



U.S. DEPARTMENT OF JUSTICE ANNUAL FINANCIAL STATEMENT FISCAL YEAR 2008

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

Audit Report 09-06
January 2009

U.S. DEPARTMENT OF JUSTICE ANNUAL FINANCIAL STATEMENT FISCAL YEAR 2008

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statement of the U.S. Department of Justice (Department) for the fiscal year (FY) ended September 30, 2008.¹ Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the consolidated Department audit and eight of the nine reporting component audits for FYs 2008 and 2007. Another independent public accounting firm, Cotton & Company LLP, performed the remaining component audit for the same periods, upon which KPMG LLP relied when issuing its report on the consolidated financial statements.

The Department received an unqualified opinion on its FYs 2008 and 2007 financial statements. This year, at the consolidated level the Department had two significant deficiencies, both of which were repeat issues. The first significant deficiency relates to weaknesses in the general and application controls over the financial management systems at five of the Department's nine reporting components. The Department's other significant deficiency relates to several serious but isolated financial reporting issues, including the U.S. Marshals Service's financial accounting and reporting quality-control and assurance, and funds management controls; the Bureau of Alcohol, Tobacco, Firearms and Explosives' accounts payable process; the Federal Bureau of Investigation's financial reporting process; the Office of Justice Programs' grant advances and grant de-obligation process; the Offices, Boards and Divisions' preparation, review, and approval of journal entries; and the Assets Forfeiture Fund and Seized Asset Deposit Fund's financial reporting environment, obligations and disbursements controls, and seized and forfeited property controls. The chart at the end of our discussion illustrates the FYs 2008 and 2007 financial statement audit results for the Department and the nine reporting components.

However, as also reflected in the chart, the Department has continued to make progress in its financial management systems and has continued to address the major problems identified in the OIG's previous annual financial statement audits. For example, at the component level the number of material weaknesses decreased from four in FY 2007 to one in FY 2008. The Department and its components deserve significant credit for these improvements.

¹ This report, as differentiated from the Department's Performance and Accountability Report, does not include additional unaudited sections such as the Introduction, Performance Section, Management Section and Appendices. The Annual Financial Statement includes the Management's Discussion and Analysis, Principal Financial Statements and Related Notes, Required Supplementary Information, and Required Stewardship Supplementary Information.

Yet, it is important to note that the Department still does not have a unified financial management system to readily support ongoing accounting operations and preparation of financial statements. As discussed in past years, we believe the most important challenge facing the Department in its financial management is to successfully implement an integrated financial management system to replace the disparate and, in some cases, antiquated financial systems used by Department components.

In the FY 2008 consolidated Report on Compliance and Other Matters, no instances of significant non-compliance with applicable laws and regulations or other matters were identified during the audit. Although instances of non-compliance were reported at some of the components, the consolidated auditors determined that none of the component level non-compliance issues caused the Department as a whole to be in significant non-compliance.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Department's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the Department's financial management systems substantially complied with the Federal Financial Management Improvement Act of 1996, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 12, 2008, and the conclusions expressed in the reports. However, our review, while still ongoing, disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Comparison of FY 2008 and FY 2007 Audit Results										
Reporting Entity	Auditors' Opinion On Financial Statements		Number of Material Weaknesses ¹				Number of Significant Deficiencies ²			
			Financial		Information Systems		Financial		Information Systems	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Consolidated DOJ	U ³	U	0	0	0	0	1	1	1	1
OBDs	U	U	0	0	0	0	1	2	0	1
AFF/SADF	U	U	0	0	0	0	3	2	1	1
FBI	U	U	0	0	0	1	1	0	0	0
DEA	U	U	0	0	0	0	0	0	0	1
OJP	U	U	0	0	0	0	1	2	1	1
USMS	U	U	1	2	0	0	1	0	1	1
BOP	U	U	0	0	0	0	0	0	1	1
FPI	U	U	0	0	0	0	0	0	1	1
ATF	U	U	0	1	0	0	1	0	0	1
Component Totals			1	3	0	1	8	6	5	8

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

¹ Material weakness – A significant deficiency (see below), or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

² Significant deficiency – A control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's consolidated financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control over financial reporting. A control deficiency 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.

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

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U.S. DEPARTMENT OF JUSTICE
ANNUAL FINANCIAL STATEMENT
FISCAL YEAR 2008

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Management's Discussion and Analysis
Unaudited

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Management's Discussion and Analysis (Unaudited)

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

Mission

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

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

In carrying out our mission, we are guided by the following core values:

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

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

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

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

Strategic Goals and Objectives

From our mission and core values stem the Department's strategic and annual planning processes. The Department embraces the concepts of performance-based management. At the heart of these concepts is the notion that improved performance is realized through greater focus on mission, agreement on goals and objectives, and timely reporting of results. In the Department, strategic planning is the first step in an iterative planning and implementation cycle. This cycle, which is the center of the Department's efforts to implement performance-based management, involves setting long-term goals and objectives, translating these goals and objectives into budgets and program plans, implementing programs, monitoring performance, and evaluating results. In this cycle, the Department's Strategic Plan provides the overarching framework for component and function-specific plans as well as annual performance plans, budgets, and reports. In FY 2007, the Attorney General issued a revised Strategic Plan for FYs 2007-2012 (The Strategic Plan is available electronically on the Department's website at: <http://www.usdoj.gov/jmd/mps/strategic2007-2012/index.html>).

The table below provides an overview of the Department’s strategic goals and objectives.

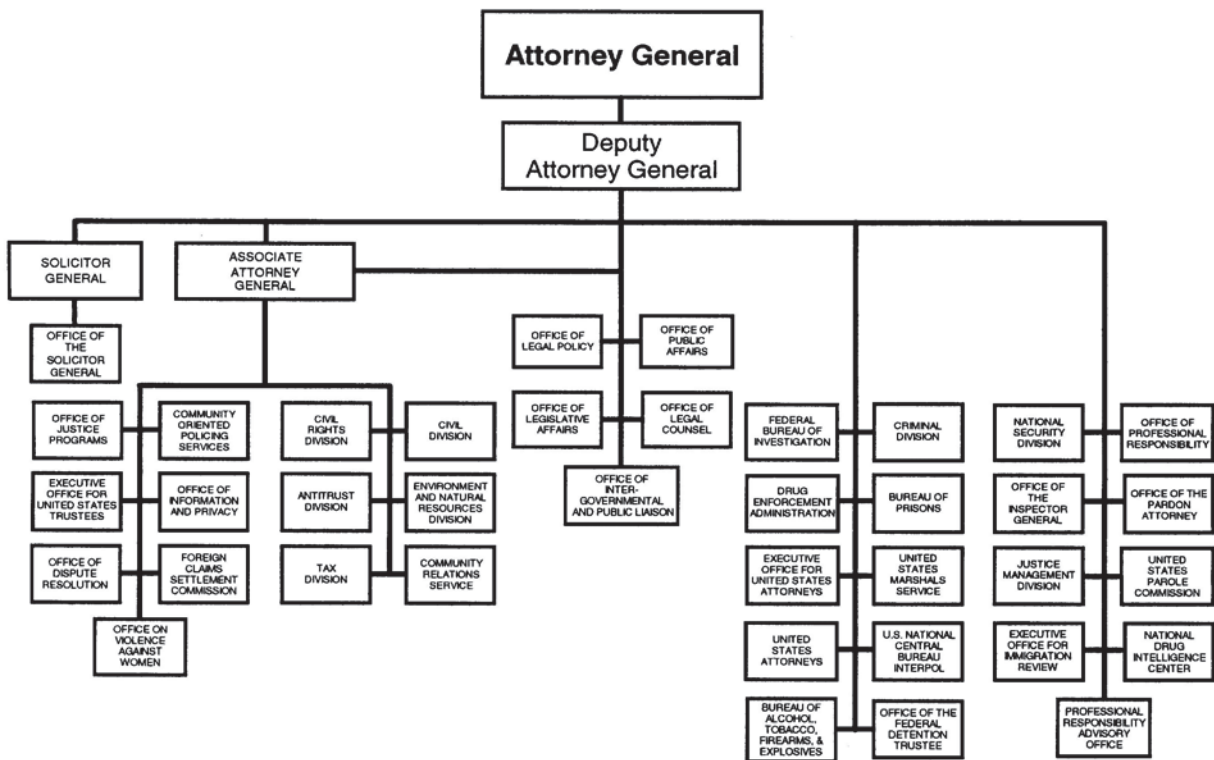
Strategic Goal		Strategic Objectives
I	Prevent Terrorism and Promote the Nation’s Security	<p>1.1 Prevent, disrupt, and defeat terrorist operations before they occur</p> <p>1.2 Strengthen partnerships to prevent, deter, and respond to terrorist incidents</p> <p>1.3 Prosecute those who have committed,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

Organizational and Financial Structure

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

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

U.S. DEPARTMENT OF JUSTICE



Approved by:  ALBERTO R. GONZALES
Attorney General

Date: 3-13-04

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

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

FY 2008 Resource Information

The following pages provide summary-level resource and performance information regarding the Department's operations for FY 2008. The charts on this page reflect employees on board as of September 30, 2008.

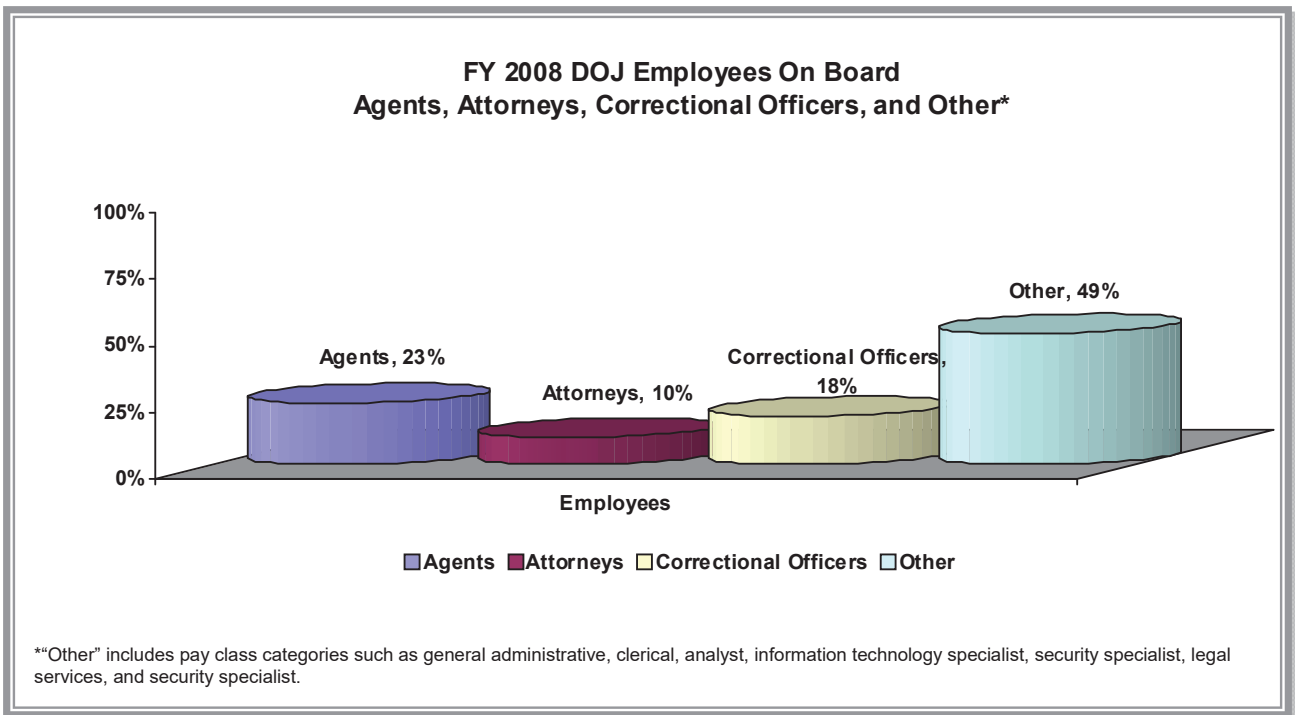
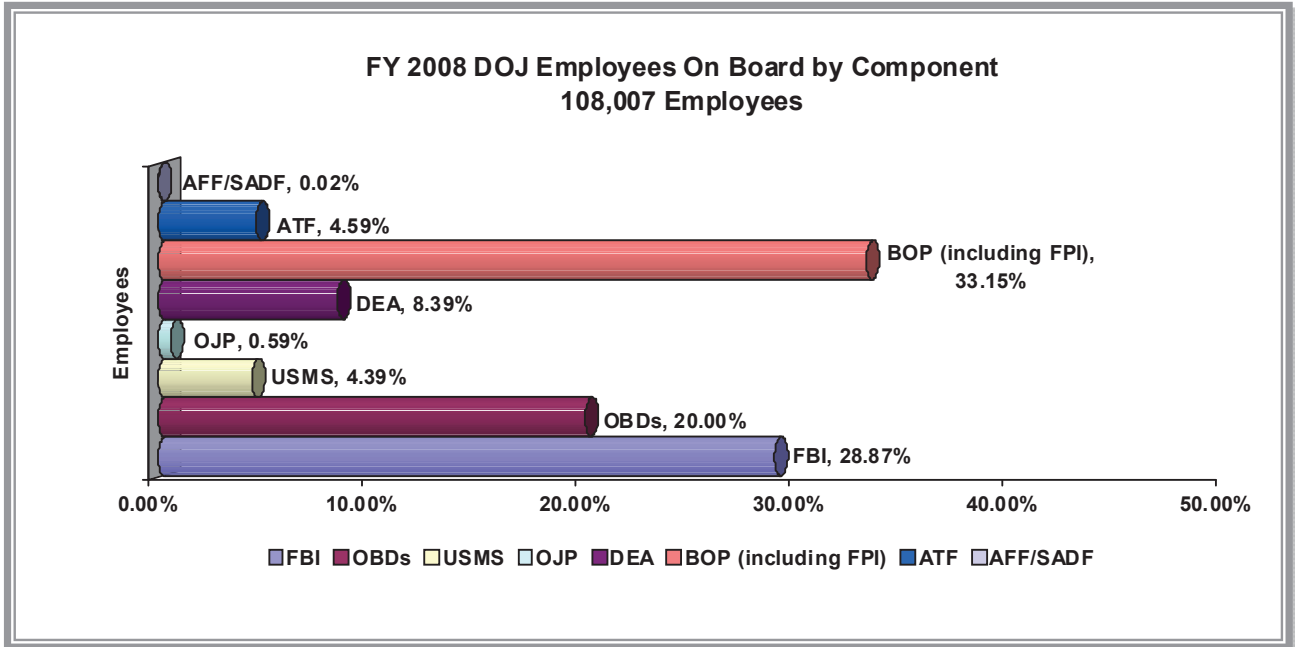


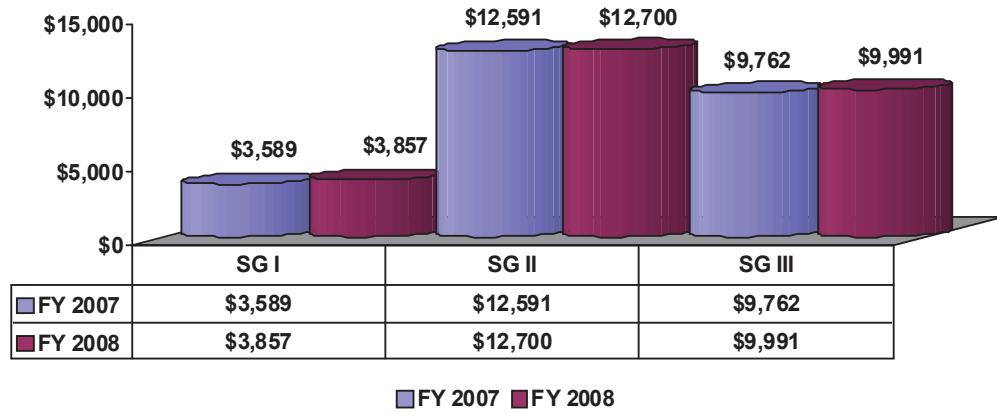
Table 1. Sources of DOJ Resources
(Dollars in thousands)

Source	FY 2008	FY 2007	% Change
Earned Revenue:	\$3,020,230	\$2,868,127	5.3%
Budgetary Financing Sources:			
Appropriations Received	24,080,707	23,278,824	3.4%
Appropriations Transferred In/Out	248,369	575,671	-56.9%
Nonexchange Revenues	981,803	1,132,312	-13.3%
Donations and Forfeitures of Cash and Cash Equivalents	1,222,643	1,409,015	-13.2%
Transfers In/Out Without Reimbursement	180,900	59,021	206.5%
Other Adjustments and Other Budgetary Financing Sources	(446,286)	(215,699)	-106.9%
Other Financing Sources:			
Donations and Forfeitures of Property	65,854	107,049	-38.5%
Transfers In/Out Without Reimbursement	(926)	(13,737)	93.3%
Imputed Financing from Costs Absorbed by Others	636,444	756,548	-15.9%
Total	\$29,989,738	\$29,957,131	0.1%

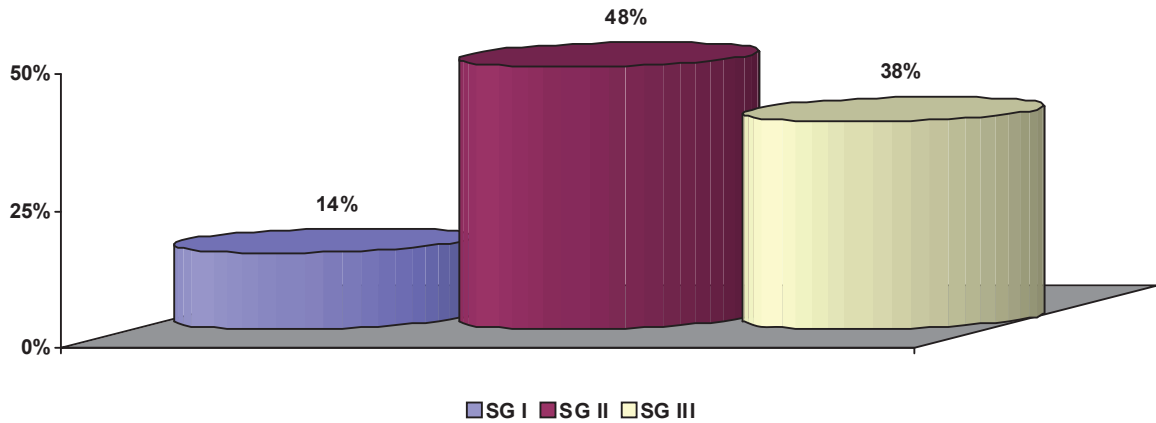
Table 2. How DOJ Resources Were Spent
(Dollars in thousands)

Strategic Goal (SG)	FY 2008	FY 2007	% Change
I Prevent Terrorism and Promote the Nation's Security			
Gross Cost	\$4,129,221	\$3,843,184	
Less: Earned Revenue	<u>271,989</u>	<u>254,139</u>	
Net Cost	3,857,232	3,589,045	7.5%
II Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People			
Gross Cost	13,940,154	13,844,437	
Less: Earned Revenue	<u>1,239,832</u>	<u>1,253,871</u>	
Net Cost	12,700,322	12,590,566	0.9%
III Ensure the Fair and Efficient Administration of Justice			
Gross Cost	11,499,473	11,122,188	
Less: Earned Revenue	<u>1,508,409</u>	<u>1,360,117</u>	
Net Cost	9,991,064	9,762,071	2.3%
Total Gross Cost	29,568,848	28,809,809	
Less: Total Earned Revenue	<u>3,020,230</u>	<u>2,868,127</u>	
Total Net Cost of Operations	\$26,548,618	\$25,941,682	2.3%

Comparison of Net Costs - FY 2007 and 2008
(Dollars in millions)



FY 2008 Percentage of Net Costs by Strategic Goal



Analysis of Financial Statements

The Department's financial statements, which appear in Section III of this document, received an unqualified audit opinion for fiscal years ended September 30, 2008 and 2007. These statements have been prepared from the accounting records of the Department in conformity with the accounting principles generally accepted in the United States and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. These principles are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The following provides highlights of the Department's financial position and results of operations in FY 2008. The complete set of financial statements, related notes, and the opinion of the Department's auditors can be found in Section III of this document.

Assets: The Department's Consolidated Balance Sheet as of September 30, 2008 shows \$29.3 billion in total assets, a decrease of \$113.2 million over the previous year's total assets of \$29.5 billion. Fund Balance with U.S. Treasury was \$15.6 billion, which represents 53 percent of total assets.

Liabilities: Total Department liabilities were \$8.6 billion as of September 30, 2008, a decrease of \$534.1 million from the previous year's total liabilities of \$9.1 billion.

Net Cost of Operations: The Consolidated Statement of Net Cost presents the Department's gross and net cost by strategic goal. The net cost of Department operations totaled \$26.5 billion for the year ended September 30, 2008, an increase of \$606.9 million (2.3 percent) from the previous year's net cost of operations of \$25.9 billion.

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

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

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

Budgetary Resources: The Department's FY 2008 Combined Statement of Budgetary Resources shows \$37.8 billion in total budgetary resources, an increase of \$1.0 billion from the previous year's total budgetary resources of \$36.8 billion.

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

Net Outlays: The Department's FY 2008 Combined Statement of Budgetary Resources shows \$26.9 billion in net outlays, an increase of \$3.3 billion from the previous year's total net outlays of \$23.6 billion.

Data Reliability and Validity

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

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

Analysis of Performance Information

According to the Government Performance and Results Act (GPRA) of 1993, an agency's Strategic Plan must be updated and revised at least every three years and cover a period of not less than five years forward from the fiscal year in which it is submitted. In May 2006, the Department began revising its FY 2003-2008 Strategic Plan and reviewing its related long-term measurable outcome goals. In April 2007, the FY 2007-2012 Strategic Plan was approved by OMB and sent to Congress for review and approval. The final FY 2007-2012 Strategic Plan was made available to the public in July 2007.

The Department's FY 2007-2012 Strategic Plan condenses the Department's four-goal structure into three goals. Additionally, the Department established 25 key performance measures addressing its highest priorities toward achieving these long-term outcome goals. The measures are included in the Department's annual *Budget and Performance Summary* and reported on in this document. The Department's full Performance Report for these measures, including an update on our progress toward meeting our FY 2012 long-term outcome goals, is included in Section II of this document.

During FY 2008, Departmental leadership continued to display a clear commitment to performance management through the reliance on formal quarterly status reviews. Additionally, Departmental components have worked to improve the quality and timeliness of financial and performance information that inform quarterly status reporting and operating plans.

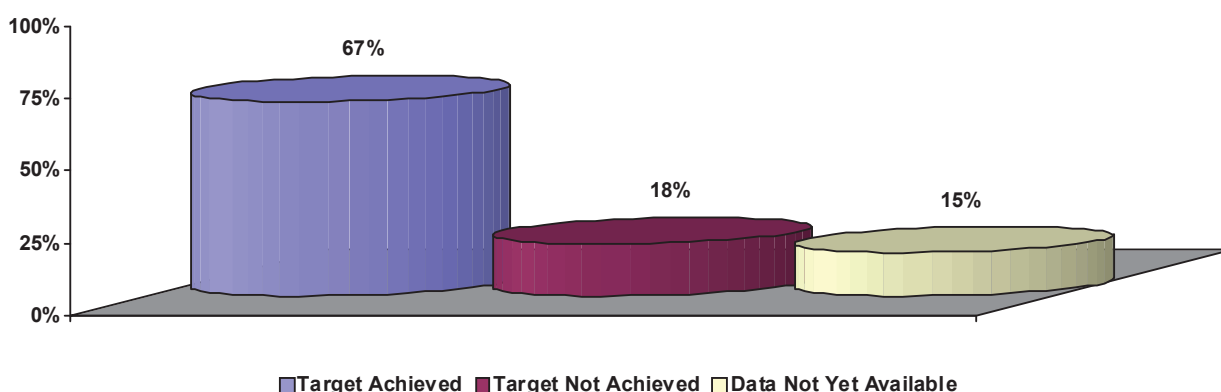
The Department achieved 67 percent of its key indicators in FY 2008, which is slightly lower than last year's overall success. However, this percentage may be higher as additional FY 2008 data become available; i.e., data for 15 percent of the key performance measures are on a calendar year reporting schedule or are subject to necessary data validation prior to release. Much of the Department's success can be attributed to increased emphasis on long-term and annual performance measure development due to OMB's Program Assessment Rating Tool (PART), placement of key performance indicators on cascading employee work plans beginning in December 2004, and the Department-wide quarterly status reporting implemented in the second quarter of FY 2005.

The Department achieved or surpassed 67 percent of its FY 2008 performance targets and maintained or surpassed its FY 2007 performance in 52 percent of the key performance measures. Performance improvements are still needed in areas where planned performance was not achieved. Knowing that focusing on mission, agreeing on goals, and reporting results are the keys to improved performance, the Department will continue to examine its performance management system overall and implement improvements, where necessary. Additional improvement areas include continuing to improve the quality and utility of performance information, developing the capacity to use performance information through the use of technology and reliable data systems, and continuing to work with OMB and other federal agencies to develop mechanisms to target and measure efficiency of law enforcement and regulatory programs.

In addition to its annual progress, the Department will continue to monitor progress made against its FY 2012 long-term performance goals for each of the 25 key performance measures. As of the close of FY 2008, 94 percent of the Department's long-term key measures are on-track for full achievement against FY 2012 targets. There are still four full years of performance remaining until the Department reports against planned progress, and a number of mechanisms are in place to ensure that the current progress is maintained, including quarterly status reporting, performance-informed budget submissions to request necessary/additional resources, and the OMB's PART to assist in making any serious deficiencies known to Departmental leadership so they can be corrected and remedied.

