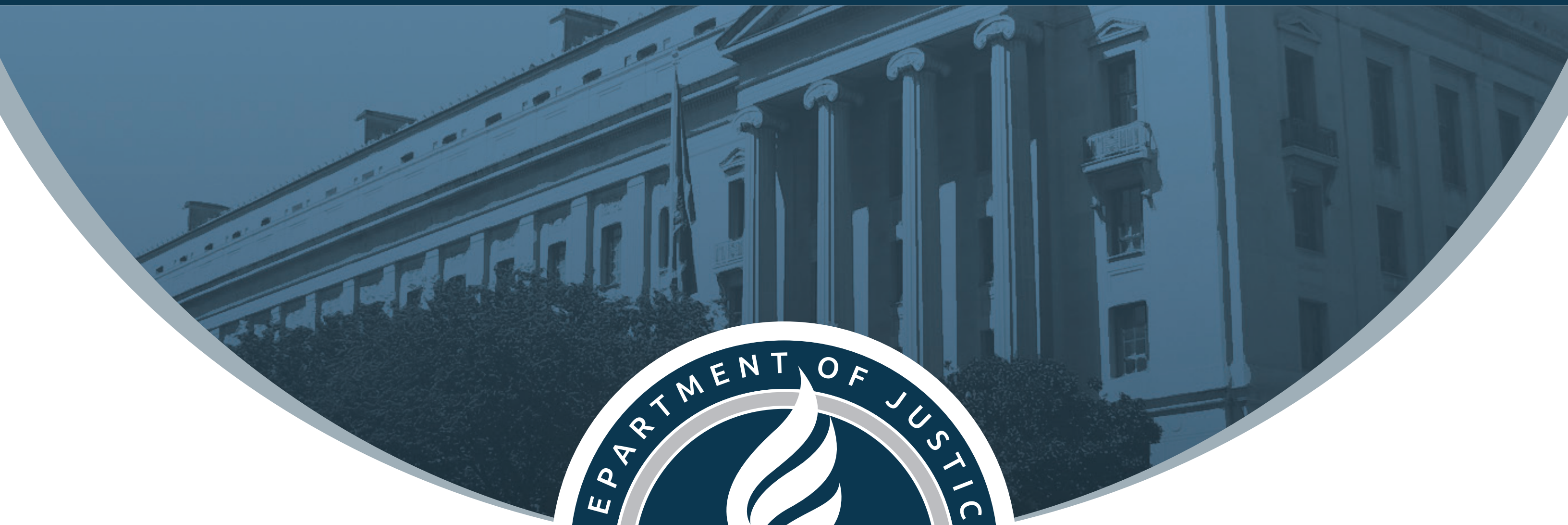

Audit of the Federal Bureau of Prisons Annual Financial Statements Fiscal Year 2021

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22-019

DECEMBER 2021

COMMENTARY AND SUMMARY

Audit of the Federal Bureau of Prisons Annual Financial Statements Fiscal Year 2021

Objectives

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

The objectives of the audit are to opine on the financial statements; report on internal control over financial reporting; and report on compliance and other matters, including compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA).

Results in Brief

KPMG LLP (KPMG) found that the BOP's financial statements are fairly presented as of and for the year ended September 30, 2021. An unmodified opinion was issued. KPMG identified a material weakness in the Independent Auditors' Report. The Independent Auditors' Report did not report any instances of non-compliance.

The OIG reviewed KPMG's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards, was not intended to enable us to express, and we do not express, an opinion on the BOP's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the BOP's financial management systems substantially complied with FFMIA, or conclusions on compliance and other matters. KPMG is responsible for the attached Independent Auditors' Report dated November 10, 2021, and the conclusions expressed in the report. Our review disclosed no instances where KPMG did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

Recommendations

KPMG provided BOP three recommendations to improve internal controls over financial statement preparation and review.

Audit Results

Under the direction of the OIG, KPMG performed the BOP's audit in accordance with auditing standards generally accepted in the United States of America. The fiscal year (FY) 2021 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in accordance with U.S. generally accepted accounting principles. For FY 2020, the BOP also received an unmodified opinion on its financial statements (OIG Audit Division Report No. 21-016).

KPMG identified a material weakness in the FY 2021 Independent Auditors' Report, noting that improvements are needed in BOP's financial statement preparation and review controls. No instances of non-compliance or other matters were identified during the audit that are required to be reported under Government Auditing Standards. Additionally, KPMG's tests disclosed no instances in which the BOP's financial management systems did not substantially comply with FFMIA.

AUDIT OF THE FEDERAL BUREAU OF PRISONS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2021

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

MANAGEMENT'S
DISCUSSION & ANALYSIS
(UNAUDITED)

MISSION

It is the mission of the Federal Bureau of Prisons to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

ORGANIZATION STRUCTURE

The **Bureau of Prisons** (BOP) encompasses the activities of the Trust Fund and appropriated activities. It does not include the Federal Prison Industries, Inc. (FPI) (also called UNICOR) which is a separate reporting component of the Department of Justice (Department or DOJ).

As of September 30, 2021, the **BOP** was comprised of 122 institutions, six regional offices, two staff training centers, 22 Residential Reentry Management field offices, and a Central Office, or headquarters, in Washington, D.C. The Executive Office of the Director provides overall direction for agency operations, with ten central office divisions, each led by a member of the BOP's Executive Staff, providing operational and policy direction. The Central Office manages the security and correctional operations of the BOP, medical and psychiatric programs, and food and nutritional programs. Additionally, the Central Office plans for the acquisition, construction, and staffing of new facilities; and oversees budget development and execution, contracting, property management, and financial management. Additional operational support and direction are provided for residential reentry management and detention programs, legal counsel, public affairs, information resources, and human resources management.

The **National Institute of Corrections** (NIC) provides technical assistance and training for state and local correctional agencies across the nation. The NIC supports the BOP's goal of building partnerships with community, state, local, and other entities. The **Program Review Division** (PRD) performs oversight of the BOP's programs through a rigorous review process that measures program effectiveness and adequacy of internal controls. The **Administration Division** (ADM) provides resources and support for the BOP to perform effectively and efficiently. This includes the development of budget requests; the stewardship of financial resources; procurement and property management; the coordination and analysis of information related to capacity; the selection of sites for new prison construction; the design and construction of new correctional facilities; and the renovation and maintenance of existing facilities. The **Correctional Programs Division** (CPD) develops activities and programs designed to appropriately classify inmates, eliminate inmate idleness, and develop the skills necessary to facilitate the successful reintegration of inmates into their communities upon release. The **Health Services Division** (HSD) has responsibilities in health care, occupational safety and environmental health, and food services.

The health care mission is to deliver necessary health care to inmates. The occupational safety and environmental health mission is to provide a safe and healthy environment for staff and inmates. The food service mission is to provide healthy and appetizing meals that meet the needs of the general population. The **Human Resource Management Division** (HRMD) is designed to oversee and administer personnel policy and programs developed to address the needs of the BOP employees covering all areas of personnel management. The **Industries Division** encompasses FPI and vocational training programming. The **Information, Policy and Public Affairs Division** (IPPA) collects, develops, and disseminates useful, accurate, and timely information to the BOP staff, the DOJ, Congress, other government agencies, and the public. The **Office of General Counsel** (OGC) provides effective legal advice, assistance, and representation to officials of the Federal Bureau of Prisons. The **Reentry Services Division** (RSD) enhances oversight and direction for the critical area of offender reentry. Within the RSD is the Education and Recreation Services Branch, who oversees the BOP's recreation and education programs. The RSD prepares inmates for reentry by focusing on reentry programming and community resource transition, thereby increasing public safety.

The **Trust 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, telephone services, and electronic messaging). The Trust Fund is a self-sustaining trust revolving fund account that is funded through sales of goods and services to inmates.

The BOP is subdivided into **six geographical regions** (see Attachment A), each managed by a Regional Director. Regions are staffed with personnel who provide operational guidance and support to the field locations in management and administrative areas such as financial management, budgeting, technical assistance, personnel, and correctional management.

In fiscal year (FY) 2021, the BOP operated 122 institutions spanning four main security levels in its efforts to provide secure and cost effective housing to a broad spectrum of offenders. Institutions are assigned a security classification based in part on the physical design of each facility. The four security levels are minimum, low, medium, and high. In addition, **administrative** facilities are institutions with special missions including detention of non-citizen or pretrial offenders, treatment of inmates with serious or chronic medical problems, and containment of extremely violent or dangerous inmates. Administrative facilities are capable of housing inmates of all security categories.

