auditors reported weaknesses in controls over recording capital acquisitions by the USM District Offices.

We reported that although the AFF's management improved coordination among the seizing and custodial agencies during fiscal year 2000, we continued to identify weaknesses in internal control that increase the risk that transactions relating to seized and forfeited property are not recorded properly.

**Noncompliance with Departmental financial reporting policies or laws and regulations:** During the rollout of a new INS Finance Center, the INS encountered major delays in processing and recording of financial transactions. Delays were caused by the INS's difficulties in hiring and training an adequate workforce, insufficient workspace, and significant learning curves needed to work with the INS's financial management system and other feeder systems implemented during the rollout.

We reported that, in some instances, debt collections were not deposited timely by the U.S. Attorneys Offices. This occurred because attorneys may not have had the complete information needed to deposit the collection (missing case number or action code) or an attorney may have requested a check to be held for a period of time pending additional information being received from the Court or from the debtor. Failure to record all debt collections when received could lead to misstatements in the financial statements and increase the risk that funds may be lost or misappropriated. Finally, auditors of the DEA reported that quarterly certifications of open obligations were not performed properly, resulting in the removal of \$23.6 million of unliquidated obligations after subsequent review.

Although components have increased their efforts to improve long-standing weaknesses in recording financial transactions in accordance with generally accepted accounting principles, laws and regulations, and Departmental policies, the findings cited above indicate the Department still faces significant risks of misstatement to its consolidated financial statements. Accordingly, Departmental attention is required to monitor components' efforts to correct misstatements in their financial statements and to ensure the Department's consolidated financial statements are free of material misstatement.

### **Recommendation**

We recommend the Chief Financial Officer:

1. Require the components' senior financial managers to submit written corrective action plans to the Department's Justice Management Division (JMD) that document how components will eliminate the reportable conditions described above and the timelines for completing critical tasks. The JMD should monitor components' efforts to complete the tasks outlined in the plans and report to the CFO components that are not completing critical tasks or meeting deadlines.

**Management Response:** Concur. JMD will require that each component submit, by May 11, 2001, written corrective action plans which address the specific accounting practice weaknesses identified in the consolidated and component audit Report(s) on Internal Control. We will require that those plans include timelines for completing the corrective actions, and we will monitor component performance and advise the CFO if corrective action due dates are not being met.

**Improvements are needed in components' general and application controls over financial management systems and the general controls at the Department's data processing centers.**

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Other auditors and we identified weaknesses in all ten of the components' general and application controls over financial management systems. These weaknesses increase the risk that programs and data processed on the Department's information systems are not adequately protected from unauthorized access or service disruption. Other auditors and we identified the following:

**The INS's financial management system is not a Joint Financial Management Improvement Program (JFMIP) certified application and has many inherent weaknesses; and general data processing controls in the information systems control environment need improvement:** Auditors of the INS reported that a majority of INS's financial transactions were processed on its Financial Accounting and Control System (FACS); however, auditors identified that FACS is not JFMIP compliant and has weaknesses in the following areas: (a) access controls, (b) application software development and change control, and (c) segregation of duties. In addition, auditors identified general control weaknesses in the information system control environment related to entity-wide security planning and management, access controls, system software platform controls, and service continuity.

**The auditors of the FBI identified conditions that could, individually or collectively, compromise the agency's ability to ensure security over sensitive programmatic or financial data, the reliability of its financial reporting, and compliance with applicable laws and regulations:** The FBI's auditors reported weaknesses in the information systems general and application controls environment including: entity-wide security programs, access controls, systems software controls, service continuity, change control processes, and segregation of duties. The auditors also reported that the FBI's purchasing module contained deficiencies in validation of units purchased and invoice pricing, on-line interfacing with the financial management system file format, insufficient data fields and restriction of users' access to certain information.

**The DEA needs to strengthen its general controls over information systems:** Auditors reported that the DEA's general controls over information systems need improvement in logical access controls, account administration, management oversight of mainframe access, policies and procedures, and telecommunication access. Auditors also reported that the DEA's entity-wide security program and user awareness of computer security needs to be strengthened, and policies addressing security during the hiring, transferring, and termination of employees need to be updated and implemented.

**Improvements are needed in the USM's information systems control environment:** Auditors reported that the USM's general control environment has weaknesses in entity-wide security program planning and management, access controls, application software development and change control, and service continuity.

**The FPI's information security program management and controls require improvement:**

Auditors reported that the FPI's staff provided documentation to the auditors solely to satisfy audit documentation requests; however, auditors discovered that in some instances, the documentation had not been formalized as standard FPI policy or had not been promulgated to the information systems staff prior to the commencement of auditors' fieldwork. These factors contributed significantly to weaknesses identified in the entity-wide security program planning and management controls, access controls, application development and change controls, segregation of duties, and service continuity.

**The OJP's general and application controls for electronic data processing need improvement:**

Auditors identified weaknesses in the OJP's entity-wide security, service continuity, access controls, and application software development and change controls. In addition, auditors reported the following deficiencies in the Grant Management System: (a) access controls, (b) outdated training materials and user manuals, (c) security procedures are in draft form and were not finalized by the end of the fiscal year, and (d) the system did not have an OJP user sponsor identified during the testing phase of the application.

**Control weaknesses existed in the OBD, AFF, WCF, and BOP Financial Management**

**Information System (FMIS or FMIS 2):** As part of our audit of the OBD's fiscal year 2000 financial statements, we reviewed the automated security controls over the FMIS/FMIS 2 application. During most of the fiscal year, we noted weaknesses in procedures and a lack of segregation of duties over certain database tables, inadequate segregation of duties between the development staff and the production environment, and the conversion routine methodology used for the transition from FMIS to FMIS 2 was not fully documented. This condition was included in these reporting components' fiscal year 2000 audit reports because they rely primarily on FMIS or FMIS 2 as their core financial management system. This condition and related recommended corrective actions were addressed to the Justice Management Division of the OBD, which has primary responsibility over FMIS/FMIS 2.

**Department Data Centers**

In support of the Office of the Inspector General (OIG) fiscal year 2000 financial statement audit of the Department, we performed an assessment of the general controls established over the mainframe environments located at the Department's data centers. These data centers process financial and other applications for the bureaus, offices, boards, and divisions within the Department, except for the FBI. The Computer Services Staff (CSS), the Information Management and Security Staff (IMSS) and the various components of the Department share the responsibility for establishing and maintaining the overall security and control environment at the Department's data centers. The IMSS provides the overall security framework for the CSS to formulate and enforce security policies and procedures at the data centers. The CSS coordinates, with the IMSS and the components, the decentralization of logical security administration as well as the development and testing of an entity-wide business continuity plan.

Based on the results of our reviews conducted at the data centers as part of the FY 2000 audit, and the corrective actions taken by the Department from fiscal years 1996 to 1999, we believe, except as noted below, general controls adequately safeguard the programs and data files that reside on the mainframes

from unauthorized access and modification as of September 30, 2000. Because of the sensitivity of the information processed at the Department's data centers, we issued a separate limited distribution report to the OIG that describes the conditions we identified and our recommendations for corrective actions. Auditors of the FBI performed similar procedures and also issued a separate limited distribution report to the OIG. We summarized the reportable conditions identified at the Department's data centers below.

**The Department does not have a comprehensive Business Continuity Plan:** The Department does not have a comprehensive Business Continuity Plan to recover its primary systems environment, critical data processing applications, or its key business processes, thus exposing the agency to a potential disruption of operations. The data centers have developed a plan to recover the operating system software and hardware components to provide a platform for their customers; however, some customers have not developed supplementary plans for recovery.

**Entity-wide security policies and procedures are outdated and do not adequately address security responsibilities or define authority:** The Department does not have a comprehensive computer security management program in place to ensure that effective controls are established and maintained. The Department's written security policy, DOJ Order 2640.2C "*Telecommunication and Automated Information Systems Security*" is outdated and does not comprehensively detail the roles and responsibilities of the security managers and the security administration function. It also does not take into consideration the decentralized security administration environment or provide a clear designation of authority for enforcing policies and procedures and repercussions for non-compliance.

Other auditors and we considered the General Accounting Office's, *Federal Information System Controls Audit Manual*; OMB Circular A-130, Appendix III, *Automated Information Security Programs*; the Computer Security Act of 1987; the Department's Order No. 2640.2C, *Telecommunications and Automated Information Systems Security* and the National Institute of Standards and Technology's Publications in our limited testing of the components' financial management systems. We also considered these publications in our limited testing of the Department's data centers.

## Recommendations

We recommend the Chief Financial Officer:

2. Require the components to submit corrective action plans to address the weaknesses identified above. The action plans should focus on correcting deficiencies in contingency planning, risk assessments, segregation of duties, access controls, and unauthorized physical or logical access. The action plan must include a timeline establishing when major events must be completed, including testing new controls, reconciling data converted from legacy systems, implementing new controls or modules, and establishing a plan for monitoring controls post implementation. The CFO should monitor components' efforts to correct deficiencies and hold them accountable for meeting the action plan timelines.

**Management Response:** Concur. JMD will require by May 31, 2001, each component submit to the Finance Staff and the JMD, Office of Information Resources Management (IRM), written corrective action plans, with timelines, which address the cited weaknesses in financial system general and application controls. Additionally, the JMD Office of IRM has expanded the scope of its Business Continuity Plan to cover the primary data processing applications operated at the data centers, and JMD IRM, through the Certification and Accreditation process, will closely monitor components' progress in developing supplementary continuity plans for their applications and operations. The timelines will be identified in the above action plans. JMD will monitor component performance and advise the CIO if corrective action due dates are not being met.

We recommend the Chief Information Officer:

3. Implement the recommendations made in our limited distribution report on the Department's data centers and in the limited distribution report on the FBI's systems prepared by the FBI's auditors.

**Management Response:** Concur. The Department will implement recommendations outlined in the limited distribution report.

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**Financial reporting controls were not effective to ensure components' financial statements were prepared in conformance with the Department's requirements.**

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The Government Management Reform Act requires federal agencies to submit audited Agency-wide financial statements to the Office of Management and Budget (OMB) by March 1 of each year. To fulfill this requirement, the Department's ten components prepare separate financial statements that are independently audited and consolidated into the Department's financial statements. The consolidation is performed by the Justice Management Division (JMD), which has primary responsibility for ensuring the Department's consolidated financial statements are compliant with OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*, as amended.

In prior reports on the Department's internal control, we recommended that the Department implement a strategic plan for financial reporting that addresses the need for consistent reporting among components, deadlines, and involvement of senior financial and program managers in the financial statement preparation process. In response to this recommendation, the JMD issued a number of Department-wide policies and held periodic group meetings where the Department's accounting and financial reporting requirements were discussed. Although we believe the Department's efforts provided a foundation for improved financial reporting in fiscal year 2000, we continue to identify on-going errors and inconsistencies in the Department's consolidated financial statements, including the following examples:

- ❑ Draft financial statements were often incomplete or contained errors that had not been identified by the Department's financial managers before they were submitted for audit. The Office of the Inspector General (OIG) and component auditors performed extensive reviews of the components' and the Department's consolidated and combined financial statements to ensure that errors were identified and corrected, and that all required disclosures were included; however, these reviews should be performed by the Department's financial managers prior to the release of the financial statements to the auditors.
- ❑ Components' financial statements were not presented in a format consistent with the Department's consolidated and combined financial statements and disclosures. For example, we noted that one component reported prior period adjustments by Fund group in its own financial statements instead of by account balance as reported in the consolidated financial statements; and other components did not disclose the amount of intragovernmental gross costs and earned revenue by Budget Function Classification as required by the Department.
- ❑ A financial statement cross-walk of the FPI's private-sector based financial statements into the Department's OMB Form and Content based financial statements does not exist, resulting in inconsistent treatment of the FPI's assets, liabilities, and net costs in the Department's consolidated financial statements.

- ❑ The reconciliation of intragovernmental transactions with other Federal agencies (trading partners) was not fully completed because not all of the components reported all transactions by trading partners, or they did not send confirmations to all of their trading partners as required by the Department.
- ❑ Total intragovernmental assets, liabilities and earned revenue reported in the Department's initial drafts of the Required Supplementary Information (RSI) did not agree to the total amounts reported in all of the components' RSI.
- ❑ Components did not consistently follow the Department's elimination entry timeline, reporting requirements, or they did not adequately document the procedures performed to reconcile intra-Departmental transactions. In addition, the intra-Departmental amounts eliminated by the Department did not agree to the total amounts reported in the components' RSI Schedules.

The components corrected material errors or inconsistencies only after the Justice Management Division, OIG, or the independent auditors had identified them. In many cases, the components' financial statements had already been submitted to JMD for consolidation in the Department's financial statements, thus, requiring adjustment to the components' financial statements before final auditors' reports on the components' financial statements could be released. In addition to the inconsistencies discussed above, components' auditors identified deficiencies in some components' financial reporting processes.

**Weaknesses exist in the DEA's ability to recognize, record, and summarize certain information that is required for preparation of financial statements that comply with the requirements of the standards issued by the Federal Accounting Standards Advisory Board:** The auditors reported weaknesses in the financial statement reporting of (a) seized drugs, property and funds held for evidence and/or safekeeping, (b) trafficker directed funds activities and Attorney General exempt operations, (c) construction-in-process, leasehold improvements, and property and equipment, (d) operating material and supplies inventories, and (e) operating leases and related disclosures.