The chart below and the table that follows summarizes the Department's achievement of its FY 2008 key performance measures.

Achievement of FY 2008 Key Performance Measures



Note: The Department of Justice has 25 key performance measures. Some measures have more than one annual target; therefore, for purposes of illustrating the Department's achievement rate in the chart above, a universe of 33 instead of 25 was used.

[] Designates the reporting entity	FY 2008 Target	FY 2008 Actual	Target Achieved/ Not Achieved
Strategic Goal I: Prevent Terrorism and Promote the Nation's Security			
Terrorist acts committed by foreign nationals against U.S. interests within U.S. borders [FBI]	Zero	Zero	Achieved
Catastrophic acts of domestic terrorism [FBI]	Zero	Zero	Achieved
Strategic Goal II: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People			
Number of organized criminal enterprises dismantled [FBI]	34	34	Achieved
Number of child pornography websites or web hosts shut down [FBI]	1,000	1,525	Achieved
Percentage of firearms investigations resulting in a referral for criminal prosecutions [ATF]	58%	60%	Achieved
DOJ's reduction in the supply of illegal drugs available for consumption in the U.S. [ADAG/Drugs]	Progress towards establishing baseline ¹	TBD	TBD
¹ Measuring reduction in the illegal drug supply is a complex process reflective of a number of factors outside the control of drug enforcement. Moreover, the impact of enforcement efforts on the illegal drug supply and the estimated availability are currently not measurable in a single year. However, the Department is intent on achieving an interim goal of setting a baseline by the close of FY 2009. Once the baseline is set, the Department intends to achieve a 6 percent total reduction in the supply of illegal drugs available for consumption in the United States over the next three years.			
Consolidated Priority Organizations Target (CPOT)-linked drug trafficking organizations [DEA, FBI (Consolidated data - ADAG/Drugs)]			
Dismantled	115	102	Not Achieved ²
² The FY 2008 targets were very ambitious. Even though the Department experienced resource reductions for the OCDETF program in FY 2008, it was still able to achieve 102 dismantlements, a 19 percent increase over the 86 dismantlements in FY 2007. This achievement fell only 13 dismantlements (or 11 percent) short of the Department's ambitious goal.			
Disrupted	220	293	Achieved
Number of high-impact Internet fraud targets neutralized [FBI]	11	11	Achieved
Number of criminal enterprises engaging in white-collar crimes dismantled [FBI]	150	194	Achieved

	FY 2008 Target	FY 2008 Actual	Target Achieved/ Not Achieved
[] Designates the reporting entity			
Percent of cases favorably resolved: [ENRD, ATR, CRM, USA, TAX, CIV, CRT (Consolidated data - JMD/Budget Staff)]			
Criminal Cases	90%	92%	Achieved
Civil Cases	80%	79%	Not Achieved ³
³ The target for civil cases favorably resolved was missed. In Spring 2008, after it was announced that defendants who were convicted of Title 21 violations involving cocaine base or crack could be resentenced, the USAOs received a deluge of motions requesting that a resentencing hearing be held. The Department tracks these resentencing hearings through civil Legal Information Online Network Systems (LIONS). Based on the limited disposition choices available in LIONS, if a defendant's motion for resentencing was denied, or if at a defendant's resentencing hearing, the defendant was given the same sentence that was previously imposed, that case was placed in a Judgment for the United States category. However, if a defendant's motion for resentencing was granted and the defendant's sentence was decreased in any way, the case was tracked as a Judgment against the United States. Departmental records indicate that civil case terminations are up approximately 30.5 percent and that this number is largely due to crack resentencings. In conclusion, the crack resentencings have significantly skewed the numbers, making it numerically appear that there is a drop off in "favorably resolved" cases, when, in fact, the change in numbers actually reflects decreases in crack sentences and not changes in judgments for or against the United States.			
Percent of assets/funds returned to creditors: [USTP]			
Chapter 7	58%	TBD ⁴	TBD
Chapter 13	86%	TBD ⁴	TBD
⁴ Data lags one year due to the requirement to audit data submitted by U.S. Trustees prior to reporting. (FY 2007 target -- Chapter 7: 56%; FY 2007 actual -- Chapter 7: 61%) (FY 2007 target -- Chapter 13: 84%; FY 2007 actual -- Chapter 13: 86%)			
Homicides per site (funded under the Weed and Seed program) [OJP]	3.9	TBD ⁵	TBD
⁵ Data are collected on a calendar year basis and reported with a one year lag. (CY 2007 target -- 4.1 homicides per site; CY 2007 actual -- 3.5 homicides per site)			
Percent reduction in DNA backlog (casework only) [OJP]	26%	45%	Achieved
Percent of children recovered within 72 hours of an issuance of an AMBER alert [OJP]	75.0% or greater	81.9 %	Achieved
Strategic Goal III: Ensure the Fair and Efficient Administration of Justice			
Number of participants in the Residential Substance Abuse Treatment (RSAT) Program [OJP]	20,000	TBD ⁶	TBD
⁶ Data are collected on a calendar year basis and reported with a one year lag. (CY 2007 target -- 20,000; CY 2007 actual -- 26,991)			
Graduation rate of program participants in the Drug Courts program (adult drug court participants only) [OJP]	24%	12%	Not Achieved ⁷
⁷ The pool of program participants has increased by more than the pool of participants eligible for graduation, which has affected the graduation rate.			
Ensure judicial proceedings are not interrupted due to inadequate security [USMS]	Zero	1	Not Achieved ⁸
⁸ The Department was unable to meet its FY 2008 target of zero interrupted judicial proceedings due to inadequate security because of one courtroom incident. During this incident, a prisoner was being escorted to stand in front of the presiding judge. Before arriving in front of the judge, the prisoner lunged at the prosecuting attorney, attempting to choke her and forcefully knocking her to the ground. The Deputy U.S. Marshal made numerous strikes with an expandable baton to the prisoner's torso before placing a baton over the prisoner's throat and applying the minimum force necessary to cause the prisoner to break his hold. This move controlled the prisoner long enough to restrain him in handcuffs. At no time during the incident was the judge or the public in danger.			
Total primary fugitives apprehended or cleared [USMS]			
Number	32,370	34,393	Achieved
Percent	54%	55%	Achieved
Per day jail costs [OFDT]	\$65.62	\$67.47	Not Achieved ⁹
⁹ The target was not met due to several factors. Federal bed-space was not utilized as projected due to BOP reduction in available capacity. This resulted in using IGA bed-space at a higher cost. In addition, Operation Streamline did not generate the increase in ADP in specific locations and for the durations expected. This prevented OFDT from realizing the economies of scale factored for certain contracts. During FY 2009, OFDT will continue efforts to strengthen communication with our federal partners as they execute enforcement initiatives to stay abreast of impacts to detention as-well-as capitalize on maximum usage of federal beds to the extent possible.			
Percent of system-wide crowding in federal prisons [BOP]	39%	36%	Achieved

[] Designates the reporting entity	FY 2008 Target	FY 2008 Actual	Target Achieved/ Not Achieved
Ensure zero escapes from secure BOP facilities [BOP]	Zero	Zero	Achieved
Comparative recidivism for Federal Prison Industries (FPI) inmates versus non-FPI inmates [FPI / BOP provides data]			
Percentage less likely to recidivate: 3 years after release	15%	34%	Achieved
6 years after release	10%	42%	Achieved
Rate of serious assaults In federal prisons (per 5,000 Inmates) [BOP]	14/5,000 Assaults/Inmates	12/5,000 Assaults/Inmates	Achieved
Inspection results—Percent of federal facilities with American Correctional Association (ACA) accreditations [BOP]	99%	100%	Achieved
Percent of Executive Office for Immigration Review (EOIR) priority cases completed within established timeframes [EOIR]			
Asylum	90%	86%	Not Achieved ¹⁰
<i>10 The target was missed due to the high number of immigration judge vacancies as well as the great progress the courts made in the agency's initiative to complete the oldest pending cases. In the coming year, EOIR intends to fill immigration judge vacancies, which will allow for more cases, especially complex asylum cases, to be completed in a timely manner.</i>			
Institutional Hearing Program	90%	91%	Achieved
Detained Cases	90%	90%	Achieved
Detained Appeals	90%	96%	Achieved

TBD – Data are not available at this time, however, the discussion below the measure advises when data will be available.

President's Management Agenda: Summary of Implementation Efforts for FY 2008

In an effort to make government more citizen-centered and results-oriented, the OMB established the President's Management Agenda (PMA) in 2001, which heralded a strategy for improving the management of the federal government. The Department recognizes the importance of the PMA and, together with two additional initiatives specific to the Department, follows the PMA criteria to strengthen its management practices, increase transparency and accountability, and improve program performance.

In FY 2001, the OMB established criteria for determining if an agency was making progress in implementing the objectives outlined within the PMA. The OMB grades agency progress and provides status reports using a green, yellow, red grading system. A score of green identifies an agency as meeting all standards of success for a goal. A yellow score identifies an agency as achieving an intermediate level of performance for all criteria within a goal. The final rating of red defines an agency as having one or more weaknesses. The chart below provides the "overall status" regarding the Department's cumulative progress in meeting each of the objectives, as well as the "progress status" reflecting the Department's incremental progress as of September 30, 2008.

President's Management Agenda	Overall Status*	Progress Status	Overall Status Compared to FY 2007
Strategic Management of Human Capital	▼	●	↓
Commercial Services Management**	●	●	↔
Improved Financial Performance	▼	▼	↑
Expanded Electronic Government	▼	▼	↔
Performance Improvement Initiative	●	●	↔
Faith-Based and Community Initiative	●	●	↔
Real Property Asset Management Initiative	●	●	↔

Legend: ● = Green; ▼ = Yellow; ● = Red

*As of September 30, 2008

** Formerly, "Competitive Sourcing"

During FY 2008, although the Department dropped in Overall status in the Strategic Management of Human Capital initiative, the Department made significant progress in achieving the annual goals and long-term criteria outlined under the PMA. For example, the Department improved from "red" to "yellow" rating in the area of Improved Financial Performance due in part by receiving a clean audit opinion since FY 2005, possessing no chronic and significant Anti-Deficiency Act violations and having no material non-compliances with laws or regulations. Additionally, the Department maintained "green" in the Commercial Services Management, Performance Improvement, and Faith-based and Community and Real Property Asset Management Initiatives.

Additionally, the Department continued to create and retain a capable workforce; hold organizations and programs accountable by aligning budgets and performance; make decisions based on timely, sound financial information; expand technology to better serve the public; and manage our resources in ways that best serve the taxpayer. A full report outlining the FY 2008 progress under each PMA initiative is included in Section IV of this document.

Analysis of Systems, Controls, and Legal Compliance

Internal Control Program in the Department of Justice

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

The Department's internal control continues to improve through the corrective actions implemented by senior management. The Department's commitment to management excellence, accountability, and compliance with applicable laws and regulations shows in our efforts to establish reasonable controls, make sound determinations on corrective actions, and verify and validate the results. This commitment is further evidenced by the many control improvements and actions taken by Departmental leadership in response to the PMA, OMB initiatives, and OIG recommendations. For example, during FY 2008, Departmental management continued efforts to further strengthen and maximize the effectiveness of the Department's assessment of internal control over financial reporting, which is required by OMB Circular A-123, Appendix A. Examples of such efforts include:

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

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

Management Assurances

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act or FMFIA) provides the statutory basis for management's responsibility for and assessment of accounting and administrative internal 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 the agency to annually assess and report on the internal controls that protect the integrity of federal programs (FMFIA § 2) and whether financial management systems conform to related requirements (FMFIA § 4).

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

FMFIA Assurance Statement

Department of Justice management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA. In accordance with OMB Circular A-123, the Department conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations and compliance with applicable laws and regulations (FMFIA § 2) and whether financial management systems conform to government-wide requirements (FMFIA § 4). Based on the results of the assessment for the period ending September 30, 2008, I provide qualified assurance that the Department met the objectives of FMFIA. The assessment did not identify any systems non-conformances required to be reported under FMFIA § 4; however, the assessment identified two programmatic material weaknesses required to be reported under FMFIA § 2. These weaknesses involve the need to reduce the Bureau of Prisons (BOP) crowding rate, currently at 36 percent over the rated capacity, and the Federal Bureau of Investigation's (FBI) past issues with the use of National Security Letters. Details of the exceptions are provided in the section *Summary of Material Weaknesses and Corrective Actions*. Other than the exceptions noted, the internal controls were operating effectively, and no other material weaknesses were found in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment for the period ending June 30, 2008, I provide reasonable assurance that the Department's internal control over financial reporting was operating effectively, and no material weaknesses were found in the design or operation of the controls.

The Department of Justice is committed to strong program and fiscal management as we continue our mission of fighting terrorism and crime. We are dedicated to further improving the Department's internal controls and look forward to continued progress in this important area.



Michael B. Mukasey
Attorney General
November 12, 2008

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) 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 (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

FFMIA Compliance Determination

During FY 2008, the Department assessed its financial management systems for compliance with FFMIA and determined that, when taken as a whole, they substantially comply with FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to issues identified during the Department's financial statement audit.

Summary of the Department's Financial Statement Audit and Management Assurances

The following two tables summarize the results of the Department's financial statement audit and management assurances regarding the effectiveness of internal control over financial reporting and programmatic operations (FMFIA § 2), conformance with financial systems requirements (FMFIA § 4), and compliance with FFMIA.

Table 3. Summary of Financial Statement Audit

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

Table 4. Summary of Management Assurances

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

Summary of Material Weaknesses and Corrective Actions

A summary of the two material weaknesses identified in the Department's FY 2008 assessment of the effectiveness of internal control over programmatic operations (FMFIA § 2) follows, along with details regarding corrective actions. The associated Corrective Action Plans are available in Section IV of this document.

Programmatic Material Weakness and Corrective Actions – Prison Crowding

As of September 30, 2008, the BOP crowding rate at facilities housing federal inmates was 36 percent over the rated capacity. The BOP continues to manage the growing federal inmate population by contracting with the private sector and using State and local facilities for certain groups of low-security inmates, expanding existing institutions (where programmatically appropriate and cost effective to do so), and building new facilities. Effective use of these approaches will allow the BOP to keep pace with the growing inmate population, thereby ensuring safe and secure operations in facilities housing federal inmates.

To address this material weakness, the BOP will continue to increase the number of federal inmate beds to keep pace with projected increases in the inmate population. A formal corrective action plan has been developed to meet targeted goals that includes expanding existing institutions, acquiring surplus properties for conversion to correctional facilities, constructing new institutions, utilizing contract facilities, and exploring alternative options of confinement for appropriate cases. The BOP plans to validate progress on construction projects at new and existing facilities through on-site inspections or by reviewing monthly construction progress reports.

Programmatic Material Weakness and Corrective Actions – Federal Bureau of Investigation Use of National Security Letters

In March 2007, the Department of Justice OIG reported that the FBI's use of national security letters (NSL) has grown and shifted in focus since the enactment of the Patriot Act in October 2001. While the NSL remains a critical investigative tool, the OIG found significant weaknesses in the FBI's administration of the program. For example, weaknesses were reported involving the completeness and accuracy of the electronic database used for tracking NSL usage, consistent retention of signed copies of NSLs, and the lack of clear guidance on applying Attorney General Guidelines requirements for the use of NSLs.

To address this material weakness, the FBI has implemented many of the OIG recommendations and is in the process of completing additional corrective actions. An OIG follow-up report issued in March 2008 stated that the FBI and Department have made significant progress in implementing the recommendations in the initial OIG report. Improvements include strengthening the controls and automated workflow governing the request, review, and approval of NSLs; field office monthly reconciliations of NSL usage; and the database used for tracking NSL usage. The FBI has issued additional guidance to field offices to assist in identifying possible violations related to NSL use and continues to dedicate personnel and resources to fully remediate the findings reported by the OIG.

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

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

Restructuring the Intelligence Community

- In June 2005, in response to the recommendations presented by the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, the President directed the Department to create a National Security Division (NSD) within the Department. In addition, the FBI established the Directorate of Intelligence and is expanding its core of intelligence analysts. On March 9, 2006, President George W. Bush announced the new position of Assistant Attorney General for NSD in the Department. The new Division consolidates the resources of the Office of Intelligence Policy and Review and the Criminal Division's Counterterrorism and Counterespionage Sections in order to strengthen the Department's core national security functions. These organizational changes reinforce the Department's efforts to prevent terrorism and other threats to national security. The NSD improves coordination against terrorism within the Department of Justice, the Central Intelligence Agency, the Department of Defense, and other intelligence community agencies. The NSD became operational on September 28, 2006.

Technology

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

Economy

- Possible increases in consumer debt or shortage of commercial credit may affect personal and business bankruptcy filings.
- Economic growth and contraction, as well as globalization, are changing the volume and nature of anti-competitive behavior.
- The interconnected nature of the world's economy is increasing opportunities for criminal activity, including money laundering, white-collar crime, and alien smuggling.

Government

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

Globalization

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

Social-Demographic

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

The Unpredictable

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

Limitations of the Financial Statements

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

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

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

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Reports of Independent Auditors

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Financial Statements

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice (Department) as of September 30, 2008 and 2007, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended. These consolidated financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the U.S. Marshals Service, which statements reflect total assets of \$878.5 million and \$864.8 million, and total net costs of \$1.3 billion and \$1.2 billion, as of and for the years ended September 30, 2008 and 2007, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the U.S. Marshals Service, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice as of September 30, 2008 and 2007, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with U.S. generally accepted accounting principles.

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



Independent Auditors' Report on Financial Statements

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Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The September 30, 2008, consolidating and combining information in the *Consolidating and Combining Financial Statements* section is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net costs, changes in net position, budgetary resources, and custodial activity of the Department's components individually. The September 30, 2008, consolidating and combining information has been subjected to the auditing procedures applied by us and the other auditors in the audits of the consolidated financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The information in the *Introduction, Performance Section, Management Section, and Appendices* is presented for purposes of additional analysis and is not required as part of the consolidated financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audits of the consolidated financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2008, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 12, 2008



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control over Financial Reporting

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice (Department) as of September 30, 2008 and 2007, and the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources and custodial activity (hereinafter referred to as the "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 12, 2008. We did not audit the financial statements of the U.S. Marshals Service as of and for the years ended September 30, 2008 and 2007. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our report, insofar as it related to the amounts included for the U.S. Marshals Service, was based solely on the report of the other auditors.

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

As stated above, we did not audit the fiscal year 2008 financial statements of the U.S. Marshals Service. Those financial statements were audited by other auditors whose report thereon, including the other auditors' *Independent Auditors' Report on Internal Control*, has been furnished to us. Accordingly, our report on the Department's internal control over financial reporting, insofar as it relates to that component, is based solely on the report and findings of the other auditors.

The Department's management is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2008 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.



Independent Auditors' Report on Internal Control Over Financial Reporting

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A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's consolidated financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

In our fiscal year 2008 audit, we noted, and the report of the other auditors identified, certain matters described in Exhibits I and II that we and the other auditors consider to be significant deficiencies in internal control over financial reporting. However, we believe that none of the deficiencies described in Exhibits I and II is a material weakness. Exhibit I is an overview of the significant deficiencies identified in the Department's component auditors' *Independent Auditors' Reports on Internal Control Over Financial Reporting*, and includes an explanation of how these component-level significant deficiencies are reported at the Department level. Exhibit II provides the details of the Department-wide significant deficiencies. Exhibit III presents the status of prior years' Department-wide recommendations.

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

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

KPMG LLP

November 12, 2008

EXHIBIT I

OVERVIEW OF SIGNIFICANT DEFICIENCIES

The following table summarizes the 14 significant deficiencies identified by the Department's component auditors during fiscal year 2008. The component auditors also considered one of these significant deficiencies to be a material weakness. We analyzed the component-level material weakness and significant deficiencies to determine their effect on the Department's internal control over financial reporting and concluded that they comprise two Department-wide significant deficiencies.

Department Significant Deficiencies Noted During Fiscal Year 2008		D O J	O B D S	A F F	F B I	D E A	O J P	A T F	U S M S (1)	B O P	F P I
Improvements are needed in the Department's component financial systems' general and application controls.		S		S			S		S	S	S
Improvements are needed in the components' internal controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles.		S	S	S S S	S		S	S	M S		
Total Material Weaknesses Reported by Components' Auditors	FY 2008	1	0	0	0	0	0	0	1	0	0
	FY 2007	4	0	0	1	0	0	1	2	0	0
Total Significant Deficiencies Reported by Components' Auditors	FY 2008	13	1	4	1	0	2	1	2	1	1
	FY 2007	14	3	3	0	1	3	1	1	1	1

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

Legend:

⁽¹⁾ USMS's financial statements were audited by other auditors.

M – Material weakness

S – Significant deficiency

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

SIGNIFICANT DEFICIENCIES

IMPROVEMENTS ARE NEEDED IN THE DEPARTMENT'S COMPONENT FINANCIAL MANAGEMENT SYSTEMS' GENERAL AND APPLICATION CONTROLS.

While the Department has made significant progress in addressing previously-reported material weaknesses and significant deficiencies, the component entities' auditors continue to identify opportunities for improvement in the general and application controls designed and implemented to protect the integrity of information systems data. Although the corrective actions taken by the Department and its component entities over the past year have resolved prior-year deficiencies at four of the Department's nine component entities, component auditors continue to report significant deficiencies at five of the Department's component entities. Accordingly, additional corrective actions are needed to resolve this Department-wide significant deficiency.

In performing procedures on the components' financial management information systems, we and the other auditors considered the Government Accountability Office's *Federal Information System Controls Audit Manual*; the Department's Order No. 2640.2E, *Information Technology Security*; OMB Circular No. A-130, *Management of Federal Information Resources*; and technical publications issued by the National Institute of Standards and Technology (NIST).

In support of the Department's fiscal year 2008 consolidated financial statement audit, we performed a review of the DOJ information system (IS) general controls environment that provides general control support for several DOJ components' financial applications. The Department's OSS has primary responsibility over the IS general controls environment and the following services: (1) Technology Assessment and Planning Services, (2) Customer Services, (3) Infrastructure Services, and (4) Security and Business Continuity Services. We conducted our general controls environment review for the fiscal year ended September 30, 2008.

The following table depicts the IS general and application control weaknesses identified by the auditors related to five of the Department's nine component entities for fiscal year 2008. Following the table, we present brief summaries of the specific conditions reported by the components' auditors.

General & Application Control Weaknesses ⁽¹⁾	A F F	O J P	U S M S	B O P	F P I
Access Controls		X	X	X	X
Application Software Development and Change Controls/System Development Life Cycle (SDLC)		X	X		
Segregation of Duties					X
System Software	X		X	X	X
⁽¹⁾ This table summarizes the IS control weaknesses reported in the component auditors' <i>Independent Auditors' Reports on Internal Control Over Financial Reporting</i> . For the AFF, OJP, USMS, BOP, and FPI, the component auditors reported an IS-related significant deficiency.					

AFF – Improvements have been made to address the prior-year weaknesses in the area of change controls. However, weaknesses continue to exist in the Consolidated Asset Tracking System's (CATS) system software.

OJP – Improvements have been made to address all of the prior-year weaknesses. However, new weaknesses were identified in the areas of application change controls and access controls for certain financial applications.

USMS – Significant improvements have been made; however, opportunities for further improvements continue to exist within the IS environment. Prior year issues remain open and new issues were identified during fiscal year 2008. Specifically, weaknesses were noted in application change controls, system software, and access controls.

BOP – Access controls and system software weaknesses continue to exist in controlling access to financially-significant systems.

FPI – Improvements have been made to address the prior year weakness in application change controls. However, weaknesses in the IS and SAP general controls environment continue to exist in the areas of access controls, segregation of duties, and system software.

The weaknesses identified by the component auditors in the components' general and application controls increase the risk that programs and data processed on the components' information systems are not adequately protected from unauthorized access or service disruption.

Recommendation

We recommend the Department:

1. Require the components to submit and implement corrective action plans that address the weaknesses identified above. The corrective action plans should focus on correcting deficiencies in access controls, application change controls, segregation of duties, and system software weaknesses discussed in the component auditors' reports on internal control over financial reporting. The corrective action plans should also include a timeline that establishes when major events must be completed. The Department's CIO should monitor the components' efforts to correct deficiencies, hold them accountable for meeting the action plan timelines, and ensure the corrective actions are implemented adequately to address the noted deficiencies. *(Updated)*

Management Response:

DOJ management concurs. The Department's Office of the Chief Information Officer (OCIO), working with the Chief Financial Officer and component program managers as well as their respective CIOs, have made substantial progress in eliminating prior year significant deficiencies in Operation Services Staff (OSS), Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA) and Alcohol, Tobacco and Firearms (ATF). For the remaining components with significant deficiencies, the Department's CIO will ensure that robust corrective action plans are developed to address the weaknesses identified. These plans will be validated and monitored by the Department's OCIO to ensure corrective actions are institutionalized and program improvements are made. In addition, the Department's OCIO will ensure that all weaknesses identified in prior year audits are addressed and that enhancements in policies, processes, and work flow are implemented to provide the best possible support for successful financial audits. The corrective action plans are a subset of the Department's overall capital Plans of Actions and Milestones and are available to the Office of the Inspector General and reported to OMB in the Department's quarterly Federal Information Security Management Act (FISMA) Reports.

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

The Department and its component entities have made significant progress in addressing previously-reported material weaknesses and significant deficiencies in internal control. However, several of the component entities' auditors continue to report significant deficiencies in internal controls that inhibit the preparation of financial statements in accordance with generally accepted accounting principles. Further improvement is needed in the component entities' internal controls designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles.

The following component entity-level significant deficiencies comprise this Department-wide significant deficiency.

