Audit of the Federal Bureau of Investigation Annual Financial Statements Fiscal Year 2013

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

Audit Report 14-10
February 2014

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

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the Federal Bureau of Investigation (FBI) for the fiscal years (FY) ended September 30, 2013, and September 30, 2012. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the FBI's audit in accordance with auditing standards generally accepted in the United States of America. Effective for FY 2013, auditing standards generally accepted in the United States of America use the term "unmodified" opinion instead of "unqualified" opinion. The definition of the two terms is substantially the same. An unmodified opinion means that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The FY 2013 audit resulted in an unmodified opinion on the financial statements. For FY 2012, the FBI received an unqualified opinion on its financial statements (OIG Audit Report No. 13-11).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors did not identify any material weaknesses, nor did they report any significant deficiencies in the FY 2013 *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. However, in the FY 2013 *Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, the auditors noted that the FBI's financial management systems did not substantially comply with federal financial management system requirements and the application of the U.S. Government Standard General Ledger at the transaction level as required by the Federal Financial Management Improvement Act of 1996 (FFMIA). This non-compliance with the FFMIA was also reported for FY 2012.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, an opinion on the FBI's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the FBI's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance and other matters. KPMG LLP is responsible for the attached auditors' reports dated December 2, 2013, and the conclusions expressed in the reports.

However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

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

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U.S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

MISSION

The Federal Bureau of Investigation (FBI or Bureau) is a component of the United States (U.S.) Department of Justice (DOJ or the Department) and a member of the U.S. Intelligence Community (IC). The mission of the FBI is to protect and defend the U.S. against terrorist and foreign intelligence threats, to uphold and enforce the criminal laws of the U.S., and to provide leadership and criminal justice services to federal, state, municipal, and international agencies and partners.

The FBI priorities, established by former Director Robert Mueller, guide how the FBI addresses its wide range of responsibilities. In executing the following priorities, the FBI produces and uses intelligence to protect the nation from threats and to bring justice to those who violate the law. The first eight priorities are listed in order of precedence. The final two are all-encompassing functions that support the Bureau's mission and objectives. The ten priorities are:

1. Protect the U.S. from terrorist attack;
2. Protect the U.S. against foreign intelligence operations and espionage;
3. Protect the U.S. against cyber-based attacks and high-technology crimes;
4. Combat public corruption at all levels;
5. Protect civil rights;
6. Combat transnational and national criminal organizations and enterprises;
7. Combat major white-collar crime;
8. Combat significant violent crime;
9. Support federal, state, local, and international partners; and
10. Upgrade technology to successfully perform the FBI's mission.

The methodology by which the FBI allocates gross costs and earned revenue across the three Strategic Goals (SGs or Goals) is consistent with the methodology used to allocate the FBI's budget to the three SGs in the Fiscal Year (FY) 2014 Authorization and Budget Request to Congress. The three SGs are:

Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law;

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

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

Priorities 1 through 3 support Goal 1, priorities 3 through 8 support Goal 2, and priorities 9 and 10 support all three Goals.

ORGANIZATION STRUCTURE

Along with the FBI's headquarters (HQ or Headquarters) located in Washington, D.C., the FBI operates 56 field offices and approximately 360 resident agencies across the U.S. and its territories. The FBI also operates more than 60 Legal Attaché (Legat) offices and more than 15 sub-offices in 74 foreign countries worldwide.

As the FBI has grown, some Headquarters functions have moved to other locations. The Criminal Justice Information Services Division (CJIS) is located in Clarksburg, West Virginia. The Laboratory Division, Operational Technology Division, Critical Incident Response Group (CIRG), and the FBI Academy are located in Quantico, Virginia. Other specialized facilities, such as Regional Computer Forensic Laboratories, are located at various locations across the country.

FBI HQ provides centralized operational, policy, and administrative support to investigations and programs conducted throughout the U.S. and in foreign countries. Under the direction of the FBI Director and Deputy Director, HQ is organized into five main branches headed by Executive Assistant Directors and several supporting divisions managed by the Associate Deputy Director. Each field office is overseen by a Special Agent in Charge or an Assistant Director in Charge. Resident agencies are managed by Supervisory Special Agents.

In FY 2013, the FBI's appropriated staffing level consisted of 12,979 Special Agents, 3,038 Intelligence Analysts, and 18,337 professional staff along with an additional 3,213 reimbursable positions.

FINANCIAL STRUCTURE

For purposes of executing its budget, the FBI's funds are organized into the following categories: appropriated single, multi-year, and no-year Salaries and Expenses funds; and, appropriated no-year Construction funds. These funds include new appropriations, transfers of appropriations from other federal agencies, and the carry-over of prior years' unobligated balances for multi-year and no-year appropriated funds. The FBI also receives reimbursable funding from other agencies for services rendered.

ANALYSIS OF FINANCIAL STATEMENTS

The FBI's financial statements received unmodified audit opinions for FYs 2013 and 2012, respectively. These financial statements have been prepared from the accounting records of the FBI in conformity with U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements.*

Assets: Total Assets were $6.1 billion as of September 30, 2013, a decrease of $649 million or 10 percent from the previous fiscal year's Total Assets of $6.7 billion. This decrease is primarily due to Appropriations Permanently Reduced for sequestration of $559 million and rescission of $171 million. The decrease in Total Assets is partially offset by an increase in Intra-Governmental Accounts Receivable of $176 million. The increase in Intra-Governmental Accounts Receivable is due to an enhanced revenue accrual and late-year reimbursable activities.

Liabilities: Total Liabilities were $1.2 billion as of September 30, 2013, a decrease of $295 million or 19 percent from the previous fiscal year's Total Liabilities of $1.5 billion. This decrease is primarily due to decreases in Intra-Governmental Other Liabilities, Accounts Payable with the Public and Accrued Payroll and Benefits. The decrease in Intra-Governmental Other Liabilities is primarily due to a reduction in the number of days included in the payroll accrual – six workdays in FY 2013 versus 15 workdays in FY 2012 – which resulted in a decrease of $129 million. The primary factor for the remaining decrease is based on a decrease in expenditure activities throughout FY 2013 combined with more timely payments and cleanup in preparation for the Unified Financial Management System (UFMS) conversion.

Net Cost of Operations: Total Net Cost of Operations was $7.8 billion for FY 2013, a decrease of $306 million or four percent from Total Net Cost of Operations of $8.1 billion in FY 2012. This decrease is primarily due to the reduction in appropriations from sequestration and rescission during FY 2013.

Budgetary Resources: Total Budgetary Resources were $10.1 billion for FY 2013, a decrease of $592 million or six percent from Total Budgetary Resources of $10.7 billion in FY 2012. This decrease is primarily due to a reduction in Appropriations of $691 million and a reduction in Spending Authority from Offsetting Collections of $158 million. The reduction is partially offset by an increase in Unobligated Balance from Prior Year Budget Authority, Net of $257 million. The decrease in Appropriations is due to amounts permanently reduced for sequestration of approximately $559 million and the rescission of $171 million. Recoveries of Prior Year Unpaid Obligations increased due to a large effort related to the UFMS conversion.

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

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

Source	FY 2013	FY 2012	Change%
Earned Revenue	$ 1,330,118	$ 1,286,794	3%
Budgetary Financing Sources			
Appropriations Received	8,276,009	8,117,973	2%
Appropriations Transferred-In/Out	(134,901)	(60,821)	(122%)
Nonexchange Revenue	2	-	n/a
Transfers-In/Out Without Reimbursement	(7,329)	-	n/a
Other Adjustments and Other Budgetary Financing Sources	(730,365)	-	n/a
Other Financing Sources			
Transfers-In/Out Without Reimbursement	(7,803)	5,333	(246%)
Imputed Financing from Costs Absorbed by Others	256,974	276,722	(7%)
Other Financing Sources	(6,166)	(5,199)	(19%)
Total	**$ 8,976,539**	**$ 9,620,802**	**(7%)**

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

Strategic Goal (SG)	FY 2013	FY 2012	Change%
SG 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
Gross Cost	$ 5,011,528	$ 5,341,870	
Less: Earned Revenue	473,594	460,839	
Net Cost	$ 4,537,934	$ 4,881,031	(7%)
SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ 3,029,264	$ 2,964,275	
Less: Earned Revenue	343,140	340,061	
Net Cost	$ 2,686,124	$ 2,624,214	2%
SG 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
Gross Cost	$ 1,053,013	$ 1,050,783	
Less: Earned Revenue	513,384	485,894	
Net Cost	$ 539,629	$ 564,889	(4%)
Total Gross Cost	**$ 9,093,805**	**$ 9,356,928**	
Less: Total Earned Revenue	**1,330,118**	**1,286,794**	
Total Net Cost of Operations	**$ 7,763,687**	**$ 8,070,134**	(4%)

FY 2013 Financial Highlights

Strategic Goal 1, Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law, includes the FBI's counterterrorism and counterintelligence investigations, intelligence collection and analysis, computer intrusions investigations, and the WMD program. In FY 2013, Goal 1 Net Cost was $4.5 billion, a net decrease of seven percent from FY 2012. This decrease is primarily attributed to sequestration and rescissions.

Strategic Goal 2, Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law, includes the majority of the FBI's criminal investigative programs and programs supporting state and local law enforcement. Investigations under Goal 2 include: organized crime, drugs, violent crime, white-collar crime, and cyber crime. In FY 2013, Goal 2 Net Cost was $2.7 billion, a net increase of two percent from FY 2012. This increase is primarily attributed to the supplemental funding for Hurricane Sandy, and realignment to support cyber initiatives, mortgage and financial fraud.

Strategic Goal 3, Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels, includes the FBI's Integrated Automation Fingerprint Identification Systems, Next Generation Identification, the National Instant Criminal Background Check System, the Law Enforcement National Data Exchange, and other criminal justice services that the FBI offers to law enforcement agencies and local communities. In FY 2013, Goal 3 Net Cost was $0.5 billion, a net decrease of four percent from FY 2012. This decrease is primarily attributed to program offsets, rescissions, and sequestration.

PERFORMANCE INFORMATION

Data Reliability and Validity

Data reliability and validity are critically important to the FBI's planning and performance. This document includes a discussion of data validation, verification, and data limitations for each performance measure presented. Each reporting component ensures that data meet the following criteria:

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

Performance measures included in previous FBI Management's Discussion and Analysis (MD&A) documents may have changed as a result of new information that was unavailable prior to submitting previous financial reports. Due to the requirement to disclose performance data in the MD&A before the close of the data entry period, reports of certain FY 2013 performance measures should be considered tentative and are annotated accordingly. Other subsequent changes to prior-year data may have occurred due to factors beyond the control of the FBI's data collection systems (e.g., convictions overturned on appeal). For previously estimated measures, the FBI reviewed and revised certain FY 2012 performance data from the FY 2012 MD&A. The FBI's FY 2014 Authorization and Budget Request to Congress documented these revisions. For FY 2013 MD&A performance estimates, the final results will be reflected in the FY 2015 President's Budget.

FY 2013 REPORT ON SELECTED RESULTS

STRATEGIC GOAL 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law *58 percent of the FBI's Net Cost supports this Goal.*

PROGRAM: Counterterrorism

Background/Program Objectives: The FBI is committed to disrupting and preventing terrorism, from thwarting those intending to conduct a terrorist act to investigating financiers of terrorist operations. All counterterrorism investigations are managed at FBI Headquarters by the Counterterrorism Division (CTD). CTD provides a centralized, comprehensive, and intelligence-driven approach to addressing both international and domestic terrorism-related matters.