The auditors also reported that the DEA must increase its emphasis on cooperative, intra-office gathering of essential information necessary to prepare its financial statements. Specifically, program offices must be more involved in the financial reporting processes, and the DEA's Office of Finance must increase its understanding of the unique processes, systems, and transactions used by program offices to ensure program events are properly captured in the DEA's accounting records.

**The FPI recently implemented a new financial accounting system that was not configured to generate data to support OMB or the Department's financial reporting requirements:** The FPI was not able to generate detailed and reliable listings of intra-departmental (within the Department) and trading partner (other Federal agencies) information from the accounting system. In addition, the FPI's financial statements contained technical and clerical errors that required adjustment. Similar issues were noted by the FPI's auditors in prior audits; however, the lack of integration of the Department's and the OMB's reporting requirements in the new accounting system led the auditors to

conclude that this should be reported as a material weakness in the auditors' fiscal year 2000 report on FPI's internal controls.

**The INS's auditors reported that the two information systems did not provide detailed performance measurement information:** The INS is not able to ensure that key performance indicators reported in its Management's Discussion and Analysis section of its financial statements are reliable because certain information systems cannot provide detailed information at the application level. In addition, the INS does not have any written policies or procedures related to data entry and do not periodically review this information for accuracy.

**The OJP lacked proper internal control to ensure that draft financial statements were prepared accurately:** Auditors noted that prior year balances did not agree to beginning balances in the Statement of Budgetary Resources, and required disclosures in the notes to the financial statements were omitted or did not always agree with amounts reported in the financial statements. Additionally, performance measures could not be linked to the responsibility segments in the statement of net cost and measures were only reported for fiscal year 2000 actual results. Finally, numerous draft versions of the OJP's financial statements were not always mathematically correct and necessary information was often missing. The auditors also reported that modifications to the OJP's accounting system are needed. Specifically, the accounting system cannot produce a consolidated trial balance or financial statements, requiring significant manual processes to be involved. In addition, the general ledger posting logic for the Crime Victims Fund is not accurate, again requiring manual processes to correct for resulting errors. Finally, auditors reported deficiencies in the process of analyzing and recording adjustments.

**Additional quality-control steps are needed to improve the BOP's financial statement preparation process:** Auditors reported that several financial statement adjustments (approximately 17%) were incorrect and required reversal and material errors occurred within the BOP's Statement of Financing. Although these errors were corrected, the BOP spent a considerable amount of time and effort, much of it duplicative, in identifying errors and correcting draft financial statements.

**Despite efforts to improve the financial reporting process in fiscal year 2000, the USM continued to experience difficulties and delays in producing complete and accurate financial statements:** Auditors identified technical and clerical errors, and inconsistencies in the form and content of the USM's financial statements and disclosures. Auditors also reported that the financial statements and supporting documentation were not always reviewed by management before being presented for audit.

It is essential that all ten components use the Department's financial reporting format and follow Departmental reporting policies to ensure consistency in the Department's consolidated financial statements. The lack of timely review of components' financial statements by components' financial managers, and the inclusion of manual financial reporting processes that are susceptible to error, increase the risk of misstatement in the Department's consolidated financial statements.

## Recommendations

We recommend the Chief Financial Officer:

4. Improve the Department's financial preparation processes by expanding the consolidated financial reporting package to include:
  - (a) a detailed description of the Department's consolidated financial statements format, note disclosures, required supplementary information, and management's discussion and analysis,
  - (b) instructions on how and when to complete the reporting package,
  - (c) the standard general ledger accounts that are cross-walked to the Department's consolidated financial statements and note disclosures,
  - (d) procedures for identifying, reconciling, and reporting intra-Departmental elimination entries,
  - (e) requirements for reconciling and confirming with Federal trading partners,
  - (f) performance measures to be reported in the Department's financial statements,
  - (g) a financial reporting checklist that lists the Department and OMB's financial reporting requirements, and
  - (h) instructions for performing a Department-wide interim financial close to determine if there are errors in the consolidated financial reporting package.

We also recommend that the CFO require the Justice Management Division (JMD) complete the financial reporting package by May 30, 2001, and present the final product to the components by June 30, 2001.

**Management Response:** Concur. By May 11, 2001, the JMD Finance Staff will issue expanded guidance to include detailed, standardized, templates for the principal financial statements, footnotes, and elimination transactions. The policy will document the SGL account crosswalk used for the consolidated statements, and additional requirements for identifying, reporting, and confirming intra-Department and inter-Department elimination and trading partner entries. The policy will include performance measure reporting guidelines. Finally, the guidance will include a requirement for each component to submit and certify a detailed "edit check" checklist which covers key financial relationships and integrity totals. JMD will also continue its current requirement for preparation of June 30<sup>th</sup> interim financial statements.

5. Require all ten components complete the consolidated financial reporting package, and require this reporting package to be used as the reporting format for the components' stand-alone financial statements. This will eliminate the inconsistencies identified and will provide the necessary evidential matter supporting the audit of the Department's consolidated financial statements.

**Management Response:** Concur. The policy discussed in the response to Recommendation 4, above, will require all ten components to use the standardized consolidated DOJ reporting format for their component statements, notes, and supplementary information.

6. Require senior management of the DEA, FPI, INS, OJP, BOP, and USM, to submit a detailed corrective action plan to the JMD that address the weaknesses discussed above. Require consideration of the detailed recommendations presented in the auditors' reports on the components' internal control when developing corrective action plans.

**Management Response:** Concur. JMD will require that the corrective action plans referenced in the response to Recommendation 1 include detailed corrective actions which will effectively address the financial statement preparation weaknesses disclosed in the audit reports.

**Improvements are needed in controls over fund balance with Treasury.**

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A fundamental accounting control is the reconciliation of the general ledger, from which financial statements are prepared, to subsidiary systems or records. A critical reconciliation for all Federal agencies is the reconciliation of the agencies' fund balance with Treasury (cash) to the U.S. Department of the Treasury's accounting records. Other auditors and we identified the following conditions that require components' management attention to correct deficiencies in the accounting and reporting of fund balance with Treasury.

**The FPI does not have adequate controls over cash reconciliation procedures and cash transaction processing:** Auditors reported that the FPI did not revise its cash reconciliation procedures to accommodate the cash transaction processing requirements of its new accounting system. As a result, existing procedures were not sufficient to resolve differences timely. In addition, other issues were noted as follows:

- ❑ a document that is vital to the FPI's cash reconciliation process was not prepared from May through September 2000;
- ❑ disbursements that were up to six months old were not reported to Treasury, or were not reported correctly; and
- ❑ adjustments to the FPI's accounting records were made to account for unreconciled differences.

Auditors also reported that during the implementation of the FPI's new accounting system, automated interfacing and system controls were not implemented that would allow for uninterrupted cash transaction processing in the areas of disbursements and Online Payment and Collection processing. These deficiencies were significant and caused the auditors to report this as a new material weakness in the auditors' report on the FPI's internal controls.

**The DEA should review and clear reconciling items monthly:** Auditors reported that the DEA's budget clearing account had differences of approximately \$55 million as of September 30, 2000, before year-end adjustments, and that the DEA continues to have delays in reconciling fund balance with Treasury. As a result of delays in reconciling fund balance with Treasury differences, DEA's auditors reported that (a) fund balance with Treasury in DEA's accounting records is incorrect, (b) other agencies can inappropriately withdraw funds from DEA's Treasury accounts without timely detection by the DEA, (c) undelivered orders associated with disbursements not recorded by the DEA remain open after funds have been disbursed, and (d) assets, expenses, and revenues are not recorded when purchased, incurred or earned.

**The WCF did not perform cash reconciliations for a significant period of time:** We identified that the Office of Debt Collection Management had not prepared reconciliations for the period March 2000 to the end of the fiscal year; additionally, the Justice Management Division, which performs certain

cash management responsibilities for the WCF, did not prepare reconciliations for the period June 2000 to the end of the fiscal year. After the fiscal year end, both entities prepared the missing reconciliations and noted small unidentified differences between the WCF's accounting records and the Department of Treasury's records.

**Recommendation**

We recommend the Chief Financial Officer:

7. Require that the FPI, DEA and WCF perform timely reconciliations necessary to safeguard fund balance with Treasury. Monitor these components' compliance with timely reconciliation, and require management explanation when any reconciliation is outstanding for more than 60 days. Where possible, reconciling items should be identified to specific transactions and correcting adjustments posted timely. Additional attention should be paid to suspense and clearing accounts to ensure transactions posted to these accounts are timely identified and recorded in the proper general ledger account.

**Management Response:** Concur. JMD will require that the cited components provide quarterly documentation to the CFO on the status of their Treasury fund balance reconciliations, including the status of their suspense and clearing account reconciliations.

### STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS

As required by *Government Auditing Standards* and the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of the Department's corrective actions with respect to the findings and recommendations from our previous reports on the Department's internal controls. The analysis below provides our assessment of the progress the Department has made in correcting the reportable conditions identified in these reports. We also provide the Office of the Inspector General (OIG) report number that remains open for OIG audit follow-up, our recommendations for improvement and the status of the condition as of September 30, 2000:

Report	Reportable Condition	Status
00-06 (1999)	<p><u>Material Weakness:</u> The Department's components did not have policies or procedures in place or were not following them to ensure that financial transactions were recorded in accordance with generally accepted accounting principles.</p> <p><u>Recommendations:</u> Emphasize the proper processing and recording of financial transactions in accordance with generally accepted accounting principles.</p>	In Process
98-07A (1997)	<p><u>Material Weakness:</u> The Department must perform key reconciliations. In fiscal year 1997, this was reworded to emphasize reconciliation of fund balance with Treasury, and was downgraded to a reportable condition in fiscal year 1998.</p> <p><u>Recommendations:</u> Perform reconciliations and resolve all differences on a timely basis.</p>	In Process
00-06 (1999)	<p><u>Material Weakness:</u> Weaknesses exist in components' financial management systems and improvements are needed in the general controls as the Department's data centers.</p> <p><u>Recommendations:</u> Implement corrective actions identified in data center reports and correct control deficiencies at the component level.</p>	In Process
00-06 (1999)	<p><u>Material Weakness:</u> Financial statement preparation processes were not effective to ensure financial statements were completed timely and in conformance with the requirements of the Government Management Reform Act, OMB Bulletin No. 97-01, <i>Form and Content of Agency Financial Statements</i>, as amended, and the Department's policies.</p> <p><u>Recommendations:</u> Require components submit audited financial statements to the Justice Management Division that are timely and consistent with the Department's requirements.</p>	In Process

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Components' auditors identified other reportable conditions that we considered not to be reportable conditions in relation to the Department's consolidated financial statements. A summarization of these and other less significant issues will be addressed to the Department's management in a separate consolidated management letter dated February 26, 2001. In addition, components' auditors provided separate management letters to components' management with respect to less significant control issues that were identified during the components' audits.

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

*PricewaterhouseCoopers LLP*

February 26, 2001  
Arlington, Virginia

**REPORT OF INDEPENDENT ACCOUNTANTS  
ON COMPLIANCE WITH LAWS AND REGULATIONS**

United States Attorney General and  
The Office of the Inspector General  
United States Department of Justice

We have audited the accompanying consolidated balance sheet of the U.S. Department of Justice (the Department) and its components as of September 30, 2000, and the related consolidated statements of net cost and changes in net position, and the related combined statements of budgetary resources, financing, and consolidated statement of custodial activity, for the year then ended, and have issued our report thereon dated February 26, 2001. Except as explained in that report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

We did not audit the financial statements of certain components of the Department, including the Office of Justice Programs (OJP), Drug Enforcement Administration (DEA), Federal Bureau of Investigation (FBI), Immigration and Naturalization Service (INS), U.S. Marshals Service (USM), Bureau of Prisons (BOP), and Federal Prison Industries, Inc. (FPI), which statements reflect total combined assets of \$21.2 billion and total combined net costs of \$16.9 billion for the year ended September 30, 2000. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our report on the Department's compliance with laws and regulations herein, insofar as it relates to these components, is based solely on the reports of the other auditors.

Compliance with laws and regulations applicable to the Department is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, other auditors and we performed tests of the components' compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions and, accordingly, we do not express such an opinion.

The results of other auditors tests of components' compliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02:

- ❑ The FPI's accounting system was not able to calculate and accrue interest on unpaid obligations to suppliers and vendors that exceed statutorily defined periods in the Prompt Pay Act. As a result of this deficiency, FPI performed manual calculations to determine the amount of accrued interest owed on unpaid obligations; however, FPI did not pay any of the accrued amounts owed to its suppliers and vendors as of the end of the fiscal year.
- ❑ The DEA did not timely notify Congress of approximately \$46 million in reprogramming as required by the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2000 (Public Law No. 106-113), Section 605. In addition, the DEA reprogrammed an additional \$10.4 million without the required notification of Congress.

Under FFMIA, we are required to report whether the Department's financial management systems substantially comply with (1) the Federal financial management systems requirements, (2) the applicable Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level. The results of other auditors' tests disclosed the following instances where the components' financial management systems did not substantially comply with the three FFMIA requirements discussed in this paragraph:

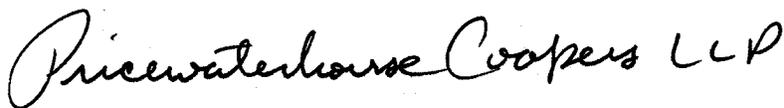
**Federal Financial Management System Requirements:** Auditors of the INS, FBI, DEA, USM, and FPI reported that these components' financial management systems did not meet Federal financial management system requirements, including certain provisions of OMB Circulars A-127, *Financial Management Systems*; A-130, *Management of Federal Information Resources*, and A-123, *Management Accountability and Control*.