Funds Management Controls. The USMS does not have adequate financial and compliance controls to ensure that obligation transactions are executed and recorded in accordance with laws and regulations and the related open obligation balances are accurate and complete. While the USMS management implemented a new obligation review and certification process during fiscal year 2008, the process was evolving during the year and was not fully effective. The component auditors identified accounting errors and instances of noncompliance with accounting standards; OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, and the United States Standard General Ledger (USSGL), as follows:

Undelivered Orders

- As a result of their year-end test work, component auditors identified accounting errors related to the proper classification between undelivered orders and accounts payable for certain transactions and related balances. Included in the errors identified by the component auditors were (1) an overstatement of undelivered orders, with a corresponding understatement of accounts payable, in connection with projects for which the work completed to date was not properly recognized as an accounts payable, (2) a one-time year-end obligation for performance awards that should have been recorded as an accounts payable, with a corresponding reduction to undelivered orders, and (3) invalid undelivered orders for which an accounts payable should have been recorded (for goods or services received) or for which the balances were only partially de-obligated in error. The USMS's policies require that obligation balances be carefully monitored for accuracy and that quarterly reviews of outstanding obligation balances be performed to determine whether the balances are still valid and supported by adequate documentation. However, as a result of these accounting errors, the USMS's undelivered orders balance was overstated by a likely amount of \$48.7 million as of September 30, 2008. The component auditors identified similar accounting errors in their interim test work related to the USMS's quarterly undelivered orders balances.
- Procedures for reviewing and certifying undelivered orders and accounts payable before the monthly Financial Management System (FMS) closing process and as part of the quarterly obligation certification process were ineffective. As a result, the component auditors identified \$4.3 million of undelivered orders that should have been classified as accounts payable before FMS was closed. In addition to correcting this error, the USMS corrected an additional \$4.7 million error related to district office undelivered orders that originated in the Standard Tracking, Accounting, and Reporting System rather than the FMS.

Delivered Orders – Obligations Unpaid (Budgetary Accounts Payable). In their year-end testing of accounts payable, the component auditors identified accounting errors related to the USMS's accounts payable accrual

estimates. As a result of these accounting errors, the USMS's accounts payable balance was overstated by a likely amount of \$17.6 million as of September 30, 2008. These errors were not identified during the supervisory review process.

Unauthorized Commitments. The component auditors noted that the USMS made unauthorized commitments during the fiscal year in connection with projects related to the purchase, installation, and preventive maintenance and service of security equipment; a facilities lease; and a database software and licensing and maintenance agreement. The USMS processed 20 ratifications authorizing payments totaling \$9.0 million for these and other unauthorized commitments. The Federal Acquisition Regulation prohibits contracts from being entered into unless the contracting officer ensures that all requirements of law, executive orders, regulations, and other applicable procedures have been satisfied. Unauthorized commitments could result in Anti-Deficiency Act violations if there is not sufficient funding to cover such unauthorized commitments.

Accounts Payable. Component auditors noted that ATF demonstrated significant improvement in implementing policies and procedures developed in response to their recommendations made to address a material weakness that was first identified during the fiscal year 2004 audit. While errors were identified by the component auditors in their interim testing of the accounts payable balances, the errors were not as significant as in prior years and did not resurface at year-end.

In its interim internal control testing of accounts payable transactions and related balances, component auditors noted the following:

- As of March 31, 2008, the obligated balances for 2 out of 73 (2.7%) undelivered orders were not recorded accurately.
- As of March 31, 2008, the accounts payable amounts for 4 out of 19 (21.1%) balances reviewed were not calculated accurately, resulting in a likely overstatement of \$2.0 million.
- As of June 30, 2008, the obligated balance for 1 out of 75 (1.3%) undelivered orders was not recorded accurately.
- As of June 30, 2008, the accounts payable amount for 1 out of 20 (5.0%) balances reviewed was not calculated accurately, resulting in a likely overstatement of \$1.9 million.

Component auditors identified no errors in their testing of undelivered orders and accounts payable balances as of September 30, 2008. As a result of the improvement made, component auditors downgraded the prior-year material weakness to a significant deficiency in fiscal year 2008. ATF management should strive to sustain the effects of the internal control improvements made to provide reasonable assurance that the errors identified in the component auditors' interim test work do not recur and have a material effect on the accuracy of the accounts payable balance.

Grant Advances and Obligations. Component auditors noted that improvements were needed in OJP's grant advance estimation and grant de-obligation processes, as follows:

Grant Advance Estimation Process. During their testing of the OJP's fiscal year 2008 grant accrual methodology, component auditors observed overstatements in the estimated advance amounts. In addition, component auditors noted as a result of their review of OJP's "look-back" analysis that the variance between the estimated advances and actual advances (based on reviews of the subsequently-submitted SF-269s, *Financial Status Reports*) increased significantly from September 30, 2007 to March 31, 2008. For the quarters ended September 30, 2007, December 31, 2007, and March 31, 2008, the variances were 4%, 14%, and 22%, respectively.

OJP's *Policies and Procedure for Validating the Estimated Grant Accrual* provides guidance related to the periodic review, analysis, and validation of the grant accrual amounts posted to the general ledger. This policy states that OJP should determine that estimates are calculated and presented both fairly and reasonably for the financial statements and, when discrepancies occur, OJP should perform a more in-depth analysis. OJP management should validate the approach each quarter based on receipt of additional SF-269 data and revise the methodology, as appropriate. Management's current judgment about the adequacy of the grant accrual is a critical component of the methodology. Accrual results should be reviewed by the Office of the Comptroller and documentation of the review maintained.

The increase in the rate of variance for the three quarters mentioned above can be attributed to a significant change in the composition of OJP's block grant portfolio over the past few years. While OJP made revisions to its grant accrual methodology at the beginning of the fiscal year to address the changes that have occurred in its grant portfolio, the revised grant accrual methodology did not result in reasonably accurate grant advance estimates. As a result, the advance balance was overstated by a likely amount of \$40.0 million as of March 31, 2008. While this condition remained unresolved as of June 30, 2008, OJP made revisions to its grant advance estimation methodology that resulted in reasonable estimates of the grant advance balance as of September 30, 2008.

Grant De-obligations. In testing undelivered orders (UDO) balances, component auditors noted that although improvements had been made to OJP's grant closeout process, additional progress is needed in the timely de-obligation and closeout of grants. Specifically, the component auditors identified approximately 1,200 out of 17,800 grants as of March 31, 2008, and 1,000 out of 18,300 grants as of June 30, 2008, had not been fiscally closed out and/or funds de-obligated within 180 days from the grant end date. From September 30, 2007, to September 30, 2008, OJP made progress by reducing the number of open grants pending closeout from approximately 1,600 to approximately 770. However, the issue of grants pending closeout continues to be a concern due to the backlog of open grants with expired end dates.

OJP's grant closeout policy, *Financial Closeout of OJP Grants*, provides for the closing out of grants to finalize the programmatic and financial activities on grants and to comply with Federal government grant administration requirements. Grantees are required to submit all closeout documents and complete all closeout requirements within 90 days after the end date of the grant. The grant closeout policy affords the program office 120 days after a grant's end date or submission of the final SF-269 to send a grant closeout package to the Office of Comptroller. The Office of Comptroller must complete closeouts within 180 days after the end date of the grant. If a grantee fails to provide the program office with the information needed for a standard closeout within 120 days of the end date of the grant, an administrative closeout is required.

In their review of expired grants with unliquidated balances, component auditors noted that the undelivered orders balance was overstated in OJP's financial statements by likely amounts of \$73.3 million and \$63.3 million for the fiscal quarters ended March 31 and June 30, 2008, respectively. Based on an analysis of historical data, OJP made adjustments of \$62.4 million and \$40.6 million to the undelivered orders balances as of March 31 and June 30, 2008, respectively. As a result of these adjustments, the amount of the overstatement of OJP's undelivered orders balances was reduced to approximately \$10.9 million and \$22.7 million as of March 31 and June 30, 2008, respectively. OJP's March 31, 2008 and June 30, 2008 UDO balances were approximately \$2.9 billion and \$3.1 billion, respectively.

At September 30, 2008, there were approximately \$53.4 million of outstanding award balances related to grants that had been expired for six months or more. Of this amount, OJP recorded an accrued expenditure for \$11.6 million and de-obligated \$29.7 million. The remaining balance of expired grant UDOs was approximately \$12.1 million.

Obligations and Disbursements. Component auditors noted that improvements are needed in the AFF's internal controls related to the processing and recording of obligations and related disbursements. In conducting interim and year-end tests of internal controls, undelivered orders, and accounts payable balances; component auditors identified various valuation and classification errors, including: (1) obligated balances that were not liquidated after receipt of the final invoice, (2) transactions recorded as undelivered orders after the related services were received, (3) obligations recorded as delivered prior to receipt of the services, (4) obligations not liquidated due to the duplicate recording of the obligations, (5) an obligation classified as delivered-unpaid after payment for the services was made, and (6) a disbursement recorded as a disbursement refund as opposed to a revenue receipt. These valuation errors had an absolute dollar value of approximately \$6.0 million as of the interim or year-end balance sheet dates.

These valuation and classification errors occurred because the Asset Forfeiture Program participating agencies did not ensure the timely reclassification of previously created undelivered orders balances to delivered-unpaid status before initiating the disbursement of funds through the Intra-Governmental Payment and Collection system, which resulted in the undelivered orders balances not being reduced upon receipt of the related services. In addition, participating agencies did not perform adequate periodic reviews of open obligations to ensure their continued validity and the accuracy of the recorded amounts.

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

Internal Controls Related to Status and Valuation. In conducting tests of transactions recorded in the Consolidated Asset Tracking System (CATS) as of June 30 and August 31, 2008, component auditors observed various status and valuation errors, including: (1) seized property under-valuations and over-valuations, (2) forfeited property under-valuations and over-valuations, (3) a seized property item recorded as on-hand that should have been classified as disposed of. These status and valuation errors had an absolute dollar value of approximately \$4.8 million as of June 30 and August 31, 2008, combined, while the undelivered orders balance was overstated by \$200 thousand as of September 30, 2008.

In addition to the errors noted in the recording of valued items, component auditors also noted that 9 out of 345 (2.6%) non-valued items tested were recorded as on-hand but should have been classified as disposed of. These errors, if not detected and corrected, would result in inaccurate reporting of the number of non-valued items on-hand in the notes to the AFF's financial statements.

Internal Controls Related to the Deletion of Records from CATS. In conducting tests related to the deletion of property records from CATS, component auditors noted that 4 out of 45 (8.9%) Drug Enforcement Administration records were not properly authorized prior to their removal from CATS. If not properly authorized, such deletions could result in misstatements in the notes to the AFF's financial statements.

SFFAS No. 3, *Accounting for Inventory and Related Property*, states that seized and forfeited property should be properly classified as of the financial reporting date. Seized property other than monetary instruments shall be disclosed in the footnotes and its value accounted for in the agency's property management records until the property is forfeited, returned, or otherwise liquidated.

Financial Accounting and Reporting Quality-Control and Assurance. The USMS implemented several new quality control procedures during fiscal years 2008 and 2007 that enhanced its ability to prepare interim and final financial statements within prescribed timeframes and with more accuracy. However, improvements are still needed. The USMS's management review of controls over the accuracy and completeness of the underlying accounting data were ineffective in ensuring that all transactions were recorded, processed, summarized, and reported in accordance with the United States Standard General Ledger (USSGL); OMB

Circular No. A-136, *Financial Reporting Requirements*; and federal accounting standards. This control deficiency has been reported in the USMS's *Independent Auditors' Report on Internal Control* for the past eight years.

The USMS's Office of Finance employs a core group of personnel and contractors to perform the financial statement preparation and quality-control and assurance functions. Although there has been recent continuity among this core group, the environment is still fragile due to heavy reliance on a few key individuals and the limited time for completing year-end reporting. The component auditors noted that improvements are still needed in the following areas.

Financial Statement Preparation. Based on their review of the USMS's interim and year-end financial statements, the component auditors identified the following misstatements that were not detected during the USMS's quality control review:

- Errors were made in the September 30, 2008, financial statement footnotes, including: (1) the improper classification of a \$4.5 million General Services Administration lease as non-federal capitalized property, (2) a \$3.7 million understatement of Resources that Finance the Acquisition of Assets that resulted from the improper write-off of a capital lease that expired during the year, and (3) a \$5.1 million unexplained difference in the reconciliation of net costs to the budget.
- Errors were made in the June 30, 2008, financial statements, including: (1) a \$6.3 million overstatement of Intragovernmental Gross Costs and a corresponding understatement of Gross Costs with the Public, (2) a \$24.5 million understatement of "All Other Funds" revenue and costs in the Net Cost of Operations by Sub-organization footnote, and (3) federal and non-federal capitalized property were overstated by \$1.1 million and understated by \$1.1 million, respectively, in the General Property, Plant and Equipment footnote.

General Ledger Account Balances Review and Validation. Component auditors noted that the USMS's September 30, 2008, and June 30, 2008, trial balances included several improper or abnormal balances and account relationship anomalies that resulted from transaction-level posting errors. The following errors identified by the component auditors were not detected by the USMS during its financial reporting process:

- The September 30, 2008, trial balance contained a \$3.1 million abnormal debit balance in the Disbursements in Transit account because the USMS did not properly record a September 2008 construction-related payment.
- A journal entry resulting in the reclassification of obligations between undelivered orders and accounts payable was intended to have the effect of increasing accounts receivable in connection with certain of the USMS's reimbursable activity. This misclassification resulted in a \$4.7 understatement of accounts receivable and a corresponding overstatement of unfilled customer orders without advance.
- The June 30, 2008, trial balance contained a \$5.0 million abnormal debit balance in the Accrued Payroll Benefits account because National Finance Center payroll entries to record payment of tax liabilities were posted to the Accrued Payroll Benefits account, while the liability was accrued in the Other Liabilities account.
- The USMS made errors in posting elimination entries for its intra-fund activity as of June 30, 2008, including a \$6.1 million reposting (as opposed to the intended reversal) of a June 30, 2008 elimination entry amount resulting from the reversal of an intra-fund accounts receivable having been posted using the wrong standard accounting event code.

- The USMS understated accounts payable and operating expenses by \$7.8 million for a particular trading partner on the June 30, 2008 "Intragovernmental Activity and Balances Form" as a result of an error made when manually calculating the amount of these balances attributable to this trading partner.

Verification of Audit Deliverables. A data download of undelivered orders as of September 30, 2008, submitted for audit testing included a balance that differed from the corresponding trial balance amount by approximately \$6.4 million. The data download did not include any data comprising the amount recorded in the trial balance for X-year funds for budget fiscal years prior to 2003. This exclusion was not identified as part of the reconciliation process because a pivot table used in the reconciliation also excluded the relevant data.

Ineffective financial reporting controls, including review and validation of general ledger account balances and the verification of data downloads provided to the auditors for use in their test procedures can have an adverse effect on the reliability of data included in the USMS's and the Department's financial statements and result in audit opinion modifications and the identification of significant internal control deficiencies.

The Financial Reporting Environment. Component auditors noted deficiencies in the AFF's internal controls related to data uploads made into the Financial Management Information System 2 (FMIS2) and the related reconciliation of amounts recorded in the general ledger. Specifically, the component auditors identified differences between the subsidiary ledger detail files uploaded from the USMS and the balances recorded in the AFF's general ledger (FMIS2) used for financial reporting, as follows:

- The Non-exchange Revenue subsidiary balance for the year ended September 30, 2008, exceeded the balance recorded in FMIS2 by approximately \$4.4 million. This variance was approximately \$1.6 million and \$7.7 million as of June 30, 2008, and March 31, 2008, respectively.
- The Undelivered Orders subsidiary balance for the year ended September 30, 2008, exceeded the balance recorded in FMIS2 by approximately \$300 thousand. This variance was approximately \$1.0 million and \$2.0 million as of June 30, 2008, and March 31, 2008, respectively.
- The Delivered-Unpaid subsidiary balance for the year ended September 30, 2008, exceeded the balance recorded in FMIS2 by approximately \$700 thousand. This variance was approximately \$300 thousand and \$200 thousand as of June 30, 2008, and March 31, 2008, respectively.
- The Delivered-Paid subsidiary balance for the year ended September 30, 2008, was approximately \$200 thousand less than the balance recorded in FMIS2. This same subsidiary balance exceeded the balance recorded in FMIS2 by approximately \$800 thousand and \$600 thousand as of June 30, 2008, and March 31, 2008, respectively.

These differences occurred because of inadequate controls over the timely upload and subsequent reconciliation of financial data from the USMS's financial systems into FMIS2. The failure to identify and correct such reconciliation differences can result in the misstatement of related financial statement account balances. OMB Circular No. A-123, *Management's Responsibility for Internal Control*, calls for the periodic review and reconciliation of data as part of management's continuous monitoring of internal control.

The Financial Reporting Process. Component auditors noted several areas in which the FBI lacks sufficient controls over its financial reporting process. Specifically, component auditors noted insufficient quality assurance controls over financial statements and footnotes at year-end. During their review of the draft fiscal

year 2008 financial statements, they noted discrepancies between the principal statements and footnotes, instances in which the financial statements did not conform to DOJ financial statement requirements and preparation instructions, errors within the presented footnotes, and oversights in version control of the financial statement template.

Component auditors also noted that formal policies and procedures (including desk manuals) are either outdated or incomplete for many of the roles, responsibilities, processes, and functions performed within the FBI's Finance Division. For example, they noted that improvements are needed in the formal documentation of the preparation and review of the quarterly financial statements and footnotes, as well as the reconciliation and review of Fund Balance with Treasury amounts.

According to OMB Circular No. A-123, *Management's Responsibility for Internal Control*, meeting the accelerated financial statement reporting due date provides incentive for agencies to have added discipline and effective internal control to routinely produce reliable financial information. Deficiencies in internal control need to be mitigated to ensure timely and accurate financial information.

The FBI's current legacy accounting system, the Financial Management System (FMS), is over 25 years old. It was not designed for today's demands for real-time financial information, nor was it designed for Federal budgeting and accounting purposes. Many of the financial reporting issues identified resulted from system limitations in the legacy accounting system. The FBI has developed extensive manual accounting processes and methods to compensate for the limited capabilities of its financial management system in order to maintain the integrity of the FBI's financial records and statements.

The FBI is scheduled to implement a Department financial management system, the Unified Financial Management System (UFMS), which is anticipated to deliver substantially improved reporting and accounting capability for all components within DOJ.

Preparation, Review, and Approval of Journal Entries. Component auditors noted deficiencies in both the design and operation of controls related to the preparation, review, and approval of journal entries recorded in the OBDs' financial management system and as "on-top" adjustments within its financial statement preparation database. These journal entries are used to process a high volume and material dollar amount of routine and non-routine entries each fiscal quarter.

Component auditors also noted that an additional compensating corrective action, which would have helped detect journal entry errors, and which was agreed to in response to a fiscal year 2007 audit finding, was not consistently performed during fiscal year 2008. Many of the journal entry-related errors identified in fiscal years 2007 and 2008 would have been detected by a fund-level quarterly budgetary-to-proprietary account relationship analysis and an analysis of abnormal account balances. Component auditors did not receive documentary evidence that such a review was consistently performed in fiscal year 2008.

Specifically, component auditors noted the following errors:

- The OBDs included two cancelled Treasury Account Symbols in the Fund Balance with Treasury (FBWT) line item reported on the September 30, 2008, balance sheet. The OBDs did not make the appropriate proprietary entry to cancel the appropriations, which resulted in an \$18.5 million misstatement in FBWT (overstated) and unexpended appropriations (overstated). This entry was subsequently corrected by JMD.
- Within the Journal Module used to post both routine and non-routine journal entries, the incorrect posting of a non-routine journal entry resulted in a \$1.6 million overstatement of delivered orders, unexpended appropriations, expended appropriations, and an understatement of allotments – realized resources.

Component auditors also identified Journal Module entries that did not include evidence of appropriate review or adequate supporting documentation.

Although component auditors noted improvement in the segregation of duties related to the processing of journal entries, they noted deficiencies in the recording of journal entries in the general ledger and the lack of abnormal account balance review. Specifically, they identified errors in the recording of four journal entries at year-end that were not detected and corrected as a result of the review-and-approval control designed for this purpose. Among the errors identified were journal entries affecting contingent liabilities, expired appropriations, unexpended appropriations, undelivered orders, and delivered orders. The erroneous journal entries of significant amounts were subsequently corrected by management.

It is the policy of OBDs' management that control should be exercised over journal entries through high-level management review of the closing trial balance and the budgetary and proprietary financial statements, as opposed to through the review and approval of every journal entry individually. These management review controls failed to detect and correct the deficiencies and errors noted above. Moreover, it was not evident to the component auditors that such deficiencies and errors would have been detected and corrected prior to the financial statements having been issued had they not been detected as part of the external audit process.

In summary, certain components' internal controls do not provide reasonable assurance that financial transactions are properly recorded, processed, summarized, and documented to permit the preparation of financial statements in accordance with generally accepted accounting principles. Improvements are still needed in the components' day-to-day adherence to standardized accounting policies, as set forth in the Department's *Financial Statement Requirements and Preparation Guide*, to provide for accuracy and consistency in the component entities' and the Department's financial statements.

Recommendations:

We recommend the Department:

2. Monitor the corrective actions taken by the USMS to improve the condition of its funds management controls, in response to the specific recommendations made in the component auditor's *Independent Auditors' Report on Internal Control* issued in connection with the audit of the USMS's financial statements as of and for the year ended September 30, 2008. (*Updated*)

Management Response:

DOJ management concurs. The Justice Management Division (JMD) will continue to work with the USMS to document and improve processes related to external reporting to include financial statement preparation and re-evaluate their business processes and financial activities associated with accounts payable and undelivered orders. In FY 2009, the USMS's Office of Finance will continue to coordinate with relevant offices, internal and external, to ensure that advance reconciliations and analyses are performed at least quarterly and discrepancies resolved timely. Further, designated individuals will ensure corrective actions are in place to reduce or eliminate audit concerns as well as identify and incorporate sustaining best practices. The Management and Budget Divisions will work with the Office of Compliance Review to provide training and other information or data necessary so independent reviews of open obligations can routinely be conducted to identify risks and recommend corrective actions to ensure compliance with accounting standards and regulations. In addition, the JMD Finance Staff will assist in the reviews, by pulling samples and reviewing internal processes and reviews for obligations, procurements and JPATS activities.

3. Assess the adequacy and completeness of the Department's accounting and financial reporting policies in the areas of: (a) accounts payable; (b) grant advances and obligations; (c) obligations and disbursements; (d) seized and forfeited property; (e) financial accounting and reporting and related quality assurance processes; and (f) preparation, review, and approval of journal entries. Based on the results of this assessment, determine the need to issue new guidance and/or reiterate to components the existing policies for those areas in which the components' auditors identified significant deficiencies related to the recording of transactions and the preparation of financial statements in accordance with generally accepted accounting principles. Monitor the components' adherence to the Department's accounting and financial reporting policies and procedures throughout the year. *(Updated)*

Management Response:

DOJ management concurs. The OJP will continue its efforts to reduce the number of grants that are 180 days or more past their end dates and are pending close out. Procedures were implemented in FY 2008 to include formalizing inter-office coordination and tracking, availability of reports within the OJP, increased customer involvement, and integrating the closeout process into OJP's daily business environment which resulted in closing over 7,000 grants. As of September 30, 2008, the OJP devised new procedures for estimating the grant accrual for grants with expired end dates. These estimation techniques will be further refined in FY 2009.

The OJP also began using the FMIS2+ as their official accounting system in FY 2008. Posting logic was reviewed, updated, or added to comply with the USSGL. FMIS2+ posting logic will continue to be reviewed and updated in FY 2009 to include transaction-driven entries for standard activity like upwards and downwards adjustments. This should reduce the number of journal entries required. Corrective actions will be taken to address any deficiencies to include descriptions of the activity, documentation, tightened controls on entries requiring supervisory or secondary approval, and independent reviews each quarter. JMD will also incorporate into their quarterly financial reporting controls the performance of fund code level account relationship analyses. This will include a reconciliation of expended and unexpended appropriations to the relevant proprietary and budgetary accounts for all material funds.

JMD will continue to work with various financial and property management offices, to ensure all property is accounted for accurately, to include real, accountable, seized and forfeited.

Management believes that the adequacy and completeness of existing practices and procedures are sufficient and that errors are primarily related to individuals needing to be more diligent in their period end review of transactions. Management also believes that there are adequate compensating controls to prevent material misstatements from occurring.

4. Continue efforts to implement a Department-wide integrated financial management system that is in compliance with the United States Government Standard General Ledger, conforms to the financial management systems requirements established by the Financial Systems Integration Office (formerly the Joint Financial Management Improvement Program), and can accommodate the requirements of applicable Federal accounting standards. *(Repeat)*

Management Response:

DOJ management concurs. The Unified Financial Management System (UFMS) initiative is a keystone to the Department's financial systems improvement planning for the future. UFMS is replacing the Department's multiple core financial management and procurement system with an integrated Commercial Off-The-Shelf (COTS) solution, Momentum, provided by CGI Federal Inc. Implementation of the UFMS will improve financial management and procurement operations through streamlining and standardizing business processes and procedures across all components. Progress in FY 2008 regarding the Department's implementation of its Unified Financial Management System included: Asset Forfeiture Program pilot project went live in November 2007; DEA completed requirements, design, and configuration phases and plan to go live December 2008; FBI continued work on preparation for UFMS and assessing the UFMS Contract writing tool; and ATF has begun to plan for its UFMS implementation.