***Performance Measure*:** Number of Counterterrorism Intelligence Products Shared with the IC, State and Local Law Enforcement Community Partners, and Foreign Government Agencies

FY 2009 Actual Performance: Not Available

FY 2010 Actual Performance: Not Available

FY 2011 Actual Performance: 13,231

FY 2012 Actual Performance: 12,445

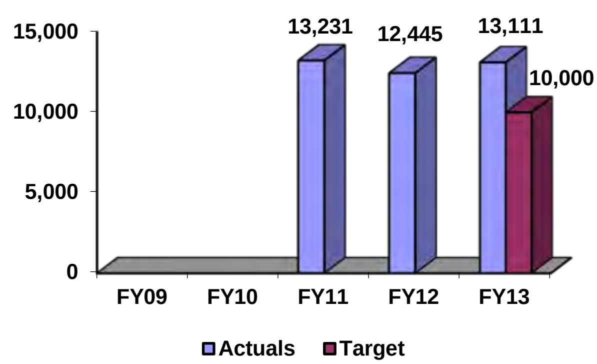
FY 2013 Target: 10,000

FY 2013 Actual Performance: 13,111

Discussion of FY 2013 Results:

The FBI surpassed its target for this measure in FY 2013, with a total of 13,111 intelligence products shared. Broken down by quarter, the number of intelligence products shared with the IC, state, and local law enforcement community partners were 3,210; 2,975; 3,233; and 3,693 respectively. In FY 2013, CTD continued its emphasis on the production of high-value IIRs and other intelligence products. CTD executive management remains committed to increased intelligence sharing in the effort to combat the terrorist threat.

Number of Counterterrorism Intelligence Products Shared with the IC, State and Local Law Enforcement Community Partners, and Foreign Government Agencies



Data Definitions: Data represents the number of intelligence products shared with domestic partners. Products include: White Papers, Intelligence Informa ion Reports (IIRs), Intelligence Bulletins, Intelligence Assessments, National Threat Bulletins, Current Intelligence Reports, Intel Studies, Intel Notes, meetings, and briefings.

Data Collection and Storage: Data is stored on multiple platforms and collected routinely. Some data is calculated manually.

Data Validation and Verification: Data is validated and verified through FBI reports and communica ions.

Data Limitations: Some data is calculated manually.

STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law *35 percent of the FBI's Net Cost supports this Goal*.

PROGRAM: Criminal Enterprises

Background/Program Objectives: The FBI's criminal enterprise investigations, managed by the Criminal Investigative Division at FBI Headquarters, focus on violent gangs, Drug Trafficking Organizations (DTOs), and other organized violent criminal actors.

Violent Gang Criminal Enterprises (VGCEs)

The mission of the FBI's Violent Gang program is to address the VGCE threat in the U.S. by aggressively identifying, prioritizing, and targeting the most violent street and prison gangs whose activities constitute criminal enterprises. In January 1992, the FBI established the Safe Streets Violent Crime Initiative to attack gang and drug-related violence through the establishment of long-term, proactive, and coordinated teams of federal, state, and local law enforcement officers and prosecutors. The teams are manifested in Violent Gang Safe Streets Task Forces (VGSSTFs). As of September 30, 2013, the 160 VGSSTFs managed by the FBI were comprised of approximately 839 FBI Special Agents and 1,440 state, local, and other federal law enforcement officials.

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

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

Performance Measure: Number of Gang Arrests Resulting from Coordination of Gang Investigations

FY 2009 Actual Performance: 9,082

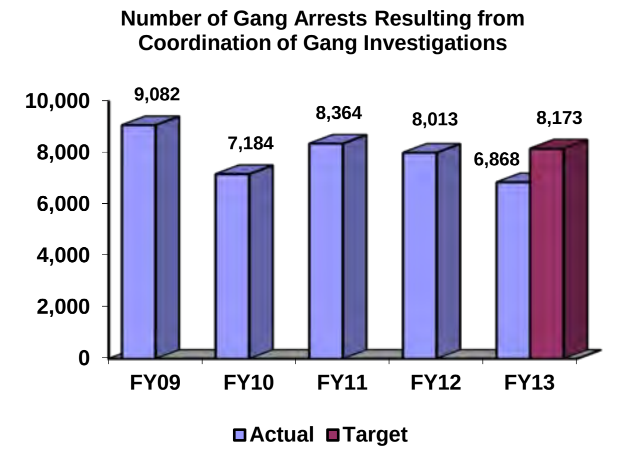
FY 2010 Actual Performance: 7,184

FY 2011 Actual Performance: 8,364

FY 2012 Revised Performance: 8,013

FY 2013 Target: 8,173

FY 2013 Actual Performance: 6,868



Data Definition: Data represents the number of all FBI gang investiga ion arrests that were reported in the Integrated Statistical Reporting and Analysis Application (ISRAA).

Data Collection and Storage: Data is input by the field offices and stored in ISRAA.

Data Validation and Verification: Data was validated and verified in ISRAA.

Data Limitations: Data is calculated manually. FBI field personnel are required to enter accomplishment data within 30 days of he accomplishment or a change in the status, such as those resulting from appeals. Data is compiled less than 30 days after the end of the fiscal year, and thus may not fully represent the accomplishments during the reporting period.

Discussion of FY 2013 Results:

The FBI has not met its target for this measure in FY 2013. However, as discussed in the data limitations (see chart), the FBI expects an additional increase in the final results for this measure because FBI field personnel have until the end of the month to submit their statistics into the FBI's internal statistical accomplishments tracking system. The final end of year performance data for this measure will be reflected in DOJ's FY 2013 Violent Crime Priority Goal reporting process.

In comparison to FY 2012, the FBI has exceeded many statistical accomplishments for FY 2013. While the FBI's VGSSTFs fell short of their target of 8,173 arrests for FY 2013, VGSSTFs dismantled 162 criminal organizations – the highest dismantlement total of the past 14 fiscal years. The FBI views indictments, convictions, disruptions, and dismantlements as relevant measures as these statistical accomplishments show a greater impact on combating violent gangs. In FY 2013, the VGSSTFs arrested 6,868 individuals; filed indictments/informations against 4,234 subjects; convicted 2,899 defendants; and disrupted the activities of 2,101 criminal enterprises. This statistical reduction can also be attributed to the reduction in financial resources available to the FBI in addressing this criminal threat, due to budgetary constraints of the U.S. Government (USG).

The FBI recognizes that violent gangs are one of the biggest threats in the U.S. as all 56 FBI field offices have ranked violent gangs as a priority criminal threat. VGSSTFs are examples of the FBI's longstanding and continued commitment to address violent gang activity across the U.S. As of September 30, 2013, the FBI's Safe Streets and Gang Unit administered 160 VGSSTFs nationwide. Due to current budget constraints faced by the USG, it is vital that the FBI continues to maximize its resources by partnering with other agencies to combat this pervasive threat.

Performance Measure: Number of Intelligence Products to Support Federal, State, and Local Law Enforcement

FY 2009 Actual Performance: 20

FY 2010 Actual Performance: 32

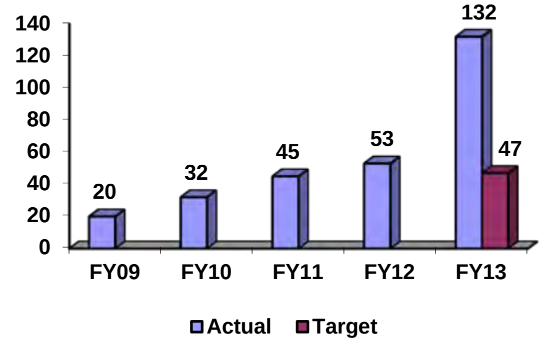
FY 2011 Actual Performance: 45

FY 2012 Actual Performance: 53

FY 2013 Target: 47

FY 2013 Actual Performance: 132

Number of Intelligence Products to Support Federal, State, and Local Law Enforcement



Data Definition: Intelligence products such as Intelligence Reports, Bulletins, Assessments, and Notes are produced and disseminated to federal, state, and local law enforcement agencies. These intelligence products aid law enforcement agencies in their efforts to address violent gangs as they focus on criminal activity, trends, growth, and migration of gangs domes ically and internationally.

Data Collection and Storage: All disseminated intelligence products are uploaded into Na ional Gang Intelligence Center (NGIC) Online. Reports are generated through NGIC Online to track the type and number of products disseminated.

Data Validation and Verification: The Violent Criminal Threat Section management has the ability to run reports to verify the number of reports produced and disseminated.

Data Limitations: None.

Discussion of FY 2013 Results:

The FBI met and exceeded its target for this measure in FY 2013 for the number of intelligence products produced in support of federal, state, and local investigations that are focused on gangs posing a significant threat to the U.S. NGIC integrates intelligence across federal, state, and local law enforcement communities on the growth, migration, criminal activity, and association of violent gangs. NGIC supports law enforcement by sharing timely and accurate information and by providing strategic, tactical, and analytical intelligence products. Products are defined as intelligence products that have a nexus to gang matters. These intelligence products include Intelligence Bulletins, Intelligence Assessments, Intelligence Reports, Situational Awareness Bulletins, and Gang Information Reports. NGIC projected it would produce and disseminate 47 intelligence products in FY 2013. However, NGIC surpassed this goal by producing 132 intelligence products.

In order to accomplish the target set for this measure, NGIC conducted outreach to law enforcement organizations to promote the existence and use of NGIC Online. Through NGIC Online, investigators throughout the country can submit requests for intelligence and analytical support electronically and receive the resulting analytical products electronically. NGIC Online also allows the requestor to check the status of the request online. As a result of the successful implementation of NGIC Online, law enforcement officers can obtain gang intelligence more quickly and effectively. NGIC Online thus represents, and promotes, the efficient use of law enforcement resources.

Gangs/Criminal Enterprises – Consolidated Priority Organization Target (CPOT) DTOs

In FY 2003, DOJ developed a single national list of criminal enterprises engaged in major drug trafficking and money laundering organizations. This list of targets, the CPOT list, is updated periodically and reflects the most significant international narcotic suppliers (and related money-laundering organizations), poly-drug traffickers, clandestine drug manufacturers and producers, and major drug transporters supplying the U.S.

The FBI has developed a comprehensive counter-drug strategy designed to investigate and prosecute illegal drug traffickers and distributors, reduce drug related crime and violence, provide assistance to other law enforcement agencies, and strengthen international cooperation. The strategy focuses the FBI's counter-drug resources on identified CPOT organizations associated primarily with Colombian, Mexican, and Caribbean drug trafficking organizations with the most adverse impact on U.S. national interests.

Performance Measure: CPOT-linked DTOs Dismantled

FY 2009 Actual Performance: 20

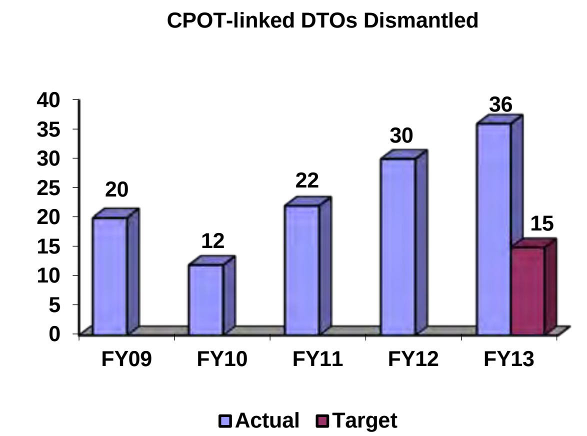
FY 2010 Actual Performance: 12

FY 2011 Actual Performance: 22

FY 2012 Revised Performance: 30

FY 2013 Target: 15

FY 2013 Actual Performance: 36



Data Definition: Disman lement means destroying the organization's leadership, financial base, and supply network such that the organization is incapable of operating and/or reconstituting itself.

Data Collection and Storage: The data source is the FBI's ISRAA database that tracks accomplishments from inception to closure.

Data Validation and Verification: Data is reviewed and approved by an FBI field manager, and subsequently verified hrough inspection. Inspections occur at least annually, tracing sampled data to source documents in FBI files. In addition, program managers at FBI HQ verify each investigation's link to an organization on the CPOT list.