FINANCIAL STRUCTURE

The BOP was provided two appropriations by Congress for FY 2021: **Salaries and Expenses** and **Buildings and Facilities**. The Salaries and Expenses (S&E) portion includes annual, multi-year, and no-year appropriations, while Buildings and Facilities (B&F) is a no-year appropriation.

The **Trust Fund** is not appropriated and receives spending authority from offsetting collections for revenue earned through the sale of goods and services.

The S&E appropriations are annual, multi-year, and no-year appropriations that support costs associated with the care and custody of all Federal offenders in Federal institutions and contract facilities, and the maintenance and operational costs associated with the upkeep of Federal facilities, regional offices, staff training centers, and administrative offices.

The B&F appropriation is a no-year appropriation that supports site planning, acquisition, and construction of new facilities. The B&F appropriation also supports the remodeling, renovating, and equipping of existing facilities for penal and correctional use.

FY 2021 RESOURCE INFORMATION

In FY 2021, the BOP received a $300 million supplemental appropriation for FY 2021 and FY 2022 to cover increased expenses as a result of the Coronavirus. The purpose of these resources is to cover additional expenditures related to BOP's response to the Coronavirus outbreak. Such expenditures include, but are not limited to, salaries and expenditures, personal protective equipment acquisitions and the mobilization of staff to institutions affected by Coronavirus. As of September 30, 2021 the BOP incurred approximately $261 million in total obligations and approximately $228 million in total expenditures. As of September 30, 2021 $39 million of the supplemental funding remains available for obligation in FY 2022.

As part of the S&E appropriation, the BOP received funding of $409.5 million in FY 2021 to support the First Step Act of 2018 (Public Law 115-391). The First Step Act was put into place to reform sentencing, reauthorize the Second Chance Act of 2007 (Public Law 110-199) and expand reentry programs with the goal of reducing recidivism.

Tables 1 and 2 summarize the activity on the BOP's Consolidated Statements of Changes in Net Position and Consolidated Statements of Net Cost. The tables show the funds provided to the BOP for the fiscal years ended September 30, 2021 and 2020 for the purpose of achieving the strategic program: Prisons and Detention.

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

Source	FY 2021	FY 2020	Change %
Earned Revenue	$ 323,039	$ 353,314	-9%
Budgetary Financing Sources			
Appropriations Received	8,135,375	7,878,000	3%
Appropriations Transferred-In/Out	(33,755)	(31,206)	8%
Other Adjustments	(100)	(105)	-5%
Other Financing Sources			
Transfers-In/Out Without Reimbursement	-	140	-100%
Imputed Financing	305,352	248,662	23%
Total BOP Resources	**$ 8,729,911**	**$ 8,448,805**	3%

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

Strategic Program (SP)	FY 2021	FY 2020	Change %
SP 3: Prisons and Detention			
Gross Cost	$ 8,521,928	$ 8,399,367	
Less: Earned Revenue	323,039	353,314	
Net Cost	$ 8,198,889	$ 8,046,053	2%
Total Gross Cost	**$8,521,928**	**$ 8,399,367**	
Less: Total Earned Revenue	**323,039**	**353,314**	
Total Net Cost of Operations	**$8,198,889**	**$8,046,053**	2%

ANALYSIS OF FINANCIAL STATEMENTS

Highlights of the financial information presented in the financial statements follow.

Assets: The BOP's Consolidated Balance Sheets as of September 30, 2021, shows $7.510 billion in total assets, an increase of $205 million from the previous year's total assets of $7.305 billion. General Property, Plant and Equipment, Net was $4.335 billion, which represents 58 percent of total assets.

Liabilities: The BOP's Consolidated Balance Sheets as of September 30, 2021, shows $2.695 billion in total liabilities, a decrease of $2 million from the previous year's total liabilities of $2.697 billion. Federal Employee Benefits Payable liabilities were $1.25 billion and Accounts Payable was $374 million, which represents 46 percent and 14 percent of total liabilities, respectively.

Net Cost of Operations: The BOP's Consolidated Statements of Net Cost presents the BOP's gross and net cost by strategic program 3. In FY 2021 BOP updated to DOJ's strategic program instead of strategic goals. The net cost of the BOP's operations totaled $8.199 billion for the fiscal year ended September 30, 2021, an increase of $153 million from the previous year's net cost of operations of $8.046 billion.

Consistent with the Government Performance and Results Act (GPRA) requiring agencies to prepare strategic plans covering five years, at least every three years, the BOP has a formal strategic planning process that feeds into the Department's strategic plan. The BOP sets categories, measures performance, and reports annually on its actual performance compared to its goals. The Office of Management and Budget (OMB) Circular A-136*, Financial Reporting Requirements,* and the Statement of Federal Financial Accounting Standard (SFFAS) No. 15, *Management's Discussion and Analysis – Standards*, require agencies to present the most significant performance measures related to information on major goals from the agency's strategic plan. The gross costs and earned revenues are allocated to the DOJ's Strategic Program 3, "Prisons and Detention."

Impact of COVID-19: BOP received $300 million in funding related to the Coronavirus as part of the Salaries and Expenses fund for FY 2021/2022. This resulted in an increase in BOP's appropriations, affecting the net position of the BOP. Due to the Coronavirus response, spending also increased to meet the demands required to maintain prison operations. This resulted in an increase in costs, affecting the Statement of Net Cost. Please see Note 20 in our footnotes for a detailed breakout of obligations and spending incurred in FY 2021.

2021 Financial Highlights

Strategic Program 3: Prisons and Detention

Through strict adherence to its mission, the BOP conducts its incarcerations function using a range of BOP operated correctional institutions of varying security levels. The BOP also utilizes privately operated facilities, which include residential reentry centers. Collaborating with various law enforcement entities, the BOP engages with numerous task forces such as National Gang Intelligence, National Joint Terrorism, Correctional Intelligence, and other intelligence gathering and sharing efforts. Through the NIC, the BOP provides assistance to international, Federal, state, and local correctional agencies. BOP staff are responsible for planning, monitoring, and providing the delivery of programs and services that appropriately evaluate inmates, assess risk, and promote the skills necessary to facilitate the successful reintegration in their communities upon release.

FY 2021 REPORT ON SELECTED RESULTS

STRATEGIC PROGRAM 3: Prisons and Detention. 100 percent of the BOP's Net Costs support this Program.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the Bureau of Prisons' financial position, financial condition, and results of operations pursuant to the requirements of 31 U.S.C. 3515 (b). The statements are prepared from the records of the BOP in accordance with Federal generally accepted accounting principles (GAAP) and formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

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

Guidance for implementing the Integrity Act is provided through OMB Circular A-123, *Management's Responsibility for Internal Control*. 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. The Department requires components to provide both of the assurance statements in order to have the information necessary to prepare the agency assurance statements.

FMFIA Assurance Statement

The Director of the BOP provides reasonable assurance that Management controls and financial systems met the objectives of Sections 2 and 4 of the FMFIA with the exception of the material weakness related to financial statement preparation. In accordance with Appendix A of OMB Circular A-123, the BOP conducted its assessment of the effectiveness of internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations.

Controls

The BOP has a management control and financial management systems review program as required by the FMFIA. The PRD facilitates, monitors, and evaluates the BOP's implementation of the FMFIA by coordinating management assessments, thereby providing a quality assurance mechanism for the program review process. The PRD conducts reviews that examine compliance with laws, regulations, and policy for all BOP programs. In addition, reviews examine the adequacy of controls, efficiency of operations, and effectiveness in achieving program results. During FY 2021 and FY 2020, three and 20 Financial Management Program Reviews, respectively, were conducted at institutions, regional offices and the Central Office. The reviews covered the areas of Accounting, Budgeting, Laundry, Financial Organizations, Property Management, Commissary, and Warehouse.

Systems

For FY 2021, the BOP's official reports were generated from the Financial Management Information System (FMIS) General Ledger, Cost Reporting, and Expenditure and Allotment reporting facilities. The FMIS General Ledger is supported by the following other systems: SENTRY Property Management System; SENTRY Real Property Management System; Trust Fund Accounting and Commissary System; and National Finance Center Payroll System.

Improper Payments

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires a risk assessment for all programs to identify those that are susceptible to significant erroneous payments. Significant erroneous payments are defined by the OMB as annual erroneous payments in a program exceeding both 1.5 percent of program payments and $10 million. The BOP provides improper payments reporting on a quarterly basis in compliance with DOJ requirements.

The Department implemented a top-down approach to assess the risk of significant improper payments across all five of the Department's mission-aligned programs, and to identify and recapture improper payments. The approach promotes consistency across the Department and enhances internal control related to preventing, detecting, and recovering improper payments. Because of the OMB requirement to assess risk and report payment recapture audit activities by agency programs, the results of the Department's risk assessment and recapture activities are reported at the Department-level only.