**Federal Accounting Standards:** Auditors of the FBI reported a material weakness related to the recording, reconciliation, and reporting of property and equipment. The auditors of the DEA reported material weaknesses in DEA's financial reporting processes and its deobligation of funds.

**United States Standard General Ledger:** Auditors of the OJP reported that OJP does not post certain transactions of its Crime Victims Fund in accordance with the U.S. Standard General Ledger at the transaction level.

All significant facts pertaining to the matters referred to above and recommended remedial actions are included in the component auditors' Reports on Internal Control.

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



February 26, 2001  
Arlington, Virginia

**U.S. Department of Justice**

**Principal Financial Statements  
and Related Notes**

**DEPARTMENT OF JUSTICE**  
**Consolidated Balance Sheet**  
**as of September 30, 2000**

**Dollars in Thousands**

**ASSETS (Note 17)**

Intragovernmental		
Fund Balance with U.S. Treasury (Note 2)	\$	18,425,041
Investments, Net (Note 4)		1,350,337
Accounts Receivable, Net (Note 5)		212,589
Other Assets (Note 6)		63,089
Total Intragovernmental		<u>20,051,056</u>

Accounts Receivable, Net (Note 5)		135,658
Cash and Other Monetary Assets (Note 3)		171,963
Inventory and Related Property, Net (Note 7)		160,324
General Property, Plant and Equipment, Net (Note 9)		5,915,756
Forfeited Property, Net (Note 8)		81,712
Advances and Prepayments		453,808

**Total Assets** **\$ 26,970,277**

**LIABILITIES (Note 18)**

Intragovernmental		
Accounts Payable	\$	276,430
Accrued FECA Liability (Note 1.P)		183,495
Debt (Note 10)		20,000
Custodial Liability		265,820
Other Liabilities (Note 11)		213,374
Total Intragovernmental		<u>959,119</u>

Accounts Payable		2,447,600
Actuarial FECA Liabilities (Note 1.P)		985,513
Accrued Payroll and Benefits		452,182
Accrued Annual and Compensatory Leave		554,911
Environmental Cleanup Cost		9,012
Deferred Revenue		686,439
Liabilities for Seized Asset Deposit Fund		529,920
Contingent Liabilities (Note 16)		196,109
Capital Lease Liabilities (Note 12)		87,638
Other Liabilities (Note 11)		357,341

**Total Liabilities** **\$ 7,265,784**

**NET POSITION**

Unexpended Appropriations (Note 15)	\$	12,238,151
Cumulative Results of Operations		7,466,342

**Total Net Position** **\$ 19,704,493**

**Total Liabilities and Net Position** **\$ 26,970,277**

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

**DEPARTMENT OF JUSTICE**  
**Consolidated Statement of Net Cost**  
**for fiscal year ended September 30, 2000**

**Dollars in Thousands**

Net Cost by Program (Note 20)	Program Costs			Net Program Costs
	Intra-governmental	With the Public	Less Earned Revenues	
Investigation and Prosecution of Criminal Offenses	\$ 1,412,925	\$ 4,205,813	\$ (341,113)	\$ 5,277,625
Assistance to Tribal, State, and Local Governments	\$ 267,440	\$ 5,543,718	\$ (91,559)	\$ 5,719,599
Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests	\$ 603,950	\$ 1,163,785	\$ (314,378)	\$ 1,453,357
Immigration	\$ 790,667	\$ 2,728,330	\$ (943,284)	\$ 2,575,713
Detention and Incarceration	\$ 1,401,224	\$ 5,141,128	\$ (1,111,256)	\$ 5,431,096
Protection of the Federal Judiciary and Improvement of the Justice System	\$ 241,848	\$ 557,627	\$ (137,016)	\$ 662,459
Management	\$ 76,331	\$ 153,746	\$ (39,032)	\$ 191,045
<b>Total</b>	<b>\$ 4,794,385</b>	<b>\$19,494,147</b>	<b>\$ (2,977,638)</b>	<b>\$ 21,310,894</b>

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

**DEPARTMENT OF JUSTICE**  
**Consolidated Statement of Changes in Net Position**  
**for fiscal year ended September 30, 2000**

**Dollars in Thousands**

<b>Net Cost of Operations</b>	<b>\$ (21,310,894)</b>
Financing Sources (other than exchange revenues):	
Appropriations Used	20,363,468
Other Non-exchange Revenues (Note 26)	1,255,878
Imputed Financing (Note 14)	506,440
Transfers-in	123,290
Transfers-out	(34,688)
<b>Net Results of Operations</b>	<b>\$ 903,494</b>
Prior Period Adjustments (Note 19)	90,506
<b>Net Change in Cumulative Results of Operations</b>	<b>\$ 994,000</b>
Decrease in Unexpended Appropriations	(1,385,172)
<b>Change in Net Position</b>	<b>\$ (391,172)</b>
Net Position-Beginning of Period	20,095,665
<b>Net Position - End of Period</b>	<b>\$ 19,704,493</b>

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

**DEPARTMENT OF JUSTICE**  
**Combined Statement of Budgetary Resources**  
**for fiscal year ended September 30, 2000**

**Dollars in Thousands**

**Budgetary Resources:**

Budget Authority	
Appropriations	\$ 17,922,007
Net Transfers, Current Year Authority	2,621,067
Unobligated Balances - Beginning of Period (Note 19)	3,795,819
Net Transfers, Prior Year Balance, Actual	(21,947)
Spending Authority from Offsetting Collections	4,151,493
Adjustments	(615,016)
<b>Total Budgetary Resources</b>	<b><u><u>\$ 27,853,423</u></u></b>

**Status of Budgetary Resources:**

Obligations incurred	\$ 24,916,458
Unobligated Balances - Available	2,329,915
Unobligated Balances - Not Available	607,050
<b>Total Status of Budgetary Resources</b>	<b><u><u>\$ 27,853,423</u></u></b>

**Outlays:**

Obligations Incurred	\$ 24,916,458
Less: Spending Authority from Offsetting Collections and Adjustments	<u>(4,937,937)</u>
Subtotal	19,978,521
Obligated Balance, Net - Beginning of Period (Note 19)	14,257,466
Less: Obligated Balance, Net - End of Period	<u>(14,118,091)</u>
<b>Total Outlays</b>	<b><u><u>\$ 20,117,896</u></u></b>

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

**DEPARTMENT OF JUSTICE**  
**Combined Statement of Financing**  
**for fiscal year ended September 30, 2000**

**Dollars in Thousands**

**Obligations and Nonbudgetary Resources**

Obligations incurred	\$ 24,916,458
Less: Spending Authority from Offsetting	
Collections and Adjustments	(4,937,937)
Financing Imputed for Cost Subsidies	506,440
Transfers, Net	(18,870)
Revenue Not in the Entity's Budget	31,773
Other	<u>(23,296)</u>
<b>Total Obligations as adjusted, and Nonbudgetary Resources</b>	<b><u>\$ 20,474,568</u></b>

**Resources That do not Fund Net Cost of Operations**

Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided	\$ 650,994
Change in Unfilled Customer Orders	23,291
Costs Capitalized on the Balance Sheet	(979,825)
Financing Sources That Fund Costs of Prior Periods	(11,730)
Other	<u>389,957</u>
<b>Total Resources That do not Fund Net Cost of Operations</b>	<b><u>\$ 72,687</u></b>

**Costs That do not Require Resources**

Depreciation, Amortization and Bad Debt	\$ 354,608
Gain/Loss on Disposition of Assets	10,191
Other	<u>3,251</u>
<b>Total Costs That do not Require Resources</b>	<b><u>\$ 368,050</u></b>

**Financing Sources Yet to Be Provided** **\$ 395,589**

**Net Cost of Operations** **\$ 21,310,894**

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

**DEPARTMENT OF JUSTICE**  
**Consolidated Statement of Custodial Activity**  
**for fiscal year ended September 30, 2000**

**Dollars in Thousands**

**Revenue Activity**

**Sources of Cash Collections:**

Civil and Criminal Debt Collections	\$	3,429,179
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**Disposition of Collections:**

Transferred to Others:

Federal Agencies:

U.S. Department of Agriculture		(1,072,857)
U.S. Department of Health & Human Services		(589,160)
U.S. Treasury		(430,909)
Environmental Protection Agency		(232,689)
U.S. Department of Interior		(192,797)
U.S. Department of Housing & Urban Development		(52,667)
U.S. Department of Defense		(47,091)
U.S. Department of Education		(34,334)
U.S. Department of Justice		(25,728)
U.S. Department of Transportation		(20,807)
U.S. Department of Commerce		(13,484)
Federal Trade Commission		(10,066)
Other		(64,115)
Public		(508,567)
Increase in Amounts to be Transferred		(55,946)
Refunds		(547)
Retained by the WCF Pursuant to Section 108 of P.L. 103-121		(77,415)

**Net Custodial Revenue Activity**

\$ -

The accompanying notes are an integral part of these financial statements

**U.S. Department of Justice  
Notes to the Principal Financial Statements  
(Dollars in Thousands)**

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

**A. Reporting Entity**

The 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 United States Government. Under the direction of the Attorney General, these responsibilities are discharged by the components of the Department.

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

- † Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- † Working Capital Fund (WCF)
- † Offices, Boards and Divisions (OBD)
  - Bureau of Prisons (BOP)
  - U.S. Marshals Service (USMS)
  - Office of Justice Programs (OJP)
  - Federal Prison Industries, Inc. (FPI)
  - Federal Bureau of Investigations (FBI)
  - Drug Enforcement Administration (DEA)
  - Immigration and Naturalization Service (INS)

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**B. Basis of Presentation**

These financial statements have been prepared to report the financial position and results of operations of the Department as required by the Government Management Reform Act of 1994, Public Law 103-356, 108, Stat. 3515. These financial statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles (GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB). These financial statements are different from the financial reports, also prepared for the Department 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.

**C. Basis of Accounting**

Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

**D. Revenues and Other Financing Sources**

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives both annual and multi-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange, non-exchange revenues and transfers.

Appropriations are recognized as financing sources at 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. Non-exchange revenues are resources that the Government demands or receives, for example, seized property and fines and penalties.

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**Notes to the Principal Financial Statements  
(Dollars in Thousands)**

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**E. Funds with the U.S. Department of Treasury and Cash**

Funds with the U.S. Department of Treasury (Treasury) represent primarily appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases. Cash receipts and disbursements are processed by the Treasury as directed by authorized certifying officers. 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, seized cash, and drafts in transit.

**F. Investments in U.S. Government Securities**

Investments are Federal debt securities issued by the Bureau of Public Debt. When securities are purchased, the investment is recorded at par value (the value at maturity). Premiums and/or discounts are amortized through the end of the reporting period. 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.

**G. Property, Plant and Equipment**

The Department owns some of the buildings in which it operates. Other buildings are provided by the General Services Administration (GSA), which charges rent equivalent to the commercial rental rates for similar properties. Depreciation on buildings and equipment provided by the GSA is not recognized by the Department. Leasehold improvements are depreciated over the term of the remaining portion of the lease.

Except for BOP and FPI, Department acquisitions of personal property \$25 and over are capitalized and depreciated, based on historical cost, using the straight-line method over the estimated useful lives of the assets. Personal property with an acquisition cost of less than \$25 is expensed when purchased. BOP and FPI capitalize personal property acquisitions over \$5. Aircraft is capitalized when the initial cost of acquiring those assets is \$100 or more. Real property, except for land, is 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.

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**These notes are an integral part of the financial statements**

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**Notes to the Principal Financial Statements  
(Dollars in Thousands)**

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**H. Advances and Prepayments**

Advances and prepayments classified as assets on the balance sheet include the excess funds disbursed to grantees over the total of expenditures made by those grantees to third parties based upon year end data. This amount also includes the current balance of travel advances issued to Federal employees in advance of official travel. Amounts issued 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 prepayment and recognized as expenses when the related goods and services are received.

**I. Non-Entity Assets**

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

**J. 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 18.

**K. Loans and Interest Payable to the U.S. Treasury**

Congress granted the FPI borrowing authority pursuant to Public Law 100-690. Under this authority, the FPI borrowed \$20,000 from the Treasury with a lump-sum maturity date of September 30, 2008.

**L. Contingencies and Commitments**

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

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**These notes are an integral part of the financial statements**

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**M. 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.

**N. Interest on Late Payments**

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, Federal agencies must pay interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services.

**O. Retirement Plan**

With few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees hired after that date are covered by the Federal Employees Retirement System (FERS).

For employees covered by the CSRS, the Department contributes 8.5 percent of the employees' gross pay for normal retirement or 9 percent for hazardous duty retirement. For employees covered by the FERS, the Department contributes approximately 13 percent of employees' gross pay. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP is automatically established, and the Department is required to contribute an additional 1 percent of gross pay to this plan and match employee contributions up to 4 percent. No matching contributions are made to the TSPs 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).

The Statement of Federal Financial Accounting Standards Number Five (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 14 — Imputed Financing.

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**These notes are an integral part of the financial statements**

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**P. 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 U.S. Department of Labor (DOL) calculates the liability of the Federal Government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Federal Government liability was then distributed by the agency. The Department 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 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 Department's actuarial FECA liability for FY 2000 was \$985,513.

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 FY in which the cost is actually billed to the Department. The cost associated with this liability may be met by the Department without further appropriation action.