Data Limitations: FBI field personnel are required to enter accomplishment data within 30 days of he accomplishment or a change in the status, such as those resulting from appeals. Data is compiled less than 30 days after the end of the fiscal year, and thus may not fully represent the accomplishments during the reporting period.

Discussion of FY 2013 Results:

The FBI met and exceeded its target for this measure in FY 2013. It is anticipated that the FBI will continue to achieve greater efficiency linking cases to CPOTs which were not previously identified or documented, allowing higher documented production.

In FY 2013, the FBI continued the implementation of the Southwest Border Strategy which includes the establishment of a Latin America/Southwest Border Threat Section in the Criminal Investigative Division.

The FBI is also a partner on the Organized Crime Drug Enforcement Task Force (OCDETF) Strike Forces. This partnership fosters the intelligence sharing and coordination necessary to achieve an intelligence-driven, multi-agency strategic enforcement approach to investigations. The OCDETF Executive Office has established co-located Strike Forces in key cities around the country. These Strike Forces serve a dual purpose through aggressively targeting CPOT and high-level trafficking organizations and functioning as a central point of contact for OCDETF agents and prosecutors nationwide by gathering intelligence and disseminating investigative leads throughout the country. The OCDETF Strike Forces advance drug trafficking investigations by bringing together the resources and expertise of OCDETF's participating investigative agents and prosecutors. By coordinating these efforts, the participants eliminate superfluous efforts and save valuable resources.

To fully engage the field in support of the FBI's initiative to increase CPOT linkages, the Transnational Organized Crime - Western Hemisphere/OCDETF unit provided communications outreach and instruction to the field by utilizing the Regional OCDETF Coordinators, OCDETF Program Analysts as well as the substantive units at Headquarters. In addition, the OCDETF Unit focused more resources toward CPOT-linked investigations thereby increasing CPOT links and subsequent disruptions and dismantlements. Through continued education efforts with the field, as well as the correlation of CPOT linking to the approval of case funding requests, the Bureau continues to increase OCDETF cases and case linkages.

As stated in the data limitations, it should be noted that there is a potential lag in the reporting of the data for this measure; therefore, the final result may ultimately vary from this report. Final results will be reflected in the FY 2015 President's Budget.

Performance Measure: CPOT-linked DTOs Disrupted

FY 2009 Actual Performance: 35

FY 2010 Actual Performance: 40

FY 2011 Actual Performance: 54

FY 2012 Revised Performance: 64

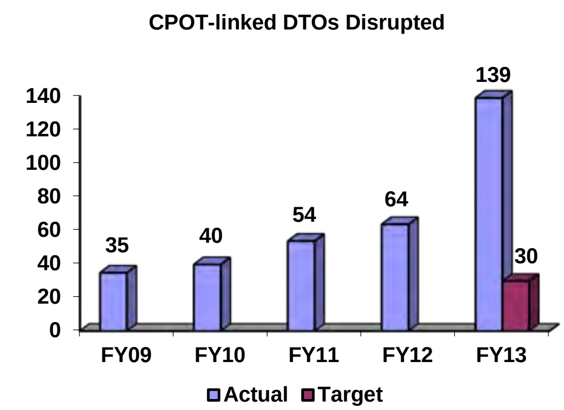
FY 2013 Target: 30

FY 2013 Actual Performance: 139

Discussion of FY 2013 Results:

The FBI met and exceeded its target for this measure in FY 2013. It is anticipated that the FBI will continue to achieve greater efficiency linking cases to CPOTs which were not previously identified or documented, allowing higher documented production.

In FY 2013, the FBI continued the implementation of the Southwest Border Strategy which includes the establishment of a Latin America/Southwest Border Threat Section in the Criminal Investigative Division.



Data Definition: Disruption means impeding the normal and effective operation of the targeted organization, as indicated by changes in organizational leadership and/or changes in methods of operation, including, for example, financing, trafficking patterns, communications or drug produc ion.

Data Collection and Storage: The data source is the FBI's ISRAA database that tracks accomplishments from inception to closure.

Data Validation and Verification: Data is reviewed and approved by an FBI field manager, and subsequently verified through inspection. Inspections occur at least annually, tracing sampled data to source documents in FBI files. In addition, program managers at FBI HQ verify each investigation's link to an organiza ion on he CPOT list.

Data Limitations: FBI field personnel are required to enter accomplishment data within 30 days of the accomplishment or a change in the status, such as those resulting from appeals. Data is compiled less than 30 days after the end of the fiscal year, and thus may not fully represent the accomplishments during the reporting period.

PROGRAM: White-Collar Crime (WCC)

Background/Program Objectives: The FBI's WCC program investigates criminals and criminal enterprises that seek illicit gains through fraud and guile. Illegal activities investigated include corporate, health care, securities and commodities, financial institution, mortgage, government (defense procurement and other areas), insurance, mass marketing, and bankruptcy fraud; environmental crimes; and money laundering.

U.S. citizens and businesses lose billions of dollars each year to criminals engaged in non-violent fraudulent enterprises. The globalization of economic and financial systems, technological advances, declining corporate and individual ethics, and the sophistication of criminal organizations have resulted in annual increases in the number of illegal acts characterized by deceit, concealment, or violations of trust. These crimes contribute to a loss of confidence in financial institutions, public institutions, and industry.

Performance Measure: Number of Criminal Enterprises Engaging in White-Collar Crimes Dismantled

FY 2009 Actual Performance: 250

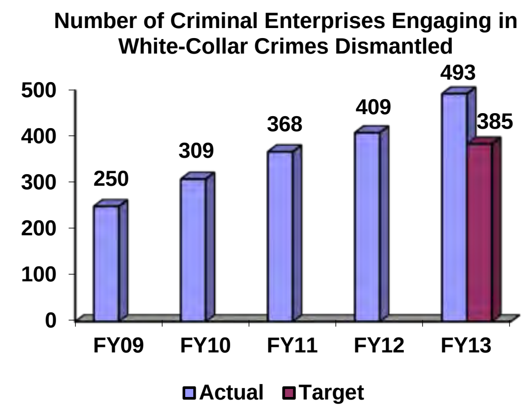
FY 2010 Actual Performance: 309

FY 2011 Actual Performance: 368

FY 2012 Actual Performance: 409

FY 2013 Target: 385

FY 2013 Actual Performance: 493



Data Definition: Dismantlement means destroying the organization's leadership, financial base, and supply network such that the organization is incapable of operating and/or reconstituting itself.

Data Collection and Storage: The data source is the FBI's ISRAA database that tracks accomplishments from inception to closure.

Data Validation and Verification: Data is reviewed and approved by an FBI field manager, and subsequen ly verified through inspection. Inspections occur at least once annually, tracing sampled data to source documents contained in FBI files.

Data Limitations: FBI field personnel are required to enter accomplishment data within 30 days of the accomplishment or a change in the status, such as those resulting from appeals. Data is compiled less than 30 days after the end of the fiscal year, and thus may not fully represent he accomplishments during the reporting period.

Discussion of FY 2013 Results:

The FBI met and exceeded its target for this measure in FY 2013 through proactive investigative techniques and technological advances. Increased utilization of Group I Undercover Operations, Title IIIs, and other advanced techniques not commonly utilized in past WCC cases enabled significant investigative achievements against WCC threat actors.

As stated in the data limitations, it should be noted that there is a potential lag in the reporting of the data for this measure; therefore, the final result may ultimately vary from this report. FY 2013 final results will be reflected in the FY 2015 President's Budget.

STRATEGIC GOAL 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels *7 percent of the FBI's Net Cost supports this Goal.*

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

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

Internal Controls Program

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

FMFIA Section 2 – Reportable Conditions

The FBI designated one item under Section 2 as a reportable condition:

- National Security Letters (NSLs): In March 2007, the Office of the Inspector General (OIG) reported that the FBI's use of NSLs grew dramatically and shifted in focus since the enactment of the Patriot Act and that NSLs served as an indispensable investigative tool. The OIG found issues with the FBI's tracking, reporting, and guidance regarding NSL usage. A March 2008 follow-up review assessed the FBI's corrective actions and indicated the FBI and Department had made significant progress in implementing the 2007 recommendations. Improvements included strengthening the controls and automated workflow governing the request, review, and approval of NSLs; field office monthly reconciliations of NSL usage; and improving the database used to track NSL use. The FBI's actions to remediate the March 2007 OIG findings were completed by June 2007. The FBI agreed to each of the recommendations proposed in the 2008 report and implemented the proposed changes where appropriate. Several of the recommendations, however, were rendered moot by the FBI's implementation of the NSL Subsystem. The FBI continues to dedicate personnel and resources to ensure appropriate use of NSLs.

FMFIA Section 4 – Nonconformances

The FBI provided reasonable assurance that its internal control over financial management systems was operating effectively, except for three system nonconformances as summarized below:

- Financial Systems Compliance: The FBI's Financial Management System (FMS) was inadequate and audit reports indicated there were concerns regarding its compliance with financial systems requirements.

The FBI and the DOJ's Chief Information Officer addressed the most severe findings to minimize financial reporting risks until the DOJ UFMS was fully implemented in FY 2014.

- Inadequate Accountability Over the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Funding of Health Care Fraud Investigations: In a response to an April 2005 Government Accountability Office (GAO) report, the FBI concurred that it did not adequately monitor use of health care fraud investigative resources. Due to the limitations of the FMS, the FBI was not in a position to determine whether all transferred funds were spent for the purpose provided. The GAO provided four recommendations, two enhancing the FBI's accountability over the HIPAA transfers and two augmenting the new UFMS cost-tracking capabilities in the long term. Enhancements to the FBI's accountability were completed and the remaining recommendations will be completed with the implementation of UFMS in FY 2014.
- Management of Confidential Case Funds and Telecommunication Costs: Reviewing cases between 2004 and 2006, a January 2008 OIG report on the FBI Management of Confidential Case Funds and Telecommunication Costs noted that the FBI's FMS, "lacks the controls necessary to prevent theft and, as such, is not an effective financial system for FBI employees to use to account for and approve confidential case funds." The OIG provided 16 recommendations to improve the FBI's internal financial controls related to the tracking, payment, and processing of undercover telecommunications expenses and case funds. The FBI initiated actions - many of them independent of the OIG audit - to improve processes and provide additional oversight of confidential case funds. Of the 16 recommendations, the OIG has considered the FBI's actions sufficient to close 13. The remaining three recommendations are being addressed in a 90-day response cycle with the OIG.

OMB Circular A-123, Appendix A – Internal Control Over Financial Reporting

In FY 2013, the FBI documented and assessed its significant business processes according to the requirements of DOJ's Implementation Plan for compliance with OMB Circular A-123, *Management's Responsibility for Internal Control*, revised December 21, 2004. The revised Circular A-123 re-examined internal control requirements for federal agencies in light of the requirements for publicly-traded companies implemented by the Sarbanes-Oxley Act of 2002. The full Circular A-123, *Appendix A: Internal Control Over Financial Reporting* assessment covered all processes deemed to be significant to the FBI and the Department of Justice. These processes were: Budget and Funds Management, Revenue and Receivables Management, Procurement, Property Management, Treasury and Fund Balance with Treasury, Human Resources, Financial Reporting, and Information Systems. The results of the assessment indicated no material weaknesses in the FBI's internal control over financial reporting as of June 30, 2013.

Federal Financial Management Improvement Act of 1996

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

<u>FFMIA Compliance Determination</u>

During FY 2013, the FBI performed a self-assessment and documented several areas in which its key financial management systems, principally FMS, have a moderate risk of not providing reliable and consistent information for decision-making. As a result, the FBI reported several instances in which its key financial management systems do not comply with certain provisions of FFMIA.