FMFIA Section 2 – Material Weaknesses

The Bureau of Prisons' Management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. The BOP assessed its internal controls over the effectiveness and efficiency of operations and compliance with the applicable laws and regulations in accordance with OMB Circular A-123 as required by Section 2 of the FMFIA. Based on the results of this assessment, the BOP can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2021, was operating effectively, except for the material weakness related to financial statement preparation.

FMFIA Section 4 – Material Nonconformances

The Bureau of Prisons' Management is responsible for ensuring compliance with applicable laws and regulations. To ensure compliance, reviews are performed as discussed above. Specifically, the BOP performed a review of its financial management systems pursuant to Section 4 provisions of the FMFIA. No significant financial management nonconformance was found in this review.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the Government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the application of the U.S. 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 2021, the BOP assessed its financial management systems for compliance with the 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 any issues identified during the BOP's financial statement audit.

FORWARD LOOKING INFORMATION

Crowding in Federal Prisons

As the nation's largest correctional agency, the BOP is responsible for the incarceration of approximately 160,000 inmates. In 2013, system-wide crowding reached its highest level of nearly 40 percent with total inmate population of approximately 220,000. While the inmate population and system-wide crowding has decreased in recent years, many of the challenges affecting the BOP today still relate to system-wide crowding. As of September 30, 2021, BOP's inmate population was 155,862 and overall system-wide crowding was a negative two percent. However, crowding at medium and high security institutions were 20 and 17 percent, respectively. The BOP continues to rely on funding to expand existing institutions and acquire, construct, and activate new institutions to help manage its inmate population and reduce system-wide crowding.

Aging of Correctional Facilities

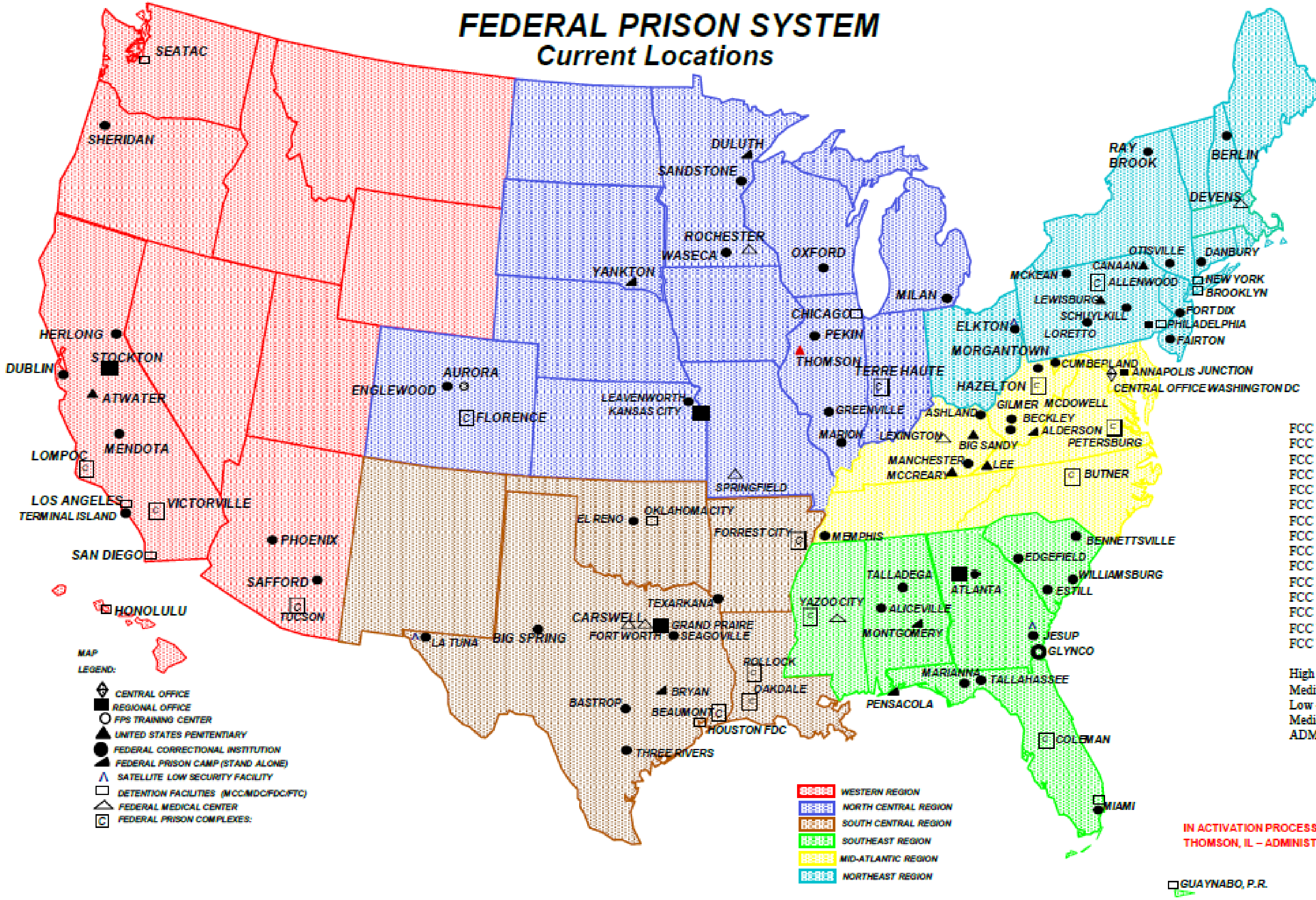
Approximately 30 percent of the BOP's 122 institutions are over 50 years old and 53 percent are over 30 years old. Prison facilities are subject to greater than normal wear and tear as they are continuously operated. Older facilities tend to require repairs to infrastructure systems pertaining to water, sewer, electrical, HVAC, alarm systems, fences, roofs, etc. These older facilities present higher needs for repair and renovation than newer facilities and consume a large portion of the BOP's maintenance and repair (M&R) resources.

The BOP monitors facility requests for major M&R projects, capital improvements or upgrades. Institution requests are sent to regional offices and evaluated by need. In order to maintain safe and secure facilities, the BOP prioritizes its major M&R projects, capital improvements, or upgrades to ensure the most critical are funded first. Failure to adequately support aging infrastructures annually increases costs in future years for accomplishing the necessary maintenance and repairs.

Future Effects of Coronavirus

The BOP continues to fund institution and regional needs related to COVID-19 as the pandemic is ongoing. At this point, the BOP expects increased costs in future periods to continue to meet the demands created by COVID-19 while the pandemic lasts.

ATTACHMENT A



FCC Allenwood - H/M/L
FCC Beaumont – H/M/L
FCC Butner - M/M/L/Med
FCC Coleman – H/H/M/L
FCC Florence - ADM/H/M
FCC Forrest City – M/L
FCC Hazelton – H/M/SFF
FCC Lompoc – M/L
FCC Oakdale – L/L
FCC Petersburg – M/L
FCC Pollock – H/M
FCC Terre Haute – H/M
FCC Tucson – H/M
FCC Victorville – H/M/M
FCC Yazoo City – H/M/L

High – H
Medium – M
Low – L
Medical – Med
ADMAX - ADM

IN ACTIVATION PROCESS:
THOMSON, IL – ADMINISTRATIVE HIGH

GUAYNABO, P.R.

PRISON WORK CAMPS LOCATED WITH HIGHER SECURITY FACILITIES AND COMPLEXES (SATELLITE CAMPS):

ALICEVILLE, AL;ASHLAND, KY; ATLANTA, GA; ATWATER, CA; BASTROP, TX; BEAUMONT, TX; BECKLEY, WV; BENNETSVILLE, SC; BERLIN, NH;BIG SPRING, TX; BIG SANDY, KY; BUTNER, NC; CANAAN, PA; CARSWELL, TX; COLEMAN, FL; CUMBERLAND, MD; DANBURY, CT; DEVENS, MA; DUBLIN, CA; EDGEFIELD, SC; EL RENO, OK; ENGLEWOOD, CO; ESTILL, SC; FAIRTON, NJ; FLORENCE, CO; FORREST CITY, AR; FORT DIX, NJ; GILMER, WV; GREENVILLE, IL; HAZELTON, WV; HERLONG, CA; JESUP, GA; LA TUNA, TX; LEAVENWORTH, KS; LEE, VA; LEWISBURG, PA; LEXINGTON, KY; LOMPOC, CA; LORETTO, PA; MANCHESTER, KY; MARIANNA, FL; MARION, IL; MCCREARY, KY; MCDOWELL, WV; MCKEAN, PA; MEMPHIS, TN;MENDOTA, CA; MIAMI, FL; OAKDALE, LA; OTISVILLE, NY; OXFORD, WI; PEKIN, IL; PETERSBURG, VA; PHOENIX, AZ; POLLOCK, LA; SCHYULKILL, PA; SEAGOVILLE, TX; SHERIDAN, OR; TALLADEGA, AL; TERRE HAUTE, IN; TEXARKANA, TX; THREE RIVERS, TX; THOMSON,IL; VICTORVILLE, CA; WILLIAMSBURG, SC; YAZOO CITY,MS.