**Accrued Liability:** The accrued FECA liability is the difference between the FECA benefits paid by the FECA SBF and the agency's actual cash payments to the FECA SBF. For example, the FECA SBF will pay benefits on behalf of an agency through the current year. However, most agencies' actual cash payments to the FECA SBF for the current FY will reimburse the FECA SBF for benefits paid through a prior FY. The difference between these two amounts is the accrued FECA liability. The accrued FECA liability for FY 2000 was \$183,495.

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Q. Accounts Receivable**

Net accounts receivable includes reimbursement and refund receivables due from Federal agencies and others, less the allowance for doubtful accounts. Generally, all intragovernmental accounts receivable are considered fully collectible. The allowance for doubtful accounts for public receivables is determined by applying varying percentages to all accounts less than 365 days old and reserving 100 percent of all accounts greater than 365 days old.

**R. Seized and Forfeited Property**

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.

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. The value of the property is reduced by the estimated liens of record.

**S. Principles of Consolidation**

The consolidated financial statements of the Department include the accounts of the AFF/SADF, WCF, OBD, USMS, OJP, DEA, FBI, INS, BOP, and FPI. All significant intra-entity transactions and balances have been eliminated in consolidation. The statement of budgetary resources and the statement of financing are combining statements for FY 2000, and as such, intra-entity transactions have not been eliminated. However, FPI is non-appropriated and self-sustaining, and its accounting system resembles that of a private manufacturing firm. FPI does not perform budgetary accounting, does not record obligations, and does not prepare or submit SF 133s, Report on Budget Execution. Because of FPI's lack of budgetary accounting, the OMB granted FPI a waiver from the requirement to prepare the Statement of Budgetary Resources. The OMB waiver was issued on January 22, 1999.

**T. Reclassification of Components' Balances**

Certain balances were reclassified from the components' financial statements for consolidation purposes. These changes were immaterial.

**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**U. Reporting of Comparative Data**

Comparative Annual Financial Statements were not required for FY 2000.

**V. 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.

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 2. Fund Balance with the U.S. Treasury**

The Fund Balance with the U.S. Treasury amount reported in the financial statements represents the unexpended cash balance on the Department's books for all Department Treasury Symbols at September 30, 2000:

Trust Funds	\$ 3,296,937
Revolving Funds	866,236
Appropriated Funds	12,011,329
Other Fund Types	<u>2,250,539</u>
Total	<u>\$ 18,425,041</u>

**Note 3. Cash, Foreign Currency and Other Monetary Assets**

Undeposited Collections	\$ 29,328
Imprest Funds	9,154
Other Cash	40,479
Other Monetary Assets	2,814
Foreign Currency	262
Seized Monetary Instrument	61,308
Seized Cash Deposited	<u>28,618</u>
Total	<u>\$ 171,963</u>

**Note 4. Investments - Federal Securities, Net**

Investments are Federal debt securities issued by the Bureau of Public Debt and purchased exclusively through Treasury's Financial Management Service. When securities are purchased, the investment is recorded at par value (the value at maturity). Premiums and/or discounts are amortized through the end of the reporting period. 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.

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These notes are an integral part of the financial statements

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 4. Investments - Federal Securities, Net - Continued**

The schedule below shows the net investment balances at September 30, 2000:

	<u>Acquisition Cost</u>	<u>Unamortized Premium</u>	<u>Discount</u>	<u>Investments Net</u>	<u>Market Value Disclosure</u>
Intragovernmental Securities:					
Non-Marketable					
Market-Based:	\$ 1,356,991	\$ 253	\$ (6,907)	\$ 1,350,337	\$ 1,351,815
Total	<u>\$ 1,356,991</u>	<u>\$ 253</u>	<u>\$ (6,907)</u>	<u>\$ 1,350,337</u>	<u>\$ 1,351,815</u>

**Note 5. Accounts Receivable, Net**

Intragovernmental Accounts Receivable	\$ 218,664
Less: Allowance for	
Uncollectible Intragovernmental Accounts	<u>(6,075)</u>
Net Intragovernmental Accounts Receivable	212,589
Accounts Receivable	178,086
Less: Allowance for	
Uncollectible Accounts	<u>(42,428)</u>
Net Receivables	<u>\$ 348,247</u>

**Note 6. Other Assets**

Intragovernmental	
Advances and Prepayments	\$ 61,059
Others	<u>2,030</u>
Total Intragovernmental	<u>\$ 63,089</u>

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These notes are an integral part of the financial statements

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 7. Inventory and Related Property**

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

The value of new stock is determined on the basis of acquisition cost, whereas, the value of rehabilitated stock is determined on the basis of rehabilitation and transportation costs. Inventory on hand at year end is reported at the lower of original costs (using the first-in, first-out method) or current market value. Recorded values of inventories are adjusted for the results of physical inventories conducted at the close of the fiscal year.

An allowance for inventory valuation and obsolescence is recorded for anticipated inventory losses of contracts where the current estimated cost to manufacture the item exceeds the total sales price, as well as estimated losses for inventories that may not be utilized in the future.

Inventory and related property at September 30, 2000:

Raw Materials and Factory Supplies	
Inventory Held for Current Sale	<u>\$ 65,984</u>
Work-In-Process	
Inventory Held for Current Sale	<u>\$ 19,834</u>
Finished Goods	
Inventory Held for Current Sale	\$ 69,681
Inventory Held in Reserve for Future Sale	<u>11,737</u>
Total Finished Goods	\$ 81,418
Less Inventory Allowance	
Excess Inventory Allowance	<u>\$ (18,783)</u>
Operating Materials/Supplies Held for Use	148,453
Finished Goods	
Operating Material Held for Use/Sale	<u>\$ 11,871</u>
Total Inventory	<u>\$ 160,324</u>

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**These notes are an integral part of the financial statements**

**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

**Note 8. Forfeited and Seized Property**

**Analysis of Change in Forfeited Property**

Pursuant to Federal Financial and Auditing Technical Release 4, "Reporting on Non-Valued Seized and Forfeited Property", the value of forfeited property with no legal market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling devices) is not included in the net forfeited property value, although the item count of non-valued items is disclosed. The \$84,424 gross value of forfeited property less known liens of \$2,712 equals the net forfeited property value in the amount of \$81,712.

The following table represents the analysis of change in forfeited property for FY 2000:

<b>Forfeited Property Category</b>		<b>Beginning Balance</b>	<b>Forfeited During FY 2000</b>	<b>Disposed During FY 2000</b>	<b>Ending Balance</b>	<b>Liens and Claims</b>	<b>Ending Balance Net of Liens</b>
Financial & Other Monetary Instruments	Number	207	742	722	227	15	212
	Value	\$ 16,361	\$ 44,268	\$ 46,747	\$ 13,882	\$ 184	\$ 13,698
Real Property	Number	345	338	386	297	9	288
	Value	\$ 36,483	\$ 49,748	\$ 49,340	\$ 36,891	\$ 257	\$ 36,634
Personal Property	Number	5,688	37,229	35,754	7,163	736	6,427
	Value	\$ 35,927	\$ 140,195	\$ 143,504	\$ 32,618	\$ 2,254	\$ 30,364
Other	Number	113	185	183	115	3	112
	Value	\$ 982	\$ 1,916	\$ 1,865	\$ 1,033	\$ 17	\$ 1,016
Non-Valued	Number	665	1,667	1,527	805	3	802
	Value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	Number	7,018	40,161	38,572	8,607	766	7,841
	Value	\$ 89,753	\$ 236,127	\$ 241,456	\$ 84,424	\$ 2,712	\$ 81,712

The number of items represents quantities calculated using many different units of measure.

These notes are an integral part of the financial statements

**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

**Note 8. Forfeited and Seized Property - Continued**

**Analysis of Change in Seized Property and Evidence**

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property consists of monetary instruments, real property and tangible personal property in the actual or constructive possession of the seizing and the custodial agencies. Such property is not legally owned by the Department until judicially or administratively forfeited. Seized evidence includes cash, financial instruments, non-monetary valuables and illegal drugs.

Pursuant to Federal Financial Accounting and Auditing Technical Release 4, "Reporting on Non-Valued Seized and Forfeited Property", the value of seized property with no legal market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling devices) is not included in the net seized property value, although the item count of non-valued items is disclosed. The gross value of seized property, less estimated liens, equals the net seized property value.

The following table represents the analysis of change in seized property for FY 2000:

<b>Seized Property Category</b>		<b>Beginning Balance</b>	<b>Seized During FY 2000</b>	<b>Disposed During FY 2000</b>	<b>Ending Balance</b>	<b>Liens and Claims</b>	<b>Ending Balance Net of Liens</b>
Financial & Other Monetary Instruments	Number	1,319	891	859	1,351	107	1,244
	Value	\$ 180,302	\$ 105,367	\$ 59,636	\$ 226,033	\$ 7,542	\$ 218,491
Real Property	Number	365	263	328	300	112	188
	Value	\$ 53,144	\$ 56,355	\$ 49,681	\$ 59,818	\$ 10,176	\$ 49,642
Personal Property	Number	21,696	49,250	43,773	27,173	3,035	24,138
	Value	\$ 103,386	\$ 200,114	\$ 191,022	\$ 112,478	\$ 23,998	\$ 88,480
Other	Number	289	201	237	253	15	238
	Value	\$ 5,522	\$ 5,182	\$ 3,169	\$ 7,535	\$ 1,514	\$ 6,021
Non-Valued	Number	908	1,901	1,912	897	19	878
	Value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	Number	24,577	52,506	47,109	29,974	3,288	26,686
	Value	\$ 342,354	\$ 367,018	\$ 303,508	\$ 405,864	\$ 43,230	\$ 362,634

\* Seized cash deposited of \$28,618 is not included in this note.

The number of items represents quantities calculated using many different units of measure.

These notes are an integral part of the financial statements

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 8. Forfeited and Seized Property - Continued**

The DEA and FBI 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 reported the total amount of seized drugs below by quantity (kilograms) only, as illegal drugs have no value and are destroyed upon resolution of legal proceedings.

<u>Drug Evidence</u>	<u>Beginning Balance Restated KG</u>	<u>Seized During FY 2000 KG</u>	<u>Disposed During FY 2000 KG</u>	<u>Ending Balance KG</u>
Heroin	2,300	532	492	2,340
Cocaine	281,798	51,209	37,309	295,698
Marijuana	32,071	28,185	14,814	45,442
Marijuana - Bulk	135,128	542,254	538,571	138,811
Methamphetamine	4,907	1,510	1,735	4,682
Other narcotics	34,782	22,580	12,953	44,409
Total	490,986	646,270	605,874	531,382

During FY2000, the DEA adjusted the beginning balances of seized narcotics due to the correction of errors in previously reported quantities and the identification of unanalyzed evidence not previously reported by the DEA (see note 19).

**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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

Items are generally depreciated using the straight line method.

PPE Type	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life
Aircraft	\$ 212,835	\$ (70,303)	\$ 142,532	7-25 yrs
Buildings	4,692,874	(1,155,585)	3,537,289	24-50 yrs
Capital Leases	108,170	(23,999)	84,171	5-20 yrs
Construction in Progress	1,003,669	-	1,003,669	N/A
Equipment	673,253	(356,958)	316,295	2-25 yrs
Land	158,791	-	158,791	N/A
Leasehold Improvements	195,313	(59,972)	135,341	2-20 yrs
Software	9,470	(4,586)	4,884	5 yrs
Structure & Facilities	555,674	(155,381)	400,293	10-50 yrs
Vehicles	242,204	(115,087)	127,117	2-25 yrs
Other Personal Property	9,442	(4,068)	5,374	10-20 yrs
<b>Total</b>	<b>\$ 7,861,695</b>	<b>\$ (1,945,939)</b>	<b>\$ 5,915,756</b>	

**Note 10. Debt**

During 1988, Congress granted FPI borrowing authority pursuant to Public Law 100-690. Under this authority, FPI borrowed \$20,000 from the U.S. Treasury with a lump-sum maturity or optional renegotiation date of September 30, 1998. During 1998, the \$20,000 loan maturity date was extended to September 30, 2008. The funds received under this loan were internally restricted for use in the construction of factories and the purchase of equipment. The loan accrues interest, payable March 31 and September 30 of each year, at 5.5 percent (the rate equivalent to the yield of U.S. Treasury obligations of comparable maturities which existed on the date of the loan extension). Accrued interest payable under the loan is either fully or partially offset to the extent the non-interest bearing cash deposits are maintained with the U.S. Treasury. In this regard, there is no accrual of interest unless the cash balance, on deposit with the U.S. Treasury, falls below \$20,000. When this occurs, interest is calculated on the difference between the loan amount (\$20,000) and the cash balance.

The loan agreement provides for certain restrictive covenants and a prepayment penalty for debt retirements prior to FY 2008. Additionally, the agreement limits authorized borrowings in an aggregate amount not to exceed 25 percent of the FPI's net equity. There was no net interest expense for the year ended September 30, 2000.

**These notes are an integral part of the financial statements**

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 11. Other Liabilities**

Intragovernmental Liabilities

Accrued Payroll and Benefits	\$ 1,128
Employer Contributions and Payroll Taxes Payable	111,479
Advances from Others	94,922
Liability for Deposit/Special Funds and Suspense/Clearing Accounts	(9,485)
Other Liabilities	<u>15,330</u>
Total Intragovernmental	<u>213,374</u>

Advances from Others	18,064
Liability for Deposit Funds, Clearing Accounts and Undeposited Collections	214,034
Custodial Liabilities	48,024
Other Liabilities	<u>77,219</u>
Total	<u>\$ 570,715</u>

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These notes are an integral part of the financial statements

**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

**Note 12. Leases**

Capital leases include a 30-year capital lease for a Federal Detention Center in Oklahoma City and an airplane hangar with an estimated cost of \$20,000 over 20 years, with an estimated interest rate of 7 percent; and a lease for a training center with an estimated cost of \$6,000 over 16 years with an estimated interest rate of 6.5 percent.