- Federal Financial Management System Requirements: The FBI relies upon several systems to provide financial information that is necessary to support their financial management needs. These systems used by the FBI during FY 2013 include the Available Funds File, the Procurement Module of FMS, the Enterprise Process Automation System, and the Reimbursable Agreement Management System. The FBI's core financial systems are not integrated through a common database or interfaced electronically to meet data and processing requirements.
- Transactions Entered at the Standard General Ledger Level: The FBI's financial management systems are not currently configured to use the USSGL at the transaction level. Specifically, certain transactions are processed outside of the FBI's core financial accounting system, but are not recorded at the transaction level using the USSGL. These transactions must be modified when recorded into the core financial accounting system through a manual or automated batch transaction process.

<u>Legal Compliance</u>

Except as discussed above, the FBI is not aware of any additional instances of material noncompliance with laws or regulations identified in OMB guidance, or with any laws or regulations that have a direct and material effect on the FBI's financial statements.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

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

<u>The Changing Threat</u>

Over the past decade, the FBI has overhauled its counterterrorism operations, expanded its intelligence capabilities, modernized its business practices and technology, and improved coordination with its partners. However, the U.S. continues to face significant challenges to national security from increasingly sophisticated internal and external threats. In addition to established and lone wolf actors, the U.S. faces WMD, foreign intelligence, cyber, and criminal threats in areas such as public corruption, complex financial crimes, violent gangs, and violent crime. Significant advances in global technological markets over the past few years have increased the risk of the FBI's technical capabilities falling significantly behind those of our adversaries. To avert this risk and to enhance the FBI's capabilities to combat rapidly changing cyber threats, the FBI is in the process of implementing its Next Generation Cyber initiative. The initiative will more strategically focus the efforts of the FBI's Cyber Division on the greatest cyber threat – intrusions into government and industry computers and networks.

Not all threats to the U.S. come from abroad. Beginning in FY 2012, the FBI and the broader IC dedicated significant time and resources to the Insider Threat. Executive Order (EO) 13587, *Structural reforms to improve the security of classified networks and the responsible sharing and safeguarding of classified networks*, identifies DOJ and the Office of the Director of National Intelligence as lead agencies to ensure compliance with the EO mandates across the IC. Due to this EO, the FBI leads the initiative in developing policies and standards; assisting the USG components with implementing effective insider threat programs;

conducting assessments of existing programs; and producing and sharing training materials with all USG agencies and partners.

The Gang Threat

Gangs are expanding, evolving and posing an increasing threat to communities nationwide. Gangs continue to commit criminal activity, recruit new members in urban, suburban, and rural regions across the U.S., and develop criminal associations that expand their influence over criminal enterprises, particularly street-level drug sales. The most notable emerging trends have been the overall increase in gang membership, and the expansion of criminal street gangs' control of street-level drug sales and collaboration with rival gangs and other criminal organizations. Prison gangs, by proxy of street gangs, contribute significantly to crime on the streets.

Gangs are sophisticated criminal networks with members who are violent, distribute wholesale quantities of drugs, and develop and maintain close working relationships with members and associates of transnational criminal/DTOs. They are becoming more violent while engaging in less typical and lower-risk crime, such as prostitution and white-collar crime. Per the 2013 National Gang Survey, the most common crimes include burglaries, prostitution, robbery, drug trafficking, extortion and theft. Furthermore, gangs are more adaptable, organized, sophisticated, and opportunistic exploiting new and advanced technology as a means to recruit, communicate discretely, target rivals, and perpetuate criminal activity.

Constrained Budget Environment

While the threats facing the U.S. continue to evolve, the FBI and the rest of the federal government must operate within resource constraints. Due to the high national debt, sequestration, and the overall state of the economy, federal spending is being closely scrutinized. In accordance with Administration guidance, the FBI has taken many steps to effectively operate within its resource constraints. The FBI continues to identify opportunities to modernize operations and to automate and streamline processes. Such innovations include:

- Implementation of new space allocation standards. The new standards reduce office sizes, consolidate special purpose rooms, and reduce the anticipated growth factor for facilities. The FBI also reduced the standard furniture workstation size and is currently in the process of researching and acquiring standard benching workstations to further increase space density.
- Consolidation of FBI public access phone lines scattered across the country to one central location, freeing up personnel in the field offices to meet unaddressed operational requirements.
- Adjustment of the FBI's fleet replacement and usage policies.
- Contractor conversions into less expensive government positions.

Strategy Management System (SMS)

As a large, complex, and diverse agency with a dual law enforcement and national security mission, the FBI established a clear, long-term strategy and strategic framework to achieve its mission and ensure the organization is positioned to address both current and future threats.

Based on the widely utilized Balanced Scorecard methodology, the FBI SMS—implemented in 2006—is the management tool that the FBI Director and senior leaders use to manage the FBI strategy and evaluate whether the strategy is working. SMS focuses the FBI on the following questions: What are the strategic choices that the FBI has to make over the next three to five years? Are FBI resources aligned to its highest priorities and greatest risks? Which capabilities and internal processes does the FBI need to enhance? What new training and technology must the FBI provide to its people so they can accomplish the dual mission?

SMS has four key components: Strategic Shifts (FBI vision), Strategy Map (FBI strategic objectives), strategic measures and targets, and priority initiatives. SMS enables all Bureau employees to speak the same language with regard to strategic planning and execution. Today, SMS is used to help drive program management, budget, inspection, and overall accountability for performance.

Unified Financial Management System (UFMS)

On October 7, 2013, the UFMS system was deployed across the FBI. The FBI began its transition to UFMS for the entire organization on September 20, 2013. As of the end of September, nearly 7,000 UFMS users were trained, with the remainder of UFMS training scheduled for completion in early FY 2014. Implementation of UFMS will improve the FBI's financial and acquisitions management performance with current technology and innovative business practices, resulting in improved service to FBI agents, decision makers, and other customers.

The enterprise-wide deployment of UFMS represents the culmination of several years of work to replace the FBI's 32-year-old, mainframe-based financial system, FMS, with a modern, web-based, FFMIA-compliant financial and acquisition management system. The FBI initiated its UFMS implementation on November 15, 2010. As part of the initial implementation activities, the FBI documented and validated the current business process environment; identified FBI specific business processes; completed requirement gathering sessions used to identify and validate the FBI's system requirements; documented and verified the FBI UFMS future business processes through facilitated "to be" working sessions; and conducted UFMS familiarization sessions and demonstrations to help users become more familiar with system functionality. The FBI completed preliminary design reviews to map out UFMS business processes and interfaces; conducted system testing led by the implementation team and user acceptance testing led by the Finance Division (FD) subject matter experts; and conducted business process training for the user community to encourage knowledgeable, active, and enthusiastic users.

Starting October 1, 2012, the FBI deployed a pilot implementation of UFMS to a limited number of users, specifically CJIS; the Chicago, Louisville, and Pittsburgh field offices; the Ottawa Legat; and FD at headquarters along with limited functionality for the budgetary personnel in the Cyber Division; Counterintelligence Division; CTD; Criminal Investigative Division; and CIRG. The UFMS pilot system was the production financial system for pilot users. Feedback from these users was used to identify problems and system improvements that were addressed in system updates and training plans for the enterprise-wide implementation.

Asset Management System (AMS) – Maximo

The FBI's AMS completed its first full year of use across the FBI in FY 2013. This system has improved the accuracy of current inventory processes and controls. AMS is also expected to reduce the administrative workload associated with manual inventory processes, and provide a scalable system that can be integrated with future system upgrades. AMS included a new desktop application to manage assets, and replaced outdated equipment with new barcode scanners in HQ and field divisions. After its launch on October 9, 2012, the system has been in use for all asset tracking and reporting within the FBI. This system was used to support the wall-to-wall inventory that started April 15, 2013, and was completed in June 2013. The 2013 inventory included approximately 50,000 more assets than the last wall-to-wall inventory, and was the first inventory using AMS. Using AMS, the FBI inventoried 584,237 accountable assets. Extensive performance testing was done prior to the inventory, and AMS performance and functionality proved up to the task of supporting the increased workload of the inventory. The FBI is continuing to evolve the system to upgrade the version of the COTS software on which AMS is based, and to add functionality, such as interfaces to UFMS, which will provide additional benefits to the FBI.

Records Management Division (RMD) User Fee Collections for National Name Check Program (NNCP)

The FBI's RMD is currently updating the fee structure of the NNCP. Consistent with guidance in OMB Circular A-25, the FBI evaluates the user fee structure at least every two years, or as prompted by major program changes. In addition, the NNCP will incur significant costs as it continues to implement improvements in information technology to improve the efficiency and effectiveness of the NNCP.

Criminal Justice Information Services Division (CJIS) User Fee Collections for Criminal History Record Information (CHRI)

Consistent with guidance in OMB Circular A-25, the FBI is nearing the completion of the evaluation for the FBI CJIS User Fee Rate Schedule. During FY 2013, CJIS continued to experience an increase in demand for CHRI checks for non-criminal justice purposes. As a result, the FBI CJIS anticipates an adjustment to the fee schedule to reflect the impact of the increased volume on the per transaction costs within the next two years.

IMPROPER PAYMENTS INFORMATION ACT OF 2002, as amended

In accordance with OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, and the Departmental guidance for implementing the Improper Payments Elimination and Recovery Act (IPERA), the Department implemented a top-down approach to assess the risk of significant improper payments across all five of the Department's mission-aligned programs, and to identify and recapture improper payments through a payment recapture audit program. The approach promotes consistency across the Department and enhances internal control related to preventing, detecting, and recovering improper payments. Because of the OMB requirement to assess risk and report payment recapture audit activities by agency programs, the results of the Department's risk assessment and recapture activities are reported at the Department-level only.

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

LIMITATIONS OF THE FINANCIAL STATEMENTS

- The financial statements have been prepared to report the financial position and results of operations of the FBI, pursuant to the requirements of 31 U.S.C. 3515(b).
- While the statements have been prepared from the books and records of the FBI in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the USG, a sovereign entity.

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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

INDEPENDENT AUDITORS' REPORTS

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Independent Auditors' Report on the Financial Statements

Inspector General
U.S. Department of Justice

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion on the Financial Statements

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Combined Schedule of Spending is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our fiscal year 2013 report dated December 2, 2013 on our consideration of the FBI's internal control over financial reporting, and our fiscal year 2013 report dated December 2, 2013 on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FBI's internal control over financial reporting and compliance.

KPMG LLP

December 2, 2013

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

Inspector General
U.S. Department of Justice

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Investigation (FBI), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 2, 2013. As discussed in Note 22 to the consolidated financial statements, the FBI has elected to change its capitalization thresholds for real property, personal property, and internal use software, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Purpose of this Report

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

KPMG LLP

December 2, 2013

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

Inspector General
U.S. Department of Justice

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Investigation (FBI), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, and changes in net position and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated December 2, 2013. As discussed in Note 22 to the consolidated financial statements, the FBI has elected to change its capitalization thresholds for real property, personal property, and internal use software, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Compliance and Other Matters

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

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed instances, described in the Exhibit, where the FBI's financial management systems did not substantially comply with federal financial management system requirements because of the lack of a unified, integrated financial management system.

The FBI's financial management systems also do not permit application of the United States Government Standard General Ledger at the transaction level. Specifically, certain transactions are processed outside of the FBI's core financial accounting system, but are not recorded at the transaction level using the United States Government Standard General Ledger. These transactions must be modified when recorded into the core financial accounting system through a manual or automated batch transaction process.

The results of our tests of FFMIA disclosed no instances in which the FBI's financial management systems did not substantially comply with applicable federal accounting standards.

FBI's Response to Finding

The FBI's written response to the instances of FFMIA noncompliance identified in our audit and presented in the Exhibit was not subjected to the auditing procedures applied in the audit of the FBI's consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

KPMG LLP

December 2, 2013

EXHIBIT

INSTANCES OF NONCOMPLIANCE

This section contains our discussion of the instances of the FBI's noncompliance with Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA) that we noted during our fiscal year 2013 audit of the consolidated financial statements.