Produced by: Capacity Planning
ORE/PPA Division
October 18, 2019

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General
U.S. Department of Justice

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Federal Bureau of Prisons as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Treasury Symbol Matrix, Prisoner Capacity Requirements, and Operating Leases as of September 30, 2021 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2021, we considered the BOP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOP's internal control. Accordingly, we do not express an opinion on the effectiveness of the BOP's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Exhibit, we did identify certain deficiencies in internal control that we consider to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOP's consolidated financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the BOP'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.

BOP's Response to Findings

The BOP's response to the finding identified in our audit is described in the Exhibit. The BOP's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

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

KPMG LLP

Washington, D.C
November 10, 2021

EXHIBIT

Material Weakness

This section contains our discussion of the material weakness that we identified in internal control over financial reporting.

Improvements Needed in Financial Statement Preparation and Review

The Federal Bureau of Prisons' (BOP) mission is to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure and that provide work and other self-improvement opportunities to assist offenders in becoming law abiding citizens.

During our FY 2021 audit, we noted that the BOP's consolidated financial statement preparation and review control activities were not operating effectively to prepare timely, accurate, and reliable financial statements in accordance with generally accepted accounting principles, and OMB Circular No. A-136, *Financial Reporting Requirements* due to changes in personnel in certain roles related to the preparation and review of the financial statements. We brought to the attention of the BOP the following errors, for which the underlying causes were similar and pervasive:

<u>Errors in the presentation of certain financial statement amounts were not detected in a timely manner:</u> BOP presented errors in the interim financial statement amounts (both current and prior fiscal year balances) within their certified financial statements, due to weaknesses in financial statement preparation and review processes. Some examples of errors included:

- Misclassified $800 million between the captions Unapportioned, Unexpired Accounts and Apportioned, Unexpired Accounts on the Statement of Budgetary Resources;
- Misclassified $130 million (related to accrued payroll) between the Federal Employee Benefits Payable and Other Liabilities on the Balance Sheet; the balance was included in Note 12 (Other Liabilities) but not included in Other Liabilities on the Balance Sheet;
  - Other Liabilities on the Balance Sheet did not agree to the balance reported in Note 12 (Other Liabilities) by $31 million;
- Inconsistently presented certain Advances from Others of $3 million, on the Balance Sheet between fiscal years.

<u>Errors in the presentation of certain note disclosures were not detected in a timely manner</u>: The accompanying notes are an integral part of the consolidated financial statements, and provide additional disclosures that are necessary to make the consolidated financial statements more informative and not misleading. BOP presented errors in the note disclosures (both current and prior fiscal year balances) within their certified interim financial statements, due to weaknesses in note preparation and review processes. Some examples of errors included:

- Understated depreciation expense by $80 million in the rollforward in Note 8 (General Property, Plant, and Equipment, Net);
- Misstated the acquisition costs, accumulated depreciation, and the net book value for vehicles and equipment; the misstatements ranged between $4 million and $56 million in Note 8 (General Property, Plant, and Equipment, Net);
- Misstated the liability for nonfiduciary deposit funds and undeposited collections by $95 million in Note 12 (Other Liabilities);

- Misstated the reasonably possible lower and upper ranges by $28 million and $100 million, respectively in Note 13 (Commitments and Contingencies).

Variances in financial statement balances that were not identified or insufficient explanations were presented: In reviewing variances in the certified interim financial statements, BOP did not identify or sufficiently explain all variances; examples of errors included:

- The analysis did not identify the $800 million misclassification on the Statement of Budgetary Resources, which represented a variance of $800 million and 100 percent;
- The analysis did not identify a fluctuation in Accounts Payable (with the public) on the Balance Sheet, which represented a variance of $232 million and 65 percent;
- The analysis presented an explanation for the year over year variance in Other Liabilities (with the public) on the Balance Sheet, which represented a variance of $315 million and 62 percent; however the analysis did not identify the misclassification of accrued payroll in Federal Employee Benefits Payable rather than Other Liabilities, which represented a variance of $130 million and 9 percent and 25 percent, respectively.

Errors in the beginning balance reconciliation: Management's controls over the preparation and review of the beginning balance reconciliation were also not operating effectively, as multiple differences, which ranged between $0.3 million and $8 million, were identified without sufficient explanation.

Errors in the interim construction in process balance: Management's controls over the review of the open projects reported in construction in process were not operating effectively, as we identified $29 million of projects that had not been transferred to completed assets and depreciation started in a timely manner or were not closed out in a timely manner.

Management subsequently addressed the errors noted above in the BOP's year-end financial statements.

As a result of the above deficiency in management's preparation and review control activities, material misstatements in the BOP's financial statements may not be prevented, or detected and corrected, on a timely basis.

Criteria:

The Government Accountability Office's *Standards for Internal Controls in the Federal Government* states:

> Section 3.11: "Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity."
>
> Section 9.03: "Conditions affecting the entity and its environment continually change…. Changes in internal conditions include changes to the entity's programs or activities, oversight structure, organizational structure, personnel, and technology…Identified significant changes are communicated across the entity through established reporting lines to appropriate personnel."
>
> Section 12.05: "Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. Changes may occur in personnel, operational processes, or information technology."
>
> Section 13.05: "Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the

processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary so that the information is quality information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks."

Office of Management and Budget Circular No. *A-136, Financial Reporting Requirements*, Section III.3 Statement Variances Required, states, "Significant entities must provide comparative interim and year-end financial statement variance analyses for the Balance Sheet, SNC [Statement of Net Cost], SCNP [Statement of Changes in Net Position]…"

Recommendations*:*

As management continues to make progress on its financial preparation and review process, we recommend that BOP:

1. Continue to provide training to personnel over existing policies and procedures related to financial statement preparation and review, as started at year-end, including when there are changes in personnel. (*New*)

   Management Response:

   Management concurs with this response and will continue to provide training to personnel on existing financial statement policies and procedures. Each quarter, an assessment will be performed to determine if additional training is required for any staff. BOP management will work with the Justice Management Division Finance Staff, on the assessment of staff and any knowledge gaps will be addressed.

2. Continue to ensure reviews are performed by individuals with the appropriate knowledge and experience, as started at year-end. (*New*)

   Management Response:

   Management concurs with this response and will continue to ensure that trained personnel conduct the financial statement reviews. Prior to the quarter end reviews, BOP management will review roles and responsibilities with all staff associated with the reviews.

3. Perform a periodic, at least annually, aging analysis over open construction in process projects. *(New)*

   Management Response:

   Management concurs with this response and will perform an aging analysis review over open construction in process projects during FY 2022. BOP management will review this information and determine if any additional guidance is required, and distribute as such.

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

PRINCIPAL FINANCIAL STATEMENTS

AND RELATED NOTES

SEE INDEPENDENT AUDITORS' REPORT

U.S. Department of Justice
Bureau of Prisons
Consolidated Balance Sheets
As of September 30, 2021 and 2020