EXHIBIT III

STATUS OF PRIOR YEARS' RECOMMENDATIONS

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, and by OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of prior years' findings and recommendations. The following table provides our assessment of the progress DOJ has made in correcting the significant deficiencies identified during this audit. We also provide the Office of the Inspector General report number where the deficiency remains open, the fiscal year it was identified, our recommendation for improvement, and the status of the deficiency as of the end of fiscal year 2008:

Report	Significant Deficiency	Recommendation	Status
Annual Financial Statement Fiscal Year 2007 Report No. 08-01	Improvements are needed in the Department's component financial management systems' general and application controls	Recommendation No. 1: Require the components' and the OSS's Chief Information Officers (CIO) to submit and implement corrective action plans that address the weaknesses identified. The corrective action plans should focus on correcting deficiencies in entity-wide security, access controls, application software development and change controls/SDLC, and system software weaknesses discussed in the component auditors' reports on internal control and the general controls environment limited-distribution reports. The corrective action plans should also include a timeline that establishes when major events must be completed, and the Department's CIO should monitor components' efforts to correct deficiencies, hold them accountable for meeting the action plan timelines, and ensure the corrective actions are implemented adequately to address the noted deficiencies.	In Process (Updated by FY 2008 Recommendation No. 1)
	Improvements are needed in the components' internal controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the	Recommendation No. 2: Monitor the corrective actions taken by the USMS to improve the condition of its financial statement quality control and quality assurance processes and funds management controls, in response to the specific recommendations made in the component auditor's <i>Independent Auditors' Report on Internal Control</i> issued in connection with the audit of the USMS's financial statements as of and for the year ended September 30, 2007.	In Process (Updated by FY 2008 Recommendation No. 2)

Report	Significant Deficiency	Recommendation	Status
	preparation of financial statements in accordance with generally accepted accounting principles	<p>Recommendation No. 3: Monitor the corrective actions taken by ATF to improve the condition of its accounts payable process, in response to the specific recommendations made in the component auditor's <i>Independent Auditors' Report on Internal Control</i> issued in connection with the audit of the ATF's financial statements as of and for the year ended September 30, 2007.</p>	<p>In Process (Updated by FY 2008 Recommendation No. 3)</p>
		<p>Recommendation No. 4: Assess the adequacy and completeness of the Department's accounting and financial reporting policies and procedures in the areas of: (a) grant advances and the grant-related accounts payable estimation methodology, (b) budgetary accounting for grant obligations, (c) budgetary and proprietary accounting related to the status of obligations and disbursements, (d) status, valuation, and completeness of seized and forfeited property, and (e) preparation, review, and approval of journal entries. Based on the results of this assessment, determine the need to issue new guidance and/or reiterate to components the existing policies for those areas in which the components' auditors identified internal control weaknesses related to the recording of transactions and the reporting of financial results. Monitor the components' adherence to the Department's accounting and financial reporting policies and procedures throughout the year.</p>	<p>In Process (Updated by FY 2008 Recommendation No. 3)</p>
		<p>Recommendation No. 5: Continue efforts to implement a Department-wide integrated financial management system that is in compliance with the United States Government Standard General Ledger, conforms to the financial management systems requirements established by the Financial Systems Integration Office (formerly the Joint Financial Management Improvement Program), and can accommodate the requirements of applicable Federal accounting standards.</p>	<p>In Process (FY 2008 Recommendation No. 4)</p>

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of Justice

United States Attorney General
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice (Department) as of September 30, 2008 and 2007, and the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources and custodial activity (hereinafter referred to as the "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 12, 2008. We did not audit the financial statements of the U.S. Marshals Service as of and for the years ended September 30, 2008 and 2007. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our report, insofar as it related to the amounts included for the U.S. Marshals Service, was based solely on the report of the other auditors.

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

As stated above, we did not audit the fiscal year 2008 financial statements of the U.S. Marshals Service. Those financial statements were audited by other auditors whose report thereon, including the other auditors' *Independent Auditors' Report on Compliance and Other Matters*, has been furnished to us. Accordingly, our report on the Department's compliance and other matters, insofar as it relates to that component, is based solely on the report and findings of the other auditors.

The management of the Department is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Department. As part of obtaining reasonable assurance about whether the Department's fiscal year 2008 consolidated financial statements are free of material misstatement, we and the other auditors performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). We and the other auditors limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.



Independent Auditors' Report on Compliance and Other Matters
Page 2

The results of our and the other auditors' tests of compliance described in the preceding paragraph of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04.

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

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

KPMG LLP

November 12, 2008

**Principal Financial Statements
and Related Notes**

See Independent Auditors' Report on Financial Statements

U. S. Department of Justice
Consolidated Balance Sheets
As of September 30, 2008 and 2007

Dollars in Thousands	2008	2007
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	\$ 15,595,443	\$ 16,515,163
Investments, Net (Note 5)	3,311,304	3,192,475
Accounts Receivable, Net (Note 6)	358,577	335,423
Other Assets (Note 10)	118,762	146,101
Total Intragovernmental	<u>19,384,086</u>	<u>20,189,162</u>
Cash and Monetary Assets (Note 4)	182,209	130,312
Accounts Receivable, Net (Note 6)	123,800	86,443
Inventory and Related Property, Net (Note 7)	284,217	210,766
Forfeited Property, Net (Note 8)	139,897	124,379
General Property, Plant and Equipment, Net (Note 9)	8,758,540	8,234,077
Advances and Prepayments	466,560	476,465
Other Assets (Note 10)	4,738	5,652
Total Assets	<u>\$ 29,344,047</u>	<u>\$ 29,457,256</u>
LIABILITIES (Note 11)		
Intragovernmental		
Accounts Payable	\$ 243,522	\$ 299,886
Accrued Federal Employees' Compensation Act Liabilities	226,553	215,344
Debt (Note 12)	-	20,000
Custodial Liabilities (Note 23)	186,206	832,140
Other Liabilities (Note 16)	742,080	607,094
Total Intragovernmental	<u>1,398,361</u>	<u>1,974,464</u>
Accounts Payable	2,140,129	2,285,323
Accrued Grant Liabilities	409,071	490,941
Actuarial Federal Employees' Compensation Act Liabilities	1,136,569	1,046,479
Accrued Payroll and Benefits	452,237	353,431
Accrued Annual and Compensatory Leave Liabilities	727,459	675,481
Environmental and Disposal Liabilities (Note 13)	22,112	22,112
Deferred Revenue	356,881	311,577
Seized Cash and Monetary Instruments (Note 15)	1,266,611	1,299,213
Contingent Liabilities (Note 17)	164,312	190,090
Capital Lease Liabilities (Note 14)	45,632	53,183
Radiation Exposure Compensation Act Liabilities	321,671	188,458
Other Liabilities (Note 16)	174,513	258,905
Total Liabilities	<u>\$ 8,615,558</u>	<u>\$ 9,149,657</u>
NET POSITION		
Unexpended Appropriations - Earmarked Funds (Note 18)	\$ 44,902	\$ 21,938
Unexpended Appropriations - All Other Funds	9,169,075	9,714,869
Cumulative Results of Operations - Earmarked Funds (Note 18)	4,052,221	3,619,453
Cumulative Results of Operations - All Other Funds	7,462,291	6,951,339
Total Net Position	<u>\$ 20,728,489</u>	<u>\$ 20,307,599</u>
Total Liabilities and Net Position	<u>\$ 29,344,047</u>	<u>\$ 29,457,256</u>

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

U. S. Department of Justice
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2008 and 2007

Dollars in Thousands

	FY	Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 19)
		Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
Goal 1	2008	\$ 1,083,843	\$ 3,045,378	\$ 4,129,221	\$ 244,861	\$ 27,128	\$ 271,989	\$ 3,857,232
	2007	\$ 967,483	\$ 2,875,701	\$ 3,843,184	\$ 222,795	\$ 31,344	\$ 254,139	\$ 3,589,045
Goal 2	2008	3,121,561	10,818,593	13,940,154	591,045	648,787	1,239,832	12,700,322
	2007	3,091,738	10,752,699	13,844,437	645,797	608,074	1,253,871	12,590,566
Goal 3	2008	1,977,972	9,521,501	11,499,473	1,052,718	455,691	1,508,409	9,991,064
	2007	1,901,488	9,220,700	11,122,188	969,679	390,438	1,360,117	9,762,071
Total	2008	<u>\$ 6,183,376</u>	<u>\$ 23,385,472</u>	<u>\$ 29,568,848</u>	<u>\$ 1,888,624</u>	<u>\$ 1,131,606</u>	<u>\$ 3,020,230</u>	<u>\$ 26,548,618</u>
	2007	<u>\$ 5,960,709</u>	<u>\$ 22,849,100</u>	<u>\$ 28,809,809</u>	<u>\$ 1,838,271</u>	<u>\$ 1,029,856</u>	<u>\$ 2,868,127</u>	<u>\$ 25,941,682</u>

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

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

Goal 3: Ensure the Fair and Efficient Administration of Justice

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

U. S. Department of Justice
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2008

Dollars in Thousands

	2008			
	Earmarked Funds	All Other Funds	Eliminations	Total
Unexpended Appropriations				
Beginning Balances	\$ 21,938	\$ 9,714,869	\$ -	\$ 9,736,807
Budgetary Financing Sources				
Appropriations Received	44,902	24,035,805	-	24,080,707
Appropriations Transferred-In/Out	4,061	244,308	-	248,369
Other Adjustments	(10,260)	(395,026)	-	(405,286)
Appropriations Used	(15,739)	(24,430,881)	-	(24,446,620)
Total Budgetary Financing Sources	22,964	(545,794)	-	(522,830)
Unexpended Appropriations	\$ 44,902	\$ 9,169,075	\$ -	\$ 9,213,977
Cumulative Results of Operations				
Beginning Balances	\$ 3,619,453	\$ 6,951,339	\$ -	\$ 10,570,792
Budgetary Financing Sources				
Appropriations Used	15,739	24,430,881	-	24,446,620
Nonexchange Revenues	980,604	1,199	-	981,803
Donations and Forfeitures of Cash and Cash Equivalents	1,222,643	-	-	1,222,643
Transfers-In/Out Without Reimbursement	-	180,900	-	180,900
Other Budgetary Financing Sources	-	(41,000)	-	(41,000)
Other Financing Sources				
Donations and Forfeitures of Property	63,430	2,424	-	65,854
Transfers-In/Out Without Reimbursement	(65,492)	64,566	-	(926)
Imputed Financing from Costs Absorbed by Others (Note 20)	20,563	643,443	(27,562)	636,444
Total Financing Sources	2,237,487	25,282,413	(27,562)	27,492,338
Net Cost of Operations	(1,804,719)	(24,771,461)	27,562	(26,548,618)
Net Change	432,768	510,952	-	943,720
Cumulative Results of Operations	\$ 4,052,221	\$ 7,462,291	\$ -	\$ 11,514,512
Net Position	\$ 4,097,123	\$ 16,631,366	\$ -	\$ 20,728,489

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

U. S. Department of Justice
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2007

Dollars in Thousands

	2007			
	Earmarked Funds	All Other Funds	Eliminations	Total
Unexpended Appropriations				
Beginning Balances	\$ 60,071	\$ 9,079,538	\$ -	\$ 9,139,609
Budgetary Financing Sources				
Appropriations Received	18,819	23,260,005	-	23,278,824
Appropriations Transferred-In/Out	-	575,671	-	575,671
Other Adjustments	(49,335)	(197,865)	-	(247,200)
Appropriations Used	(7,617)	(23,002,480)	-	(23,010,097)
Total Budgetary Financing Sources	(38,133)	635,331	-	597,198
Unexpended Appropriations	\$ 21,938	\$ 9,714,869	\$ -	\$ 9,736,807
Cumulative Results of Operations				
Beginning Balances	\$ 3,157,735	\$ 6,862,933	\$ -	\$ 10,020,668
Budgetary Financing Sources				
Other Adjustments	-	(2,500)	-	(2,500)
Appropriations Used	7,617	23,002,480	-	23,010,097
Nonexchange Revenues	1,129,466	2,846	-	1,132,312
Donations and Forfeitures of Cash and Cash Equivalents	1,409,015	-	-	1,409,015
Transfers-In/Out Without Reimbursement	-	59,021	-	59,021
Other Budgetary Financing Sources	34,001	-	-	34,001
Other Financing Sources				
Donations and Forfeitures of Property	106,746	303	-	107,049
Transfers-In/Out Without Reimbursement	(13,735)	(2)	-	(13,737)
Imputed Financing from Costs Absorbed by Others (Note 20)	21,266	760,239	(24,957)	756,548
Total Financing Sources	2,694,376	23,822,387	(24,957)	26,491,806
Net Cost of Operations	(2,232,658)	(23,733,981)	24,957	(25,941,682)
Net Change	461,718	88,406	-	550,124
Cumulative Results of Operations	\$ 3,619,453	\$ 6,951,339	\$ -	\$ 10,570,792
Net Position	\$ 3,641,391	\$ 16,666,208	\$ -	\$ 20,307,599

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

U. S. Department of Justice
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2008 and 2007

Dollars in Thousands	2008	2007
Budgetary Resources		
Unobligated Balance, Net, Brought Forward, October 1	\$ 3,935,392	\$ 3,277,846
Adjustment to Unobligated Balance, Brought Forward, October 1	(20,000)	-
Unobligated Balance, Brought Forward, as Adjusted	<u>3,915,392</u>	<u>3,277,846</u>
Recoveries of Prior Year Unpaid Obligations	844,461	744,956
Budget Authority		
Appropriations Received	26,963,178	27,822,275
Spending Authority from Offsetting Collections Earned		
Collected	6,478,763	6,271,945
Change in Receivables from Federal Sources	76,157	(48,172)
Change in Unfilled Customer Orders		
Advance Received	(222,934)	347
Without Advance from Federal Sources	78,724	182,232
Subtotal Budget Authority	<u>33,373,888</u>	<u>34,228,627</u>
Nonexpenditure Transfers, Net, Anticipated and Actual	429,269	634,692
Temporarily not Available Pursuant to Public Law	(362,414)	(1,899,545)
Permanently not Available	<u>(441,364)</u>	<u>(220,603)</u>
Total Budgetary Resources (Note 21)	<u>\$ 37,759,232</u>	<u>\$ 36,765,973</u>
Status of Budgetary Resources		
Obligations Incurred		
Direct	\$ 27,919,589	\$ 26,649,851
Reimbursable	6,289,781	6,180,730
Total Obligations Incurred (Note 21)	<u>34,209,370</u>	<u>32,830,581</u>
Unobligated Balance - Available		
Apportioned	2,303,952	2,991,152
Exempt from Apportionment	147,934	205,577
Total Unobligated Balance - Available	<u>2,451,886</u>	<u>3,196,729</u>
Unobligated Balance not Available	<u>1,097,976</u>	<u>738,663</u>
Total Status of Budgetary Resources	<u>\$ 37,759,232</u>	<u>\$ 36,765,973</u>

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

U. S. Department of Justice
Combined Statements of Budgetary Resources - Continued
For the Fiscal Years Ended September 30, 2008 and 2007

Dollars in Thousands	2008	2007
Change in Obligated Balance		
Obligated Balance, Net - Brought Forward, October 1		
Unpaid Obligations	\$ 12,924,950	\$ 12,022,870
Less: Uncollected Customer Payments from Federal Sources	1,674,463	1,540,402
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	<u>11,250,487</u>	<u>10,482,468</u>
Obligations Incurred	34,209,370	32,830,581
Less: Gross Outlays	33,020,941	31,183,546
Less: Recoveries of Prior Year Unpaid Obligations, Actual	844,461	744,956
Change in Uncollected Customer Payments from Federal Sources	(154,881)	(134,060)
Obligated Balance, Net - End of Period		
Unpaid Obligations	13,268,917	12,924,950
Less: Uncollected Customer Payments from Federal Sources	1,829,346	1,674,463
Total Unpaid Obligated Balance, Net - End of Period	<u><u>\$ 11,439,571</u></u>	<u><u>\$ 11,250,487</u></u>
Net Outlays		
Gross Outlays	\$ 33,020,941	\$ 31,183,546
Less: Offsetting Collections	6,255,828	6,272,290
Less: Distributed Offsetting Receipts (Note 21)	(121,927)	1,269,818
Total Net Outlays (Note 21)	<u><u>\$ 26,887,040</u></u>	<u><u>\$ 23,641,438</u></u>

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

U. S. Department of Justice
Combined Statements of Custodial Activity
For the Fiscal Years Ended September 30, 2008 and 2007

Dollars in Thousands	2008	2007
Revenue Activity		
Sources of Cash Collections		
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	\$ 2,758,710	\$ 3,053,827
Fees and Licenses	27,262	25,551
Fines, Penalties and Restitution Payments - Civil	21,956	7,980
Fines, Penalties and Restitution Payments - Criminal	26,895	17,409
Miscellaneous	2,469	5,119
Total Cash Collections	<u>2,837,292</u>	<u>3,109,886</u>
Accrual Adjustments	<u>(222)</u>	<u>(412)</u>
Total Custodial Revenue	2,837,070	3,109,474
Disposition of Collections		
Transferred to Federal Agencies		
U.S. Department of Agriculture	(140,289)	(99,035)
U.S. Department of Commerce	(1,884)	(5,447)
U.S. Department of the Interior	(23,239)	(121,901)
U.S. Department of Justice	(294,666)	(202,300)
U.S. Department of Labor	(3,268)	(6,779)
Pension Benefit Guaranty Corporation	-	(816)
U.S. Postal Service	(10,817)	(17,185)
U.S. Department of State	-	(500)
U.S. Department of the Treasury	(249,287)	(318,032)
Office of Personnel Management	(7,432)	(110,594)
National Credit Union Administration	(7)	(977)
Federal Communications Commission	(4,114)	(491)
Social Security Administration	(650)	(544)
Smithsonian Institution	(9)	(34)
U.S. Department of Veterans Affairs	(13,548)	(10,931)
General Services Administration	(1,516)	(83,435)
National Science Foundation	-	(860)
Federal Deposit Insurance Corporation	(14)	(435)
Railroad Retirement Board	(373)	(294)
Tennessee Valley Authority	(7,933)	-
Environmental Protection Agency	(440,033)	(310,136)
U.S. Department of Transportation	(36,213)	(14,365)
U.S. Department of Homeland Security	(46,329)	(29,879)
Agency for International Development	-	(396)
Small Business Administration	(10,740)	(12,456)
U.S. Department of Health and Human Services	(1,614,871)	(718,437)
National Aeronautics and Space Administration	(413)	(268)
Export-Import Bank of the United States	-	(1,142)
U.S. Department of Housing and Urban Development	(8,467)	(5,513)
U.S. Department of Energy	(7,463)	(2,023)
U.S. Department of Education	(14,517)	(17,184)
Independent Agencies	(86,419)	(22,662)
U.S. Department of Defense	(115,735)	(53,495)
Transferred to the Public	(339,229)	(202,688)
(Increase)/Decrease in Amounts Yet to be Transferred	723,404	(679,220)
Refunds and Other Payments	(898)	(1,793)
Retained by the Reporting Entity	<u>(80,101)</u>	<u>(57,227)</u>
Net Custodial Activity (Note 23)	<u>\$ -</u>	<u>\$ -</u>

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

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

C. Basis of Consolidation

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, OBDs, USMS, OJP, DEA, FBI, ATF, BOP, and FPI. All significant proprietary intra-departmental transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2008 and 2007, and as such, intra-departmental transactions have not been eliminated.

D. Basis of Accounting

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

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

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

D. Basis of Accounting (continued)

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

E. Non-Entity Assets

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

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

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

G. Investments

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

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

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

G. Investments (continued)

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

H. Accounts Receivable

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

I. Inventory and Related Property

Inventory is maintained primarily for the manufacture of goods for sale to customers. This inventory is composed of three categories: Raw Materials, Work in Process, and Finished Goods. Raw material inventory value is based upon moving average costs, and the values of sub-assembly and finished goods inventories are based upon standard costs that are periodically adjusted to approximate actual costs that include material, labor and manufacturing overhead.

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

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

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

J. General Property, Plant and Equipment

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

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

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

K. Advances and Prepayments

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

L. Forfeited and Seized Property

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

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

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

M. Liabilities

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

On October 15, 1990, Congress passed the Radiation Exposure Compensation Act (RECA), 42 U.S.C. § 2210 note (1990), providing for compassionate payments to individuals who contracted certain cancers and other serious diseases as a result of their exposure to radiation released during above-ground nuclear weapons tests or as a result of their exposure to radiation during employment in underground uranium mines. The September 30, 2008 and 2007 estimated liabilities are based on historical data collected since the Program commenced operations in 1992, and management's assumptions concerning receipt and approval of claims in the future.

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

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

N. Accrued Grant Liabilities

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

O. Contingencies and Commitments

The Department is involved in various legal actions, including administrative proceedings, lawsuits, and claims. A liability is generally recognized as an unfunded liability for those legal actions where unfavorable decisions are considered "probable" and an estimate for the liability can be made. Contingent liabilities that are considered "probable" or "reasonably possible" are disclosed in Note 17. Liabilities that are considered "remote" are not recognized in the financial statements or disclosed in the notes to the financial statements.

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

P. Annual, Sick, and Other Leave

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

Q. Interest on Late Payments

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

R. Retirement Plan

With few exceptions, employees hired before January 1, 1984 are covered by the Civil Service Retirement System (CSRS) and employees hired on or after that date are covered by the Federal Employees Retirement System (FERS). For employees covered by CSRS, the Department contributes 7% of the employees' gross pay for regular and 7.5% for law enforcement officers' retirement. For employees covered by FERS, the Department contributes 11.2% of employees' gross pay for regular and 24.9% for law enforcement officers' retirement. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP account is automatically established to which the Department is required to contribute an additional 1% of gross pay and match employee contributions up to 4%. No contributions are made to the TSP accounts established by the CSRS employees. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM). Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 20, *Imputed Financing from Costs Absorbed by Others*, for additional details.

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

S. Federal Employee Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

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

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

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

T. Intragovernmental Activity

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

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

U. Revenues and Other Financing Sources

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

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

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

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

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

V. Earmarked Funds

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

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

V. Earmarked Funds (continued)

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

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

W. Tax Exempt Status

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

X. Use of Estimates

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

Y. Reclassifications

The FY 2007 financial statements were reclassified to conform to the FY 2008 Departmental financial statement presentation requirements. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 2. Non-Entity Assets

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Intragovernmental		
Fund Balance with U.S. Treasury	\$ 532,327	\$ 1,186,479
Investments, Net	<u>1,208,217</u>	<u>1,285,339</u>
Total Intragovernmental	<u>1,740,544</u>	<u>2,471,818</u>
With the Public		
Cash and Monetary Assets	148,410	99,995
Accounts Receivable, Net	<u>15,003</u>	<u>14,359</u>
Total With the Public	<u>163,413</u>	<u>114,354</u>
Total Non-Entity Assets	1,903,957	2,586,172
Total Entity Assets	<u>27,440,090</u>	<u>26,871,084</u>
Total Assets	<u>\$ 29,344,047</u>	<u>\$ 29,457,256</u>

These notes are an integral part of the financial statements.

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

Note 3. Fund Balance with U.S. Treasury

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

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Fund Balances		
Trust Funds	\$ 82,885	\$ 143,233
Special Funds	3,247,682	3,161,651
Revolving Funds	612,318	510,492
General Funds	11,595,325	12,634,571
Other Fund Types	<u>57,233</u>	<u>65,216</u>
Total Fund Balances with U.S. Treasury	<u>\$ 15,595,443</u>	<u>\$ 16,515,163</u>
Status of Fund Balances		
Unobligated Balance - Available	\$ 2,451,886	\$ 3,196,729
Unobligated Balance - Unavailable	1,097,976	738,663
Obligated Balance not yet Disbursed	11,439,571	11,250,487
Other Funds (With)/Without Budgetary Resources	<u>606,010</u>	<u>1,329,284</u>
Total Status of Fund Balances	<u>\$ 15,595,443</u>	<u>\$ 16,515,163</u>

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

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

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 4. Cash and Monetary Assets

As of September 30, 2008 and 2007

	2008	2007
Cash		
Undeposited Collections	\$ 14,881	\$ 17,154
Imprest Funds	15,332	9,647
Seized Cash Deposited	91,144	42,791
Other Cash	7,625	6,000
Total Cash	128,982	75,592
Monetary Assets		
Seized Monetary Instruments	53,227	54,720
Total Cash and Monetary Assets	\$ 182,209	\$ 130,312

Note 5. Investments, Net

	Face Value	Unamortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value
As of September 30, 2008					
Intragovernmental					
Non-Marketable Securities					
Market Based	\$ 3,317,153	\$ (5,849)	\$ -	\$ 3,311,304	\$ 3,313,091
As of September 30, 2007					
Intragovernmental					
Non-Marketable Securities					
Market Based	\$ 3,205,153	\$ (14,326)	\$ 1,648	\$ 3,192,475	\$ 3,192,355

These notes are an integral part of the financial statements.

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

Note 6. Accounts Receivable, Net

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Intragovernmental		
Accounts Receivable	\$ 359,468	\$ 336,587
Allowance for Uncollectible Accounts	(891)	(1,164)
Total Intragovernmental	<u>358,577</u>	<u>335,423</u>
With the Public		
Accounts Receivable	146,123	110,393
Allowance for Uncollectible Accounts	(22,323)	(23,950)
Total With the Public	<u>123,800</u>	<u>86,443</u>
Total Accounts Receivable, Net	<u>\$ 482,377</u>	<u>\$ 421,866</u>

The accounts receivable with the public primarily consists of OBDs U.S. Trustee Chapter 11 quarterly fees, FBI Integrated Automated Fingerprint Identification System fees, court mandated restitution, and refunds due from the public.