During fiscal year 2013, the FBI performed a self-assessment, in accordance with OMB Circular No. A-123, *Management's Responsibility for Internal Control*, and documented several areas in which its key financial management systems, principally the Financial Management System (FMS), have a moderate risk of not providing reliable and consistent information for decision-making. As a result, the FBI reported several instances in which its key financial management systems do not comply with certain provisions of FFMIA.

We concur with the FBI's assessment and also concluded that the FBI's key financial systems do not substantially comply with certain requirements of FFMIA. Specifically, we noted deficiencies in the following categories:

- *Federal Financial Management System Requirements:* Many of the FBI's financial management systems pre-date the existing applicable functional requirements for the design, development, operation, and maintenance of financial management systems. As a result, these financial management systems do not comply with all of the functional requirements included in OMB circulars and bulletins, and the U.S. Department of the Treasury's *Treasury Financial Manual*.

  The FBI relies upon several systems, outside of its core general ledger system, to provide financial information that is necessary to support the FBI's financial management needs. These systems used by the FBI during fiscal year 2013 include the Available Funds File (AFF), the Procurement Module of the FMS, the Enterprise Process Automation System, the Asset Management System, and the Reimbursable Agreement Management System 2.0 (RAMS). The FBI's core financial systems are not considered unified because the FMS general ledger, certain modules of FMS, and other systems are not linked together electronically in an efficient and effective manner to provide the agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

  For example, the FMS is unable to capture all open obligations causing a variance between the population of undelivered orders from the Procurement Module of the FMS and the General Ledger Module of the FMS. Additionally, the FBI is unable to generate a standard report from the FMS capturing a complete population of general ledger (GL) and budgetary control (BC) journal vouchers. The FBI uses various ad-hoc reports to identify the population of GL or BC journal vouchers. However, these reports are unable to capture all applicable data fields to generate a complete population of transactions.

EXHIBIT

Further, certain modules within the FMS and other systems do not have historical reporting capabilities to meet the data and processing requirements of the FBI.

- *Application of the United States Government Standard General Ledger at the Transaction Level:* Certain transactions are processed outside of the FBI's core financial accounting system, but are not recorded at the transaction level using the United States Government Standard General Ledger (USSGL). These transactions must be modified when recorded into the core financial accounting system through a manual or automated batch transaction process.

  For example, the FBI's adjustments to prior year obligations are not recorded at the transaction level. This requires the FBI to record a summary-level adjusting journal entry, on a quarterly basis, to record adjustments to prior year obligations in the appropriate USSGL accounts. The entry is based on a report from the Procurement Module of the FMS of all changes to obligations from prior years, which captures administrative changes to obligations in addition to true upward and downward adjustments. Additionally, revenue transactions are recorded at a transaction level in the RAMS in a manner that is not in accordance with the USSGL. These transactions, on a bi-weekly basis, are then batch uploaded to the FMS for recording in accordance with the USSGL.

Due to the issues noted above, the FBI's consolidated financial statements have the potential to be misstated. As a result, the personnel involved in preparing the consolidated financial statements and other financial reports have been required to maintain numerous manual and automated processes in order to compensate for the controls and reporting abilities that are lacking in the FBI's financial management systems.

We make no recommendation corresponding with the instances of FFMIA noncompliance because the FBI migrated to the Department of Justice Unified Financial Management System (UFMS) on October 7, 2013, which is expected to eliminate these noted instances of FFMIA noncompliance.

Management Response:

The FBI concurs with the finding. To resolve this finding, the FBI implemented the DOJ's UFMS on October 7, 2013. Since 2002, DOJ has been leading the effort to implement a department-wide financial and procurement management system that will enhance current and future financial management and procurement operations and standardize key business practices. DOJ is addressing these requirements through the implementation of UFMS, an integrated commercial-off-the-shelf application that replaced the FBI's non-compliant FMS as well as legacy financial management and procurement systems throughout the Department. Prior to the FBI's deployment, DOJ successfully implemented UFMS at the Drug Enforcement Administration; the Bureau of Alcohol, Tobacco, Firearms and Explosives; and the U.S. Marshals Service. UFMS will fully implement all current federal financial management system requirements and applicable federal accounting standards, including implementing the USSGL at the transaction level.

The FBI's implementation of UFMS is designed to meet the Bureau's specific business requirements, integrate business data and activities, and eliminate or interface with its various feeder systems, while at the same time meeting DOJ's goal to standardize processes across the Department.

EXHIBIT

On October 7, 2013, as scheduled, UFMS was deployed FBI-wide for all FY 2014 financial and procurement activities and reporting. The FBI’s deployment of UFMS enables the Bureau to fully comply with all FFMIA requirements, and also to be more fully integrated by eliminating subsystems, such as the AFF, FMS Procurement Module, and RAMS. FMS has been taken out of production and will be used on a read-only basis for historical reporting. The “Ask Finance!” help desk, which successfully operated during the pilot, provided increased staffing and additional training to support the FBI’s full deployment.

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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

PRINCIPAL FINANCIAL STATEMENTS
AND RELATED NOTES

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

Dollars in Thousands		**2013**		**2012**
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with U.S. Treasury (Note 3)	$	2,896,019	$	3,601,365
Accounts Receivable (Note 5)		319,723		143,146
Other Assets (Note 9)		22,779		30,187
Total Intragovernmental		3,238,521		3,774,698
Cash and Monetary Assets (Note 4)		85,326		67,135
Accounts Receivable, Net (Note 5)		24,088		27,069
Inventory and Related Property, Net (Note 6)		7,263		7,310
General Property, Plant and Equipment, Net (Note 8)		2,713,644		2,811,251
Advances and Prepayments		18,423		48,789
Total Assets	**$**	**6,087,265**	**$**	**6,736,252**
LIABILITIES (Note 10)				
Intragovernmental				
Accounts Payable	$	188,580	$	183,590
Accrued Federal Employees' Compensation Act Liabilities		31,303		31,101
Other Liabilities (Note 14)		57,541		99,996
Total Intragovernmental		277,424		314,687
Accounts Payable		323,056		462,174
Actuarial Federal Employees' Compensation Act Liabilities		191,516		176,422
Accrued Payroll and Benefits		84,948		213,448
Accrued Annual and Compensatory Leave Liabilities		273,017		277,074
Environmental and Disposal Liabilities (Note 11)		10,451		10,219
Seized Cash and Monetary Instruments (Note 13)		46,371		45,262
Contingent Liabilities (Note 15)		8,420		11,788
Other Liabilities (Note 14)		7,669		6,342
Total Liabilities	**$**	**1,222,872**	**$**	**1,517,416**
NET POSITION				
Unexpended Appropriations	$	1,822,476	$	2,151,355
Cumulative Results of Operations		3,041,917		3,067,481
Total Net Position	**$**	**4,864,393**	**$**	**5,218,836**
Total Liabilities and Net Position	**$**	**6,087,265**	**$**	**6,736,252**

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

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

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of
	FY	**Intra-governmental**	**With the Public**	**Total**	**Intra-governmental**	**With the Public**	**Total**	**Operations (Note 16)**
Goal 1	**2013**	$ 1,361,909	$ 3,649,619	$ 5,011,528	$ 457,250	$ 16,344	$ 473,594	$ 4,537,934
	2012	$ 1,424,724	$ 3,917,146	$ 5,341,870	$ 458,969	$ 1,870	$ 460,839	$ 4,881,031
Goal 2	**2013**	829,830	2,199,434	3,029,264	342,743	397	343,140	2,686,124
	2012	790,598	2,173,677	2,964,275	340,061	-	340,061	2,624,214
Goal 3	**2013**	254,103	798,910	1,053,013	358,899	154,485	513,384	539,629
	2012	280,253	770,530	1,050,783	334,507	151,387	485,894	564,889
Total	**2013**	**$ 2,445,842**	**$ 6,647,963**	**$ 9,093,805**	**$ 1,158,892**	**$ 171,226**	**$ 1,330,118**	**$ 7,763,687**
	2012	**$ 2,495,575**	**$ 6,861,353**	**$ 9,356,928**	**$ 1,133,537**	**$ 153,257**	**$ 1,286,794**	**$ 8,070,134**

Goal 1 Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law

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

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

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

U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2013 and 2012

Dollars in Thousands	2013	2012
Unexpended Appropriations		
Beginning Balances	**$ 2,151,355**	**$ 2,194,512**
Budgetary Financing Sources		
Appropriations Received	8,276,009	8,117,973
Appropriations Transferred-In/Out	(134,901)	(60,821)
Other Adjustments	(730,365)	-
Appropriations Used	(7,739,622)	(8,100,309)
Total Budgetary Financing Sources	**(328,879)**	**(43,157)**
Unexpended Appropriations	**$ 1,822,476**	**$ 2,151,355**
Cumulative Results of Operations		
Beginning Balances	**$ 3,067,481**	**$ 2,760,450**
Adjustments (Note 22)		
Changes in Accounting Principles	(237,177)	-
Beginning Balances, as Adjusted	**2,830,304**	**2,760,450**
Budgetary Financing Sources		
Appropriations Used	7,739,622	8,100,309
Nonexchange Revenues	2	-
Transfers-In/Out Without Reimbursement	(7,329)	-
Other Financing Sources		
Transfers-In/Out Without Reimbursement	(7,803)	5,333
Imputed Financing from Costs Absorbed by Others (Note 17)	256,974	276,722
Other Financing Sources	(6,166)	(5,199)
Total Financing Sources	**7,975,300**	**8,377,165**
Net Cost of Operations	**(7,763,687)**	**(8,070,134)**
Net Change	211,613	307,031
Cumulative Results of Operations	**$ 3,041,917**	**$ 3,067,481**
Net Position	**$ 4,864,393**	**$ 5,218,836**

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

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

Dollars in Thousands		2013		2012
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$	1,099,469	$	947,534
Recoveries of Prior Year Unpaid Obligations		358,191		290,427
Other Changes in Unobligated Balances		(16,230)		(53,259)
Unobligated Balance from Prior Year Budget Authority, Net		1,441,430		1,184,702
Appropriations (discretionary and mandatory)		7,419,644		8,110,411
Spending Authority from Offsetting Collections (discretionary and mandatory)		1,237,756		1,395,880
Total Budgetary Resources	**$**	**10,098,830**	**$**	**10,690,993**
Status of Budgetary Resources:				
Obligations Incurred (Note 18)	$	8,974,391	$	9,591,524
Unobligated Balance, End of Period:				
Apportioned		831,392		624,435
Unapportioned		293,047		475,034
Total Unobligated Balance - End of Period		1,124,439		1,099,469
Total Status of Budgetary Resources	**$**	**10,098,830**	**$**	**10,690,993**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	3,072,245	$	3,165,268
Obligations Incurred		8,974,391		9,591,524
Outlays, Gross		(9,262,651)		(9,394,120)
Recoveries of Prior Year Unpaid Obligations		(358,191)		(290,427)
Unpaid Obligations, End of Period		2,425,794		3,072,245
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1		(568,468)		(492,704)
Change in Uncollected Customer Payments from Federal Sources		(49,058)		(75,764)
Uncollected Customer Payments from Federal Sources		(617,526)		(568,468)
Memorandum (non-add) Entries:				
Obligated Balance, Start of Period	**$**	**2,503,777**	**$**	**2,672,564**
Obligated Balance, End of Period	**$**	**1,808,268**	**$**	**2,503,777**
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	$	8,657,400	$	9,506,291
Less: Actual Offsetting Collections (discretionary and mandatory)		1,188,698		1,320,116
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)		(49,058)		(75,764)
Budgetary Authority, Net (discretionary and mandatory)	**$**	**7,419,644**	**$**	**8,110,411**
Outlays, Gross (discretionary and mandatory)	$	9,262,651	$	9,394,120
Less: Actual Offsetting Collections (discretionary and mandatory)		1,188,698		1,320,116
Outlays, Net (discretionary and mandatory)		8,073,953		8,074,004
Less: Distributed Offsetting Receipts		(3,938)		145
Agency Outlays, Net (discretionary and mandatory)	**$**	**8,077,891**	**$**	**8,073,859**

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

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

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the FBI. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for Fiscal Years (FYs) 2013 and 2012, and as such, intra-entity transactions have not been eliminated. The consolidated financial

1. Summary of Significant Accounting Policies (continued)

statements do not include centrally administered assets and liabilities of the federal government as a whole, such as General Services Administration (GSA) owned property and equipment, and borrowings from the public by the U.S. Department of the Treasury (Treasury), which may in part be attributed to the FBI.