Dollars in Thousands		2021		2020
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with Treasury (Note 3)	$	3,134,841	$	2,659,338
Accounts Receivable, Net (Note 6)		3,826		2,915
Advances and Prepayments		6,167		6,632
Total Intragovernmental		3,144,834		2,668,885
With the Public				
Cash and Other Monetary Assets (Note 4)		446		444
Accounts Receivable, Net (Note 6)		7,770		9,869
Inventory and Related Property, Net (Note 7)		19,911		21,226
General Property, Plant and Equipment, Net (Note 8)		4,334,576		4,599,337
Advances and Prepayments		2,721		4,745
Total With the Public	$	4,365,424	$	4,635,621
Total Assets	**$**	**7,510,258**	**$**	**7,304,506**
LIABILITIES (Note 9)				
Intragovernmental				
Accounts Payable		56,671		104,799
Other Liabilities				
Custodial Liabilities (Note 17)		27		31
Other Liabilities (Note 12)		259,278		253,405
Total Intragovernmental	$	315,976	$	358,235
With The Public				
Accounts Payable	$	317,742	$	343,106
Federal Employee Benefits Payable		1,249,648		1,230,966
Environmental and Disposal Liabilities (Note 10)		74,789		72,174
Advances from Others and Deferred Revenue		(282)		(489)
Other Liabilities (Note 12)		736,915		693,027
Total With The Public	$	2,378,812	$	2,338,784
Total Liabilities	**$**	**2,694,788**	**$**	**2,697,019**
Commitments and Contingencies (Note 13)				
NET POSITION				
Unexpended Appropriations - Funds from other than Dedicated Collections	$	2,235,383	$	1,837,208
Total Unexpended Appropriations	$	2,235,383	$	1,837,208
Cumulative Results of Operations - Funds from Dedicated Collections (Note 14)		149,948		77,614
Cumulative Results of Operations - Funds from other than Dedicated Collections		2,430,139		2,692,665
Total Cumulative Results of Operations	$	2,580,087	$	2,770,279
Total Net Position	**$**	**4,815,470**	**$**	**4,607,487**
Total Liabilities and Net Position	**$**	**7,510,258**	**$**	**7,304,506**

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

U.S. Department of Justice
Bureau of Prisons
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2021 and 2020

Dollars in Thousands		2021		2020
Strategic Program 3: Prisons and Detention				
Gross Cost - Intragovernmental	$	2,187,090	$	2,028,550
Gross Cost - With the Public		6,334,838		6,370,817
Subtotal Gross Costs		8,521,928		8,399,367
Earned Revenues - Intragovernmental		3,028		3,417
Earned Revenues - With the Public		320,011		349,897
Subtotal Earned Revenues		323,039		353,314
Total Net Cost of Operations	**$**	**8,198,889**	**$**	**8,046,053**

Strategic Program 3: Prisons and Detention

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

U.S. Department of Justice
Bureau of Prisons
Consolidated Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2021

Dollars in Thousands

	2021		
	Funds from Dedicated Collections (Note 14)	Funds from other than Dedicated Collections	Total
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 1,837,208**	**$ 1,837,208**
Appropriations Received	-	8,135,375	8,135,375
Appropriations Transferred-In/Out	-	(33,755)	(33,755)
Other Adjustments	-	(100)	(100)
Appropriations Used	-	(7,703,345)	(7,703,345)
Net Change in Unexpended Appropriations	-	398,175	398,175
Total Unexpended Appropriations: Ending	**$ -**	**$ 2,235,383**	**$ 2,235,383**
Cumulative Results of Operations			
Beginning Balances	**$ 77,614**	**$ 2,692,665**	**$ 2,770,279**
Appropriations Used	-	7,703,345	7,703,345
Transfers-In/Out Without Reimbursement	131	(131)	-
Imputed Financing (Note 15)	6,406	298,946	305,352
Net Cost of Operations	65,797	(8,264,686)	(8,198,889)
Net Change in Cumulative Results of Operations	72,334	(262,526)	(190,192)
Cumulative Results of Operations: Ending	**$ 149,948**	**$ 2,430,139**	**$ 2,580,087**
Net Position	**$ 149,948**	**$ 4,665,522**	**$ 4,815,470**

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

U.S. Department of Justice
Bureau of Prisons
Consolidated Statement of Changes in Net Position (continued)
For the Fiscal Year Ended September 30, 2020

Dollars in Thousands

	2020		
	Funds from Dedicated Collections (Note 14)	Funds from other than Dedicated Collections	Total
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 1,640,246**	**$ 1,640,246**
Appropriations Received	-	7,878,000	7,878,000
Appropriations Transferred-In/Out	-	(31,206)	(31,206)
Other Adjustments	-	(105)	(105)
Appropriations Used	-	(7,649,727)	(7,649,727)
Change in Unexpended Appropriations	-	196,962	196,962
Total Unexpended Appropriations: Ending Balance	**$ -**	**$ 1,837,208**	**$ 1,837,208**
Cumulative Results of Operations			
Beginning Balances	**$ 84,501**	**$ 2,833,302**	**$ 2,917,803**
Appropriations Used	-	7,649,727	7,649,727
Transfers-In/Out Without Reimbursement	-	140	140
Imputed Financing (Note 15)	5,353	243,309	248,662
Net Cost of Operations	**(12,240)**	**(8,033,813)**	**(8,046,053)**
Net Change in Cumulative Results of Operations	(6,887)	(140,637)	(147,524)
Cumulative Results of Operations: Ending	**$ 77,614**	**$ 2,692,665**	**$ 2,770,279**
Net Position	**$ 77,614**	**$ 4,529,873**	**$ 4,607,487**

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

U.S. Department of Justice
Bureau of Prisons
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2021 and 2020

Dollars in Thousands		2021		2020
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 16)	$	1,499,000	$	1,222,382
Appropriations (discretionary and mandatory)		8,135,375		7,878,000
Spending Authority from Offsetting Collections (discretionary and mandatory)		430,316		353,431
Total Budgetary Resources	**$**	**10,064,691**	**$**	**9,453,813**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$	8,368,395	$	7,972,347
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts		1,095,482		1,061,270
Exempt from Apportionment, Unexpired Accounts		127,473		51,945
Unapportioned, Unexpired Accounts		69,585		-
Unexpired Unobligated Balance, End of Year		1,292,540		1,113,215
Expired Unobligated Balance, End of Year		403,756		368,251
Unobligated Balance - End of Year (Total)		1,696,296		1,481,466
Total Status of Budgetary Resources:	**$**	**10,064,691**	**$**	**9,453,813**
Outlays, Net:				
Outlays, Net (Total) (discretionary and mandatory)	$	7,677,588	$	7,675,619
Less: Distributed Offsetting Receipts		(5,408)		7,489
Agency Outlays, Net (discretionary and mandatory)	**$**	**7,682,996**	**$**	**7,668,130**

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

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

Bureau of Prisons
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Federal Bureau of Prisons (BOP) is a reporting entity under the Department of Justice (DOJ/Department) and encompasses the appropriated activities of the BOP, as well as the activities of the Trust Fund. It does not include the Federal Prison Industries, Inc. (FPI) (also called UNICOR), which is a separate reporting component under the DOJ.

The BOP protects society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

The Trust Fund was created by two DOJ Orders, No. 2126 on April 1, 1930, and No. 2244 on January 1, 1932. The Trust Fund operates the Commissary to provide inmates with the opportunity to procure merchandise and services not ordinarily provided by the BOP. The Trust Fund is a self-sustaining trust revolving fund account that is funded through the sale of goods and services to inmates.

B. Basis of Presentation

These financial statements have been prepared from the books and records of the BOP in accordance with United States generally accepted accounting principles (GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the OMB Circular A-136, *Financial Reporting Requirements*. These financial statements are different from the financial reports prepared pursuant to OMB directives which are used to monitor and control the use of the BOP budgetary resources. The accompanying financial statements include the accounts of all funds under BOP's control. To ensure that the BOP financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Other Liabilities, as defined by OMB Circular A-136, have been disaggregated on the Consolidated Balance Sheets.

1. Summary of Significant Accounting Policies (continued)

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the BOP. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for the fiscal years ended September 30, 2021 and 2020 and as such, intra-entity transactions have not been eliminated.

D. Basis of Accounting

The financial statements have been prepared and transactions have been 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.

These statements were prepared in accordance with GAAP. GAAP for Federal entities are the standards prescribed by the FASAB, which is designated as the official accounting standards-setting body for the Federal Government (Government) by the American Institute of Certified Public Accountants (AICPA). The Statements of Federal Financial Accounting Standards (SFFAS) that were in effect as of September 30, 2021, were followed in the preparation of these financial statements.

E. Non-Entity Assets

A portion of the BOP's Fund Balance with the U.S. Treasury (Treasury) and Accounts Receivable is accounted for as a Non-Entity Asset and disclosed in Note 2. Non-Entity assets are assets held by the BOP but are not available for use by the BOP. The majority of non-entity assets are comprised of prisoner monies held in trust by Treasury. This amount also includes certain receivables and receipts of cash that are in suspense, clearing, deposit, or general fund accounts. These transactions were processed by commercial banks for deposit to fund accounts maintained at Treasury.

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance with Treasury, and Cash and Other Monetary Assets

Funds with Treasury represent appropriated and trust funds available to pay current liabilities and finance future authorized purchases. Certain receipts are processed by commercial banks for deposit to the BOP appropriation or fund accounts. In addition, the BOP has been granted and maintains imprest funds at many locations that are also included in the BOP's cash balance.