Capital Leases:

Summary of Assets Under Capital Lease:

Land & Buildings	\$ 103,910
Machinery & Equipment	4,260
Accumulated Amortization	<u>(23,999)</u>
Total	<u>\$ 84,171</u>

Future Payments Due:

<u>Fiscal Year</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Year 1	\$ 9,490	\$ 2,112	\$ 11,602
Year 2	9,490	1,852	11,342
Year 3	9,490	1,597	11,087
Year 4	9,490	1,314	10,804
Year 5	9,490	1,087	10,577
After year 5	<u>82,911</u>	<u>6,517</u>	<u>89,428</u>
Total	<u>\$ 130,361</u>	<u>\$ 14,479</u>	<u>\$ 144,840</u>
Less: Imputed Future Lease			
Payments Interest	<u>(52,452)</u>	<u>(4,750)</u>	<u>(57,202)</u>
Net Capital			
Lease Payments	<u>\$ 77,909</u>	<u>\$ 9,729</u>	<u>\$ 87,638</u>

Operating Leases:

Future Operating Lease Payments Due:

<u>Fiscal Year</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Year 1	\$ 514,481	\$ 8,377	\$ 522,858
Year 2	544,062	9,699	553,761
Year 3	574,785	11,223	586,008
After year 3	<u>2,095,145</u>	<u>28,028</u>	<u>2,123,173</u>
Total Future Lease Payments	<u>\$ 3,728,473</u>	<u>\$ 57,327</u>	<u>\$ 3,785,800</u>

These notes are an integral part of the financial statements

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 12. Leases - Continued**

The majority of space occupied by the Department is leased from the General Services Administration (GSA). The space is assigned to the Department by the GSA based on the Department's square footage requirements. The rent charged to the Department is intended to approximate commercial rates. These leases may be terminated without incurring termination charges, however, it is anticipated that the Department will continue to lease space from the GSA in future years. Total future operating lease payments of \$3,785,800 include GSA leases.

Operating leases have been established between three and five years and total payments per lease is below the \$25 capitalization threshold. 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. Approximately \$3,728,473 was for office space, parking facilities, and warehouses, and the remainder for office equipment and vehicles. Vehicles are leased from vendors for 12 months or less.

**Note 13. Future Funding Requirements**

Total liabilities not covered by budgetary resources of \$2,212,161 does not equal the total financing sources yet to be provided on the Statement of Financing of \$395,589. Only current unfunded expenses are included in the Statement of Financing, while liabilities not covered by budgetary resources on the balance sheet include both unfunded expenses for the current and prior fiscal years.

Generally, liabilities not covered by budgetary resources require future funding and can only be liquidated with the enactment of future appropriations. These liabilities include accrued leave, actuarial liabilities, and other contingent liabilities. However, some of the liabilities not covered by budgetary resources do not require appropriations and will be liquidated by the assets of these entities. They include civil and criminal debt collections and cash held as evidence.

**Note 14. Imputed Financing Sources**

Imputed financing recognizes actual cost of future benefits, the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and the Pension that are paid by other Federal entities. 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 No. 2, "Accounting for Treasury Judgment Fund Transactions:

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**These notes are an integral part of the financial statements**

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 14. Imputed Financing Sources - Continued**

An Interpretation of Statements of Federal Financial Accounting Standards No. 4 and No. 5," 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. For FERS and CSRS employees, OPM calculated that 11.5 percent and 24.2 percent respectively of each employee's salary would be sufficient to fund these projected pension benefits. 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 the Federal Employees Health Benefits Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI) that are paid by other Federal entities must also be disclosed.

Imputed financing sources:

Judgment Fund	\$ 33,405
Health Insurance	291,495
Life Insurance	1,137
Pension	<u>180,403</u>
Total	<u><u>\$ 506,440</u></u>

**Note 15. Unexpended Appropriations**

	<u>Appropriated Funds</u>
Unobligated:	
Available	\$ 1,575,040
Unavailable	451,055
Undelivered Orders	<u>10,212,056</u>
Total	<u><u>\$ 12,238,151</u></u>

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These notes are an integral part of the financial statements

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 16. Contingencies and Commitments**

The Department is party to various administrative proceedings, legal actions, and claims, including environmental damage claims, equal opportunity matters, and contractual bid protests. The balance sheet recognizes an estimate of unfunded liabilities for those legal actions where adverse decisions are considered "probable" by the Chief Counsel. Management has determined that it is probable that some of these proceedings and actions will result in the incurrence of liabilities, and the amounts are reasonably estimable. The estimated liability for these cases is \$196,109 and that amount was recorded in the financial statements as of September 30, 2000. There are 21 legal actions pending where adverse decisions are considered to be reasonably possible. The range for potential loss is undetermined at this time.

**Note 17. Non-Entity Assets**

Intragovernmental	
Fund Balance with U.S. Treasury	\$ 530,835
Accounts Receivable, Net	142
Investments, Net	501,308
Total Intragovernmental	1,032,285
Cash and Other Monetary Assets	74,668
Accounts Receivable, Net	3,476
Other	45,600
Total Non-Entity Assets	1,156,029
Total Entity Assets	25,814,248
Total Assets	\$ 26,970,277

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These notes are an integral part of the financial statements

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 18. Liabilities Not Covered by Budgetary Resources**

Intragovernmental	
Custodial Liability	\$ 262,929
Accrued FECA Liability	182,811
Other Liabilities (Note 11)	<u>2,442</u>
Total Intragovernmental	448,182
Environmental Cleanup Cost	3,482
FECA Actuarial Liabilities	979,803
Accrued Annual and Compensatory Leave	547,525
Capital Lease Liabilities (Note 12)	87,534
Contingent Liabilities (Note 16)	96,467
Deferred Revenue	1,144
Other Liabilities (Note 11)	<u>48,024</u>
Total Liabilities Not Covered by Budgetary Resources	2,212,161
Total Liabilities Covered by Budgetary Resources	<u>5,053,623</u>
Total Liabilities	<u>\$ 7,265,784</u>

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These notes are an integral part of the financial statements

**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

**Note 19. Prior Period Adjustments**

During FY 2000, the Department's components recorded prior period adjustments that affected a number of financial statement account balances. In accordance with OMB Bulletin 97-01, Form and Content of Agency Financial Statements, as amended, a net prior period adjustment of \$90,506 was credited to the Department's cumulative results of operations in the Consolidated Statement of Changes in Net Position. The following schedule categorizes the Department's FY 2000 prior period adjustment by account and component:

Off-setting Account	Component	Net Adjustment
Capital Property	FBI, BOP, USMS	\$ 38,086
Transfers	OJP, AFF, OBD, WCF	(31,216)
Accounts Payable and Other Liabilities	OJP, INS, BOP	30,621
Appropriated Capital Used	OJP, BOP	23,392
Unexpended Appropriations	BOP, OJP	12,159
Accounts Receivable	USMS, BOP	9,268
Construction in Process	BOP	8,598
Actuarial/Accrued FECA Liabilities	BOP, WCF, OBD	(3,607)
Other	BOP, WCF, FPI	3,205
Total Prior Period Adjustment		<u>\$ 90,506</u>

In addition to the prior period adjustment described above, components restated beginning account balances on their Statement of Budgetary Resources in accordance with OMB Circular No. A-34, Instructions on Budget Execution. The Department's Combined Statement of Budgetary Resources includes the following restatements:

	<u>As Reported</u>	<u>As Restated</u>	<u>Difference</u>
Unobligated Balance - Beginning of Period	\$ 2,823,919	\$ 3,795,819	\$ 971,900
Obligated Balance, Net - Beginning of Period	\$ 14,246,517	\$ 14,257,466	\$ 10,949

The net increase of \$971,900 in Unobligated Balance - Beginning of Period consists primarily of revenues (\$951,000) received by OJP for the Crime Victims Fund that were not considered budgetary resources in FY1999 in accordance with OMB Circular No. A-34. These resources became available in FY2000; accordingly, Unobligated Balance - Beginning of Period was restated to reflect the increase in budgetary resources available to the Department. In addition, restatements were also made in the AFF (\$51,000 decrease), INS (\$49,000 increase), OBD (\$26,000 increase), and the USMS, BOP and DEA (\$4,000 decrease) Statements of Budgetary Resources.

**These notes are an integral part of the financial statements**

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 19. Prior Period Adjustments - Continued**

Obligated Balances, Net - Beginning of Period increased by a net of \$10,949 because of the Department's reassessment of non-expenditure transfers for the AFF and OBD (increase of \$52,837) and other restatements by the INS, FBI, and BOP (decrease of \$41,888).

As reported in Note 8, DEA restated the beginning balances of several non-valued seized drugs in order to correct for errors in prior years and to include unanalyzed evidence not previously reported by DEA. The following balances of seized narcotics were restated in FY2000:

Drug Evidence (In kilograms)	<u>As Reported</u>	<u>As Restated</u>	<u>Difference</u>
Cocaine	176,574	281,798	105,224
Marijuana - Bulk	176,720	135,128	(41,592)
Other narcotics	38,214	74,060	35,846

The difference between the prior period adjustment in the Statement of Changes in Net Position and the restatements in the Statement of Budgetary Resources is caused primarily by the differences between the basis of accounting used to record these transactions. The Statement of Changes in Net Position accounts for transactions on the accrual basis of accounting, whereas, the Statement of Budgetary Resources is derived from the budgetary basis of accounting which is used to facilitate control over Federal funds and compliance with laws and regulations. The presentation of seized narcotics is performed in accordance with Federal Financial Accounting and Auditing Technical Release No. 4, "Reporting on Non-Valued Seized and Forfeited Property".

**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

**Note 20. Consolidated Gross Cost and Earned Revenue by Budget Functional Classification**

Consolidated Cost and Earned Revenue by Budget Functional Classification

<u>Budget Functional Classification</u>		<u>Gross Costs</u>	<u>Earned Revenue</u>	<u>Net Costs</u>
National Defense	50	\$ 13,011	\$ -	\$ 13,011
Total International Affairs	150	1,063	-	1,063
Administration of Justice	750	24,274,470	(2,977,638)	21,296,832
General Government	800	(12)	-	(12)
Total		<u>\$ 24,288,532</u>	<u>\$ (2,977,638)</u>	<u>\$ 21,310,894</u>

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

<u>Budget Functional Classification</u>		<u>Gross Costs</u>	<u>Earned Revenue</u>	<u>Net Costs</u>
National Defense	50	\$ 1,842	\$ -	\$ 1,842
Total International Affairs	150	995	-	995
Administration of Justice	750	4,791,546	(1,113,755)	3,677,791
General Government	800	2	-	2
Total		<u>\$ 4,794,385</u>	<u>\$ (1,113,755)</u>	<u>\$ 3,680,630</u>

**Note 21. Exchange Revenue**

The Department's exchange revenue consists of licensing fees to manufacture and distribute controlled substances, services rendered for legal activities, space management, and data processing services. Fees are collected for inspecting commercial and/or sea vessel passengers, and processing various applications. Other exchange revenues are generated by the sale of merchandise and telephone services to inmates, and the sale of manufactured goods and services to other federal agencies.

The pricing policy for goods and services provided is based on cost plus a predetermined gross margin ratio. Merchandise sold and services provided are marketed at cost.

These notes are an integral part of the financial statements

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**Notes to the Principal Financial Statements**  
**(Dollars in Thousands)**

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**Note 22. Net Custodial Revenue Activity**

Debt Collection Management (DCM) is responsible for implementing the provisions of the Federal Debt Recovery Act of 1986, which authorizes the Attorney General to contract with private counsel to help the U.S. Attorneys collect delinquent Federal civil debts. Since FY 1994, the Attorney General has been authorized to credit the WCF up to 3 percent of the total civil cash collections to be used for paying the costs of "processing and tracking" such litigation. DCM is responsible for the operation of the Nationwide Central Intake Facility, the private counsel pilot project, and other projects funded by the 3 percent of the civil debt collections.

**Note 23. Anticipated Equitable Sharing in Future Periods**

The statute governing the use of the AFF (28 U.S.C. 534(c)) permits the payment of equitable shares of forfeiture proceeds to participating foreign governments and state and local law enforcement agencies. During FY 2000, the AFF incurred \$224,749 in equitable sharing expenses. From 1995 through 2000, equitable sharing allocation levels averaged \$221,000. The anticipated equitable sharing allocation level for FY 2001 is \$200,000.

**Note 24. Permanent Indefinite Appropriations**

The Office of the Independent Counsel, within the OBD, has permanent indefinite authority. 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.

**Note 25. Restrictions on use of the Unobligated Balances**

The restricted use of the unobligated balance includes cash bonds held in trust by the INS, undisbursed civil and criminal debt collections due to other agencies, annual appropriations that expire and will be transferred to the general fund, and unobligated balances from other Departmental appropriations transferred to the WCF.

**Note 26. Non - Exchange Revenue**

The Department's non-exchange 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 non-exchange revenue includes the OJP Crime Victims Fund receipts and interest on investments. For FY 2000, the Department reported total non-exchange revenue of \$1,255,878.