D. Basis of Accounting

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

E. Non-Entity Assets

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

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

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

G. Accounts Receivable

Accounts receivable are established for reimbursable expenses incurred by the FBI in providing goods and services ordered by other entities. Intragovernmental accounts receivable represent amounts due from federal entities and agencies. Other receivables represent amounts due from state and local governments, individuals, and other non-federal entities.

The Allowance for Uncollectible Accounts calculation methodology is a percentage based on outstanding receivables weighted against the collections rate of those receivables. An analytical review is conducted annually to update the percentage applied to outstanding receivables. An invoice is deemed delinquent if it is unpaid after 30 days. Intragovernmental receivables are considered fully collectible.

1. Summary of Significant Accounting Policies (continued)

H. Inventory and Related Property

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

I. General Property, Plant, and Equipment

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

Below are the capitalization thresholds:

Type of Property	FY 2013 Thresholds	FY 2012 Thresholds
Real Property	$250	$100
Personal Property	$50	$25
Aircraft	$100	$100
Internal Use Software	$5,000	$500

With the exception of land, all general PP&E is capitalized when the cost of acquiring or improving the property meets the new capitalization threshold noted in the table above and has a useful life of two or more years. All general PP&E is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset. The FBI calculates a salvage value of 10 percent or less for capitalized property. Land is capitalized regardless of its acquisition cost and is never depreciated.

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

While the FBI owns some land, buildings, and other structures, it leases its headquarters building, field office buildings, and warehouse space from the GSA. The FBI also leases office space from non-governmental entities, both in the U.S. and abroad.

J. Advances and Prepayments

Advances and prepayments classified as assets include funds disbursed to finance operations that exceed the total expenditures incurred. This amount also includes advances of funds to federal employees for official travel, and the balance of travel advances in excess of travel expenses

1. Summary of Significant Accounting Policies (continued)

claimed on reimbursement vouchers. When authorized by procurement regulations, payments made in advance of the FBI's receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenditures/expense when the related goods and services are received. Advances and prepayments involving other federal agencies are classified as *Other Assets* on the balance sheet.

K. Seized Property

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

Cash in the custody of the FBI for evidentiary purposes is recognized as an asset on the balance sheet with an offsetting liability. Non-monetary valuable property held as evidence is disclosed in Note 7 at the appraised or fair market value at the time of the seizure and is not adjusted to any subsequent increases and decreases in estimated fair market value. It is not recognized as an asset on the balance sheet.

Quantities of illegal drugs and firearms held as evidence are disclosed in Note 7 in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property,* and Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*. Reported quantities of drugs include only substances over one kilogram (KG) that are laboratory-analyzed and confirmed.

L. Liabilities

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

M. Contingencies and Commitments

The FBI is party to various administrative proceedings, legal actions, and claims. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions "probable" and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 15, Contingencies and Commitments. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered "remote."

1. Summary of Significant Accounting Policies (continued)

N. Annual, Sick, and Other Leave

Annual leave and compensatory leave are expensed as earned with an offsetting liability. Liabilities are reduced as leave is taken. At the end of each fiscal quarter, the balance in the accrued annual leave liability account is adjusted to reflect valuation at current pay rates. To the extent current-year or prior-year appropriations are not available to fund annual and compensatory leave that is earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

O. Interest on Late Payments

Pursuant to the Prompt Payment Act of 1999 (31 U.S.C. 3901-3907), the FBI pays interest to commercial concerns for payments made after the payment due date. The payment due date is generally 30 days after the receipt of a valid invoice by the designated activity, or 30 days after the receipt and acceptance of the goods or services, whichever is later. Interest is computed on the principal amount due at the rate of interest established by the Secretary of the Treasury, and published in the Federal Register, for interest payments under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611). Interest is paid for the period beginning one day after the principal payment due date and ending on the date on which the principal payment is made.

P. Retirement Plans

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

1) Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). For employees covered by the CSRS, the FBI contributes 7.0 percent of the support employees' gross pay for normal retirement and for agents 7.5 percent for law enforcement officers' retirement.

2) Employees hired after January 1, 1984 and before December 31, 2012, are covered by the Federal Employees Retirement System (FERS). For employees covered by the FERS, the FBI contributes 11.9 percent of the support employees' gross pay and for agents 26.3 percent for law enforcement officers' retirement.

3) Employees hired after January 1, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) System. For employees covered by FERS-RAE, the FBI contributes 9.6 percent of the employees' gross pay for regular and 24.0 percent for law enforcement officers' retirement.

The accompanying financial statements report expenses incurred by the FBI for required contributions made to retirement accounts administered by the Office of Personnel Management (OPM). All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For employees covered by the FERS and FERS-RAE, a TSP account is automatically established to which the FBI is required to contribute an additional 1.0 percent of gross pay and matches employee contributions up to 4.0 percent. No contributions are made to the TSP accounts established by the CSRS employees. The FBI's financial statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of OPM. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of

1. Summary of Significant Accounting Policies (continued)

pensions and other retirement benefits during their employees' active years of service. Refer to Note 17, Imputed Financing from Costs Absorbed by Others, additional details.

The FBI is not authorized to make automatic or matching contributions to the TSP for employees covered by the CSRS. The FBI recognizes an additional expense and an offsetting imputed financing source for FBI Pension and Other Retirement Benefits Expense not covered by employee and FBI contributions; this expense is ultimately paid by OPM.

Q. Federal Employee Compensation Benefits

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

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

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

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

R. Intragovernmental Activity

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

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources

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

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

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

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

T. Funds from Dedicated Collections

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

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

1. Summary of Significant Accounting Policies (continued)

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

U. Tax Exempt Status

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

V. Use of Estimates

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

W. Reclassifications

The FY 2012 financial statements were reclassified to conform to the FY 2013 Departmental and OMB financial statement presentation requirements. The changes to the presentation of the Combined and Combining Statements of Budgetary Resources were made in accordance with guidance provided in OMB Circular A-136, *Financial Reporting Requirements*, and as such, activity and balances reported on the FY 2012 Combined and Combining Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

X. Subsequent Events

Subsequent events and transactions occurring after September 30, 2013 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

2. Non-Entity Assets

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

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Fund Balance with U.S. Treasury	$ 2,550	$ 576
With the Public		
Cash and Monetary Assets	52,113	48,302
Total Non-Entity Assets	54,663	48,878
Total Entity Assets	6,032,602	6,687,374
Total Assets	$ 6,087,265	$ 6,736,252

3. Fund Balance with U.S. Treasury

As of September 30, 2013 and 2012	2013	2012
Fund Balances		
General Funds	$ 2,899,382	$ 3,600,789
Other Fund Types	(3,363)	576
Total Fund Balances with U.S. Treasury	$ 2,896,019	$ 3,601,365
Status of Fund Balances		
Unobligated Balance - Available	$ 831,392	$ 624,435
Unobligated Balance - Unavailable	293,047	475,034
Obligated Balance not yet Disbursed	1,808,268	2,503,777
Other Funds (With)/Without Budgetary Resources	(36,688)	(1,881)
Total Status of Fund Balances	$ 2,896,019	$ 3,601,365

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

Unobligated Balance - Available includes current year apportionments that may be used for new obligations. Unobligated Balance - Unavailable includes amounts appropriated in prior fiscal years that are no longer available to fund new obligations, but can be used for upward and/or downward adjustments for existing obligations. Additionally, this line includes amounts received that are restricted to future use and as a result are not apportioned for current use. Obligated Balance not yet Disbursed includes obligations of appropriated funds and obligations related to reimbursable activity. Other Funds (With)/Without Budgetary Resources includes deposit, clearing, and suspense accounts.

4. Cash and Monetary Assets

As of September 30, 2013 and 2012

	2013	2012
Cash		
Undeposited Collections	$ (119)	$ 16,370
Imprest Funds	33,329	2,461
Other Cash	5,745	3,042
Total Cash	38,955	21,873
Monetary Assets		
Seized Monetary Instruments	46,371	45,262
Total Cash and Monetary Assets	$ 85,326	$ 67,135

Undeposited Collections includes various in-transit accounts where account activities have been processed in the FBI's Financial Management System and Unified Financial Management System, but not deposited in the bank and reported to Treasury via the Classification Transaction and Accountability Report (formerly SF-224) monthly submission. The Undeposited Collections balance represents timing differences in the recording of transactions between the FBI and Treasury.

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

Other Cash consists of project generated proceeds.

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

5. Accounts Receivable, Net

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Accounts Receivable	$ 319,723	$ 143,146
With the Public		
Accounts Receivable	24,099	28,343
Allowance for Uncollectible Accounts	(11)	(1,274)
Total With the Public	24,088	27,069
Total Accounts Receivable, Net	$ 343,811	$ 170,215

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

6. Inventory and Related Property, Net

As of September 30, 2013 and 2012	2013	2012
Operating Materials and Supplies		
Held for Current Use	$ 7,263	$ 7,310

7. Seized Property

Analysis of Change in Seized Property:

Seized Monetary Instruments (see also Notes 4 and 13) includes cash held by the FBI as evidence for legal proceedings, and is reported on the balance sheet as an asset, with an offsetting liability. Non-monetary evidence includes art, jewelry, and other valuables (see Note 1.K). According to DOJ guidelines, evidence items subject to forfeiture are not disclosed by the seizing agency.

The item counts and financial value of non-monetary valuable property in the custody of the FBI as of September 30, 2013 and September 30, 2012, excluding forfeited property for evidentiary purposes, and activity during each fiscal year are summarized in the following charts in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*.

7. Seized Property (continued)

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

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

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

"Disposals" occur when evidence is either returned to the owner or destroyed in accordance with federal guidelines.

For the Fiscal Year Ended September 30, 2013

Seized Property Category		Beginning Balance	Adjustments**	Seizures	Disposals	Ending Balance
Seized for Evidence						
Seized Monetary Instruments	Value	$ 45,262	$ (5,828)	$ 23,324	$ (16,387)	$ 46,371
Personal Property	Number	1,359	-	188	(429)	1,118
	Value	$ 29,732	$ (69)	$ 6,262	$ (8,503)	$ 27,422
Non-Valued						
Firearms	Number	29,705	(2,372)	4,373	(2,789)	28,917
Drug Evidence						
Cocaine	KG	6,230	949	178	(995)	6,362
Heroin	KG	425	4	12	(27)	414
Marijuana	KG	3,556	168	25	(423)	3,326
Methamphetamine	KG	677	54	221	(79)	873
Other	KG	998	14	27	(7)	1,032
Total Drug Evidence		11,886	1,189	463	(1,531)	12,007

7. Seized Property (continued)

For the Fiscal Year Ended September 30, 2012

Seized Property Category		Beginning Balance	Adjustments**	Seizures	Disposals	Ending Balance
Seized for Evidence						
Seized Monetary Instruments	Value	$ 42,880	$ (2,180)	$ 28,200	$ (23,638)	$ 45,262
Personal Property	Number	1,342	45	310	(338)	1,359
	Value	$ 35,931	$ (308)	$ 9,545	$ (15,436)	$ 29,732
Non-Valued						
Firearms	Number	29,383	(1,101)	3,809	(2,386)	29,705
Drug Evidence						
Cocaine	KG	6,144	(241)	605	(278)	6,230
Heroin	KG	418	-	16	(9)	425
Marijuana	KG	3,689	(127)	69	(75)	3,556
Methamphetamine	KG	546	(11)	163	(21)	677
Other	KG	1,080	(72)	21	(31)	998
Total Drug Evidence		11,877	(451)	874	(414)	11,886

**Adjustments include property status and valuation changes received after, but properly credited to, prior fiscal years. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

Method of Disposition of Seized Property:

During FYs 2013 and 2012, $12,271 and $14,387 were returned to parties with a bonafide interest, and $12,619 and $24,687 were either released to a designated party or transferred to the appropriate federal entity under forfeiture or abandonment proceedings. Non-valued property was primarily disposed of through destruction.