G. Investments

Beginning in fiscal year 1995, the Trust Fund was granted authority (Public Law 103-317, Section 107) to invest funds in excess of operating needs in securities guaranteed by Treasury. In November 1994, the Trust Fund began participating in the Federal Investment Counseling Program through Treasury. Treasury charges no commissions or transaction fees for participating in the program. Investments are made in any U.S. Government securities available to the public.

H. Accounts Receivable

Accounts receivable is largely comprised of receivables with the public. Net accounts receivable includes reimbursement and refund receivables due from Federal agencies and others, less the allowance for uncollectible accounts. The BOP considers all accounts receivable collectable, however, establishes an allowance for uncollectible accounts when it is more likely than not that the accounts receivable will not be collected.

I. Inventory and Related Property

The Trust Fund Commissary inventories are comprised of merchandise on hand at 98 reporting sites located in the United States and Puerto Rico. Inventories consist of merchandise that is either not normally provided by the BOP or are of a different quality than is regularly issued. Inventory sales are restricted to inmates and consist primarily of foods and beverages, hobby craft items, stamps, clothing, health and hygiene commodities, and other sundry items.

The Trust Fund Commissary inventories are stated at latest acquisition cost, which is adjusted using the Consumer Price Index (CPI) for the year to approximate the value of the inventory under the First-In-First-Out (FIFO) accounting methodology.

1. Summary of Significant Accounting Policies (continued)

J. General Property, Plant and Equipment

The BOP owns the majority of land and buildings in which it operates and capitalizes them on its records. Real property is capitalized based upon the total acquisition cost. Real property acquisitions equal to or greater than $100 thousand are capitalized. Real property acquisitions are capitalized and depreciated by the automated SENTRY Real Property Management System (SRPMS).

Personal property acquisitions are capitalized and depreciated by the automated SENTRY Property Management System (SPMS). Physical inventories are conducted annually, and adjustments are made as necessary. Any equipment with an acquisition cost of less than $50 thousand is expensed when purchased.

The following chart represents the maximum depreciation years for BOP's property:

BOP Depreciation Schedule	
Buildings	**30**
Equipment	**10**
Leasehold Improvements	**20 ***
Other Structures & Facilities	**20**
Internal Use Software	**7**
Vehicles	**10**
Assets Under Capital Lease	*****

* Depreciation based on the lesser of the lease term or useful life of the asset.

Except for land, all general Property, Plant and Equipment (PP&E) will be capitalized when the cost of acquiring or improving the property meets the threshold and has a useful life of two or more years. Land is capitalized regardless of the acquisition cost. Except for land, all general PP&E is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset.

1. Summary of Significant Accounting Policies (continued)

K. Advances and Prepayments

Advances and prepayments classified as assets of the BOP on the balance sheet represent funds disbursed to individuals and other organizations for which goods or services have not yet been provided. This amount also includes the current balance of travel advances, issued to Federal employees in advance of official travel. Amounts issued are limited to per diem expenses expected to be incurred by the employees during official travel. For Federal employees who anticipate and plan for travel, advances are permitted up to 80 percent of per diem. Actual reimbursements are made at 100 percent of per diem. The BOP's amount also includes advances that arise whenever the BOP provides money to state and local governmental agencies to fund correctional study programs.

L. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by the BOP as the result of a transaction or event that has already occurred. However, no liability can be paid by the BOP 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 9.

M. Commitments and Contingencies

The BOP is party to various administrative proceedings, legal actions, and claims related to contract disputes, employee claims under the Fair Labor Standards Act, and inmate claims under the Federal Tort Claim Act and other legal matters. These claims are of a nature considered normal for a Government law enforcement agency. In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government* and SFFAS No. 12, *Recognition of Contingent Liabilities from Litigation*, the BOP has probable and reasonably possible losses arising from litigation. The balance sheet includes an estimated liability for those legal actions where Management and the Chief Counsel consider adverse decisions "probable" and amounts are reasonably estimable. Legal actions where Management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 13, Commitments and Contingencies. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated, or the likelihood of an unfavorable outcome is considered "remote." To take a more conservative approach to reporting, BOP has chosen to report legal contingencies as current other liabilities due to the difficulty in determining when they are going to be paid; as they could be settled, dismissed, or recinded prior to judgement.

1. Summary of Significant Accounting Policies (continued)

N. Annual, Sick, and Other Leave

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the corresponding 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.

O. Interest on Late Payments

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

P. Retirement Plans

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

1. Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). The BOP contributes 7 % of the gross pay for regular employees and 7.5 % for law enforcement officers.
2. Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).
    a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The BOP contributes 17.3% of the gross pay for regular employees and 35.8% for law enforcement officers.
    b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The BOP contributes 15.5% of the gross pay for regular employees and 34.0% for law enforcement officers.
    c. Employees hired January 1, 2014 or later are covered by the Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE). The BOP contributes 15.5% of the gross pay for regular employees and 34.0% for law enforcement officers.

1. Summary of Significant Accounting Policies (continued)

P. Retirement Plans (continued)

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the BOP is required to contribute an additional 1 percent of gross pay and match employee contributions up to 4 percent. No Government contributions are made to the TSP accounts established by the CSRS employees. The BOP 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). *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 15 for additional details.

Q. Federal Employee Compensation Benefits

The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have contracted a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for BOP employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the DOJ with BOP reimbursing DOJ through the Working Capital Fund (WCF). The total FECA liability represented on the BOP statements consists of an actuarial portion as discussed below.

Actuarial Liability: The DOL calculates the liability of the Government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. This method utilizes historical benefit payment patterns related to a specified incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Government liability was then distributed by the agency. The DOJ portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for DOJ employees. The DOJ allocates the liability to the BOP on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total DOJ 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 DOJ.

1. Summary of Significant Accounting Policies (continued)

Q. Federal Employee Compensation Benefits (continued)

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

R. Intragovernmental Activity

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

S. Revenues and Other Financing Sources

The BOP receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures to support its programs. Appropriations are recognized as budgetary financing sources at the time the related program or administrative expenses are accrued. Additional amounts are obtained through reimbursements for services and donated property.

The BOP receives the majority of its exchange revenues for daily care, maintenance, and housing of state and local offenders; meals purchased by BOP staff; rental of staff housing on institution premises; utilities used by the FPI; purchase card rebates; and recycling income.

The amount billed to house state prisoners is based on the average inmate per capita rate for the security level of the institution where the prisoner is housed. The price of meal tickets for institution employees is calculated using the annual per capita cost for providing meals to inmates. Rental rates for employee housing on institution premises are calculated using the Regional Survey Method: Base rental rates are established by means of a series of economic

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources (continued)

models that utilize typical rates for comparable private rental housing in the established communities nearest to the sites in which the quarters are located. The amount charged for steam purchased by the FPI is a calculation based on actual charges incurred by the BOP during the production of the utility provided. Purchase card rebates are calculated based on productivity and sales. Recycling income is based on the weight and/or volume of material being recycled.

Trust Fund profits are utilized for continued operations and programs that benefit the inmate population. The Trust Fund receives no appropriated funds. The Trust Fund receives the majority of its funding through revenues generated by the sale of merchandise, telephone services, electronic messaging through the Trust Fund Limited Inmate Computer System (TRULINCS). TRULINCS provides inmates with some limited computer access. TRULINCS is funded completely by the Trust Fund. Regular items sold through the institution commissaries are marked-up thirty percent from their per unit cost. They are then rounded to the nearest nickel to determine selling price. In rare instances when taxes (whether state, local, or Federal) are included, the per unit tax amount is added to the marked-up price before rounding. Should the selling price ever exceed the manufacturer's printed price, the printed price shall be set even if it is on odd cents.

The Trust Fund earns other revenue from medical co-payments, vendor revenue shares, and recycling income. Friends and family members are able to send money to inmates electronically. Funds are deposited directly to an inmate's account within a few hours. A revenue share based on transaction volume is received from the vendor. Inmates pay a $2 per visit co-pay for in-house medical appointments. Twenty five percent of the co-pay is retained by the Trust Fund and the remainder is paid to the Office of Justice Programs Crime Victims Fund. Trust Fund Debit Card Vending has been limited to the sale of credits through the commissary for services such as copies and the use of washer and dryers. Trust Fund revenue also includes investment income.

The Trust Fund has deferred revenue for the inmate Telephone System, which includes the amount of phone credits that have not been used as of September 30, 2021.

1. Summary of Significant Accounting Policies (continued)

T. Funds from Dedicated Collections

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

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

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

The following fund meets the definition of funds from dedicated collections: Trust Fund – 15X8408.