**U.S. Department of Justice**

**Supplemental Financial and Management's  
Information  
Unaudited**

**Department of Justice**  
**Required Supplementary Information**  
**Consolidated Intra-governmental Assets**  
**as of September 30, 2000**

**Dollars in Thousands**

Trading Partner	Fund Balance with Treasury	Investments	Accounts Receivable/ Advances/Other
20 U. S. Treasury	\$ 18,425,041	\$ 1,350,337	\$ 22,128
04 Government Printing Office	-	-	716
10 The Judiciary	-	-	423
11 Executive Office of the President	-	-	1,159
12 Department of Agriculture	-	-	1,411
13 Department of Commerce	-	-	1,739
14 Department of Interior	-	-	4,247
16 Department of Labor	-	-	18
17 Department of Navy	-	-	9,196
18 U. S. Postal Service	-	-	4,179
19 Department of State	-	-	47,769
21 Department of Army	-	-	119
23 United States Courts	-	-	5,785
24 Office of Personnel	-	-	970
26 Thrift Investment Board	-	-	221
27 Federal Communications Commission	-	-	55
28 Social Security Administration	-	-	7,311
29 Federal Trade Commission	-	-	466
31 Nuclear Regulatory Commission	-	-	52
33 Smithsonian Institute	-	-	23
36 Department of Veterans Affairs	-	-	1,258
41 Merit System Protection Board	-	-	19
45 U. S. Equal Employment Opportunity Commission	-	-	1,647
47 General Services Administration	-	-	9,522
50 Securities and Exchange Commission	-	-	525
51 Federal Deposit Insurance Coporation	-	-	4
56 Central Intelligence Agency	-	-	2,591
57 Department of the Air Force	-	-	4,497
58 Federal Emergency Management Agency	-	-	129
61 Consumer Product Safety Commission	-	-	32
63 National Labor Relations Board	-	-	122
64 Tennessee Valley Authority	-	-	18
67 United States Information Agency	-	-	15
68 Environmental Protection Agency	-	-	12,264
69 Department of Transportation	-	-	1,720
72 Agency for International Development	-	-	3,254
73 Small Business Administration	-	-	24
75 Department of Health and Human Services	-	-	7,132
80 National Aeronautics and Space Administration	-	-	56
86 Department of Housing and Urban Development	-	-	60
88 National Archives and Records Administration	-	-	8
89 Department of Energy	-	-	177
91 Department of Education	-	-	1,341
95 Independent Agencies	-	-	14,047
96 U. S. Army Corps of Engineer	-	-	42
97 Office of the Secretary of Defense-Defense Agencies	-	-	101,483
00 Unapplied Total	-	-	5,704
Total	<u>\$ 18,425,041</u>	<u>\$ 1,350,337</u>	<u>\$ 275,678</u>

**Department of Justice  
Required Supplementary Information  
Consolidated Intra-governmental Liabilities  
as of September 30, 2000**

**Dollars in Thousands**

Trading Partner	Accounts Payable and Other Liabilities	Accrued FECA	Debt/Borrowings from other Agencies
00 Unknown	\$ 237,484	\$ -	\$ -
03 Library of Congress	23	-	-
04 Government Printing Office	2,504	-	-
11 Executive Office of the President	9,181	-	-
12 Department of Agriculture	7,440	-	-
13 Department of Commerce	380	-	-
14 Department of Interior	584	-	-
16 Department of Labor	733	183,495	-
17 Department of Navy	1,198	-	-
18 U. S. Postal Service	1,175	-	-
19 Department of State	4,712	-	-
20 Department of the Treasury	72,600	-	20,000
21 Department of the Army	13,600	-	-
23 United States Courts	2,366	-	-
24 Office of Personnel Management	91,885	-	-
28 Social Security Administration	109	-	-
29 Federal Trade Commission	77	-	-
33 Smithsonian Institute	5	-	-
36 Department of Veterans Affairs	550	-	-
45 U. S. Equal Employment Opportunity Commission	82	-	-
47 General Services Administration	168,012	-	-
49 National Science Foundation	5	-	-
51 Federal Deposit Insurance Corporation	36,812	-	-
54 Federal Labor Relations Board	7	-	-
56 Central Intelligence Agency	7,116	-	-
57 Department of the Air Force	26	-	-
58 Federal Emergency Management Agency	144	-	-
68 Environmental Protection Agency	1,361	-	-
69 Department of Transportation	3,155	-	-
73 Small Business Administration	267	-	-
75 Department of Health and Human Services	62,476	-	-
83 Export-Import Bank of the United States	1,571	-	-
86 Federal Housing and Urban Development	783	-	-
88 National Archives and Records Administration	375	-	-
89 Department of Energy	3	-	-
91 Department of Education	2,708	-	-
95 Independent Agencies	3,379	-	-
96 U. S. Army Corps of Engineers	13,587	-	-
97 Office of the Secretary of Defense-Defense Agencies	7,149	-	-
<b>Total</b>	<b>\$ 755,624</b>	<b>\$ 183,495</b>	<b>\$ 20,000</b>

**Department of Justice**  
**Required Supplementary Information**  
**Consolidated Intra-governmental Earned Revenue/Other Financing Sources**  
**for fiscal year ended September 30, 2000**

<b>Dollars in Thousands</b>		
<b>Trading Partner</b>	<b>Earned Revenue</b>	<b>Transfers In (Out)</b>
03 Library of Congress	\$ 1	\$ -
04 Government Printing Office	37	-
05 General Accounting Office	7	-
09 United States House of Representatives	(6)	-
10 The Judiciary	5,469	-
11 Executive Office of the President	5,443	-
12 Department of Agriculture	9,860	-
13 Department of Commerce	7,511	-
14 Department of Interior	11,164	-
16 Department of Labor	1,870	-
17 Department of Navy	8,803	-
18 U. S. Postal Service	22,763	-
19 Department of State	60,470	-
20 Department of the Treasury	105,665	(24,331)
21 Department of the Army	67	-
23 United States Courts	301	-
24 Office of Personnel Management	15,009	-
25 National Credit Union Association	5	-
26 Thrift Investment Board	2,603	-
27 Federal Communications Commission	175	-
28 Social Security Administration	9,507	-
29 Federal Trade Commission	106,914	-
31 United States Nuclear Regulatory Commission	163	-
33 Smithsonian Institute	182	-
34 International Trade Commission	19	-
36 Department of Veterans Affairs	6,207	-
41 Merit System Protection Board	134	-
45 U. S. Equal Employment Opportunity Commission	1,637	-
47 General Services Administration	29,274	(295)
48 Independent Agencies	2,949	-
49 National Science Foundation	7	-
50 Securities and Exchange Commission	878	-
51 Federal Deposit Insurance Corporation	63	-
56 Central Intelligence Agency	2,433	-
57 Department of the Air Force	8,817	-
58 Federal Emergency Management Agency	779	-
61 Consumer Product Safety Commission	128	-
63 National Labor Relations Board	641	-
64 Tennessee Valley Authority	25	-
67 United States Information Agency	928	-
68 Environmental Protection Agency	31,191	-
69 Department of Transportation	8,303	-
72 Agency for International Development	15,416	-
73 Small Business Administration	78	-
75 Department of Health and Human Services	89,542	(8,500)
78 Farm Credit	1	-
80 National Aeronautics and Space Administration	341	-
84 Armed Forces Retirement Home	1	-
86 Department of Housing and Urban Development	1,056	-
88 National Archives & Records Administration	374	-
89 Department of Energy	877	-
90 Selective Service System	16	-
91 Department of Education	1,430	-
95 Independent Agencies	689	-
96 U. S. Army Corps of Engineers	9,393	-
97 Office of the Secretary of Defense-Defense Agencies	368,549	480
00 Unknown	157,596	121,248
<b>Total</b>	<b>\$ 1,113,755</b>	<b>88,602</b>
Related Gross Cost to Generate Earned Revenue by Budget Functional Classification	Gross Cost to Generate Revenue	
750 - Administration of Justice	<u>\$ 1,108,648</u>	

**Department of Justice  
 Required Supplementary Information  
 Consolidated Deferred Maintenance  
 For Fiscal Year Ending September 30, 2000**

Deferred Maintenance for fiscal year ending September 30, 2000, was \$13.2 million. This amount was determined using the requirements set fourth by the Statement of Federal Financial Accounting Standards (SFFAS) Number 6, Accounting for Property, Plant and Equipment. The Immigration and Naturalization Service (INS) management estimates that this amount will be required to service and repair property, plant and equipment including vehicles, aircraft, buildings and other structures. Consistent with SFFAS No 6, INS management estimated the amount of deferred maintenance based on the Total Life-Cycle Cost Method, calculated as follows.

<b>Dollars in thousands</b>	
FY 2000 Initial Requirement	\$ 45,600
(Less) Maintenance Performed	(4,911)
Total Net Requirement	40,689
(Less) Actual Funded	<u>(27,518)</u>
Total Deferred Maintenance	<u><u>\$ 13,171</u></u>

**Department of Justice  
Required Supplementary Information  
Consolidated Stewardship Information  
For Fiscal Year Ended September 30, 2000 and 1999**

The Office of Justice Programs Violent Offender Incarceration Program provides grants to the states to build or expand correctional facilities for violent offenders, certain juvenile offenders, nonviolent offenders and criminal aliens to free prison space for violent offenders. The facilities built with these funds constitute an investment in non-federal physical property. In FY 2000, amounts reflect expenditures.

**Dollars in thousands**

	FY 2000	FY 1999
Cooperative Agreement Program Administered by the U.S. Marshals Service	\$ 27,152	\$ 9,515
Discretionary Grants to Indian Tribes	2,943	1,387
Formula Grants to States	319,941	82,445
<b>Total</b>	<b><u>\$ 350,036</u></b>	<b><u>\$ 93,347</u></b>

**Department of Justice  
Required Supplementary Information  
Intragovernmental Revolving Fund  
As of and For Fiscal Year Ending September 30, 2000**

The Department has three intragovernmental revolving funds, 15X4526 - Working Capital Fund (WCF), 15X4500 - Federal Prison Industries (FPI), and 15X4275 - Justice Prisoner and Alien Transportation System (JPATS). The WCF and FPI are both presented as separate reporting entities in the principal financial statements. The JPATS is included in the U.S. Marshal Service. The JPATS is responsible for transporting by air all Federal prisoners and detainees, including sentenced, pretrial, and illegal aliens, whether in custody of the U.S. Marshals Service, the Bureau of Prisons, or the Immigration and Naturalization Service. JPATS also provides prisoner transportation to the Departments of Defense and State and local law enforcement on a space available basis. JPATS will transport prisoners and detainees in a cost effective manner without sacrificing the safety of the public, Federal employees, or those in custody. Proceeds from the disposal of aircraft are deposited into the JPATS Fund. FY 2000 JPATS condensed financial information about assets, liabilities, net position, gross cost, exchange revenues and net cost of operations is presented below:

**Dollars in thousands**

Fund Balance with Treasury	\$ 19,703
Accounts Receivable	4,738
General Property, Plant, & Equipment	23,359
Other Assets	7,976
Accounts Payable	8,916
Accrued Payroll and Benefits	813
Cumulative Results of Operations	46,047
Cost of Goods and Services Provided	79,451
Exchange Revenues	73,311
Net Cost of Operations	6,140