Note 7. Inventory and Related Property, Net

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Inventory		
Raw Materials	\$ 134,422	\$ 71,363
Work in Process	53,648	51,397
Finished Goods	56,259	47,191
Inventory Purchased for Resale	20,599	16,680
Excess, Obsolete, and Unserviceable	20,288	23,214
Inventory Allowance	(14,501)	(11,942)
Operating Materials and Supplies		
Held for Current Use	13,502	12,863
Total Inventory and Related Property, Net	<u>\$ 284,217</u>	<u>\$ 210,766</u>

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

Note 8. Forfeited and Seized Property

Equitable Sharing Payments:

The statute governing the use of the AFF (28 U.S.C. ' 524(c)) permits the payment of equitable shares of forfeiture proceeds to participating foreign governments and state and local law enforcement agencies. The statute does not require such sharing and permits the Attorney General wide discretion in determining those transfers. Actual sharing is difficult to predict because many factors influence both the amount and timing of disbursement of equitable sharing payments, such as the length of time required to move an asset through the forfeiture process to disposition, the amount of net proceeds available for sharing, the elapse of time for Departmental approval of equitable sharing requests for cases with asset values exceeding \$1 million, and appeal of forfeiture judgments. Because of uncertainties surrounding the timing and amount of any equitable sharing payment, an obligation and expense are recorded only when the actual disbursement of the equitable sharing payment is imminent. The anticipated equitable sharing allocation level for FY 2009 is \$332 million.

Analysis of Change in Forfeited Property:

The number of items represents quantities calculated using many different units of measure. The adjustments for FYs 2008 and 2007 include property status and valuation changes received after, but properly credited to FYs 2007 and 2006, respectively. In addition, the adjustments include FY 2008 non-valued forfeited property ending balances that will be used to determine the FY 2009 beginning balances for non-valued forfeited property. FY 2009 (and subsequent reporting periods) will include any adjustments, seizures and forfeitures, and disposals to forfeited non-valued property. The valuation changes include updates and corrections to an asset's value recorded in a prior year.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 8. Forfeited and Seized Property (continued)

For the Fiscal Year Ended September 30, 2008

Forfeited Property Category		Beginning Balance	Adjust- ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	61	3	254	238	80	-	80
	Value	\$ 2,123	\$ (660)	\$ 39,869	\$ 39,485	\$ 1,847	\$ -	\$ 1,847
Real Property	Number	411	1	391	325	478	-	478
	Value	\$ 90,709	\$ 2,500	\$ 73,585	\$ 63,631	\$103,163	\$ 4,640	\$ 98,523
Personal Property	Number	2,970	378	4,436	4,885	2,899	-	2,899
	Value	\$ 35,601	\$ 488	\$ 94,075	\$ 88,632	\$ 41,532	\$ 2,005	\$ 39,527
Non-Valued Firearms	Number	19,650	-	8,939	5,982	22,607	-	22,607
Total	Number	23,092	382	14,020	11,430	26,064	-	26,064
	Value	\$128,433	\$ 2,328	\$207,529	\$ 191,748	\$146,542	\$ 6,645	\$ 139,897

For the Fiscal Year Ended September 30, 2007

Forfeited Property Category		Beginning Balance	Adjust- ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	509	24	285	757	61	-	61
	Value	\$ 11,346	\$ (241)	\$360,436	\$ 369,418	2,123	\$ 14	\$ 2,109
Real Property	Number	340	2	405	336	411	-	411
	Value	\$ 86,527	\$ (212)	\$ 85,988	\$ 81,594	90,709	\$ 3,327	\$ 87,382
Personal Property	Number	3,013	27	5,027	5,097	2,970	-	2,970
	Value	\$ 37,960	\$ 312	\$ 58,235	\$ 60,906	35,601	\$ 713	\$ 34,888
Non-Valued Firearms	Number	19,875	-	13,191	13,416	19,650	-	19,650
Total	Number	23,737	53	18,908	19,606	23,092	-	23,092
	Value	\$135,833	\$ (141)	\$504,659	\$ 511,918	\$128,433	\$ 4,054	\$ 124,379

These notes are an integral part of the financial statements.

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

Note 8. Forfeited and Seized Property (continued)

Method of Disposition of Forfeited Property:

During FYs 2008 and 2007, \$93,916 and \$482,158 of forfeited property were sold, \$32,652 and \$22 were destroyed or donated, \$11,188 and \$13,666 were returned to owners, and \$53,992 and \$16,072 were disposed of by other means, respectively. Other means of distribution include property transferred to other federal agencies for official use or equitable sharing, property distributed to a state or local agency, or property that is destroyed.

Analysis of Change in Seized Property:

Property seized for any purpose other than forfeiture and held by the seizing agency or a custodial agency should be disclosed by the seizing agency. All property seized for forfeiture, including property with evidentiary value, will be reported by the AFF/SADF. The Department has established a reporting threshold of \$1,000 or more for Personal Property seized for evidentiary purposes.

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

During FY 2008, management determined that reporting Department-wide seized firearms is a preferred practice, although the seizure of firearms is considered inconsequential to FBI and DEA's primary mission. The sensitive nature of these items led management to adopt this practice in fiscal year 2008 by recognizing a one-time adjustment for FBI and DEA to ensure Department-wide reporting. Beginning in FY 2009, the seizures and disposals of firearms will be reported for all components.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 8. Forfeited and Seized Property (continued)

The adjustments for FYs 2008 and 2007 include property status and valuation changes received after, but properly credited to FYs 2007 and 2006, respectively. The valuation changes include updates and corrections to an asset's value recorded in a prior year. In addition, adjustments include FY 2008 non-valued seized property ending balances that will be used to determine the FY 2009 beginning balances for non-valued seized property.

For the Fiscal Year Ended September 30, 2008

Seized Property Category		Beginning Balance	Adjustments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash Deposited and Seized Monetary Instruments	Value	\$ 1,265,908	\$ 3,284	\$ 1,032,772	\$ 1,073,524	\$ 1,228,440	\$ 73,740	\$ 1,154,700
Financial Instruments	Number	304	36	190	146	384	-	384
	Value	\$ 115,246	\$ (239)	\$ 24,528	\$ 37,326	\$ 102,209	\$ 6,455	\$ 95,754
Real Property	Number	203	-	254	258	199	-	199
	Value	\$ 77,042	\$ 600	\$ 47,031	\$ 59,010	\$ 65,663	\$ 10,582	\$ 55,081
Personal Property	Number	6,574	5	7,188	6,402	7,365	-	7,365
	Value	\$ 163,624	\$ 118	\$ 108,469	\$ 127,907	\$ 144,304	\$ 16,596	\$ 127,708
Non-Valued Firearms	Number	35,120	-	16,903	9,315	42,708	-	42,708
Seized for Evidence								
Seized Monetary Instruments	Value	\$ 33,305	\$ (3,927)	\$ 33,655	\$ 24,862	\$ 38,171	\$ -	\$ 38,171
Personal Property	Number	58,193	(9,757)	16,750	13,493	51,693	-	51,693
	Value	\$ 26,034	\$ 1,786	\$ 12,129	\$ 10,490	\$ 29,459	\$ -	\$ 29,459
Non-Valued Firearms	Number	15,814	28,994	6,012	5,561	45,259	-	45,259

These notes are an integral part of the financial statements.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 8. Forfeited and Seized Property (continued)

For the Fiscal Year Ended September 30, 2007

Seized Property Category		Beginning Balance	Adjust- ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash Deposited and Seized Monetary Instruments	Value	\$ 797,201	\$ 1,305	\$ 1,474,190	\$ 1,006,788	\$ 1,265,908	\$ 73,882	\$ 1,192,026
Financial Instruments	Number	258	-	150	104	304	-	304
	Value	\$ 40,881	\$ -	\$ 430,791	\$ 356,426	\$ 115,246	\$ 3	\$ 115,243
Real Property	Number	302	3	145	247	203	-	203
	Value	\$ 90,329	\$ (7,218)	\$ 59,602	\$ 65,671	\$ 77,042	\$ 17,387	\$ 59,655
Personal Property	Number	5,875	(91)	7,445	6,655	6,574	-	6,574
	Value	\$ 105,277	\$ 100	\$ 149,790	\$ 91,543	\$ 163,624	\$ 16,285	\$ 147,339
Non-Valued Firearms	Number	28,123	380	16,919	10,302	35,120	-	35,120
Seized for Evidence								
Seized Monetary Instruments	Value	\$ 33,634	\$ (4,339)	\$ 27,608	\$ 23,598	\$ 33,305	\$ -	\$ 33,305
Personal Property	Number	55,486	41	19,544	16,878	58,193	-	58,193
	Value	\$ 33,835	\$ (20,691)	\$ 23,545	\$ 10,655	\$ 26,034	\$ -	\$ 26,034
Non-Valued Firearms	Number	13,561	-	5,868	3,615	15,814	-	15,814

Method of Disposition of Seized Property:

During FYs 2008 and 2007, \$1,197,402 and \$1,424,097 of seized property were forfeited, \$92,606 and \$108,312 were returned to parties with a bona fide interest, and \$43,111 and \$22,272 were disposed of by other means, respectively. Other means of disposition include seized property that is sold, converted to cash, or destroyed.

These notes are an integral part of the financial statements.

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

Note 8. Forfeited and Seized Property (continued)

Analysis of Drug Evidence:

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

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

For the Fiscal Year Ended September 30, 2008

<u>Analyzed Drug Evidence</u>	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Analyzed</u>	<u>Disposed</u>	<u>Ending Balance</u>
(Amounts in KG)					
Cocaine	470,579	97	38,138	115,793	393,021
Heroin	3,345	(19)	738	575	3,489
Marijuana	22,450	539	4,320	6,292	21,017
Methamphetamine	6,999	(262)	1,353	1,878	6,212
Other	50,882	44	8,910	7,238	52,598
Total	554,255	399	53,459	131,776	476,337

For the Fiscal Year Ended September 30, 2007

<u>Analyzed Drug Evidence</u>	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Analyzed</u>	<u>Disposed</u>	<u>Ending Balance</u>
(Amounts in KG)					
Cocaine	469,236	(2,327)	110,465	106,795	470,579
Heroin	3,232	40	678	605	3,345
Marijuana	21,390	757	6,200	5,897	22,450
Methamphetamine	8,500	(1,479)	1,711	1,733	6,999
Other	52,273	189	8,783	10,363	50,882
Total	554,631	(2,820)	127,837	125,393	554,255

These notes are an integral part of the financial statements.

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

Note 8. Forfeited and Seized Property (continued)

Bulk drug evidence is comprised of controlled substances housed by the DEA in secured storage facilities of which only a sample is taken for laboratory analysis. The actual bulk drug weight may vary from seizure weight due to changes in moisture content over time. The following table presents the bulk drug evidence activity.

For the Fiscal Years Ended September 30, 2008 and 2007

(Amounts in KG)

Fiscal Year	Beginning Balance	Adjustments**	Seized	Destroyed	Ending Balance
2008	196,341	5,891	824,464	810,007	216,689
2007	141,284	(252)	962,065	906,756	196,341

**Adjustments include status and valuation changes received after, but properly credited to, prior fiscal years. Valuation changes include updates and corrections to the weight recorded in a prior year.

Unanalyzed drug evidence is qualitatively different from analyzed and bulk drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. For these reasons, unanalyzed drug evidence is not reported by the Department.

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

Note 9. General Property, Plant and Equipment, Net

As of September 30, 2008

	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Service Life</u>
Land and Land Rights	\$ 191,090	\$ -	\$ 191,090	N/A
Construction in Progress	882,838	-	882,838	N/A
Buildings, Improvements and Renovations	8,521,747	(3,087,493)	5,434,254	2-50 yrs
Other Structures and Facilities	728,679	(323,457)	405,222	10-50 yrs
Aircraft	268,484	(88,848)	179,636	7-25 yrs
Boats	2,727	(1,116)	1,611	18 yrs
Vehicles	481,279	(286,543)	194,736	2-25 yrs
Equipment	1,435,683	(921,869)	513,814	2-25 yrs
Assets Under Capital Lease	102,118	(49,083)	53,035	5-30 yrs
Leasehold Improvements	778,083	(431,048)	347,035	2-20 yrs
Internal Use Software	278,920	(115,281)	163,639	3-7 yrs
Internal Use Software in Development	391,630	-	391,630	N/A
Total	<u>\$ 14,063,278</u>	<u>\$ (5,304,738)</u>	<u>\$ 8,758,540</u>	

	<u>Federal</u>	<u>Public</u>	<u>Total</u>
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2008	<u>\$ 181,226</u>	<u>\$ 1,020,773</u>	<u>\$ 1,201,999</u>

These notes are an integral part of the financial statements.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

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

As of September 30, 2007

	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Service Life</u>
Land and Land Rights	\$ 190,146	\$ -	\$ 190,146	N/A
Construction in Progress	512,249	-	512,249	N/A
Buildings, Improvements and Renovations	8,446,178	(2,805,711)	5,640,467	2-50 yrs
Other Structures and Facilities	697,372	(289,667)	407,705	10-50 yrs
Aircraft	237,119	(78,994)	158,125	7-25 yrs
Boats	3,037	(1,839)	1,198	18 yrs
Vehicles	422,155	(258,955)	163,200	2-25 yrs
Equipment	1,293,909	(821,214)	472,695	2-25 yrs
Assets Under Capital Lease	107,580	(50,609)	56,971	5-30 yrs
Leasehold Improvements	683,943	(367,332)	316,611	2-20 yrs
Internal Use Software	200,875	(84,556)	116,319	3-7 yrs
Internal Use Software in Development	198,391	-	198,391	N/A
Total	<u><u>\$ 12,992,954</u></u>	<u><u>\$ (4,758,877)</u></u>	<u><u>\$ 8,234,077</u></u>	

	<u>Federal</u>	<u>Public</u>	<u>Total</u>
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2007	<u><u>\$ 101,051</u></u>	<u><u>\$ 622,153</u></u>	<u><u>\$ 723,204</u></u>

These notes are an integral part of the financial statements.

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

Note 10. Other Assets

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Intragovernmental		
Advances and Prepayments	\$ 118,675	\$ 146,014
Other Intragovernmental Assets	<u>87</u>	<u>87</u>
Total Intragovernmental	118,762	146,101
Other Assets With the Public	<u>4,738</u>	<u>5,652</u>
Total Other Assets	<u>\$ 123,500</u>	<u>\$ 151,753</u>

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

Note 11. Liabilities not Covered by Budgetary Resources

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Intragovernmental		
Accrued FECA Liabilities	\$ 224,679	\$ 213,892
Other Unfunded Employment Related Liabilities	<u>3,406</u>	<u>1,591</u>
Total Intragovernmental	<u>228,085</u>	<u>215,483</u>
With the Public		
Actuarial FECA Liabilities	1,136,569	1,046,479
Accrued Annual and Compensatory Leave Liabilities	717,168	665,677
Environmental and Disposal Liabilities (Note 13)	22,112	22,112
Deferred Revenue	215,330	185,599
Contingent Liabilities (Note 17)	164,312	190,090
Capital Lease Liabilities (Note 14)	42,735	48,079
RECA Liabilities	321,671	188,458
Other	<u>8,375</u>	<u>4,561</u>
Total With the Public	<u>2,628,272</u>	<u>2,351,055</u>
Total Liabilities not Covered by Budgetary Resources	2,856,357	2,566,538
Total Liabilities Covered by Budgetary Resources	<u>5,759,201</u>	<u>6,583,119</u>
Total Liabilities	<u>\$ 8,615,558</u>	<u>\$ 9,149,657</u>

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

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

Note 12. Debt

In FY 1998, Congress granted FPI borrowing authority pursuant to Public Law 100-690. Under this authority, FPI borrowed \$20,000 from the Treasury with an extended lump-sum maturity date of September 30, 2008. FPI repaid this note to the Treasury on September 30, 2008. The funds received under this loan were internally restricted for use in the construction of plant facilities and the purchase of equipment. The loan accrued interest, payable March 31 and September 30 of each year, at 5.5% (the rate equivalent to the yield of Treasury obligations of comparable maturities which existed on the date of the loan extension). Accrued interest payable under the loan were either fully or partially offset to the extent FPI maintained non-interest bearing cash deposits with the Treasury. In this regard, there was no accrual of interest unless the cash balance, on deposit with the Treasury, was less than the unpaid principal balance of all note advances received, as determined by a monthly calculation performed by the Treasury. When this occurred, interest was calculated on the difference between these two amounts.

The loan agreement provided for certain restrictive covenants and a prepayment penalty for debt retirements prior to FY 2008. Additionally, the agreement limited authorized borrowings in an aggregate amount not to exceed 25% of FPI's net worth. There were no net interest expenses for the fiscal years ended September 30, 2008 and 2007, respectively.

Note 13. Environmental and Disposal Liabilities

The BOP operates firing ranges on 64 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. In FYs 2008 and 2007, BOP management determined that an estimated cleanup liability of \$22,112 should be recorded in both years.

Note 14. Leases

Capital leases include a Federal Detention Center (25 year lease term) in Oklahoma City, Oklahoma; an airplane hangar (20 year lease term) in Oklahoma City, Oklahoma; and certain machinery, vehicles and office equipment under noncancelable capital and operating lease agreements that expire over future periods.

As of September 30, 2008 and 2007

Capital Leases	2008	2007
Summary of Assets Under Capital Lease		
Land and Buildings	\$ 100,352	\$ 104,070
Machinery and Equipment	1,766	3,510
Accumulated Amortization	(49,083)	(50,609)
Total Assets Under Capital Lease (Note 9)	\$ 53,035	\$ 56,971

These notes are an integral part of the financial statements.

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

Note 14. Leases (continued)

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

Future Capital Lease Payments Due

<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2009	\$ 10,086	\$ 105	\$ 10,191
2010	10,086	69	10,155
2011	10,086	45	10,131
2012	9,073	40	9,113
2013	9,073	12	9,085
After 2013	9,233	-	9,233
Total Future Capital Lease Payments	<u>\$ 57,637</u>	<u>\$ 271</u>	<u>\$ 57,908</u>
Less: Imputed Interest	<u>(12,245)</u>	<u>(31)</u>	<u>(12,276)</u>
FY 2008 Net Capital Lease Liabilities	<u>\$ 45,392</u>	<u>\$ 240</u>	<u>\$ 45,632</u>
FY 2007 Net Capital Lease Liabilities	<u>\$ 51,866</u>	<u>\$ 1,317</u>	<u>\$ 53,183</u>
		<u>2008</u>	<u>2007</u>
Net Capital Lease Liabilities Covered by Budgetary Resources		\$ 2,897	\$ 5,104
Net Capital Lease Liabilities not Covered by Budgetary Resources		\$ 42,735	\$ 48,079

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

Operating Lease Expenses

<u>Lease Type</u>	<u>2008</u>	<u>2007</u>
Noncancelable Operating Leases	\$ 98,874	\$ 84,284
Cancelable Operating Leases	1,524,156	1,322,247
Total Operating Lease Expenses	<u>\$ 1,623,030</u>	<u>\$ 1,406,531</u>

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

Note 14. Leases (continued)

Future Noncancelable Operating Lease Payments Due

<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2009	\$ 95,197	\$ 10,890	\$ 106,087
2010	119,114	3,842	122,956
2011	258,212	1,695	259,907
2012	298,602	116	298,718
2013	334,682	18	334,700
After 2013	<u>3,200,174</u>	<u>4</u>	<u>3,200,178</u>
Total Future Noncancelable Operating Lease Payments	<u>\$ 4,305,981</u>	<u>\$ 16,565</u>	<u>\$ 4,322,546</u>

Note 15. Seized Cash and Monetary Instruments

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

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Investments, Net	\$ 1,122,240	\$ 1,201,702
Seized Cash Deposited	91,144	42,791
Seized Monetary Instruments	<u>53,227</u>	<u>54,720</u>
Total Seized Cash and Monetary Instruments	<u>\$ 1,266,611</u>	<u>\$ 1,299,213</u>

These notes are an integral part of the financial statements.

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

Note 16. Other Liabilities

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	\$ 127,944	\$ 99,029
Other Unfunded Employment Related Liabilities	3,558	1,682
Advances from Others	309,144	261,250
Liability for Deposit Funds, Clearing		
Accounts and Undeposited Collections	15,153	34,486
Other Liabilities	<u>286,281</u>	<u>210,647</u>
Total Intragovernmental	<u>742,080</u>	<u>607,094</u>
With the Public		
Other Accrued Liabilities	8,467	13,054
Advances from Others	7,406	7,174
Liability for Deposit Funds, Clearing		
Accounts and Undeposited Collections	46,236	49,065
Accounts Payable from Canceled Appropriations	-	137
Custodial Liabilities	108,965	186,435
Other Liabilities	<u>3,439</u>	<u>3,040</u>
Total With the Public	<u>174,513</u>	<u>258,905</u>
Total Other Liabilities	<u>\$ 916,593</u>	<u>\$ 865,999</u>

The majority of "Other Liabilities" are current with the exception of a portion that consists of a capital lease for a USMS hangar and USMS future employee related expenses.

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

Other Accrued Liabilities with the Public consists of future funded utilities and judgment fund settlements.

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

Note 17. Contingencies and Commitments

The Department is party to various administrative proceedings, legal actions, and claims. The balance sheet includes an estimated liability for those legal actions where the management and Chief Counsel consider adverse decisions “probable” and the amounts are reasonably estimable. For those legal actions where the management and Chief Counsel consider adverse decisions “reasonably possible” and amounts are reasonably estimable information is disclosed below. However, there are cases where amounts have not been accrued or disclosed below because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than reasonably possible.

	<u>Accrued Liabilities</u>	<u>Estimated Range of Loss</u>	
		<u>Lower</u>	<u>Upper</u>
As of September 30, 2008			
Probable	\$ 164,312	\$ 164,312	\$ 184,595
Reasonably Possible		193,229	225,777
As of September 30, 2007			
Probable	\$ 190,090	\$ 190,090	\$ 230,468
Reasonably Possible		192,821	227,757

These notes are an integral part of the financial statements.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 18. Earmarked Funds

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

As of September 30, 2008

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Balance Sheet							
Assets							
Fund Balance with U. S. Treasury	\$ 111,756	\$ 6,304	\$ 17,007	\$ 3,015,259	\$ 113,076	\$ 72,291	\$ 3,335,693
Investments, Net	1,635,344	115,043	-	-	-	-	1,750,387
Other Assets	145,121	15,300	22,536	6,073	51,922	33,845	274,797
Total Assets	<u>\$ 1,892,221</u>	<u>\$ 136,647</u>	<u>\$ 39,543</u>	<u>\$ 3,021,332</u>	<u>\$ 164,998</u>	<u>\$ 106,136</u>	<u>\$ 5,360,877</u>
Liabilities							
Accounts Payable	\$ 744,515	\$ 11,023	\$ 9,026	\$ 3,351	\$ 586	\$ 16,713	\$ 785,214
Other Liabilities	139,897	18,319	13,187	62,608	233,586	10,943	478,540
Total Liabilities	<u>\$ 884,412</u>	<u>\$ 29,342</u>	<u>\$ 22,213</u>	<u>\$ 65,959</u>	<u>\$ 234,172</u>	<u>\$ 27,656</u>	<u>\$ 1,263,754</u>
Net Position							
Cumulative Results of Operations	\$ 1,007,809	\$ 107,305	\$ (27,572)	\$ 2,955,373	\$ (69,174)	\$ 78,480	\$ 4,052,221
Unexpended Appropriations	-	-	44,902	-	-	-	44,902
Total Net Position	<u>\$ 1,007,809</u>	<u>\$ 107,305</u>	<u>\$ 17,330</u>	<u>\$ 2,955,373</u>	<u>\$ (69,174)</u>	<u>\$ 78,480</u>	<u>\$ 4,097,123</u>
Total Liabilities and Net Position	<u>\$ 1,892,221</u>	<u>\$ 136,647</u>	<u>\$ 39,543</u>	<u>\$ 3,021,332</u>	<u>\$ 164,998</u>	<u>\$ 106,136</u>	<u>\$ 5,360,877</u>

For the Fiscal Year Ended September 30, 2008

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Statement of Net Cost							
Gross Cost of Operations	\$ 1,033,894	\$ 225,145	\$ 161,841	\$ 642,195	\$ 216,644	\$ 313,322	\$ 2,593,041
Less: Exchange Revenues	3,178	171,783	102,939	-	191,356	319,066	788,322
Net Cost of Operations	<u>\$ 1,030,716</u>	<u>\$ 53,362</u>	<u>\$ 58,902</u>	<u>\$ 642,195</u>	<u>\$ 25,288</u>	<u>\$ (5,744)</u>	<u>\$ 1,804,719</u>
Statement of Changes in Net Position							
Net Position Beginning of Period	\$ 734,213	\$ 153,216	\$ 32,812	\$ 2,700,816	\$ (49,352)	\$ 69,686	\$ 3,641,391
Budgetary Financing Sources	1,306,333	162	38,703	896,752	-	-	2,241,950
Other Financing Sources	(2,021)	7,289	4,717	-	5,466	3,050	18,501
Total Financing Sources	1,304,312	7,451	43,420	896,752	5,466	3,050	2,260,451
Net Cost of Operations	(1,030,716)	(53,362)	(58,902)	(642,195)	(25,288)	5,744	(1,804,719)
Net Change	273,596	(45,911)	(15,482)	254,557	(19,822)	8,794	455,732
Net Position End of Period	<u>\$ 1,007,809</u>	<u>\$ 107,305</u>	<u>\$ 17,330</u>	<u>\$ 2,955,373</u>	<u>\$ (69,174)</u>	<u>\$ 78,480</u>	<u>\$ 4,097,123</u>

These notes are an integral part of the financial statements.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 18. Earmarked Funds (continued)

As of September 30, 2007

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Balance Sheet							
Assets							
Fund Balance with U. S. Treasury	\$ 300,135	\$ 9,224	\$ 59,739	\$ 2,747,673	\$ 103,490	\$ 64,847	\$ 3,285,108
Investments, Net	1,346,865	165,584	-	-	-	-	1,512,449
Other Assets	143,595	13,042	357	5,113	46,555	28,801	237,463
Total Assets	\$ 1,790,595	\$ 187,850	\$ 60,096	\$ 2,752,786	\$ 150,045	\$ 93,648	\$ 5,035,020
Liabilities							
Accounts Payable	\$ 897,003	\$ 18,105	\$ 15,606	\$ 51,745	\$ 148	\$ 13,865	\$ 996,472
Other Liabilities	159,379	16,529	11,678	225	199,249	10,097	397,157
Total Liabilities	\$ 1,056,382	\$ 34,634	\$ 27,284	\$ 51,970	\$ 199,397	\$ 23,962	\$ 1,393,629
Net Position							
Cumulative Results of Operations	\$ 734,213	\$ 152,966	\$ 11,124	\$ 2,700,816	\$ (49,352)	\$ 69,686	\$ 3,619,453
Unexpended Appropriations	-	250	21,688	-	-	-	21,938
Total Net Position	\$ 734,213	\$ 153,216	\$ 32,812	\$ 2,700,816	\$ (49,352)	\$ 69,686	\$ 3,641,391
Total Liabilities and Net Position	\$ 1,790,595	\$ 187,850	\$ 60,096	\$ 2,752,786	\$ 150,045	\$ 93,648	\$ 5,035,020

For the Fiscal Year Ended September 30, 2007

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Statement of Net Cost							
Gross Cost of Operations	\$ 1,534,041	\$ 232,766	\$ 157,427	\$ 592,068	\$ 160,864	\$ 302,501	\$ 2,979,667
Less: Exchange Revenues	3,722	128,497	144,794	-	163,954	306,042	747,009
Net Cost of Operations	\$ 1,530,319	\$ 104,269	\$ 12,633	\$ 592,068	\$ (3,090)	\$ (3,541)	\$ 2,232,658
Statement of Changes in Net Position							
Net Position Beginning of Period	\$ 651,122	\$ 249,797	\$ 37,068	\$ 2,274,904	\$ (57,996)	\$ 62,911	\$ 3,217,806
Budgetary Financing Sources	1,520,441	60	3,484	1,017,980	1	-	2,541,966
Other Financing Sources	92,969	7,628	4,893	-	5,553	3,234	114,277
Total Financing Sources	1,613,410	7,688	8,377	1,017,980	5,554	3,234	2,656,243
Net Cost of Operations	(1,530,319)	(104,269)	(12,633)	(592,068)	3,090	3,541	(2,232,658)
Net Change	83,091	(96,581)	(4,256)	425,912	8,644	6,775	423,585
Net Position End of Period	\$ 734,213	\$ 153,216	\$ 32,812	\$ 2,700,816	\$ (49,352)	\$ 69,686	\$ 3,641,391

These notes are an integral part of the financial statements.