U. Allocation Transfer of Appropriations

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

1. Summary of Significant Accounting Policies (continued)

U. Allocation Transfer of Appropriations (continued)

Public Health Service (PHS) receives, as a child entity, allocation transfers of appropriations from the BOP. The PHS provides a portion of the medical treatment for Federal inmates. Money is transferred from the BOP to PHS and is designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses. The amounts transferred to PHS from the BOP totaled $104 million and $105 million for fiscal years ended September 30, 2021 and 2020.

V. Tax Exempt Status

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

W. 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.

X. Reclassifications

The FY 2020 financial statements were reclassified to conform to the FY 2021 Departmental financial statement presentation requirements.

Specifically, the format of the Balance Sheet has changed as required for all significant reporting entities by OMB Circular A-136, Financial Reporting Requirements. This change will support the preparation and audit of the Government-wide Financial Report and will standardize the Balance Sheet across significant entities, increasing its usefulness to financial report users. Certain amounts in the prior period financial statements have been reclassified to enhance comparability with the current year's financial statements following DOJ's adoption of the new Balance Sheet format this year. These reclassifications had no effect on the previously reported net position. As a result, several line items have been amended on the Balance Sheet and the related notes to the financial statements.

1. Summary of Significant Accounting Policies (continued)

X. Reclassifications (continued)

In addition, the BOP, with guidance from the Department, has realigned its Statement of Net Cost to align to strategic programs in the Department's annual budget and/or its individual organizational mission. As such, activity and balances reported on the FY 2020 Statement of Net Cost have been reclassified to conform to the current year presentation. These reclassifications have no effect on the Net Cost of Operations, as previously reported.

Comparative figures have been adjusted to conform to the current year's presentation. The reclassifications had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources previously reported.

Y. Subsequent Events

Subsequent events and transactions occurring after September 30, 2021 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

Z. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed to prevent the disclosure of classified information.

AA. Public-Private Partnerships

SFFAS No. 49, Public-Private Partnerships: Disclosure Requirements establishes principles to ensure that disclosures about Public-Private Partnerships (P3) are presented in the reporting entity's general purpose federal financial reports (GPFFR). The principles guide financial reporting by establishing a P3 definition and identifying risk-based characteristics that need to exist before considering the P3 arrangement or transaction for disclosure.

SFFAS No. 49 exempts certain arrangements or transactions from the P3 disclosure requirements. Such exempt arrangements or transactions are subject to existing disclosure requirements in other SFFASs applicable to such arrangements or transactions.

For FY 2021, the BOP identified one P3 relationship that met the SFFAS No. 49 disclosure requirements. Additional details regarding the P3 arrangements are provided in Note 19, Public-Private Partnerships Disclosure Requirements.

2. Non-Entity Assets

Non-entity assets are assets that are held by an entity but are not available for use by the entity. Non-entity assets as of September 30, 2021 and 2020 are presented in the following table.

As of September 30, 2021 and 2020	2021	2020
Intragovernmental		
Fund Balance with Treasury	$ 162,593	$ 111,019
With the Public		
Accounts Receivable, Net	465	398
Total Non-Entity Assets	163,058	111,417
Total Entity Assets	7,347,200	7,193,089
Total Assets	$ 7,510,258	$ 7,304,506

3. Fund Balance with Treasury

The Fund Balance with Treasury as reported in the financial statements represents the unexpended cash balances in the BOP's accounting records for all the BOP Treasury Symbols as of September 30, 2021 and 2020. The Fund Balance with Treasury is presented in the following table.

As of September 30, 2021 and 2020	2021	2020
Status of Fund Balances With Treasury		
Unobligated Balance - Available	$ 1,222,955	$ 1,113,215
Unobligated Balance - Unavailable	473,341	368,251
Obligated Balance not yet Disbursed	1,272,351	1,063,108
Non-Budgetary Fund Balance with Treasury	162,147	110,575
Total	$ 3,130,794	$ 2,655,149

The Fund Balance with Treasury as reported in these financial statements and notes has been adjusted to account for the difference reported by Treasury. Routinely, two types of differences arise. First, differences are created between the accounting records of the BOP and Treasury because of the timing of transaction inputs corresponding with cash receipts and disbursements.

3. Fund Balance with Treasury (continued)

Second, differences are created by data input errors and remain until the necessary correcting entries are processed by the BOP's or Treasury's accounting systems. The BOP operates a decentralized accounting system with 111 agency location codes. Any cause for reconciliation must be done individually by location. For the Trust Fund, this amount represents the aggregate balance of the Trust Fund's cash accounts with Treasury under the account symbol 15X8408. This item also represents the total amount of all obligated and unobligated undisbursed account balances with Treasury as reflected in the Trust Fund's records. The Trust Fund's general ledger balance for Fund Balance with Treasury, before any adjustments, was $3,130 thousand less than and $10,720 thousand less than the actual amount reported by each of the BOP's accounting stations to Treasury as of September 30, 2021 and 2020, respectively. Additionally, the Fund Balance with Treasury reflects $4,047 thousand and $4,189 thousand sequester balances for the fiscal years ended September 30, 2021 and 2020, respectively, as requested by OMB.

The unobligated balance for annual and multi-year budget authority may be used to incur new obligations for the purpose specified by the appropriation act. Annual and multi-year budget authority expires at the end of its period of availability. During the first through 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.

The total status of fund balances includes funds without budgetary resources. Other funds without budgetary resources are composed of prisoner monies held in trust by Treasury and certain receivables and receipts of cash that are in suspense, clearing, deposit, or general fund accounts.

4. Cash and Other Monetary Assets

Cash and Other Monetary Assets, as reported in the financial statements, represent the total cash and cash equivalents under the control of the BOP as of September 30, 2021 and 2020, respectively.

As of September 30, 2021 and 2020	2021	2020
Cash		
Imprest Funds	$ 446	$ 444

4. Cash and Other Monetary Assets (continued)

The BOP's cash account is minimal given that the BOP does not, for the most part, maintain cash in commercial bank accounts. The BOP's cash account consists of imprest funds totaling $446 and $444 thousand as of September 30, 2021 and 2020, respectively. All the listed amounts are available to pay current liabilities and finance future authorized purchases.

5. Investments

The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Fiscal Service. These securities are purchased and redeemed at par value (the value at maturity) exclusively through Treasury's Finance and Funding Branch, see Note 1.G. When securities are purchased, the investment is recorded at par value. Premiums and/or discounts are amortized through the end of the reporting period. As of September 30, 2021 and 2020, all Trust Fund security investments have matured. Therefore, the respective investment balances are zero.

6. Accounts Receivable, Net

Accounts Receivable represents the amounts due to the BOP as of September 30, 2021 and 2020, respectively, as shown in the following table. The Intergovernmental accounts receivable balance consists of refunds and reimbursements with Federal entities deemed fully collectable. The majority of the accounts receivable balance with the Public is billings to state municipalities in relation to the housing of non-Federal inmates.

As of September 30, 2021 and 2020	2021	2020
Intragovernmental		
Accounts Receivable	$ 3,826	$ 2,915
With the Public		
Accounts Receivable	7,770	9,869
Total Accounts Receivable, Net	$ 11,596	$ 12,784

7. Inventory and Related Property, Net

The Trust Fund Commissary inventory purchased for resale as of September 30, 2021 and 2020 is presented in the following table.

As of September 30, 2021 and 2020	2021	2020
Inventory		
Inventory Purchased for Resale	$ 19,911	$ 21,226

8. General Property, Plant and Equipment, Net

PP&E, as reported in the financial statements, are recorded at the acquisition cost net of accumulated depreciation as of September 30, 2021 and 2020, respectively. See Note 1.J for method of depreciation, capitalization thresholds, and useful lives.

As of September 30, 2021	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 172,661	$ -	$ 172,661	N/A
Construction in Progress	119,007	-	119,007	N/A
Buildings, Improvements, and Renovations	10,470,354	(6,779,043)	3,691,311	2-30 yrs
Other Structures and Facilities	989,778	(766,854)	222,924	20 yrs
Vehicles	113,030	(83,292)	29,738	6-10 yrs
Equipment	179,294	(117,090)	62,204	10 yrs
Leasehold Improvements	136,842	(100,111)	36,731	2-20 yrs
Internal Use Software	28,425	(28,425)	-	5-7 yrs
Total	$ 12,209,391	$ (7,874,815)	$ 4,334,576	

8. General Property, Plant and Equipment, Net (continued)

As of September 30, 2020	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 172,661	$ -	$ 172,661	N/A
Construction in Progress	132,683	-	132,683	N/A
Buildings, Improvements, and Renovations	10,378,602	(6,452,325)	3,926,277	2-30 yrs
Other Structures and Facilities	968,731	(736,406)	232,325	20 yrs
Vehicles	115,429	(81,526)	33,903	6-10 yrs
Equipment	185,239	(118,252)	66,987	10 yrs
Leasehold Improvements	129,524	(95,389)	34,135	2-20 yrs
Internal Use Software	28,425	(28,059)	366	5-7 yrs
Total	$ 12,111,294	$ (7,511,957)	$ 4,599,337	

Leasehold improvements reflect capital improvements made to facilities occupied but not owned by the BOP. Capital improvements made to buildings and other structures owned by the BOP are reflected as buildings and other structures and facilities.