**DEPARTMENT OF JUSTICE**  
**Consolidating Balance Sheet**  
**as of September 30, 2000**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	BOP	FPI	Eliminations	Consolidated
<b>ASSETS (Note 17)</b>												
Intragovernmental												
Fund Balance with U.S. Treasury (Note 2)	\$ 8,731	\$ 809,179	\$ 3,549,421	\$ 333,132	\$ 8,398,321	\$ 513,944	\$ 987,847	\$ 1,825,804	\$ 1,961,308	\$ 37,354	\$ -	\$ 18,425,041
Investments, Net (Note 4)	1,133,771	-	116,504	-	-	-	-	-	100,062	-	-	1,350,337
Accounts Receivable, Net (Note 5)	2,526	71,192	110,232	26,833	5,552	32,761	98,972	11,045	10,598	97,868	(254,990)	212,589
Other Assets (Note 6)	6,423	-	463,301	-	39,997	29,283	16,732	9,720	9,271	578	(512,216)	63,089
<b>Total Intragovernmental</b>	<b>1,151,451</b>	<b>880,371</b>	<b>4,239,458</b>	<b>359,965</b>	<b>8,443,870</b>	<b>575,988</b>	<b>1,103,551</b>	<b>1,846,569</b>	<b>2,081,239</b>	<b>135,800</b>	<b>(767,206)</b>	<b>20,051,056</b>
Accounts Receivable, Net (Note 5)	-	6	48,019	470	165	1,416	15,684	45,902	18,585	5,411	-	135,658
Cash and Other Monetary Assets (Note 3)	43,899	-	82	36	54	8,317	61,142	29,720	28,713	-	-	171,963
Inventory and Related Property, Net (Note 7)	-	291	-	7,976	-	20,432	1,971	-	11,580	118,074	-	160,324
General Property, Plant and Equipment, Net (Note 9)	-	11,985	3,022	166,461	3,050	177,587	469,659	373,119	4,569,253	141,620	-	5,915,756
Forfeited Property, Net (Note 8)	81,712	-	-	-	-	-	-	-	-	-	-	81,712
Advances and Prepayments	-	22	47,151	34	363,734	10,669	24,686	347	4,445	2,720	-	453,808
<b>Total Assets</b>	<b>\$ 1,277,062</b>	<b>\$ 892,675</b>	<b>\$ 4,337,732</b>	<b>\$ 534,942</b>	<b>\$ 8,810,873</b>	<b>\$ 794,409</b>	<b>\$ 1,676,693</b>	<b>\$ 2,295,657</b>	<b>\$ 6,713,815</b>	<b>\$ 403,625</b>	<b>\$ (767,206)</b>	<b>\$ 26,970,277</b>
<b>LIABILITIES (Note 18)</b>												
Intragovernmental												
Accounts Payable	\$ 54,777	\$ 79,939	\$ 97,482	\$ 22,781	\$ 22,047	\$ 19,369	\$ 42,817	\$ 159,722	\$ 30,475	\$ 2,011	\$ (254,990)	\$ 276,430
Accrued FECA Liability (Note 1.P)	-	401	6,036	11,168	11	19,763	23,007	63,771	58,654	684	-	183,495
Debt (Note 10)	-	-	-	-	-	-	-	-	-	20,000	-	20,000
Custodial Liability	-	261,483	-	-	-	1,263	-	2,891	183	-	-	265,820
Other Liabilities (Note 11)	-	13,043	19,705	53,724	518,587	15,884	28,488	26,229	26,438	23,492	(512,216)	213,374
<b>Total Intragovernmental</b>	<b>54,777</b>	<b>354,866</b>	<b>123,223</b>	<b>87,673</b>	<b>540,645</b>	<b>56,279</b>	<b>94,312</b>	<b>252,613</b>	<b>115,750</b>	<b>46,187</b>	<b>(767,206)</b>	<b>959,119</b>
Accounts Payable	58,833	43,606	542,802	136,063	814,745	74,138	129,349	247,086	343,172	57,806	-	2,447,600
Actuarial FECA Liabilities (Note 1.P)	-	2,214	32,766	59,001	95	115,121	123,459	333,002	314,145	5,710	-	985,513
Accrued Payroll and Benefits	-	2,395	81,589	17,751	3,254	36,098	101,868	109,023	89,375	10,829	-	452,182
Accrued Annual and Compensatory Leave	-	3,639	110,274	21,049	3,856	53,574	153,967	102,464	98,702	7,386	-	554,911
Environmental Cleanup Cost	-	-	-	-	-	-	-	9,012	-	-	-	9,012
Deferred Revenue	74,560	1,557	-	-	-	58,255	-	550,923	1,144	-	-	686,439
Liabilities for Seized Asset Deposit Fund	529,920	-	-	-	-	-	-	-	-	-	-	529,920
Contingent Liabilities (Note 16)	-	-	-	-	-	3,730	11,000	81,737	98,800	842	-	196,109
Capital Lease Liabilities (Note 12)	-	-	-	9,910	104	166	1,867	-	75,591	-	-	87,638
Other Liabilities (Note 11)	22,439	47,984	2,609	-	4,567	704	49,815	187,750	41,473	-	-	357,341
<b>Total Liabilities</b>	<b>\$ 740,529</b>	<b>\$ 456,261</b>	<b>\$ 893,263</b>	<b>\$ 331,447</b>	<b>\$ 1,367,266</b>	<b>\$ 398,065</b>	<b>\$ 665,637</b>	<b>\$ 1,873,610</b>	<b>\$ 1,178,152</b>	<b>\$ 128,760</b>	<b>\$ (767,206)</b>	<b>\$ 7,265,784</b>
<b>NET POSITION</b>												
Unexpended Appropriations (Note 15)	\$ -	\$ -	\$ 3,416,057	\$ 131,303	\$ 5,512,728	\$ 385,484	\$ 852,520	\$ 534,682	\$ 1,405,377	\$ -	\$ -	\$ 12,238,151
Cumulative Results of Operations	536,533	436,414	28,412	72,192	1,930,879	10,860	158,536	(112,635)	4,130,286	274,865	-	7,466,342
<b>Total Net Position</b>	<b>\$ 536,533</b>	<b>\$ 436,414</b>	<b>\$ 3,444,469</b>	<b>\$ 203,495</b>	<b>\$ 7,443,607</b>	<b>\$ 396,344</b>	<b>\$ 1,011,056</b>	<b>\$ 422,047</b>	<b>\$ 5,535,663</b>	<b>\$ 274,865</b>	<b>\$ -</b>	<b>\$ 19,704,493</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,277,062</b>	<b>\$ 892,675</b>	<b>\$ 4,337,732</b>	<b>\$ 534,942</b>	<b>\$ 8,810,873</b>	<b>\$ 794,409</b>	<b>\$ 1,676,693</b>	<b>\$ 2,295,657</b>	<b>\$ 6,713,815</b>	<b>\$ 403,625</b>	<b>\$ (767,206)</b>	<b>\$ 26,970,277</b>

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

**DEPARTMENT OF JUSTICE**  
**Consolidating Statement of Net Cost**  
**for fiscal year ended September 30, 2000**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	BOP	FPI	Eliminations	Consolidated
<b>Net Cost by Program (Note 20)</b>												
<b>Investigation and Prosecution of Criminal Offenses</b>												
Intragovernmental	\$ 122,532	\$ -	\$ 185,833	\$ -	\$ -	\$ 422,719	\$ 905,133	\$ -	\$ -	\$ -	\$ (223,292)	\$ 1,412,925
With the Public	78,200	-	501,518	-	-	1,072,858	2,510,849	-	-	-	42,388	4,205,813
Total	\$ 200,732	\$ -	\$ 687,351	\$ -	\$ -	\$ 1,495,577	\$ 3,415,982	\$ -	\$ -	\$ -	\$ (180,904)	\$ 5,618,738
Less Earned Revenues	(3,661)	-	(28,942)	-	-	(262,291)	(431,325)	-	-	-	385,106	(341,113)
Net Program Costs	\$ 197,071	\$ -	\$ 658,409	\$ -	\$ -	\$ 1,233,286	\$ 2,984,657	\$ -	\$ -	\$ -	\$ 204,202	\$ 5,277,625
<b>Assistance to Tribal, State, and Local Governments</b>												
Intragovernmental	\$ -	\$ -	\$ 48,526	\$ -	\$ 210,326	\$ -	\$ 89,526	\$ -	\$ -	\$ -	\$ (80,938)	\$ 267,440
With the Public	231,369	-	1,153,873	-	3,902,129	-	248,347	-	-	-	8,000	5,543,718
Total	\$ 231,369	\$ -	\$ 1,202,399	\$ -	\$ 4,112,455	\$ -	\$ 337,873	\$ -	\$ -	\$ -	\$ (72,938)	\$ 5,811,158
Less Earned Revenues	-	-	(267)	-	(70,096)	-	(71,767)	-	-	-	50,571	(91,559)
Net Program Costs	\$ 231,369	\$ -	\$ 1,202,132	\$ -	\$ 4,042,359	\$ -	\$ 266,106	\$ -	\$ -	\$ -	\$ (22,367)	\$ 5,719,599
<b>Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests</b>												
Intragovernmental	\$ -	\$ -	\$ 905,213	\$ -	\$ -	\$ -	\$ 13,398	\$ -	\$ -	\$ -	\$ (314,661)	\$ 603,950
With the Public	-	-	1,015,310	-	-	-	37,165	-	-	-	111,310	1,163,785
Total	\$ -	\$ -	\$ 1,920,523	\$ -	\$ -	\$ -	\$ 50,563	\$ -	\$ -	\$ -	\$ (203,351)	\$ 1,767,735
Less Earned Revenues	-	-	(322,591)	-	-	-	-	-	-	-	8,213	(314,378)
Net Program Costs	\$ -	\$ -	\$ 1,597,932	\$ -	\$ -	\$ -	\$ 50,563	\$ -	\$ -	\$ -	\$ (195,138)	\$ 1,453,357
<b>Immigration</b>												
Intragovernmental	\$ -	\$ -	\$ 46,086	\$ -	\$ -	\$ -	\$ 855,357	\$ -	\$ -	\$ -	\$ (110,776)	\$ 790,667
With the Public	-	-	101,997	-	-	-	2,599,122	-	-	-	27,211	2,728,330
Total	\$ -	\$ -	\$ 148,083	\$ -	\$ -	\$ -	\$ 3,454,479	\$ -	\$ -	\$ -	\$ (83,565)	\$ 3,518,997
Less Earned Revenues	-	-	(751)	-	-	-	(958,544)	-	-	-	16,011	(943,284)
Net Program Costs	\$ -	\$ -	\$ 147,332	\$ -	\$ -	\$ -	\$ 2,495,935	\$ -	\$ -	\$ -	\$ (67,554)	\$ 2,575,713

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

**DEPARTMENT OF JUSTICE**  
**Consolidating Statement of Net Cost**  
**for fiscal year ended September 30, 2000**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	BOP	FPI	Eliminations	Consolidated
<b>Detention and Incarceration</b>												
Intragovernmental	\$ -	\$ -	\$ 2,075	\$ 385,877	\$ -	\$ -	\$ -	\$ 324,153	\$ 794,315	\$ 13,062	\$ (118,258)	\$ 1,401,224
With the Public	-	-	6,550	475,831	-	-	-	984,984	3,065,499	573,781	34,483	5,141,128
Total	\$ -	\$ -	\$ 8,625	\$ 861,708	\$ -	\$ -	\$ -	\$ 1,309,137	\$ 3,859,814	\$ 586,843	\$ (83,775)	\$ 6,542,352
Less Earned Revenues	-	-	(111)	(100,893)	-	-	-	(363,290)	(240,395)	(567,668)	161,101	(1,111,256)
Net Program Costs	\$ -	\$ -	\$ 8,514	\$ 760,815	\$ -	\$ -	\$ -	\$ 945,847	\$ 3,619,419	\$ 19,175	\$ 77,326	\$ 5,431,096
<b>Protection of the Federal Judiciary and Improvement of the Justice System</b>												
Intragovernmental	\$ -	\$ -	\$ 51,238	\$ 211,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20,847)	\$ 241,848
With the Public	-	-	211,604	338,584	-	-	-	-	-	-	7,439	557,627
Total	\$ -	\$ -	\$ 262,842	\$ 550,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,408)	\$ 799,475
Less Earned Revenues	-	-	(140,462)	(2,065)	-	-	-	-	-	-	5,511	(137,016)
Net Program Costs	\$ -	\$ -	\$ 122,380	\$ 547,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,897)	\$ 662,459
<b>Management</b>												
Intragovernmental	\$ -	\$ 433,021	\$ 116,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (473,024)	\$ 76,331
With the Public	-	244,990	139,587	-	-	-	-	-	-	-	(230,831)	153,746
Total	\$ -	\$ 678,011	\$ 255,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (703,855)	\$ 230,077
Less Earned Revenues	-	(714,251)	(40,064)	-	-	-	-	-	-	-	715,283	(39,032)
Net Program Costs	\$ -	\$ (36,240)	\$ 215,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,428	\$ 191,045
<b>Net Cost (Revenue) of Operations</b>	<b>\$428,440</b>	<b>\$ (36,240)</b>	<b>\$3,952,556</b>	<b>\$1,308,791</b>	<b>\$4,042,359</b>	<b>\$1,233,286</b>	<b>\$3,301,326</b>	<b>\$3,441,782</b>	<b>\$3,619,419</b>	<b>\$ 19,175</b>	<b>\$ -</b>	<b>\$21,310,894</b>

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

**DEPARTMENT OF JUSTICE**  
**Consolidating Statement of Changes in Net Position**  
**for fiscal year ended September 30, 2000**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	BOP	FPI	Eliminations	Consolidated
<b>Net (Cost) Revenue of Operations</b>	<b>\$ (428,440)</b>	<b>\$ 36,240</b>	<b>\$ (3,952,556)</b>	<b>\$ (1,308,791)</b>	<b>\$ (4,042,359)</b>	<b>\$ (1,233,286)</b>	<b>\$ (3,301,326)</b>	<b>\$ (3,441,782)</b>	<b>\$ (3,619,419)</b>	<b>\$ (19,175)</b>	<b>\$ -</b>	<b>\$ (21,310,894)</b>
Financing Sources (other than exchange revenues):												
Appropriations Used	-	-	3,946,356	1,288,429	3,515,047	1,173,714	3,084,719	3,431,028	3,924,175	-	-	20,363,468
Other Non-exchange Revenues (Note 26)	467,653	-	5,531	-	778,491	34	-	3,098	1,071	-	-	1,255,878
Imputed Financing (Note 14)	-	3,174	73,016	20,934	2,842	39,958	136,535	119,194	103,401	7,386	-	506,440
Transfers-in	-	116,095	15,190	6,907	100,397	17,194	44,879	50,816	5,004	-	-	123,290
Transfers-out	(27,515)	(95,419)	(107,429)	-	(8,500)	(16,650)	(4,367)	(8,000)	-	-	(233,192)	(34,688)
<b>Net Results of Operations</b>	<b>\$ 11,698</b>	<b>\$ 60,090</b>	<b>\$ (19,892)</b>	<b>\$ 7,479</b>	<b>\$ 345,918</b>	<b>\$ (19,036)</b>	<b>\$ (39,560)</b>	<b>\$ 154,354</b>	<b>\$ 414,232</b>	<b>\$ (11,789)</b>	<b>\$ -</b>	<b>\$ 903,494</b>
Prior Period Adjustments (Note 19)	17,446	(10,662)	(15,942)	23,231	(425)	-	57,607	12,183	6,808	260	-	90,506
<b>Net Change in Cumulative Results of Operations</b>	<b>\$ 29,144</b>	<b>\$ 49,428</b>	<b>\$ (35,834)</b>	<b>\$ 30,710</b>	<b>\$ 345,493</b>	<b>\$ (19,036)</b>	<b>\$ 18,047</b>	<b>\$ 166,537</b>	<b>\$ 421,040</b>	<b>\$ (11,529)</b>	<b>\$ -</b>	<b>\$ 994,000</b>
Increase (Decrease) in Unexpended Appropriations	-	-	(746,833)	(35,757)	(72,527)	(6,749)	119,154	(296,230)	(346,230)	-	-	(1,385,172)
<b>Change in Net Position</b>	<b>\$ 29,144</b>	<b>\$ 49,428</b>	<b>\$ (782,667)</b>	<b>\$ (5,047)</b>	<b>\$ 272,966</b>	<b>\$ (25,785)</b>	<b>\$ 137,201</b>	<b>\$ (129,693)</b>	<b>\$ 74,810</b>	<b>\$ (11,529)</b>	<b>\$ -</b>	<b>\$ (391,172)</b>
Net Position-Beginning of Period	507,389	386,986	4,227,136	208,542	7,170,641	422,129	873,855	551,740	5,460,853	286,394	-	20,095,665
<b>Net Position - End of Period</b>	<b>\$ 536,533</b>	<b>\$ 436,414</b>	<b>\$ 3,444,469</b>	<b>\$ 203,495</b>	<b>\$ 7,443,607</b>	<b>\$ 396,344</b>	<b>\$ 1,011,056</b>	<b>\$ 422,047</b>	<b>\$ 5,535,663</b>	<b>\$ 274,865</b>	<b>\$ -</b>	<b>\$ 19,704,493</b>