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

Note 18. Earmarked Funds (continued)

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

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

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

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

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

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

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 19. Net Cost of Operations by Suborganization

For the Fiscal Year Ended September 30, 2008

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security											
Gross Cost	\$ -	\$ 373,938	\$ 5,361	\$ -	\$ 78,422	\$ 3,811,909	\$ 7,388	\$ -	\$ -	\$ (147,797)	\$ 4,129,221
Less: Earned Revenue	-	113,635	-	-	216	305,935	-	-	-	(147,797)	271,989
Net Cost (Revenue) of Operations	-	260,303	5,361	-	78,206	3,505,974	7,388	-	-	-	3,857,232
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People											
Gross Cost	1,033,894	5,130,556	4,718	1,960,019	2,435,187	3,247,183	1,123,903	4,722	-	(1,000,028)	13,940,154
Less: Earned Revenue	3,178	814,369	-	126,467	574,956	675,521	45,369	-	-	(1,000,028)	1,239,832
Net Cost (Revenue) of Operations	1,030,716	4,316,187	4,718	1,833,552	1,860,231	2,571,662	1,078,534	4,722	-	-	12,700,322
Goal 3: Ensure the Fair and Efficient Administration of Justice											
Gross Cost	-	2,067,363	2,677,142	1,084,454	-	-	-	6,254,441	1,015,026	(1,598,953)	11,499,473
Less: Earned Revenue	-	204,917	1,404,981	131,855	-	-	-	356,367	981,680	(1,571,391)	1,508,409
Net Cost (Revenue) of Operations	-	1,862,446	1,272,161	952,599	-	-	-	5,898,074	33,346	(27,562)	9,991,064
Net Cost (Revenue) of Operations	\$ 1,030,716	\$ 6,438,936	\$ 1,282,240	\$ 2,786,151	\$ 1,938,437	\$ 6,077,636	\$ 1,085,922	\$ 5,902,796	\$ 33,346	\$ (27,562)	\$ 26,548,618

For the Fiscal Year Ended September 30, 2007

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security											
Gross Cost	\$ -	\$ 492,989	\$ 5,219	\$ -	\$ 48,810	\$ 3,461,168	\$ 6,499	\$ -	\$ -	\$ (171,501)	\$ 3,843,184
Less: Earned Revenue	-	204,922	-	-	1,452	219,266	-	-	-	(171,501)	254,139
Net Cost (Revenue) of Operations	-	288,067	5,219	-	47,358	3,241,902	6,499	-	-	-	3,589,045
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People											
Gross Cost	1,534,041	5,088,063	981	1,512,413	2,301,304	3,348,680	1,088,821	1,160	-	(1,031,026)	13,844,437
Less: Earned Revenue	3,722	964,111	-	220,278	538,200	517,915	40,671	-	-	(1,031,026)	1,253,871
Net Cost (Revenue) of Operations	1,530,319	4,123,952	981	1,292,135	1,763,104	2,830,765	1,048,150	1,160	-	-	12,590,566
Goal 3: Ensure the Fair and Efficient Administration of Justice											
Gross Cost	-	1,610,331	2,487,386	1,478,033	-	-	-	5,929,647	966,633	(1,349,842)	11,122,188
Less: Earned Revenue	-	19,123	1,293,650	58,292	-	-	-	336,042	977,895	(1,324,885)	1,360,117
Net Cost (Revenue) of Operations	-	1,591,208	1,193,736	1,419,741	-	-	-	5,593,605	(11,262)	(24,957)	9,762,071
Net Cost (Revenue) of Operations	\$ 1,530,319	\$ 6,003,227	\$ 1,199,936	\$ 2,711,876	\$ 1,810,462	\$ 6,072,667	\$ 1,054,649	\$ 5,594,765	\$ (11,262)	\$ (24,957)	\$ 25,941,682

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

These notes are an integral part of the financial statements.

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

Note 20. Imputed Financing from Costs Absorbed by Others

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the Department from a providing entity that is not part of the Department of Justice. Imputed Inter-Departmental financing sources currently recognized by the Department include the actual 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. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. §1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. FASAB Accounting Standard Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund. Un-reimbursed payments made from the Treasury Judgment Fund on behalf of the Department are recorded as imputed financing sources.

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. For employees covered by Civil Service Retirement System (CSRS), the cost factors are 25.2% of basic pay for regular, 42.5% law enforcement officers, 19.5% regular offset, and 38% law enforcement officers offset. For employees covered by Federal Employees Retirement System (FERS), the cost factors are 12% of basic pay for regular and 26.2% for law enforcement officers.

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

For the Fiscal Years Ended September 30, 2008 and 2007

	2008	2007
Imputed Inter-Departmental Financing		
U.S. Treasury Judgment Fund	\$ 29,759	\$ 126,856
Health Insurance	478,215	492,236
Life Insurance	1,708	1,632
Pension	126,762	135,824
Total Imputed Inter-Departmental	\$ 636,444	\$ 756,548

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

Note 20. Imputed Financing from Costs Absorbed by Others (continued)

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, are the unreimbursed portion of the full costs of goods and services received by a Department component from a providing entity that is part of the Department. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Cost are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The FPI imputed \$27,562 and \$24,957 for FYs 2008 and 2007, respectively of unreimbursed costs for BOP warehouse space used in the production of goods by the FPI and for managerial and operational services BOP provided to FPI. These imputed costs have been eliminated from the consolidated financial statements.

Note 21. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

	<u>Direct Obligations</u>	<u>Reimbursable Obligations</u>	<u>Total Obligations Incurred</u>
For the Fiscal Year Ended September 30, 2008			
Obligations Apportioned Under			
Category A	\$ 26,182,998	\$ 5,190,764	\$ 31,373,762
Category B	1,736,591	69,475	1,806,066
Exempt from Apportionment	-	1,029,542	1,029,542
Total	<u>\$ 27,919,589</u>	<u>\$ 6,289,781</u>	<u>\$ 34,209,370</u>
For the Fiscal Year Ended September 30, 2007			
Obligations Apportioned Under			
Category A	\$ 24,454,306	\$ 5,186,032	\$ 29,640,338
Category B	2,195,545	55,506	2,251,051
Exempt from Apportionment	-	939,192	939,192
Total	<u>\$ 26,649,851</u>	<u>\$ 6,180,730</u>	<u>\$ 32,830,581</u>

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

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

Note 21. Information Related to the Statement of Budgetary Resources (continued)

Status of Undelivered Orders:

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

As of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UDO Obligations Unpaid	\$ 9,109,542	\$ 8,683,395
UDO Obligations Prepaid/Advanced	<u>1,073,615</u>	<u>1,359,815</u>
Total UDO	<u>\$ 10,183,157</u>	<u>\$ 10,043,210</u>

Permanent Indefinite Appropriations:

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

- 28 U.S.C. ' 524(c)(4) authorized the Attorney General to retain AFF receipts to pay operations expenses, equitable sharing to state and local law enforcement agencies who assist in forfeiture cases, and lien holders.

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

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

Note 21. Information Related to the Statement of Budgetary Resources (continued)

Permanent Indefinite Appropriations (continued):

- Congress established the Federal Prison Commissary Fund (Trust Fund) in 1932 to allow inmates a means to purchase additional products and services above the necessities provided by appropriated federal funds. The BOP Trust Fund is now a self-sustaining revolving account that is funded through the sales of goods and services, rather than annual or no-year appropriations.

Legal Arrangements Affecting Use of Unobligated Balances:

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

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

Note 21. Information Related to the Statement of Budgetary Resources (continued)

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

The reconciliation as of September 30, 2007 is presented below. The reconciliation as of September 30, 2008 is not presented, because the submission of the Budget of the United States (Budget) for FY 2010, which presents the execution of the FY 2008 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (<http://www.whitehouse.gov/omb/budget>) and will be available in early February 2009.

For the Fiscal Year Ended September 30, 2007
(Dollars in millions)

	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Distributed Offsetting Receipts</u>	<u>Net Outlays</u>
Statement of Budgetary Resources (SBR)	\$ 36,766	\$ 32,831	\$ 1,270	\$ 23,641
Funds not Reported in the Budget				
Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP	(725)	(198)	-	-
AFF/SADF Forfeiture Activity	(24)	-	-	-
USMS Court Security Funds	(329)	(322)	-	(293)
Distributed Offsetting Receipts	-	-	(748)	746
OBDs Special and Trust Fund Receipts	-	-	-	205
Other	(27)	-	(2)	10
Budget of the United States	<u>\$ 35,661</u>	<u>\$ 32,311</u>	<u>\$ 520</u>	<u>\$ 24,309</u>

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

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

Note 22. Allocation Transfers of Appropriation

During FY 2008 the Department transferred \$17,000 from the Crime Victims Fund to the Department of Health and Human Services (HHS). For FY 2007, the OJP, as the parent, transferred the same amount to HHS. This funding is required by 42 U.S.C. §10603a {Sec. 14-4A} for *Child Abuse Prevention and Treatment Grants*. Amounts made available by section §10601(d)(2) of this title, for the purpose of this section, shall be obligated and expended by the Secretary of HHS for grants under section §5106c of this title. The activity related to these transfers is included as part of these financial statements.

The Department also allocated funds from BOP to the Public Health Service (PHS). PHS provides a portion of medical treatment for federal inmates. The money is designated and expended for current year obligation of PHS staff salaries, benefits, and applicable relocation expenses. The amounts BOP, as the parent, transferred to PHS totaled \$72,000 and \$68,000 for the fiscal years ended September 30, 2008 and 2007, respectively, and the related activity is included as part of the these financial statements.

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

Note 23. Net Custodial Revenue Activity

Custodial revenue activity represents those collections of non-exchange revenue on behalf of other recipient entities. These collections are not recorded as revenue by the Department but as activity on the Statement of Custodial Activity. The custodial liabilities presented on the Consolidated Balance Sheet and Note 16 represent funds held by the Department that have yet to be disbursed to the appropriate Federal agency or individual.

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

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

Note 23. Net Custodial Revenue Activity (continued)

The OBDs collect civil fines, penalties, and restitution payments that are incidental to its mission. By court order, the OBDs were given the investment authority and the settlement funds collected must be invested. The OBDs invest these funds with the Treasury, Bureau of the Public Debt. As of September 30, 2008 and 2007, the custodial assets and liabilities recorded by the OBDs on the balance sheet are \$294,021 and \$1,017,222, respectively. The OBDs custodial collections totaled \$2,787,920 and \$3,075,294 for the fiscal years ended September 30, 2008 and 2007.

For the fiscal years ended September 30, 2008 and 2007, DEA collected \$36,936 and \$22,958 respectively. DEA's collections include \$15 million of the total fees collected for the Diversion Control Program and civil monetary penalties related to violations of the Controlled Substances Act that were incidental to DEA's mission. Since DEA has no statutory authority to use these excess funds, DEA transmits them to the Treasury General Fund. The DEA has a custodial liability for funds that have not yet been transmitted to the Treasury General Fund. The September 30, 2008 and 2007 balances for custodial liabilities were \$1,150 and \$1,353 respectively.

As an agent of the federal government and as authorized by 26 U.S.C. § 6301, ATF collects fees from firearms and explosives industries, as well as import, permit and license fees. In addition, Special Occupational Taxes are collected from certain firearms businesses. As ATF is unable to use these collections in its operations, ATF also has the authority to transfer these collections to the Treasury General Fund. The ATF custodial collections totaled \$12,436 and \$11,634 for the fiscal years ended September 30, 2008 and 2007, respectively.

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

Note 24. OMB Circular A-136 Consolidated Balance Sheet Presentation

**U.S. Department of Justice
Consolidated Balance Sheets
As of September 30, 2008 and 2007**

Dollars in Thousands	2008	2007
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury	\$ 15,595,443	\$ 16,515,163
Investments, Net	3,311,304	3,192,475
Accounts Receivable, Net	358,577	335,423
Other Assets	118,762	146,101
Total Intragovernmental	19,384,086	20,189,162
Cash and Other Monetary Assets	182,209	130,312
Accounts Receivable, Net	123,800	86,443
Inventory and Related Property, Net	284,217	210,766
General Property, Plant and Equipment, Net	8,758,540	8,234,077
Other Assets	611,195	606,496
Total Assets	\$ 29,344,047	\$ 29,457,256
LIABILITIES		
Intragovernmental		
Accounts Payable	\$ 243,522	\$ 299,886
Debt	-	20,000
Other Liabilities	1,154,839	1,654,578
Total Intragovernmental	1,398,361	1,974,464
Accounts Payable	2,140,129	2,285,323
Federal Employee and Veteran Benefits	1,136,569	1,046,479
Environmental and Disposal Liabilities	22,112	22,112
Other Liabilities	3,918,387	3,821,279
Total Liabilities	\$ 8,615,558	\$ 9,149,657
NET POSITION		
Unexpended Appropriations - Earmarked Funds	\$ 44,902	\$ 21,938
Unexpended Appropriations - All Other Funds	9,169,075	9,714,869
Cumulative Results of Operations - Earmarked Funds	4,052,221	3,619,453
Cumulative Results of Operations - All Other Funds	7,462,291	6,951,339
Total Net Position	\$ 20,728,489	\$ 20,307,599
Total Liabilities and Net Position	\$ 29,344,047	\$ 29,457,256

These notes are an integral part of the financial statements.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 25. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

For the Fiscal Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 34,209,370	\$ 32,830,581
Less: Spending Authority from Offsetting Collections and Recoveries	7,255,171	7,151,308
Obligations Net of Offsetting Collections and Recoveries	<u>26,954,199</u>	<u>25,679,273</u>
Less: Offsetting Receipts	(121,927)	1,269,818
Net Obligations	<u>27,076,126</u>	<u>24,409,455</u>
Other Resources		
Donations and Forfeitures of Property	65,854	107,049
Transfers-In/Out Without Reimbursement	(3,860)	(13,737)
Imputed Financing from Costs Absorbed by Others (Note 20)	<u>636,444</u>	<u>756,548</u>
Net Other Resources Used to Finance Activities	<u>698,438</u>	<u>849,860</u>
Total Resources Used to Finance Activities	<u>27,774,564</u>	<u>25,259,315</u>
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	(306,294)	(197,279)
Resources That Fund Expenses Recognized in Prior Periods (Note 26)	(44,738)	(116,091)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(627,115)	760,155
Resources That Finance the Acquisition of Assets	(1,282,348)	(712,153)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	<u>(6,701)</u>	<u>9,652</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(2,267,196)</u>	<u>(255,716)</u>
Total Resources Used to Finance the Net Cost of Operations	\$ 25,507,368	\$ 25,003,599

These notes are an integral part of the financial statements.

FY 2008 U. S. Department of Justice Annual Financial Statements

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

Note 25. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) (continued)

For the Fiscal Years Ended September 30, 2008 and 2007	2008	2007
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual and Compensatory Leave Liabilities	\$ 51,491	\$ 30,712
Increase in Environmental and Disposal Liabilities	-	22,112
(Increase)/Decrease in Exchange Revenue Receivable from the Public	(1,147)	1,866
Other	283,261	203,297
Total Components of Net Cost of Operations That will Require or Generate Resources in Future Periods (Note 26)	333,605	257,987
Components not Requiring or Generating Resources		
Depreciation and Amortization	672,980	607,190
Revaluation of Assets or Liabilities	11,506	16,965
Other	23,159	55,941
Total Components of Net Cost of Operations That will not Require or Generate Resources	707,645	680,096
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	1,041,250	938,083
Net Cost of Operations	\$ 26,548,618	\$ 25,941,682

These notes are an integral part of the financial statements.

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

Note 26. Explanation of Differences Between Liabilities not Covered by Budgetary Resources and Components of Net Cost of Operations Requiring or Generating Resources in Future Periods

Liabilities that are not covered by realized budgetary resources and for which there is not certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling \$2,856,357 and \$2,566,538 on September 30, 2008 and 2007, respectively, are discussed in Note 11, "Liabilities not Covered by Budgetary Resources." Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Resources that Fund Expenses Recognized in Prior Periods		
Other		
Decrease in Actuarial FECA Liabilities	\$ -	\$ (959)
Decrease in Accrued FECA Liabilities	(1,875)	(363)
Decrease in Contingent Liabilities	(37,382)	(108,726)
Decrease in Capital Lease Liabilities	(5,344)	(6,001)
Decrease in Other Unfunded Employment Related Liabilities	-	(42)
Decrease in Other Liabilities	(137)	-
Total Other	<u>(44,738)</u>	<u>(116,091)</u>
Total Resources that Fund Expenses Recognized in Prior Periods	<u>\$ (44,738)</u>	<u>\$ (116,091)</u>
Components of Net Cost of Operations Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	\$ 51,491	\$ 30,712
Increase in Environmental and Disposal Liabilities	-	22,112
(Increase)/Decrease in Exchange Revenue Receivable from the Public	(1,147)	1,866
Other		
Increase in Actuarial FECA Liabilities	90,090	55,877
Increase in Accrued FECA Liabilities	12,662	16,393
Increase in Deferred Revenue	29,731	40,671
Increase in Contingent Liabilities	11,604	89,196
Increase in RECA Liabilities	133,213	842
Increase in Other Unfunded Employee Related Liabilities	1,815	220
Increase in Other Liabilities	3,951	172
(Increase)/Decrease in Nonexchange Receivables from the Public	195	(74)
Total Other	<u>283,261</u>	<u>203,297</u>
Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods	<u>\$ 333,605</u>	<u>\$ 257,987</u>

These notes are an integral part of the financial statements.

**Consolidating and Combining
Financial Statements**

**U. S. Department of Justice
Consolidating Balance Sheet
As of September 30, 2008**

	AFF/SAHF	OBDDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	\$ 111,756	\$ 3,793,821	\$ 455,838	\$ 6,203,049	\$ 717,382	\$ 2,546,941	\$ 235,179	\$ 1,511,486	\$ 19,991	\$ -	\$ 15,595,443
Investments, Net	2,757,584	201,020	-	-	-	-	-	-	352,700	-	3,311,304
Accounts Receivable, Net	1,646	286,977	164,364	9,773	32,905	223,486	24,113	5,018	36,497	(426,202)	338,577
Other Assets	848	414,301	1,667	29,761	17,670	75,872	27,136	1,172	-	(449,665)	118,762
Total Intragovernmental	2,871,834	4,696,119	621,869	6,242,583	767,957	2,846,299	286,438	1,517,676	409,188	(875,867)	19,384,086
Cash and Monetary Assets	106,200	-	-	5	8,414	59,658	7,189	743	-	-	182,209
Accounts Receivable, Net	6	29,350	357	10,667	2,573	43,699	212	28,564	8,372	-	123,800
Inventory and Related Property, Net	-	157	1,874	-	5,371	6,257	-	20,442	250,116	-	284,217
Forfeited Property, Net	139,897	-	-	-	-	-	-	-	-	-	139,897
General Property, Plant and Equipment, Net	2,724	156,353	254,164	12,995	368,795	1,453,524	182,945	6,195,389	131,651	-	8,758,540
Advances and Prepayments	-	6,376	88	393,959	7,629	46,698	185	3,639	7,986	-	466,560
Other Assets	-	184	-	-	-	-	-	3,953	601	-	4,738
Total Assets	\$ 3,120,661	\$ 4,888,355	\$ 878,536	\$ 6,660,209	\$ 1,160,739	\$ 4,456,135	\$ 476,959	\$ 7,770,406	\$ 807,914	\$ (875,867)	\$ 29,344,047
LIABILITIES											
Intragovernmental											
Accounts Payable	\$ 95,235	\$ 297,906	\$ 34,756	\$ 23,648	\$ 39,170	\$ 126,049	\$ 18,665	\$ 27,919	\$ 6,376	\$ (426,202)	\$ 243,522
Accrued FECA Liabilities	-	9,439	15,007	67	25,503	32,866	19,536	122,646	1,489	-	226,553
Custodial Liabilities	-	185,056	-	-	11,150	-	-	-	-	-	186,206
Other Liabilities	-	330,471	14,734	447,447	17,996	105,340	7,060	57,042	211,655	(449,665)	742,080
Total Intragovernmental	95,235	822,872	64,497	471,162	83,819	264,255	45,261	207,607	219,520	(875,867)	1,398,361
Accounts Payable	649,280	278,695	327,171	21,879	101,909	287,462	49,359	351,913	72,461	-	2,140,129
Accrued Grant Liabilities	-	104,070	-	305,001	-	-	-	-	-	-	409,071
Actuarial FECA Liabilities	-	48,076	74,673	189	137,373	170,902	102,822	590,524	12,010	-	1,136,569
Accrued Payroll and Benefits	-	97,699	21,531	6,795	47,181	135,840	24,552	109,254	9,385	-	452,237
Accrued Annual and Compensatory Leave Liabilities	-	165,144	36,334	4,918	88,089	223,956	44,896	153,831	10,291	-	727,459
Environmental and Disposal Liabilities	-	-	-	-	-	-	-	22,112	-	-	22,112
Deferred Revenue	139,897	-	-	-	215,330	-	-	1,654	-	-	356,881
Seized Cash and Monetary Instruments	1,228,440	-	-	-	489	33,898	3,784	-	-	-	1,266,611
Contingent Liabilities	-	8,000	17,000	-	11,120	120,770	3,922	3,922	-	-	164,312
Capital Lease Liabilities	-	-	2,657	24	-	-	-	42,735	216	-	45,632
Radiation Exposure Compensation Act Liabilities	-	321,671	-	-	-	-	-	-	-	-	321,671
Other Liabilities	-	108,965	-	-	13	6,296	87	59,152	-	-	174,513
Total Liabilities	\$ 2,112,852	\$ 1,955,192	\$ 543,863	\$ 809,968	\$ 685,323	\$ 1,243,379	\$ 274,261	\$ 1,542,704	\$ 323,883	\$ (875,867)	\$ 8,615,558
NET POSITION											
Unexpended Appropriations - Earmarked Funds	\$ -	\$ 44,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,902
Unexpended Appropriations - All Other Funds	-	2,669,214	191,625	2,881,349	475,267	1,884,207	167,668	899,745	-	-	9,169,075
Cumulative Results of Operations - Earmarked Funds	1,007,809	79,733	-	2,955,373	(69,174)	-	-	78,480	-	-	4,052,221
Cumulative Results of Operations - All Other Funds	-	139,314	143,048	13,519	69,323	1,328,549	35,030	5,249,477	484,031	-	7,462,291
Total Net Position	\$ 1,007,809	\$ 2,933,163	\$ 334,673	\$ 5,850,241	\$ 475,416	\$ 3,212,756	\$ 202,698	\$ 6,227,702	\$ 484,031	\$ -	\$ 20,728,489
Total Liabilities and Net Position	\$ 3,120,661	\$ 4,888,355	\$ 878,536	\$ 6,660,209	\$ 1,160,739	\$ 4,456,135	\$ 476,959	\$ 7,770,406	\$ 807,914	\$ (875,867)	\$ 29,344,047