8. General Property, Plant and Equipment, Net

Based upon early implementation of DOJ FMPM 13-12, the FBI revised its method for reporting the capitalization of real property, personal property, and IUS which caused a decrease in the PP&E balance by $237,177, as described in Note 1I and Note 22.

As of September 30, 2013

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 8,432	$ -	$ 8,432	N/A
Construction in Progress	354,207	-	354,207	N/A
Buildings, Improvements, and Renovations	631,806	(293,766)	338,040	10-50 years
Other Structures and Facilities	35,828	(16,969)	18,859	10-50 years
Aircraft	264,388	(68,916)	195,472	5-30 years
Boats	6,841	(2,697)	4,144	5-25 years
Vehicles	124,426	(85,602)	38,824	2-25 years
Equipment	726,491	(434,793)	291,698	2-25 years
Leasehold Improvements	578,526	(207,104)	371,422	3-10 years
Internal Use Software	1,198,114	(313,551)	884,563	3-10 years
Internal Use Software in Development	207,983	-	207,983	N/A
Total	$ 4,137,042	$ (1,423,398)	$ 2,713,644	

During FY 2013, the FBI purchased $52,213 in capital property from federal sources and $326,142 from the public.

As of September 30, 2012

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 8,901	$ -	$ 8,901	N/A
Construction in Progress	385,171	-	385,171	N/A
Buildings, Improvements, and Renovations	582,810	(270,689)	312,121	10-50 years
Other Structures and Facilities	36,760	(11,130)	25,630	10-50 years
Aircraft	261,055	(63,705)	197,350	5-30 years
Boats	10,155	(5,602)	4,553	5-25 years
Vehicles	266,169	(173,938)	92,231	2-25 years
Equipment	948,547	(524,688)	423,859	2-25 years
Leasehold Improvements	477,424	(165,672)	311,752	3-10 years
Internal Use Software	953,869	(244,992)	708,877	3-10 years
Internal Use Software in Development	340,806	-	340,806	N/A
Total	$ 4,271,667	$ (1,460,416)	$ 2,811,251	

During FY 2012, the FBI purchased $123,890 in capital property from federal sources and $439,936 from the public.

9. Other Assets

As of September 30, 2013 and 2012

		2013		2012
Intragovernmental				
Advances and Prepayments	$	22,779	$	30,187

10. Liabilities not Covered by Budgetary Resources

As of September 30, 2013 and 2012

		2013		2012
Intragovernmental				
Accrued FECA Liabilities	$	31,303	$	31,101
Other Unfunded Employment Related Liabilities		189		278
Total Intragovernmental		31,492		31,379
With the Public				
Actuarial FECA Liabilities		191,516		176,422
Accrued Annual and Compensatory Leave Liabilities		273,017		277,074
Environmental and Disposal Liabilities (Note 11)		10,451		10,219
Contingent Liabilities (Note 15)		8,420		11,788
Total With the Public		483,404		475,503
Total Liabilities not Covered by Budgetary Resources		514,896		506,882
Total Liabilities Covered by Budgetary Resources		707,976		1,010,534
Total Liabilities	$	1,222,872	$	1,517,416

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

11. Environmental and Disposal Liabilities

In accordance with SFFAS No. 5, SFFAS No. 6, *Accounting for Property, Plant, and Equipment,* and Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government,* federal agencies are required to recognize liabilities for environmental cleanup costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

11. Environmental and Disposal Liabilities (continued)

As environmental-related cleanup costs are paid, the liabilities are reduced. Additionally, estimates will be revised periodically to account for material changes due to inflation, technology, and applicable laws and regulations. Any material changes in the estimated total cleanup costs will be expensed when estimates are revised and the liability balance adjusted.

Asbestos

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

The FBI exercises due care in determining the presence of contamination in adherence to the law, rules and regulations and policies by the Clean Air Act. The Facilities and Logistics Service Division, responsible for managing and maintaining FBI and non-FBI owned facilities, has identified FBI-owned facilities in Quantico that contain hazardous friable and non-friable asbestos. The facilities have a useful life of 50 years. The estimated total liability of $11,613 is based on the square footage of the facilities that may be contaminated. This value, divided by the useful life and multiplied by the number of years in service, is the estimated cleanup liability. As of September 30, 2013 and 2012, the FBI reported the estimated cleanup liability of $10,451 and $10,219, respectively. The estimated asbestos cleanup liability is increased each quarter by recording future funded expenses for the asbestos cleanup costs. During FY 2013, future funded expense for asbestos cleanup is $232. There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2013.

12. Leases

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

Typically, the minimum lease term for a Resident Agency (RA) is 5 years and the maximum is 15 years. The minimum lease term for a field office is 15 years and the maximum is 20 years.

The FBI has a long-range program to relocate all field offices into single tenant, stand-alone, secure facilities. All new leases for field offices and some RAs will be noncancelable.

The FBI currently anticipates relocating 7 field offices between FY 2014 and FY 2018. When field offices relocate, often from space leased for 20 years or longer, the rental rates increase significantly to accommodate the FBI's growth in workforce, space needs, and specialized security requirements.

12. Leases (continued)

As of September 30, 2013

Future Noncancelable Operating Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2014	$ 203,662	$ 23,395	$ 227,057
2015	224,199	21,351	245,550
2016	235,619	4,464	240,083
2017	236,429	4,598	241,027
2018	236,107	4,736	240,843
After 2018	2,306,886	-	2,306,886
Total Future Noncancelable Operating Lease Payments	$ 3,442,902	$ 58,544	$ 3,501,446

13. Seized Cash and Monetary Instruments

Seized Cash and Monetary Instruments represents liabilities for seized assets held by the FBI pending disposition. The Seized Cash and Monetary Instruments as of September 30, 2013 and 2012 are $46,371 and $45,262, respectively.

14. Other Liabilities

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

As of September 30, 2013 and 2012	2013	2012
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 26,637	$ 66,432
Other Post-Employment Benefits Due and Payable	104	294
Other Unfunded Employment Related Liabilities	189	278
Advances from Others	33,621	32,916
Liability for Clearing Accounts	(3,161)	-
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	151	76
Total Intragovernmental	57,541	99,996
With the Public		
Advances from Others	1,884	2,818
Liability for Clearing Accounts	35	482
Custodial Liabilities	5	-
Other Liabilities	5,745	3,042
Total With the Public	7,669	6,342
Total Other Liabilities	$ 65,210	$ 106,338

15. Contingencies and Commitments

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2013			
Probable	$ 8,420	$ 8,420	$ 14,010
Reasonably Possible		8,059	11,287
As of September 30, 2012			
Probable	$ 11,788	$ 11,788	$ 18,083
Reasonably Possible		11,312	16,667

16. Net Cost of Operations by Suborganization

The methodology by which the FBI allocates gross costs and earned revenue across the three Strategic Goals (SGs or Goal) is consistent with the methodology used to allocate the FBI's budget to the three SGs in the FY 2014 Authorization and Budget Request to Congress. The tables below and on the next page break out costs and revenue by these three SGs, as well as by FBI appropriation. These funds include new appropriations, transfers of appropriations from other federal agencies, and the carry-over of prior years' unobligated balances for multi-year and no-year appropriated funds.

For the Fiscal Year Ended September 30, 2013

	Suborganizations			
	CNST	VCRP	S&E	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law				
Gross Cost	$ 60,012	$ -	$ 4,951,516	$ 5,011,528
Less: Earned Revenue	-	-	473,594	473,594
Net Cost of Operations	60,012	-	4,477,922	4,537,934
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law				
Gross Cost	546	-	3,028,718	3,029,264
Less: Earned Revenue	-	-	343,140	343,140
Net Cost of Operations	546	-	2,685,578	2,686,124
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels				
Gross Cost	173	-	1,052,840	1,053,013
Less: Earned Revenue	-	-	513,384	513,384
Net Cost of Operations	173	-	539,456	539,629
Net Cost of Operations	$ 60,731	$ -	$ 7,702,956	$ 7,763,687

16. Net Cost of Operations by Suborganization (continued)

For the Fiscal Year Ended September 30, 2012

	Suborganizations			
	CNST	VCRP	S&E	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law				
Gross Cost	$ 74,345	$ -	$ 5,267,525	$ 5,341,870
Less: Earned Revenue	-	-	460,839	460,839
Net Cost of Operations	74,345	-	4,806,686	4,881,031
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law				
Gross Cost	6,721	4	2,957,550	2,964,275
Less: Earned Revenue	-	-	340,061	340,061
Net Cost of Operations	6,721	4	2,617,489	2,624,214
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels				
Gross Cost	1,494	-	1,049,289	1,050,783
Less: Earned Revenue	-	-	485,894	485,894
Net Cost of Operations	1,494	-	563,395	564,889
Net Cost of Operations	$ 82,560	$ 4	$ 7,987,570	$ 8,070,134

17. Imputed Financing from Costs Absorbed by Others

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e. non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the FBI from a providing federal entity that is not part of the DOJ. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts,* the material Imputed Inter-Departmental financing sources recognized by the FBI are the cost of future benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and the federal pension plans that are paid by other federal entities, and any unreimbursed payments made from the Treasury Judgment Fund on behalf of the FBI. The Treasury Judgment Fund was established by Congress and funded at 31 U.S.C. 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expense when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

SFFAS No. 5 requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. For employees covered by CSRS, the cost factors are 32.3 percent of basic pay for regular, 54.9 percent law enforcement officers, 24.6 percent regular offset, and 48.1 percent law enforcement officers offset. For employees covered by FERS, the cost factors are 14.2 percent of basic pay for regular and 30.7 percent for law enforcement officers.

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

For employees covered by FERS-RAE, the cost factors are 14.2 percent of basic pay for regular and 30.7 percent for law enforcement officers.

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

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, are the unreimbursed portion of the full costs of goods and services received by the FBI from a providing entity that is part of the DOJ. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The FBI does not have any imputed intra-departmental financing sources.

For the Fiscal Years Ended September 30, 2013 and 2012

	2013	2012
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	$ 2,165	$ 8,262
Health Insurance	159,877	178,189
Life Insurance	726	685
Pension	94,206	89,586
Total Imputed Financing	$ 256,974	$ 276,722

18. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

The apportionment categories are determined in accordance with the guidance provided in Part 4, *Instructions on Budget Execution*, of OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B spending includes funds appropriated for digital technology upgrades and construction funding for projects, such as: the FBI's Secure Work Environment Program, Biometrics Technology Center, Terrorist Explosive Device Analytic Center, and the training facility at Quantico, Virginia. Category B also includes mortgage fraud investigations, operations along the U.S. southwest border, Department of State funding, Hurricane Sandy supplemental, Law Enforcement Wireless Communication funding, and supplemental "bridged" funding including Overseas Contingency Operations, Render Safe mission, and FBI Laboratory requirements.

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

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2013			
Obligations Apportioned Under:			
Category A	$ 7,567,756	$ 1,211,577	$ 8,779,333
Category B	189,592	5,466	195,058
Total	$ 7,757,348	$ 1,217,043	$ 8,974,391
For the Fiscal Year Ended September 30, 2012			
Obligations Apportioned Under:			
Category A	$ 8,119,683	$ 1,321,482	$ 9,441,165
Category B	150,359	-	150,359
Total	$ 8,270,042	$ 1,321,482	$ 9,591,524

Status of Undelivered Orders:

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

As of September 30, 2013 and 2012	2013	2012
UDO Obligations Unpaid	$ 1,812,667	$ 2,156,076
UDO Obligations Prepaid/Advanced	41,204	94,514
Total UDO	$ 1,853,871	$ 2,250,590

Legal Arrangements Affecting Use of Unobligated Balances:

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

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

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

The Statement of Budgetary Resources versus the Budget of the U.S. Government as of September 30, 2012 is presented below.