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

**DEPARTMENT OF JUSTICE**  
**Combining Statement of Budgetary Resources**  
**for fiscal year ended September 30, 2000**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	BOP	FPI	Combined
<b>Budgetary Resources:</b>											
Budget Authority											
Appropriations	\$ 544,277	\$ -	\$ 2,769,816	\$ 1,264,120	\$ 4,261,906	\$ 1,338,567	\$ 2,353,302	\$ 1,744,118	\$ 3,645,901	\$ -	\$ 17,922,007
Net Transfers, Current Year Authority	-	(295)	435,707	-	-	-	889,661	1,234,450	61,544	-	2,621,067
Unobligated Balances - Beginning of Period (Note 19)	354,679	115,728	541,003	56,980	1,493,374	60,536	194,351	148,616	830,552	-	3,795,819
Net Transfers, Prior Year Balance, Actual	-	116,095	(7,647)	-	4,130	(16,414)	(38,511)	400	(80,000)	-	(21,947)
Spending Authority from Offsetting Collections	3,705	729,314	560,383	120,354	396,557	204,535	551,699	1,347,740	237,206	-	4,151,493
Adjustments	3,524	12,400	133,908	12,690	(1,097,157)	150,141	45,157	111,370	12,951	-	(615,016)
<b>Total Budgetary Resources</b>	<b>\$ 906,185</b>	<b>\$ 973,242</b>	<b>\$ 4,433,170</b>	<b>\$ 1,454,144</b>	<b>\$ 5,058,810</b>	<b>\$ 1,737,365</b>	<b>\$ 3,995,659</b>	<b>\$ 4,586,694</b>	<b>\$ 4,708,154</b>	<b>\$ -</b>	<b>\$ 27,853,423</b>
<b>Status of Budgetary Resources:</b>											
Obligations incurred	\$ 486,321	\$ 742,976	\$ 4,206,217	\$ 1,425,830	\$ 3,978,595	\$ 1,627,157	\$ 3,854,022	\$ 4,455,109	\$ 4,140,231	\$ -	\$ 24,916,458
Unobligated Balances - Available	361,673	132,463	98,850	14,661	1,079,205	52,301	118,293	44,022	428,447	-	2,329,915
Unobligated Balances - Not Available	58,191	97,803	128,103	13,653	1,010	57,907	23,344	87,563	139,476	-	607,050
<b>Total Status of Budgetary Resources</b>	<b>\$ 906,185</b>	<b>\$ 973,242</b>	<b>\$ 4,433,170</b>	<b>\$ 1,454,144</b>	<b>\$ 5,058,810</b>	<b>\$ 1,737,365</b>	<b>\$ 3,995,659</b>	<b>\$ 4,586,694</b>	<b>\$ 4,708,154</b>	<b>\$ -</b>	<b>\$ 27,853,423</b>
<b>Outlays:</b>											
Obligations Incurred	\$ 486,321	\$ 742,976	\$ 4,206,217	\$ 1,425,830	\$ 3,978,595	\$ 1,627,157	\$ 3,854,022	\$ 4,455,109	\$ 4,140,231	\$ -	\$ 24,916,458
Less: Spending Authority from Offsetting Collections and Adjustments	(35,241)	(741,715)	(694,323)	(140,373)	(639,390)	(342,321)	(597,435)	(1,491,977)	(255,162)	-	(4,937,937)
Subtotal	451,080	1,261	3,511,894	1,285,457	3,339,205	1,284,836	3,256,587	2,963,132	3,885,069	-	19,978,521
Obligated Balance, Net - Beginning of Period (Note 19)	271,943	368,931	3,751,802	198,918	5,958,604	395,374	754,178	1,272,314	1,285,402	-	14,257,466
Less: Obligated Balance, Net - End of Period	(201,641)	(263,853)	(3,319,823)	(284,278)	(6,048,214)	(365,968)	(844,628)	(1,316,010)	(1,473,676)	-	(14,118,091)
<b>Total Outlays</b>	<b>\$ 521,382</b>	<b>\$ 106,339</b>	<b>\$ 3,943,873</b>	<b>\$ 1,200,097</b>	<b>\$ 3,249,595</b>	<b>\$ 1,314,242</b>	<b>\$ 3,166,137</b>	<b>\$ 2,919,436</b>	<b>\$ 3,696,795</b>	<b>\$ -</b>	<b>\$ 20,117,896</b>

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

**DEPARTMENT OF JUSTICE**  
**Combining Statement of Financing**  
**for fiscal year ended September 30, 2000**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	BOP	FPI	Combined
<b>Obligations and Nonbudgetary Resources</b>											
Obligations incurred	\$ 486,321	\$ 742,976	\$ 4,206,217	\$ 1,425,830	\$ 3,978,595	\$ 1,627,157	\$ 3,854,022	\$ 4,455,109	\$ 4,140,231	\$ -	\$ 24,916,458
Less: Spending Authority from Offsetting											
Collections and Adjustments	(35,241)	(741,715)	(694,323)	(140,373)	(639,390)	(342,321)	(597,435)	(1,491,977)	(255,162)	-	(4,937,937)
Financing Imputed for Cost Subsidies	-	3,174	73,016	20,934	2,842	39,958	136,535	119,194	103,401	7,386	506,440
Transfers, Net	(19,187)	(95,124)	(92,239)	6,907	91,897	544	40,512	42,816	5,004	-	(18,870)
Revenue Not in the Entity's Budget	-	-	(16,593)	-	-	-	-	48,366	-	-	31,773
Other	5,261	-	-	-	-	(73,742)	-	43,681	1,064	440	(23,296)
<b>Total Obligations as adjusted, and Nonbudgetary Resources</b>	<b>\$ 437,154</b>	<b>\$ (90,689)</b>	<b>\$ 3,476,078</b>	<b>\$ 1,313,298</b>	<b>\$ 3,433,944</b>	<b>\$ 1,251,596</b>	<b>\$ 3,433,634</b>	<b>\$ 3,217,189</b>	<b>\$ 3,994,538</b>	<b>\$ 7,826</b>	<b>\$ 20,474,568</b>
<b>Resources That do not Fund Net Cost of Operations</b>											
Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided	\$ (8,714)	\$ 64,275	\$ 400,887	\$ 9,851	\$ 189,868	\$ 55,283	\$ (178,336)	\$ 100,712	\$ 17,168	\$ -	\$ 650,994
Change in Unfilled Customer Orders	-	-	28,599	-	8,092	-	6,468	(18,322)	(1,546)	-	23,291
Costs Capitalized on the Balance Sheet	-	(2,285)	(574)	(44,956)	(1,610)	(46,531)	(109,484)	(87,277)	(679,319)	(7,789)	(979,825)
Financing Sources That Fund Costs of Prior Periods	-	37	10,708	-	(50)	(76,555)	57,607	-	(3,477)	-	(11,730)
Other	-	(12,235)	(231)	(666)	412,499	(3,538)	-	-	(5,872)	-	389,957
<b>Total Resources That do not Fund Net Cost of Operations</b>	<b>\$ (8,714)</b>	<b>\$ 49,792</b>	<b>\$ 439,389</b>	<b>\$ (35,771)</b>	<b>\$ 608,799</b>	<b>\$ (71,341)</b>	<b>\$ (223,745)</b>	<b>\$ (4,887)</b>	<b>\$ (673,046)</b>	<b>\$ (7,789)</b>	<b>\$ 72,687</b>
<b>Costs That do not Require Resources</b>											
Depreciation, Amortization and Bad Debt	\$ -	\$ 4,365	\$ 30,075	\$ 12,135	\$ (821)	\$ 19,570	\$ 37,174	\$ 44,028	\$ 188,944	\$ 19,138	\$ 354,608
Gain/Loss on Disposition of Assets	-	-	-	-	-	-	2,016	4,002	4,173	-	10,191
Other	-	-	-	-	-	1,181	368	-	1,702	-	3,251
<b>Total Costs That do not Require Resources</b>	<b>\$ -</b>	<b>\$ 4,365</b>	<b>\$ 30,075</b>	<b>\$ 12,135</b>	<b>\$ (821)</b>	<b>\$ 20,751</b>	<b>\$ 39,558</b>	<b>\$ 48,030</b>	<b>\$ 194,819</b>	<b>\$ 19,138</b>	<b>\$ 368,050</b>
<b>Financing Sources Yet to Be Provided</b>	<b>\$ -</b>	<b>\$ 292</b>	<b>\$ 7,014</b>	<b>\$ 19,129</b>	<b>\$ 437</b>	<b>\$ 32,280</b>	<b>\$ 51,879</b>	<b>\$ 181,450</b>	<b>\$ 103,108</b>	<b>\$ -</b>	<b>\$ 395,589</b>
<b>Net Cost (Revenue) of Operations</b>	<b>\$ 428,440</b>	<b>\$ (36,240)</b>	<b>\$ 3,952,556</b>	<b>\$ 1,308,791</b>	<b>\$ 4,042,359</b>	<b>\$ 1,233,286</b>	<b>\$ 3,301,326</b>	<b>\$ 3,441,782</b>	<b>\$ 3,619,419</b>	<b>\$ 19,175</b>	<b>\$ 21,310,894</b>

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

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

Department management was provided a draft of the Report of Independent Accountants on Internal Controls for their review and concurrence on the findings and recommendations. Their comments are incorporated into the body of the independent accountants' report following the recommendations. Since management concurred with all of the recommendations, this report is being issued resolved; however, additional corrective actions need to be completed in order for the OIG to close the recommendations and the report. The following describes those actions necessary for closure.

**Internal Control Recommendation Number:**

- 1. Resolved.** This recommendation can be closed when components have submitted written corrective action plans to JMD and when subsequent audits determine that components are recording financial transactions in accordance with generally accepted accounting principles, laws and regulations, or the Department's financial reporting policies. In the interim, please provide the OIG with copies of the components' corrective action plans and updates on the results of monitoring components' implementation of their plans.
- 2. Resolved.** This recommendation can be closed when components have submitted written corrective action plans and when subsequent audits determine weaknesses in financial management systems' general and application controls have been corrected. In the interim, please provide the OIG with the (1) components' corrective action plans, (2) Office of Information Resources Management's Business Continuity Plan with components' supplementary continuity plans for those applications, and (3) updates on the monitoring of the implementation of these plans.
- 3. Closed.** We will follow up on general control weaknesses and security issues by monitoring the status of the recommendations noted in the audit reports of the Department data centers and the individual components.

- 4. Resolved.** This recommendation can be closed when the Chief Financial Officer has provided us with a consolidated financial reporting package that includes the items listed below:
- (a) detailed description of the Department's consolidated financial statements format, note disclosures, required supplementary information, and management's discussion and analysis;
  - (b) instructions on how and when to complete the reporting package;
  - (c) the standard general ledger accounts that are cross-walked to the Department's consolidated financial statements and note disclosures;
  - (d) procedures for identifying, reconciling, and reporting intra-Departmental elimination entries;
  - (e) requirements for reconciling and confirming with federal trading partners;
  - (f) performance measures to be reported in the Department's financial statements;
  - (g) a financial reporting checklist that lists the Department's and OMB's financial reporting requirements; and
  - (h) instructions for performing a Department-wide interim financial close to determine if there are errors in the consolidated financial reporting package.
- 5. Resolved.** This recommendation can be closed when subsequent audits determine that components' stand-alone financial statements are prepared as required by the Department's consolidated financial reporting package discussed in recommendation number four.
- 6. Resolved.** This recommendation can be closed when DEA, FPI, INS, OJP, BOP, and USMS have submitted written corrective action plans to JMD that address the weaknesses in preparing their financial statements in accordance with the Department's consolidated financial reporting package.
- 7. Closed.** We will continue to follow up on this recommendation through our monitoring of the status of recommendation number 5 in our prior financial statement audit report for fiscal year 1997, OIG Report Number 98-07A.