**U. S. Department of Justice
Consolidating Balance Sheet
As of September 30, 2007**

	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
ASSETS											
Intragovernmental											
Fund Balance with U.S. Treasury	\$ 300,136	\$ 4,684,262	\$ 474,141	\$ 6,406,981	\$ 620,262	\$ 2,245,025	\$ 267,278	\$ 1,494,588	\$ 22,490	\$ -	\$ 16,515,163
Investments, Net	2,348,567	249,221	-	-	-	-	-	-	394,687	-	3,192,475
Accounts Receivable, Net	13,608	304,821	137,775	6,206	41,980	78,288	22,792	4,488	54,943	(329,478)	335,423
Other Assets	2,228	681,894	5,493	23,319	24,210	90,227	34,712	4,400	-	(720,382)	146,101
Total Intragovernmental	2,864,539	5,920,198	617,409	6,436,506	686,452	2,413,540	324,782	1,503,476	472,120	(1,049,860)	20,189,162
Cash and Monetary Assets	64,206	1	-	5	7,150	53,318	4,929	703	-	-	130,312
Accounts Receivable, Net	1	11,079	242	3,395	3,643	29,857	407	24,588	13,231	-	86,443
Inventory and Related Property, Net	-	-	1,998	-	5,698	5,167	-	16,523	181,223	-	210,766
Forfeited Property, Net	124,379	-	-	-	-	-	-	-	-	-	124,379
General Property, Plant and Equipment, Net	3,378	114,557	244,888	28,968	331,942	1,078,009	187,900	6,114,705	129,730	-	8,234,077
Advances and Prepayments	-	7,893	56	417,883	8,360	37,744	1	4,528	-	-	476,465
Other Assets	-	184	-	-	-	-	-	3,452	2,016	-	5,652
Total Assets	\$ 3,056,503	\$ 6,053,885	\$ 864,777	\$ 6,886,757	\$ 1,043,245	\$ 3,617,635	\$ 518,019	\$ 7,667,975	\$ 798,320	\$ (1,049,860)	\$ 29,457,256
LIABILITIES											
Intragovernmental											
Accounts Payable	\$ 67,016	\$ 255,030	\$ 9,244	\$ 47,884	\$ 30,336	\$ 152,616	\$ 27,430	\$ 34,369	\$ 5,439	\$ (329,478)	\$ 299,886
Accrued FECA Liabilities	-	9,994	14,540	11	26,365	32,264	19,994	110,955	1,221	-	215,344
Debt	-	-	-	-	-	-	-	-	20,000	-	20,000
Custodial Liabilities	-	830,787	-	-	1,353	-	-	-	-	-	832,140
Other Liabilities	-	255,390	32,235	703,527	14,142	79,621	5,359	48,240	188,962	(720,382)	607,094
Total Intragovernmental	67,016	1,351,201	56,019	751,422	72,196	264,501	52,783	193,564	215,622	(1,049,860)	1,974,464
Accounts Payable	829,987	308,110	307,187	20,834	85,381	280,192	69,778	312,413	71,441	-	2,285,323
Accrued Grant Liabilities	-	156,162	-	334,779	-	-	-	-	-	-	490,941
Accrual FECA Liabilities	-	44,719	71,161	35	137,089	165,448	100,113	517,449	10,465	-	1,046,479
Accrued Payroll and Benefits	-	75,905	16,599	2,537	36,217	105,999	19,130	88,285	8,759	-	353,431
Accrued Annual and Compensatory Leave Liabilities	-	153,349	33,156	4,440	82,151	205,844	41,030	145,707	9,804	-	675,481
Environmental and Disposal Liabilities	-	-	-	-	-	-	-	22,112	-	-	22,112
Deferred Revenue	124,379	-	-	-	185,599	-	-	1,599	-	-	311,577
Seized Cash and Monetary Instruments	1,265,908	-	-	467	8,720	30,729	2,109	5,204	-	-	1,299,213
Contingent Liabilities	35,000	1,357	18,100	-	8,720	119,363	2,346	5,204	-	-	190,090
Capital Lease Liabilities	-	-	3,787	-	-	-	-	48,079	1,317	-	53,183
Radiation Exposure Compensation Act Liabilities	-	188,458	-	-	-	-	-	-	-	-	188,458
Other Liabilities	-	186,435	-	-	5	13,390	6,864	52,211	-	-	288,905
Total Liabilities	\$ 2,322,290	\$ 2,465,696	\$ 506,009	\$ 1,114,047	\$ 607,825	\$ 1,185,466	\$ 294,153	\$ 1,386,623	\$ 317,408	\$ (1,049,860)	\$ 9,149,657
NET POSITION											
Unexpended Appropriations - Earmarked Funds	\$ -	\$ 21,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,938
Unexpended Appropriations - All Other Funds	-	3,241,246	215,147	3,049,478	437,415	1,647,372	170,656	953,555	-	-	9,714,869
Cumulative Results of Operations - Earmarked Funds	734,213	164,090	-	2,700,816	(49,352)	-	-	69,686	-	-	3,619,453
Cumulative Results of Operations - All Other Funds	-	160,915	143,621	22,416	47,357	784,797	53,210	5,258,111	480,912	-	6,951,339
Total Net Position	\$ 734,213	\$ 3,588,189	\$ 358,768	\$ 5,772,710	\$ 435,420	\$ 2,432,169	\$ 223,866	\$ 6,281,352	\$ 480,912	\$ -	\$ 20,307,599
Total Liabilities and Net Position	\$ 3,056,503	\$ 6,053,885	\$ 864,777	\$ 6,886,757	\$ 1,043,245	\$ 3,617,635	\$ 518,019	\$ 7,667,975	\$ 798,320	\$ (1,049,860)	\$ 29,457,256

**U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2008**

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security											
Gross Cost - Intragovernmental	\$ -	\$ 99,676	\$ 5,361	\$ -	\$ 17,134	\$ 1,109,469	\$ -	\$ -	\$ -	\$ (147,797)	\$ 1,083,843
Gross Cost - With the Public	-	274,262	-	-	61,288	2,702,440	7,388	-	-	-	3,045,378
Subtotal Gross Costs	-	373,938	5,361	-	78,422	3,811,909	7,388	-	-	(147,797)	4,129,221
Earned Revenues - Intragovernmental	-	98,897	-	-	216	293,545	-	-	-	(147,797)	244,861
Earned Revenues - With the Public	-	14,738	-	-	12,390	-	-	-	-	-	27,128
Subtotal Earned Revenues	-	113,635	-	-	216	305,935	-	-	-	(147,797)	271,989
Subtotal Net Cost (Revenues) of Operations	\$ -	\$ 260,303	\$ 5,361	\$ -	\$ 78,206	\$ 3,505,974	\$ 7,388	\$ -	\$ -	\$ -	\$ 3,857,232
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People											
Gross Cost - Intragovernmental	\$ 225,965	\$ 1,852,393	\$ 4,718	\$ 28,982	\$ 749,679	\$ 945,104	\$ 314,748	\$ -	\$ -	\$ (1,000,028)	\$ 3,121,561
Gross Cost - With the Public	807,929	3,278,163	-	1,931,037	1,685,508	2,302,079	809,155	4,722	-	-	10,818,593
Subtotal Gross Costs	1,033,894	5,130,556	4,718	1,960,019	2,435,187	3,247,183	1,123,903	4,722	-	(1,000,028)	13,940,154
Earned Revenues - Intragovernmental	3,178	509,217	-	126,467	378,732	528,249	45,230	-	-	(1,000,028)	591,045
Earned Revenues - With the Public	-	305,152	-	-	196,224	147,272	139	-	-	-	648,787
Subtotal Earned Revenues	3,178	814,369	-	126,467	574,956	675,521	45,369	-	-	(1,000,028)	1,239,832
Subtotal Net Cost (Revenues) of Operations	\$ 1,030,716	\$ 4,316,187	\$ 4,718	\$ 1,833,552	\$ 1,860,231	\$ 2,571,662	\$ 1,078,534	\$ 4,722	\$ -	\$ -	\$ 12,700,322
Goal 3: Ensure the Fair and Efficient Administration of Justice											
Gross Cost - Intragovernmental	\$ -	\$ 1,387,261	\$ 481,886	\$ 119,429	\$ -	\$ -	\$ -	\$ 1,320,647	\$ 267,702	\$ (1,598,953)	\$ 1,977,972
Gross Cost - With the Public	-	680,102	2,195,236	965,025	-	-	-	4,933,794	747,324	-	9,521,501
Subtotal Gross Costs	-	2,067,363	2,677,142	1,084,454	-	-	-	6,254,441	1,015,026	(1,598,953)	11,499,473
Earned Revenues - Intragovernmental	-	173,918	1,401,586	131,855	-	-	-	15,724	901,026	(1,571,391)	1,052,718
Earned Revenues - With the Public	-	30,999	3,395	-	-	-	-	340,643	80,654	-	455,691
Subtotal Earned Revenues	-	204,917	1,404,981	131,855	-	-	-	356,367	981,680	(1,571,391)	1,508,409
Subtotal Net Cost (Revenues) of Operations	\$ -	\$ 1,862,446	\$ 1,272,161	\$ 952,599	\$ -	\$ -	\$ -	\$ 5,898,074	\$ 33,346	\$ (27,562)	\$ 9,991,064
Total Net Cost (Revenue) of Operations	\$ 1,030,716	\$ 6,438,936	\$ 1,282,240	\$ 2,786,151	\$ 1,938,437	\$ 6,077,636	\$ 1,085,922	\$ 5,902,796	\$ 33,346	\$ (27,562)	\$ 26,548,618

U. S. Department of Justice
Consolidating Statement of Net Cost
For the Fiscal Year Ended September 30, 2007

Dollars in Thousands	AF/SADF	OBDS	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security											
Gross Cost - Intragovernmental	\$ -	\$ 118,830	\$ 5,219	\$ -	\$ 4,719	\$ 1,010,216	\$ 6,499	\$ -	\$ -	\$ (171,501)	\$ 967,483
Gross Cost - With the Public	-	374,159	-	-	44,091	2,450,952	6,499	-	-	-	2,875,701
Subtotal Gross Costs	-	492,989	5,219	-	48,810	3,461,168	6,499	-	-	(171,501)	3,843,184
Earned Revenues - Intragovernmental	-	185,465	-	-	1,138	207,693	-	-	-	(171,501)	222,795
Earned Revenues - With the Public	-	19,457	-	-	314	11,573	-	-	-	-	31,344
Subtotal Earned Revenues	-	204,922	-	-	1,452	219,266	-	-	-	(171,501)	254,139
Subtotal Net Cost (Revenues) of Operations	\$ -	\$ 288,067	\$ 5,219	\$ -	\$ 47,358	\$ 3,241,902	\$ 6,499	\$ -	\$ -	\$ -	\$ 3,589,045
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People											
Gross Cost - Intragovernmental	\$ 195,990	\$ 1,817,827	\$ 981	\$ 65,855	\$ 738,213	\$ 977,384	\$ 326,514	\$ -	\$ -	\$ (1,031,026)	\$ 3,091,738
Gross Cost - With the Public	1,338,051	3,270,236	-	1,446,558	1,563,091	2,371,296	762,307	1,160	-	-	10,752,699
Subtotal Gross Costs	1,534,041	5,088,063	981	1,512,413	2,301,304	3,348,680	1,088,821	1,160	-	(1,031,026)	13,844,437
Earned Revenues - Intragovernmental	3,722	664,334	-	220,242	367,804	380,083	40,638	-	-	(1,031,026)	645,797
Earned Revenues - With the Public	-	299,777	-	36	170,396	137,832	33	-	-	-	608,074
Subtotal Earned Revenues	3,722	964,111	-	220,278	538,200	517,915	40,671	-	-	(1,031,026)	1,253,871
Subtotal Net Cost (Revenues) of Operations	\$ 1,530,319	\$ 4,123,952	\$ 981	\$ 1,292,135	\$ 1,763,104	\$ 2,830,765	\$ 1,048,150	\$ 1,160	\$ -	\$ -	\$ 12,590,566
Goal 3: Ensure the Fair and Efficient Administration of Justice											
Gross Cost - Intragovernmental	\$ -	\$ 1,246,983	\$ 433,803	\$ 123,682	\$ -	\$ -	\$ -	\$ 1,267,155	\$ 179,707	\$ (1,349,842)	\$ 1,901,488
Gross Cost - With the Public	-	363,348	2,053,583	1,354,351	-	-	-	4,662,492	786,926	-	9,220,700
Subtotal Gross Costs	-	1,610,331	2,487,386	1,478,033	-	-	-	5,929,647	966,633	(1,349,842)	11,122,188
Earned Revenues - Intragovernmental	-	17,406	1,290,122	58,283	-	-	-	17,593	911,160	(1,324,885)	969,679
Earned Revenues - With the Public	-	1,717	3,528	9	-	-	-	318,449	66,735	-	390,438
Subtotal Earned Revenues	-	19,123	1,293,650	58,292	-	-	-	336,042	977,895	(1,324,885)	1,360,117
Subtotal Net Cost (Revenues) of Operations	\$ -	\$ 1,591,208	\$ 1,193,736	\$ 1,419,741	\$ -	\$ -	\$ -	\$ 5,593,605	\$ (11,262)	\$ (24,957)	\$ 9,762,071
Total Net Cost (Revenue) of Operations	\$ 1,530,319	\$ 6,003,227	\$ 1,199,936	\$ 2,711,876	\$ 1,810,462	\$ 6,072,667	\$ 1,054,649	\$ 5,594,765	\$ (11,262)	\$ (24,957)	\$ 25,941,682

U. S. Department of Justice
Consolidating Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2008

Dollars in Thousands	AFP/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances	\$ -	\$ 21,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,938
Earmarked Funds	-	3,241,246	215,147	3,049,478	437,415	1,647,372	170,656	953,555	-	-	9,714,869
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
Budgetary Financing Sources											
Appropriations Received											
Earmarked Funds	-	44,902	895,144	1,769,767	1,887,430	6,763,811	1,011,597	5,610,260	-	-	44,902
All Other Funds	-	6,097,796	-	-	-	-	-	-	-	-	24,035,805
Appropriations Transferred-In/Out											
Earmarked Funds	-	4,061	-	241,204	15,302	(169,298)	16,825	34,270	-	-	4,061
All Other Funds	-	(226,909)	332,914	-	-	-	-	-	-	-	244,308
Other Adjustments											
Earmarked Funds	-	(10,260)	-	-	-	-	-	-	-	-	(10,260)
All Other Funds	-	(283,128)	-	(110,598)	-	(1,300)	-	-	-	-	(395,026)
Appropriations Used											
Earmarked Funds	-	(15,739)	-	-	-	-	-	-	-	-	(15,739)
All Other Funds	-	(6,159,791)	(1,251,580)	(2,068,502)	(1,864,880)	(6,356,378)	(1,031,410)	(5,698,340)	-	-	(24,430,881)
Total Financing Sources											
Earmarked Funds	-	22,964	(23,522)	(168,129)	37,852	236,835	(2,988)	(53,810)	-	-	22,964
All Other Funds	-	(572,032)	-	-	-	-	-	-	-	-	(545,794)
Ending Balances											
Earmarked Funds	-	44,902	191,625	2,881,349	475,267	1,884,207	167,668	899,745	-	-	44,902
All Other Funds	-	2,669,214	-	-	-	-	-	-	-	-	9,169,075
Total All Funds	\$ -	\$ 2,714,116	\$ 191,625	\$ 2,881,349	\$ 475,267	\$ 1,884,207	\$ 167,668	\$ 899,745	\$ -	\$ -	\$ 9,213,977

U. S. Department of Justice
Consolidating Statement of Changes in Net Position - Continued
For the Fiscal Year Ended September 30, 2008

	AFI/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Cumulative Results of Operations											
Beginning Balances											
Earmarked Funds	\$ 734,213	\$ 164,090	\$ 143,021	\$ 2,700,816	\$ (49,352)	\$ 784,797	\$ 53,210	\$ 69,686	\$ 480,912	\$ -	\$ 3,619,453
All Other Funds	-	160,915	143,021	22,416	47,357	-	-	5,258,111	-	-	6,951,339
Budgetary Financing Sources											
Appropriations Used											
Earmarked Funds	-	15,739	-	-	-	-	-	-	-	-	15,739
All Other Funds	-	6,159,791	1,251,580	2,068,502	1,864,880	6,356,378	1,031,410	5,698,340	-	-	24,430,881
Nonexchange Revenues											
Earmarked Funds	83,690	162	-	896,752	-	-	-	-	-	-	980,604
All Other Funds	-	-	-	1,199	-	-	-	-	-	-	1,199
Donations and Forfeitures of Cash and Cash Equivalents											
Earmarked Funds	1,222,643	-	-	-	-	-	-	-	-	-	1,222,643
Transfers-In/Out Without Reimbursement											
All Other Funds	-	180,900	-	-	-	-	-	-	-	-	180,900
Other Budgetary Financing Sources											
All Other Funds	-	(41,000)	-	-	-	-	-	-	-	-	(41,000)
Other Financing Sources											
Donations and Forfeitures of Property											
Earmarked Funds	63,430	-	-	-	-	-	-	-	-	-	63,430
All Other Funds	-	-	-	-	-	-	-	2,424	-	-	2,424
Transfers-In/Out Without Reimbursement											
Earmarked Funds	(65,451)	-	-	(41)	-	-	-	-	-	-	(65,492)
All Other Funds	-	(119,226)	674	61,855	5,795	77,901	4,885	32,682	-	-	64,566
Imputed Financing from Costs Absorbed by Others											
Earmarked Funds	-	12,006	-	-	5,507	-	-	3,050	-	-	20,563
All Other Funds	-	124,606	29,413	3,503	64,440	187,109	31,447	166,460	36,465	(27,562)	615,881
Total Financing Sources											
Earmarked Funds	1,304,312	27,907	1,281,667	896,752	5,466	6,021,388	1,067,742	3,050	36,465	-	2,237,487
All Other Funds	-	6,305,071	1,281,667	2,135,059	1,935,115	-	-	5,899,906	-	(27,562)	25,254,851
Net Cost of Operations											
Earmarked Funds	(1,030,716)	(112,264)	-	(642,195)	(25,288)	-	-	5,744	-	-	(1,804,719)
All Other Funds	-	(6,326,672)	(1,282,240)	(2,143,956)	(1,913,149)	(6,077,636)	(1,085,922)	(5,908,540)	(33,346)	27,562	(24,743,899)
Net Change											
Earmarked Funds	273,596	(84,357)	-	254,557	(19,822)	-	-	8,794	-	-	432,768
All Other Funds	-	(21,601)	(573)	(8,897)	21,966	543,752	(18,180)	(8,634)	3,119	-	510,952
Ending Balances											
Earmarked Funds	1,007,809	79,733	-	2,955,373	(69,174)	-	-	78,480	-	-	4,052,221
All Other Funds	-	139,314	143,048	13,519	69,323	1,328,549	35,030	5,249,477	484,031	-	7,462,291
Total All Funds	\$ 1,007,809	\$ 219,047	\$ 143,048	\$ 2,968,892	\$ 149	\$ 1,328,549	\$ 35,030	\$ 5,327,957	\$ 484,031	\$ -	\$ 11,514,512

U. S. Department of Justice
Consolidating Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2007

Dollars in Thousands	AFF/SADF	OBDs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Unexpended Appropriations											
Beginning Balances	\$ -	\$ 60,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,071
Earmarked Funds	-	3,266,255	224,311	3,209,863	273,300	1,210,645	120,123	775,041	-	-	9,079,538
All Other Funds	-	-	-	-	-	-	-	-	-	-	-
Budgetary Financing Sources											
Appropriations Received											
Earmarked Funds	-	18,819	-	-	1,757,055	6,298,573	988,097	5,444,858	-	-	18,819
All Other Funds	-	5,940,629	825,366	2,005,427	-	-	-	-	-	-	23,260,005
Appropriations Transferred-In/Out											
All Other Funds	-	17,759	316,716	18,491	83,945	102,570	41,146	(4,956)	-	-	575,671
Other Adjustments											
Earmarked Funds	-	(49,335)	-	-	-	-	-	-	-	-	(49,335)
All Other Funds	-	(39,030)	-	(119,835)	-	(39,000)	-	-	-	-	(197,865)
Appropriations Used											
Earmarked Funds	-	(7,617)	-	-	(1,676,885)	(5,925,416)	(978,710)	(5,261,388)	-	-	(7,617)
All Other Funds	-	(5,944,367)	(1,151,246)	(2,064,468)	-	-	-	-	-	-	(23,002,480)
Total Financing Sources											
Earmarked Funds	-	(38,133)	(9,164)	(160,385)	164,115	436,727	50,533	178,514	-	-	(38,133)
All Other Funds	-	(25,009)	-	-	-	-	-	-	-	-	635,331
Net Change											
Earmarked Funds	-	(38,133)	-	-	-	-	-	-	-	-	(38,133)
All Other Funds	-	(25,009)	(9,164)	(160,385)	164,115	436,727	50,533	178,514	-	-	635,331
Ending Balances											
Earmarked Funds	-	21,938	-	-	-	-	-	-	-	-	21,938
All Other Funds	-	3,241,246	215,147	3,049,478	437,415	1,647,372	170,656	953,555	-	-	9,714,869
Total All Funds	\$ -	\$ 3,263,184	\$ 215,147	\$ 3,049,478	\$ 437,415	\$ 1,647,372	\$ 170,656	\$ 953,555	\$ -	\$ -	\$ 9,736,807

U. S. Department of Justice
Consolidating Statement of Changes in Net Position - Continued
For the Fiscal Year Ended September 30, 2007

Dollars in Thousands	AFF/SADF	OBDBs	USMS	OIP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Cumulative Results of Operations											
Beginning Balances											
Earmarked Funds	\$ 651,122	\$ 226,794	\$ 160,286	\$ 2,274,904	\$ (57,996)	\$ 713,120	\$ 48,902	\$ 62,911	\$ 435,123	\$ -	\$ 3,157,735
All Other Funds	-	30,708	-	14,050	42,784	-	-	5,417,960	-	-	6,862,933
Budgetary Financing Sources											
Other Adjustments											
All Other Funds	-	(2,500)	-	-	-	-	-	-	-	-	(2,500)
Appropriations Used											
Earmarked Funds	-	7,617	-	-	-	-	978,710	-	-	-	7,617
All Other Funds	-	5,944,367	1,151,246	2,064,468	1,676,885	5,925,416	5,261,388	-	-	-	23,002,480
Nonexchange Revenues											
Earmarked Funds	111,426	-	-	1,017,980	-	-	-	-	-	-	1,129,466
All Other Funds	-	-	-	2,846	-	-	-	-	-	-	2,846
Donations and Forfeitures of Cash and Cash Equivalents											
Earmarked Funds	1,409,015	-	-	-	-	-	-	-	-	-	1,409,015
Transfers-In/Out Without Reimbursement											
All Other Funds	-	59,021	-	-	-	-	-	-	-	-	59,021
Other Budgetary Financing Sources											
Earmarked Funds	-	34,000	-	-	1	-	-	-	-	-	34,001
Other Financing Sources											
Donations and Forfeitures of Property											
Earmarked Funds	106,746	-	-	-	-	-	-	-	-	-	106,746
All Other Funds	-	-	-	-	-	-	302	1	-	-	303
Transfers-In/Out Without Reimbursement											
Earmarked Funds	(13,777)	-	-	-	42	-	-	-	-	-	(13,735)
All Other Funds	-	(111,103)	856	57,141	8,935	29,858	13,182	1,129	-	-	(2)
Imputed Financing from Costs Absorbed by Others											
Earmarked Funds	-	12,521	-	-	5,511	-	-	3,234	-	-	21,266
All Other Funds	-	126,747	3,1169	3,719	132,305	189,070	66,763	175,939	34,527	(24,957)	735,282
Total Financing Sources											
Earmarked Funds	1,613,410	54,198	1,183,271	1,017,980	5,554	6,144,344	1,058,957	5,438,457	34,527	-	2,694,376
All Other Funds	-	6,016,532	-	2,128,174	1,818,125	-	-	-	(24,957)	-	23,797,430
Net Cost of Operations											
Earmarked Funds	(1,530,319)	(116,902)	-	(592,068)	3,090	(6,072,667)	(1,054,649)	3,541	-	-	(2,232,658)
All Other Funds	-	(5,886,325)	(1,199,936)	(2,119,808)	(1,813,552)	-	11,262	(5,598,306)	24,957	-	(23,709,024)
Net Change											
Earmarked Funds	83,091	(62,704)	-	425,912	8,644	-	-	6,775	-	-	461,718
All Other Funds	-	130,207	(16,665)	8,366	4,573	71,677	4,308	(159,849)	45,789	-	88,406
Ending Balances											
Earmarked Funds	734,213	164,090	-	2,700,816	(49,352)	-	-	69,686	-	-	3,619,453
All Other Funds	-	160,915	143,621	22,416	47,357	784,797	53,210	5,258,111	480,912	-	6,951,339
Total All Funds	\$ 734,213	\$ 325,005	\$ 143,621	\$ 2,723,232	\$ (1,995)	\$ 784,797	\$ 53,210	\$ 5,327,797	\$ 480,912	\$ -	\$ 10,570,792