The reconciliation as of September 30, 2013 is not presented because the submission of the Budget of the United States Government (Budget) for FY 2015, which presents the execution of the FY 2013 Budget, occurs after publication of these financial statements. The DOJ Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2014.

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

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

	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources (SBR)	$ 10,691	$ 9,592	$ 8,074
Funds not Reported in the Budget			
Expired Funds	(412)	(81)	-
Other	2	1	
Budget of the United States Government	$ 10,281	$ 9,512	$ 8,074

19. Net Custodial Revenue Activity

For the fiscal years ended September 30, 2013 and 2012, the FBI collected $877 and $10,736, respectively, in restitution payments, seized abandoned cash, and project generated proceeds. These collections were incidental to the FBI's mission. Since the FBI does not have statutory authority to use these funds, the FBI remits these funds upon receipt to the U.S. Treasury's General Fund. As of September 30, 2013 and 2012, the FBI did not have any custodial liabilities.

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

For the Fiscal Years Ended September 30, 2013 and 2012

	2013	2012
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 8,974,391	$ 9,591,524
Less: Spending Authority from Offsetting Collections and Recoveries	1,595,947	1,686,307
Obligations Net of Offsetting Collections and Recoveries	7,378,444	7,905,217
Less: Offsetting Receipts	(3,938)	145
Net Obligations	7,382,382	7,905,072
Other Resources		
Transfers-In/Out Without Reimbursement	(7,803)	5,333
Imputed Financing from Costs Absorbed by Others (Note 17)	256,974	276,722
Other	(6,166)	(5,199)
Net Other Resources Used to Finance Activities	243,005	276,856
Total Resources Used to Finance Activities	7,625,387	8,181,928
Resources Used to Finance Items not Part of the Net Cost of Operations		
Net Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not Yet Provided	271,868	166,852
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(7,514)	(46,561)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(3,938)	145
Resources That Finance the Acquisition of Assets	(378,308)	(563,033)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	(1,592)	1,579
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(119,484)	(441,018)
Total Resources Used to Finance the Net Cost of Operations	$ 7,505,903	$ 7,740,910
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 21)	$ 15,622	$ 18,424
Depreciation and Amortization	252,726	295,457
Revaluation of Assets or Liabilities	(11,122)	18,593
Other	558	(3,250)
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	257,784	329,224
Net Cost of Operations	$ 7,763,687	$ 8,070,134

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

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $514,896 and $506,882 as of September 30, 2013 and 2012, respectively, are discussed in Note 10, Liabilities not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2013 and 2012

	2013	2012
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Accrued Annual and Compensatory Leave Liabilities	$ (4,057)	$ -
Other		
Decrease in Actuarial FECA Liabilities	-	(6,004)
Decrease in Contingent Liabilities	(3,368)	(40,547)
Decrease in Other Unfunded Employment Related Liabilities	(89)	(10)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (7,514)	$ (46,561)
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ -	$ 6,546
Increase in Environmental and Disposal Liabilities	232	232
(Increase)/Decrease in Exchange Revenue Receivable from the Public	1,521	4,637
Other		
Increase in Actuarial FECA Liabilities	15,094	-
Increase in Accrued FECA Liabilities	202	272
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	(1,427)	6,737
Total Other	13,869	7,009
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 15,622	$ 18,424

22. Changes in Accounting Principles

Based upon early implementation of DOJ FMPM 13-12, the FBI revised its capitalization threshold for real property, personal property, and IUS. The primary impact of the policy change was an increase in the thresholds for capitalizing and reporting real property, including leasehold improvements, personal property, and IUS. The change in accounting principle caused a $237,177 reduction in the overall PP&E balance and the pre-FY 2013 effect is recognized in the FY 2013 beginning balance of Cumulative Results of Operations on the Statements of Changes in Net Position. The effect of the new policy reduced the FBI's assets for PP&E as illustrated in the table below.

Type of Property	Asset Value Adjustment
Real Property	$28,890
Personal Property	168,859
Internal Use Software	39,428
Total	$237,177

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

U.S. Department of Justice
Federal Bureau of Investigation
Required Supplementary Information
Combining Statement of Budgetary Resources
By Major Appropriation
Unaudited
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands				2013
	CNST	**VCRP**	**S&E**	**TOTAL**
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 96,689	$ -	$ 1,002,780	$ 1,099,469
Recoveries of Prior Year Unpaid Obligations	19,030	-	339,161	358,191
Other Changes in Unobligated Balances	-	-	(16,230)	(16,230)
Unobligated Balance from Prior Year Budget Authority, Net	115,719	-	1,325,711	1,441,430
Appropriations (discretionary and mandatory)	75,229	-	7,344,415	7,419,644
Spending Authority from Offsetting Collections (discretionary and mandatory)	266	-	1,237,490	1,237,756
Total Budgetary Resources	**$ 191,214**	**$ -**	**$ 9,907,616**	**$ 10,098,830**
Status of Budgetary Resources:				
Obligations Incurred	$ 114,649	$ -	$ 8,859,742	$ 8,974,391
Unobligated Balance, End of Period:				
Apportioned	76,536	-	754,856	831,392
Unapportioned	29	-	293,018	293,047
Total Unobligated Balance - End of Period	76,565	-	1,047,874	1,124,439
Total Status of Budgetary Resources	**$ 191,214**	**$ -**	**$ 9,907,616**	**$ 10,098,830**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 316,771	$ -	$ 2,755,474	$ 3,072,245
Obligations Incurred	114,649	-	8,859,742	8,974,391
Outlays, Gross	(133,387)	-	(9,129,264)	(9,262,651)
Recoveries of Prior Year Unpaid Obligations	(19,030)	-	(339,161)	(358,191)
Unpaid Obligations, End of Period	279,003	-	2,146,791	2,425,794
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	-	-	(568,468)	(568,468)
Change in Uncollected Customer Payments from Federal Sources	-	-	(49,058)	(49,058)
Uncollected Customer Payments from Federal Sources	-	-	(617,526)	(617,526)
Memorandum (non-add) Entries:				
Obligated Balance, Start of Period	**$ 316,771**	**$ -**	**$ 2,187,006**	**$ 2,503,777**
Obligated Balance, End of Period	**$ 279,003**	**$ -**	**$ 1,529,265**	**$ 1,808,268**
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	$ 75,495	$ -	$ 8,581,905	$ 8,657,400
Less: Actual Offsetting Collections (discretionary and mandatory)	266	-	1,188,432	1,188,698
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	-	-	(49,058)	(49,058)
Budgetary Authority, Net (discretionary and mandatory)	**$ 75,229**	**$ -**	**$ 7,344,415**	**$ 7,419,644**
Outlays, Gross (discretionary and mandatory)	$ 133,387	$ -	$ 9,129,264	$ 9,262,651
Less: Actual Offsetting Collections (discretionary and mandatory)	266	-	1,188,432	1,188,698
Outlays, Net (discretionary and mandatory)	133,121	-	7,940,832	8,073,953
Less: Distributed Offsetting Receipts	-	-	(3,938)	(3,938)
Agency Outlays, Net (discretionary and mandatory)	**$ 133,121**	**$ -**	**$ 7,944,770**	**$ 8,077,891**

U.S. Department of Justice
Federal Bureau of Investigation
Required Supplementary Information
Combining Statement of Budgetary Resources
By Major Appropriation
Unaudited
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands				2012
	CNST	VCRP	S&E	TOTAL
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 103,721	$ -	$ 843,813	$ 947,534
Recoveries of Prior Year Unpaid Obligations	16,728	-	273,699	290,427
Other Changes in Unobligated Balances	-	-	(53,259)	(53,259)
Unobligated Balance from Prior Year Budget Authority, Net	120,449	-	1,064,253	1,184,702
Appropriations (discretionary and mandatory)	80,982	-	8,029,429	8,110,411
Spending Authority from Offsetting Collections (discretionary and mandatory)	1	-	1,395,879	1,395,880
Total Budgetary Resources	**$ 201,432**	**$ -**	**$ 10,489,561**	**$ 10,690,993**
Status of Budgetary Resources:				
Obligations Incurred	$ 104,743	$ -	$ 9,486,781	$ 9,591,524
Unobligated Balance, End of Period:				
Apportioned	96,688	-	527,747	624,435
Unapportioned	1	-	475,033	475,034
Total Unobligated Balance - End of Period	96,689	-	1,002,780	1,099,469
Total Status of Budgetary Resources	**$ 201,432**	**$ -**	**$ 10,489,561**	**$ 10,690,993**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 395,266	$ 4	$ 2,769,998	$ 3,165,268
Obligations Incurred	104,743	-	9,486,781	9,591,524
Outlays, Gross	(166,510)	(4)	(9,227,606)	(9,394,120)
Recoveries of Prior Year Unpaid Obligations	(16,728)		(273,699)	(290,427)
Unpaid Obligations, End of Period	316,771	-	2,755,474	3,072,245
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	-	-	(492,704)	(492,704)
Change in Uncollected Customer Payments from Federal Sources	-	-	(75,764)	(75,764)
Uncollected Customer Payments from Federal Sources	-	-	(568,468)	(568,468)
Memorandum (non-add) Entries:				
Obligated Balance, Start of Period	**$ 395,266**	**$ 4**	**$ 2,277,294**	**$ 2,672,564**
Obligated Balance, End of Period	**$ 316,771**	**$ -**	**$ 2,187,006**	**$ 2,503,777**
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	$ 80,983	$ -	$ 9,425,308	$ 9,506,291
Less: Actual Offsetting Collections (discretionary and mandatory)	1	-	1,320,115	1,320,116
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	-	-	(75,764)	(75,764)
Budgetary Authority, Net (discretionary and mandatory)	**$ 80,982**	**$ -**	**$ 8,029,429**	**$ 8,110,411**
Outlays, Gross (discretionary and mandatory)	$ 166,510	$ 4	$ 9,227,606	$ 9,394,120
Less: Actual Offsetting Collections (discretionary and mandatory)	1	-	1,320,115	1,320,116
Outlays, Net (discretionary and mandatory)	166,509	4	7,907,491	8,074,004
Less: Distributed Offsetting Receipts	-	-	145	145
Agency Outlays, Net (discretionary and mandatory)	**$ 166,509**	**$ 4**	**$ 7,907,346**	**$ 8,073,859**

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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

OTHER INFORMATION
(UNAUDITED)

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U.S. Department of Justice
Federal Bureau of Investigation
Other Information
Combined Schedule of Spending
Unaudited
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands		**2013**
What Money is Available to Spend?		
Total Resources	$	10,098,830
Less Amount Available but Not Agreed to be Spent		831,392
Less Amount Not Available to be Spent		293,047
Total Amounts Agreed to be Spent	**$**	**8,974,391**
How was the Money Spent?		
Personnel Compensation and Benefits		
11xx Personnel Compensation	$	3,577,452
12xx Personnel Benefits		1,435,752
13xx Former Personnel		428
Other Program Related Expenses		
21xx Travel and Transportation of Persons		186,036
22xx Transportation of Things		21,543
23xx Rent, Communications, and Utilities		912,170
24xx Printing and Reproduction		3,235
25xx Other Contractual Services		2,200,697
26xx Supplies and Materials		142,420
31xx Equipment		417,398
32xx Land and Structures		73,210
42xx Insurance Claims and Indemnities		3,858
43xx Interest and Dividends		192
Total Amounts Agreed to be Spent	**$**	**8,974,391**
Who did the Money go to?		
For Profit	$	3,837,613
Government		91,577
Employees		4,912,151
Other		133,050
Total Amounts Agreed to be Spent	**$**	**8,974,391**