**U. S. Department of Justice
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2008**

	AFFS/ADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Budgetary Resources										
Unobligated Balance, Net, Brought Forward, October 1	\$ 428,878	\$ 899,325	\$ 101,440	\$ 650,068	\$ 216,385	\$ 1,127,650	\$ 73,107	\$ 273,362	\$ 165,177	\$ 3,935,392
Adjustment to Unobligated Balance, Brought Forward, October 1	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Unobligated Balance, Brought Forward, October 1, as Adjusted	428,878	899,325	101,440	650,068	216,385	1,127,650	73,107	273,362	145,177	3,915,392
Recoveries of Prior Year Unpaid Obligations	40,051	248,702	62,869	145,759	72,085	210,019	58,819	6,157	-	844,461
Budget Authority:										
Appropriations Received	1,530,423	6,377,090	895,144	2,666,519	2,108,334	6,763,811	1,011,597	5,610,260	-	26,963,178
Spending Authority from Offsetting Collections:										
Earned	3,219	1,982,366	1,413,426	370,815	398,626	899,710	46,518	385,999	978,084	6,478,763
Change in Receivables from Federal Sources	(11,963)	(47,329)	26,161	3,566	(10,026)	130,657	1,321	2,304	(18,534)	76,157
Change in Unfilled Customer Orders	-	10,510	(13,816)	(256,220)	(318)	16,716	-	(1,936)	22,130	(222,934)
Advance Received	(6335)	(44,278)	(14,880)	13,126	18,184	106,643	464	-	-	78,724
Without Advance from Federal Sources	1,521,144	8,278,359	2,306,035	2,797,806	2,514,800	7,917,537	1,039,900	5,996,627	981,680	33,373,888
Subtotal Budget Authority	-	(41,948)	332,914	241,204	15,302	(169,298)	16,825	34,270	-	429,269
Nonexpenditure Transfers, Net, Anticipated and Actual	(340,000)	-	-	(122,414)	-	-	-	-	-	(362,414)
Temporarily not Available Pursuant to Public Law	-	-	-	-	-	-	-	-	-	-
Permanently not Available	-	(329,466)	-	(110,598)	-	(1,300)	-	-	-	(441,364)
Total Budgetary Resources	\$ 1,750,073	\$ 9,054,972	\$ 2,803,258	\$ 3,601,825	\$ 2,818,572	\$ 9,084,608	\$ 1,208,651	\$ 6,310,416	\$ 1,126,857	\$ 37,759,232
Status of Budgetary Resources										
Obligations Incurred										
Direct	\$ 1,151,682	\$ 6,269,675	\$ 1,260,224	\$ 3,014,321	\$ 2,249,663	\$ 6,991,925	\$ 1,101,579	\$ 5,880,520	\$ -	\$ 27,919,589
Reimbursable	3,178	2,134,198	1,449,714	127,450	407,164	1,016,197	53,101	69,237	1,029,542	6,289,781
Total Obligations Incurred	1,154,860	8,403,873	2,709,938	3,141,771	2,656,827	8,008,122	1,154,680	5,949,757	1,029,542	34,209,370
Unobligated Balance - Available:										
Appropriated	400,865	442,090	71,872	220,624	152,562	727,352	25,372	263,215	-	2,303,952
Exempt from Apportionment	-	-	-	-	-	-	-	-	-	50,619
Total Unobligated Balance - Available	400,865	442,090	71,872	220,624	152,562	727,352	25,372	263,215	-	2,354,571
Unobligated Balance not Available	194,348	209,009	21,448	239,430	9,183	349,134	28,599	46,825	-	1,097,976
Total Status of Budgetary Resources	\$ 1,750,073	\$ 9,054,972	\$ 2,803,258	\$ 3,601,825	\$ 2,818,572	\$ 9,084,608	\$ 1,208,651	\$ 6,310,416	\$ 1,126,857	\$ 37,759,232

U. S. Department of Justice
Combining Statement of Budgetary Resources - Continued
For the Fiscal Year Ended September 30, 2008

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Change in Obligated Balance										
Obligated Balance, Net - Brought Forward, October 1	\$ 1,051,329	\$ 3,357,243	\$ 540,136	\$ 4,046,993	\$ 541,717	\$ 1,669,766	\$ 219,716	\$ 1,191,107	\$ 306,943	\$ 12,924,950
Unpaid Obligations	14,824	679,019	180,181	19,625	131,358	554,862	29,503	10,061	55,030	1,674,463
Less: Uncollected Customer Payments from Federal Sources		2,678,224	359,955	4,027,368	410,359	1,114,904	190,213	1,181,046	251,913	11,250,487
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	\$ 1,036,505									
Obligations Incurred	1,154,860	8,403,873	2,709,938	3,141,771	2,656,827	8,008,122	1,154,680	5,949,757	1,029,542	34,209,370
Less: Gross Outlays	1,257,030	8,240,549	2,640,344	3,115,655	2,423,953	7,204,918	1,099,675	6,014,205	1,024,612	33,020,941
Less: Recoveries of Prior Year Unpaid Obligations, Actual	40,051	248,702	62,869	145,759	72,085	210,019	58,819	6,157	-	844,461
Change in Uncollected Customer Payments from Federal Sources	12,498	91,607	(11,281)	(16,692)	(8,158)	(237,300)	(1,785)	(2,304)	18,534	(154,881)
Obligated Balance, Net - End of Period:										
Unpaid Obligations	909,109	3,271,864	546,861	3,927,350	702,505	2,262,951	215,902	1,120,502	311,873	13,268,917
Less: Uncollected Customer Payments from Federal Sources	2,327	587,412	191,462	36,317	139,516	792,162	31,288	12,365	36,497	1,829,346
Total Unpaid Obligated Balance, Net - End of Period	\$ 906,782	\$ 2,684,452	\$ 355,399	\$ 3,891,033	\$ 562,989	\$ 1,470,789	\$ 184,614	\$ 1,108,137	\$ 275,376	\$ 11,439,571
Outlays										
Gross Outlays	\$ 1,257,030	\$ 8,240,549	\$ 2,640,344	\$ 3,115,655	\$ 2,423,953	\$ 7,204,918	\$ 1,099,675	\$ 6,014,205	\$ 1,024,612	\$ 33,020,941
Less: Offsetting Collections	3,219	1,992,875	1,399,610	114,596	398,308	916,426	46,518	384,063	1,000,213	6,255,828
Less: Distributed Offsetting Receipts	83,690	(418,768)	(3,805)	-	221,908	1,171	(6,670)	547	-	(121,927)
Total Net Outlays	\$ 1,170,121	\$ 6,666,442	\$ 1,244,539	\$ 3,001,059	\$ 1,803,737	\$ 6,287,321	\$ 1,059,827	\$ 5,629,595	\$ 24,399	\$ 26,887,040

**U. S. Department of Justice
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2007**

Dollars in Thousands	AFI/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Budgetary Resources										
Unobligated Balance, Net, Brought Forward, October 1	\$ 425,253	\$ 889,186	\$ 86,260	\$ 576,626	\$ 81,045	\$ 598,130	\$ 29,936	\$ 474,852	\$ 116,558	\$ 3,277,846
Recoveries of Prior Year Unpaid Obligations	25,543	234,005	61,589	149,514	57,325	137,091	52,475	17,498	9,916	744,956
Budget Authority:	1,691,056	6,256,223	825,366	4,356,866	1,961,236	6,298,573	988,097	5,444,858	-	27,822,275
Appropriations Received	5,072	2,018,709	1,332,317	347,530	396,871	823,972	58,837	337,951	950,686	6,271,945
Spending Authority from Offsetting Collections:	5,538	3,498	(5,873)	(7,207)	(16,768)	(42,368)	(6,086)	(98)	21,192	(48,172)
Earned	-	(6,590)	(8,440)	9,300	282	601	-	(823)	6,017	347
Change in Receivables from Federal Sources	286	12,172	690	(1,058)	7,261	177,587	(14,706)	-	-	182,232
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-	-	-
Advance Received Without Advance from Federal Sources	1,701,952	8,284,012	2,144,060	4,705,431	2,348,882	7,258,365	1,026,142	5,781,888	977,895	34,228,627
Subtotal Budget Authority	-	76,780	316,716	18,491	83,945	102,570	41,146	(4,956)	-	634,692
Nonexpenditure Transfers, Net, Anticipated and Actual	(170,000)	7	-	(1,729,552)	-	-	-	-	-	(1,899,545)
Temporarily not Available Pursuant to Public Law	-	-	-	-	-	-	-	-	-	-
Permanently not Available	-	(62,287)	-	(119,316)	-	(39,000)	-	-	-	(220,603)
Total Budgetary Resources	\$ 1,982,748	\$ 9,421,703	\$ 2,608,625	\$ 3,601,194	\$ 2,571,197	\$ 8,057,156	\$ 1,149,699	\$ 6,269,282	\$ 1,104,369	\$ 36,765,973
Status of Budgetary Resources										
Obligations Incurred	\$ 1,550,148	\$ 6,364,381	\$ 1,176,128	\$ 2,571,955	\$ 1,971,332	\$ 6,016,024	\$ 1,035,774	\$ 5,964,109	\$ -	\$ 26,649,851
Direct	3,722	2,157,997	1,331,057	379,171	383,480	913,482	40,818	31,811	939,192	6,180,730
Reimbursable	1,553,870	8,522,378	2,507,185	2,951,126	2,354,812	6,929,506	1,076,592	5,995,920	939,192	32,830,381
Total Obligations Incurred	396,962	668,885	70,189	597,286	186,108	850,918	53,657	167,147	-	2,991,152
Unobligated Balance - Available:	396,962	668,885	70,189	597,286	186,108	850,918	53,657	167,147	-	2,991,152
Appropriated	-	-	-	-	-	-	-	-	165,177	205,577
Exempt from Apportionment	31,916	230,440	31,251	52,782	30,277	276,732	19,450	207,547	165,177	3,196,729
Total Unobligated Balance - Available	31,916	230,440	31,251	52,782	30,277	276,732	19,450	207,547	165,177	3,196,729
Unobligated Balance not Available	-	-	-	-	-	-	-	-	-	738,663
Total Status of Budgetary Resources	\$ 1,982,748	\$ 9,421,703	\$ 2,608,625	\$ 3,601,194	\$ 2,571,197	\$ 8,057,156	\$ 1,149,699	\$ 6,269,282	\$ 1,104,369	\$ 36,765,973

U. S. Department of Justice
 Combining Statement of Budgetary Resources - Continued
 For the Fiscal Year Ended September 30, 2007

	AFI/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Change in Obligated Balance										
Obligated Balance, Net - Brought Forward, October 1	\$ 580,029	\$ 3,513,694	\$ 500,397	\$ 4,279,018	\$ 467,273	\$ 1,426,936	\$ 198,836	\$ 761,034	\$ 295,653	\$ 12,022,870
Unpaid Obligations	9,001	663,348	185,364	27,890	140,864	419,643	50,295	10,159	33,838	1,540,402
Less: Uncollected Customer Payments from Federal Sources										
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	571,028	2,850,346	315,033	4,251,128	326,409	1,007,293	148,541	750,875	261,815	10,482,468
Obligations Incurred	1,553,870	8,522,378	2,507,185	2,951,126	2,354,812	6,929,506	1,076,592	5,995,920	939,192	32,830,581
Less: Gross Outlays	1,057,026	8,444,825	2,405,857	3,033,637	2,223,044	6,549,585	1,003,237	5,548,349	917,986	31,183,546
Less: Recoveries of Prior Year Unpaid Obligations, Actual	25,543	234,005	61,589	149,514	57,325	137,091	52,475	17,498	9,916	744,956
Change in Uncollected Customer Payments from Federal Sources	(5,824)	(15,670)	5,183	8,265	9,507	(135,219)	20,792	98	(21,192)	(134,060)
Obligated Balance, Net - End of Period:										
Unpaid Obligations	1,051,329	3,357,243	540,136	4,046,993	541,717	1,669,766	219,716	1,191,107	306,943	12,924,950
Less: Uncollected Customer Payments from Federal Sources	14,824	679,019	180,181	19,625	131,358	554,862	29,503	10,061	55,030	1,674,463
Total Unpaid Obligated Balance, Net - End of Period	\$ 1,036,505	\$ 2,678,224	\$ 359,955	\$ 4,027,368	\$ 410,359	\$ 1,114,904	\$ 190,213	\$ 1,181,046	\$ 251,913	\$ 11,250,487
Outlays										
Gross Outlays	\$ 1,057,026	\$ 8,444,825	\$ 2,405,857	\$ 3,033,637	\$ 2,223,044	\$ 6,549,585	\$ 1,003,237	\$ 5,548,349	\$ 917,986	\$ 31,183,546
Less: Offsetting Collections	5,072	2,012,119	1,323,877	356,829	397,152	824,573	58,837	337,128	956,703	6,272,290
Less: Distributed Offsetting Receipts	111,426	936,968	1,851	17	205,474	17,221	(616)	(2,523)	-	1,269,818
Total Net Outlays	\$ 940,528	\$ 5,495,738	\$ 1,080,129	\$ 2,676,791	\$ 1,620,418	\$ 5,707,791	\$ 945,016	\$ 5,213,744	\$ (38,717)	\$ 23,641,438

**U. S. Department of Justice
Combining Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2008**

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Revenue Activity										
Sources of Cash Collections										
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	\$ -	\$ 2,758,710	\$ -	\$ -	\$ -	\$ -	\$ 12,262	\$ -	\$ -	\$ 2,758,710
Fees and Licenses	-	-	-	-	15,000	-	-	-	-	27,262
Fines, Penalties and Restitution Payments - Civil	-	-	-	-	21,936	-	20	-	-	21,956
Fines, Penalties and Restitution Payments - Criminal	-	26,851	-	-	-	-	44	-	-	26,895
Miscellaneous	-	2,359	-	-	-	-	110	-	-	2,469
Total Cash Collections	\$ -	\$ 2,787,920	\$ -	\$ -	\$ 36,936	\$ -	\$ 12,436	\$ -	\$ -	\$ 2,837,292
Accrual Adjustments	-	(19)	-	-	(203)	-	-	-	-	(222)
Total Custodial Revenue	\$ -	\$ 2,787,901	\$ -	\$ -	\$ 36,733	\$ -	\$ 12,436	\$ -	\$ -	\$ 2,837,070
Disposition of Collections										
Transferred to Federal Agencies										
U.S. Department of Agriculture	-	(140,289)	-	-	-	-	-	-	-	(140,289)
U.S. Department of Commerce	-	(1,884)	-	-	-	-	-	-	-	(1,884)
U.S. Department of the Interior	-	(23,239)	-	-	-	-	-	-	-	(23,239)
U.S. Department of Justice	-	(294,666)	-	-	-	-	-	-	-	(294,666)
U.S. Department of Labor	-	(3,268)	-	-	-	-	-	-	-	(3,268)
U.S. Postal Service	-	(10,817)	-	-	-	-	-	-	-	(10,817)
U.S. Department of the Treasury	-	(200,173)	-	-	(36,936)	-	(12,178)	-	-	(249,287)
Office of Personnel Management	-	(7,432)	-	-	-	-	-	-	-	(7,432)
National Credit Union Administration	-	(7)	-	-	-	-	-	-	-	(7)
Federal Communications Commission	-	(4,114)	-	-	-	-	-	-	-	(4,114)
Social Security Administration	-	(650)	-	-	-	-	-	-	-	(650)
Smithsonian Institution	-	(9)	-	-	-	-	-	-	-	(9)
U.S. Department of Veterans Affairs	-	(13,548)	-	-	-	-	-	-	-	(13,548)
General Services Administration	-	(1,516)	-	-	-	-	-	-	-	(1,516)
Federal Deposit Insurance Corporation	-	(14)	-	-	-	-	-	-	-	(14)
Railroad Retirement Board	-	(373)	-	-	-	-	-	-	-	(373)
Tennessee Valley Authority	-	(7,933)	-	-	-	-	-	-	-	(7,933)
Environmental Protection Agency	-	(440,033)	-	-	-	-	-	-	-	(440,033)
U.S. Department of Transportation	-	(36,213)	-	-	-	-	-	-	-	(36,213)
U.S. Department of Homeland Security	-	(46,329)	-	-	-	-	-	-	-	(46,329)
Small Business Administration	-	(10,740)	-	-	-	-	-	-	-	(10,740)
U.S. Department of Health and Human Services	-	(1,614,871)	-	-	-	-	-	-	-	(1,614,871)
National Aeronautics and Space Administration	-	(413)	-	-	-	-	-	-	-	(413)
U.S. Department of Housing and Urban Development	-	(8,467)	-	-	-	-	-	-	-	(8,467)
U.S. Department of Energy	-	(7,463)	-	-	-	-	-	-	-	(7,463)
U.S. Department of Education	-	(14,517)	-	-	-	-	-	-	-	(14,517)
Independent Agencies	-	(86,419)	-	-	-	-	-	-	-	(86,419)
U.S. Department of Defense	-	(115,735)	-	-	-	-	-	-	-	(115,735)
Transferred to the Public	-	(339,229)	-	-	-	-	-	-	-	(339,229)
(Increase)/Decrease in Amounts Yet to be Transferred	-	723,201	-	-	203	-	-	-	-	723,404
Refunds and Other Payments Retained by the Reporting Entity	-	(80,101)	-	-	(640)	-	(258)	-	-	(898)
Net Custodial Activity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**U. S. Department of Justice
Combining Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2007**

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Combined
Revenue Activity										
Sources of Cash Collections										
Delinquent Federal Civil Debts as Required by the Federal Debt Recovery Act of 1986	\$ -	\$ 3,053,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,053,827
Fees and Licenses	-	-	-	-	15,000	-	10,551	-	-	25,551
Fines, Penalties and Restitution Payments - Civil	-	-	-	-	7,958	-	22	-	-	7,980
Fines, Penalties and Restitution Payments - Criminal	-	17,353	-	-	-	-	56	-	-	17,409
Miscellaneous	-	4,114	-	-	-	-	1,005	-	-	5,119
Total Cash Collections	\$ -	\$ 3,075,294	\$ -	\$ -	\$ 22,958	\$ -	\$ 11,634	\$ -	\$ -	\$ 3,109,886
Accrual Adjustments	-	19	-	-	(379)	-	(62)	-	-	(412)
Total Custodial Revenue	\$ -	\$ 3,075,313	\$ -	\$ -	\$ 22,579	\$ -	\$ 11,582	\$ -	\$ -	\$ 3,109,474
Disposition of Collections										
Transferred to Federal Agencies										
U.S. Department of Agriculture	-	(99,035)	-	-	-	-	-	-	-	(99,035)
U.S. Department of Commerce	-	(5,447)	-	-	-	-	-	-	-	(5,447)
U.S. Department of the Interior	-	(121,901)	-	-	-	-	-	-	-	(121,901)
U.S. Department of Justice	-	(202,300)	-	-	-	-	-	-	-	(202,300)
U.S. Department of Labor	-	(6,779)	-	-	-	-	-	-	-	(6,779)
Pension Benefit Guaranty Corporation	-	(816)	-	-	-	-	-	-	-	(816)
U.S. Postal Service	-	(17,185)	-	-	-	-	-	-	-	(17,185)
U.S. Department of State	-	(500)	-	-	-	-	-	-	-	(500)
U.S. Department of the Treasury	-	(283,709)	-	-	(22,958)	-	(11,365)	-	-	(318,032)
Office of Personnel Management	-	(110,594)	-	-	-	-	-	-	-	(110,594)
National Credit Union Administration	-	(977)	-	-	-	-	-	-	-	(977)
Federal Communications Commission	-	(491)	-	-	-	-	-	-	-	(491)
Social Security Administration	-	(544)	-	-	-	-	-	-	-	(544)
Smithsonian Institution	-	(34)	-	-	-	-	-	-	-	(34)
U.S. Department of Veterans Affairs	-	(10,931)	-	-	-	-	-	-	-	(10,931)
General Services Administration	-	(83,435)	-	-	-	-	-	-	-	(83,435)
National Science Foundation	-	(860)	-	-	-	-	-	-	-	(860)
Federal Deposit Insurance Corporation	-	(435)	-	-	-	-	-	-	-	(435)
Railroad Retirement Board	-	(294)	-	-	-	-	-	-	-	(294)
Environmental Protection Agency	-	(310,136)	-	-	-	-	-	-	-	(310,136)
U.S. Department of Transportation	-	(14,365)	-	-	-	-	-	-	-	(14,365)
U.S. Department of Homeland Security	-	(29,879)	-	-	-	-	-	-	-	(29,879)
Agency for International Development	-	(396)	-	-	-	-	-	-	-	(396)
Small Business Administration	-	(12,456)	-	-	-	-	-	-	-	(12,456)
U.S. Department of Health and Human Services	-	(718,437)	-	-	-	-	-	-	-	(718,437)
National Aeronautics and Space Administration	-	(268)	-	-	-	-	-	-	-	(268)
Export-Import Bank of the United States	-	(1,142)	-	-	-	-	-	-	-	(1,142)
U.S. Department of Housing and Urban Development	-	(5,513)	-	-	-	-	-	-	-	(5,513)
U.S. Department of Energy	-	(2,023)	-	-	-	-	-	-	-	(2,023)
U.S. Department of Education	-	(17,184)	-	-	-	-	-	-	-	(17,184)
Independent Agencies	-	(22,662)	-	-	-	-	-	-	-	(22,662)
U.S. Department of Defense	-	(53,495)	-	-	-	-	-	-	-	(53,495)
Transferred to the Public	-	(202,688)	-	-	-	-	-	-	-	(202,688)
(Increase)/Decrease in Amounts Yet to be Transferred	-	(679,599)	-	-	379	-	-	-	-	(679,220)
Refunds and Other Payments Retained by the Reporting Entity	-	(1,576)	-	-	-	-	(217)	-	-	(1,793)
	-	(57,227)	-	-	-	-	-	-	-	(57,227)
Net Custodial Activity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Required Supplementary Stewardship Information
Unaudited

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U.S. Department of Justice
Required Supplementary Stewardship Information
Consolidated Stewardship Investments
For the Fiscal Years Ended September 30, 2008, 2007, 2006, 2005 and 2004

The Violent Offender Incarceration and Truth-In Sentencing (VOI/TIS) Grant Program is administered by OJP's Bureau of Justice Assistance (BJA). The VOI/TIS program provides grants to all states as well as the District of Columbia, Puerto Rico, Virgin Islands, American Samoa, Guam and the Northern Mariana Islands for the purposes of building or expanding correctional facilities and jails to increase secure confinement space for violent offenders.

VOI/TIS funds are available for the following purposes:

- Build or expand correctional facilities to increase the bed capacity for the confinement of persons convicted of a Part 1 violent crime or adjudicated delinquent for an act, which, if committed by an adult, would be a Part 1 violent crime. NOTE: Part 1 violent crime includes murder and non-negligent manslaughter, forcible rape, robbery, and aggravated assault as reported to the FBI for purposes of the Uniform Crime Reports.
- Build or expand temporary or permanent correctional facilities, including facilities on military bases, prison barges, and boot camps, for the confinement of convicted nonviolent offenders and criminal aliens, for the purpose of freeing suitable existing prison space for the confinement of persons convicted of a Part 1 violent crime.
- Build or expand jails.
- Additionally, since FY 1999, up to 10 percent of a State's VOI/TIS award may be applied to the costs of offender drug testing or intervention programs during periods of incarceration and post-incarceration criminal justice supervision and/or pay the costs of providing the required reports on prison drug use.

The facilities built or expanded with these funds constitute non-federal physical property.

VOI/TIS funds expended from FY 2004 through FY 2008 are as follows:

Dollars in thousands	2008	2007	2006	2005	2004
Cooperative Agreement Program Administered by USMS	\$1,140	\$2,839	\$2,521	\$3,605	\$10,961
Discretionary Grants to Indian Tribes	5,094	11,334	4,007	16,723	47,881
Formula Grants to States	59,011	188,171	222,650	249,892	311,717
Total	\$65,245	\$202,344	\$229,178	\$270,220	\$370,559

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Appendix

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

Department of Justice management was provided a draft of the Independent Auditors' Report on Internal Control over Financial Reporting, and their comments on the findings and recommendations were considered in preparing this Analysis and Summary of Actions Necessary to Close the Report. Since Department management concurred with all of the recommendations, this report is being issued as resolved. We will continue to review the actions taken during future financial statement audits in order to assess whether the findings have been adequately addressed and recommendations implemented. Depending on the recommendation, it will be closed either when the action requested is completed or subsequent audit testing confirms the adequacy of corrective actions. Repeat recommendations will be immediately closed upon report issuance, but will continue to be followed up in the prior report(s) where the recommendations were initially made.

Recommendation Number:

- 1. Resolved.** This recommendation can be closed when subsequent annual financial statement audit testing confirms that the components have submitted and implemented corrective action plans that focus on correcting deficiencies in access controls, application change controls, segregation of duties, and system software weaknesses discussed in the component auditors' reports on internal control over financial reporting. The corrective action plans should also include a timeline that establishes when major events must be completed. The Department's CIO should monitor the components' efforts to correct deficiencies, hold them accountable for meeting the action plan timelines, and ensure the corrective actions are implemented adequately to address the noted deficiencies.
- 2. Resolved.** This recommendation can be closed when subsequent annual financial statement audit testing confirms that the Department monitors the corrective actions taken by the USMS to improve the condition of its funds management controls, in response to the specific recommendations made in the component auditor's *Independent Auditors' Report on Internal Control* issued in connection with the audit of the USMS's financial statements as of and for the year ended September 30, 2008.

- 3. Resolved.** This recommendation can be closed when subsequent annual financial statement audit testing confirms that the Department has assessed the adequacy and completeness of the Department's accounting and financial reporting policies in the areas of: (a) accounts payable; (b) grant advances and obligations; (c) obligations and disbursements; (d) seized and forfeited property; (e) financial accounting and reporting and related quality assurance processes; and (f) preparation, review, and approval of journal entries. Based on the results of this assessment, the Department should also determine the need to issue new guidance and/or reiterate to components the existing policies for those areas in which the components' auditors identified significant deficiencies related to the recording of transactions and the preparation of financial statements in accordance with generally accepted accounting principles. Finally, the Department should monitor the components' adherence to the Department's accounting and financial reporting policies and procedures throughout the year.
- 4. Closed.** The status of corrective action related to this recommendation will be tracked through Recommendation No. 5 of the FY 2007 Annual Financial Statement Audit Report (OIG Report No. 08-01).