As of September 30, 2021 and 2020	2021 Net PP&E	2020 Net PP&E
Balance beginning of year	$ 4,599,337	$ 4,783,808
Capitalized Acquisitions	117,685	204,122
Dispositions	(1,466)	(1,084)
Depreciation Expense	(380,980)	(387,509)
Balance at end of year	$ 4,334,576	$ 4,599,337

9. Liabilities not Covered by Budgetary Resources

As of September 30, 2021 and 2020	2021	2020
Intragovernmental		
Accounts Payable	$ 3,942	$ 4,621
Other Liabilities		
Accrued FECA Liabilities	171,464	171,569
Other Unfunded Employment Related Liabilities	617	1,203
Total Intragovernmental	176,023	177,393
With the Public		
Federal Employee Benefits Payable	1,236,014	1,221,018
Environmental and Disposal Liabilities (Note 10)	74,789	72,174
Other Liabilities		
Commitments and Contingencies (Note 13)	15,280	18,670
Other	398,978	416,830
Total With the Public	1,725,061	1,728,692
Total Liabilities not Covered by Budgetary Resources	1,901,084	1,906,085
Total Liabilities Covered by Budgetary Resources	610,646	680,038
Total Liabilities Not Requiring Budgetary Resources	183,058	110,896
Total Liabilities	$ 2,694,788	$ 2,697,019

Federal Employee Benefits Payable primarily includes Unfunded Leave Liability and Actuarial FECA Liability. As of September 30, 2021 and 2020, the Unfunded Leave Liability was $201 and $204 million and the Actuarial FECA Liability was $1,035 and 1,017 million, respectively.

10. Environmental and Disposal Liabilities

The BOP operates 122 facilities in over 30 States and Territories and is subject to rigorous Federal, state, and local environmental regulations applicable to the facility locations. Per SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, Federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimated. The BOP exercises due care in determining the presence of contamination through regularly scheduled testing as required by the BOP Facilities Management Policy. If, as a result of the testing, environmental contamination is detected on the BOP owned property or on non-BOP property but the BOP is determined to be the agent of the

10. Environmental and Disposal Liabilities (continued)

contamination, the BOP will clean up the contamination as soon as possible. The liability is recognized immediately.

As environmental-related clean-up costs are accomplished, the prior established liability will be reduced. Additionally, estimates will be revised periodically to account for material changes due to inflation, deflation, technology, or applicable laws and regulations. Any material changes in the estimated total clean-up costs will be expensed when re-estimates occur, and the liability balance adjusted.

Firing Ranges

The BOP operates firing ranges on 68 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2020, BOP Management determined their estimated clean-up liability to be $32,307 thousand. In FY 2021, BOP Management adjusted the estimated clean-up liability by the current U.S. inflation rate as determined by Treasury and as such determined that an estimated firing range clean-up liability of $32,648 thousand, based on an inflation rate of 1.1 percent, should be recorded. In FY 2021, the liability cost for firing ranges increased by $341 thousand.

Asbestos

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

The BOP conducted a review of 46 institutions that were built prior to 1980; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. As of September 30, 2020, BOP Management determined their estimated clean-up liability to be $39,867 thousand. In FY 2021, BOP Management increased the clean-up liability in the amount of $2,273 thousand by the current U.S. inflation rate of 5.7 percent as determined by Treasury. In FY 2021, BOP Management recorded a clean-up liability in the amount of $42,140 thousand.

These liabilities as of September 30, 2021 and 2020, respectively, are presented in the following table.

10. Environmental and Disposal Liabilities (continued)

As of September 30, 2021 and 2020	2021	2020
Firing Ranges		
Beginning Balance, Brought Forward	$ 32,307	$ 31,277
Inflation Adjustment	342	1,030
Total Firing Range Liability	32,649	32,307
Asbestos		
Beginning Balance, Brought Forward	$ 39,867	$ 39,875
Abatements	-	(729)
Inflation Adjustment	2,273	721
Total Asbestos Liability	42,140	39,867
Total Environmental and Disposal Liabilities	$ 74,789	$ 72,174

11. Leases

Operating Leases

The following table represents the total of future noncancelable operating lease payments. The totals are comprised of four operating leases, with locations in California, Pennsylvania and Texas.

As of September 30, 2021

Intragovernmental

Future Noncancelable Operating Lease Payments Due

Fiscal Year	Land and Buildings
2022	$ 659
2023	488
2024	354
2025	212
2026	143
Total Future Noncancelable Operating Lease Payments	$ 1,856

12. Other Liabilities

Other liabilities as of September 30, 2021 and 2020, totaled $996 and $946 million, respectively. Most of the Intragovernmental Other Liabilities are composed of tenant allowances for operating leases, monies received from prisoner funds, and certain receipts of cash that are in suspense, clearing, deposit, or general fund accounts that are owed to Treasury. Most other liabilities with the public are composed of future funded energy savings performance contracts and utilities. All other liabilities are current and are presented in the following table.

As of September 30, 2021	Current	Non-Current	2021
Intragovernmental Liabilities			
Benefits Program Contributions Payable	242,683	-	242,683
Employer Contributions and Payroll Taxes Payable	11,904	-	11,904
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	4,676	-	4,676
Other Liabilities	15	-	15
Total Intragovernmental	$ 259,278	$ -	$ 259,278
With the Public			
Accrued Funded Payroll and Leave	164,317	-	164,317
Commitments and Contingencies	15,280	-	15,280
Other Liabilities without Related Budgetary Obligations	-	392,420	392,420
Other Liabilities with Related Budgetary Obligations	6,558	-	6,558
and Undeposited Collections	158,340	-	158,340
Total With the Public	344,495	392,420	736,915
Total Other Liabilities	$ 603,773	$ 392,420	$ 996,193

12. Other Liabilities (continued)

As of September 30, 2020	Current	Non-Current	2020
Intragovernmental Liabilities			
Benefits Program Contributions Payable	233,853	-	233,853
Employer Contributions and Payroll Taxes Payable	11,112	-	11,112
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	8,440	-	8,440
Total Intragovernmental	$ 253,405	$ -	$ 253,405
With the Public			
Accrued Funded Payroll and Leave	154,581	-	154,581
Commitments and Contingencies	18,670	-	18,670
Other Liabilities without Related Budgetary Obligations	-	410,320	410,320
Other Liabilities with Related Budgetary Obligations	6,510	-	6,510
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	102,946	-	102,946
Total With the Public	282,707	410,320	693,027
Total Other Liabilities	$ 536,112	$ 410,320	$ 946,432

13. Commitments and Contingencies

Contingencies include various administrative proceedings, legal actions, and claims related to contract disputes and employee and inmate claims; see Note 1.M for more details. For legal actions where Management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable, information is disclosed below. The amounts as of September 30, 2021 and 2020 are presented in the following tables.

	Accrued	Estimated Range of Loss	
As of September 30, 2021	Liabilities	Lower	Upper
Legal Contingencies:			
Probable	$ 15,280	$ 15,280	$ 32,410
Reasonably Possible		312,500	410,115

13. Commitments and Contingencies (continued)

As of September 30, 2020	Accrued Liabilities	Estimated Range of Loss Lower	Upper
Legal Contingencies:			
Probable	$ 18,670	$ 18,670	$ 37,925
Reasonably Possible		270,125	297,300

14. Funds from Dedicated Collections

In 1930, DOJ Circular No. 2126 granted the BOP authority to establish prisoner trust fund and commissary accounts. The Trust Fund is a self-sustaining trust revolving fund account that is funded through the sale of goods and services to inmates. The Trust Fund receives no appropriated funds. Funding is through revenues generated by the sale of merchandise, telephone services, and electronic messaging to inmates. Regular items sold through institution commissaries are marked-up 30 percent from their per unit cost. The Trust Fund Commissary inventories are comprised of merchandise on-hand at reporting sites located in the United States and Puerto Rico. Inventory sales are restricted to inmates and consist primarily of foods and beverages, hobby craft items, stamps, clothing, health and hygiene commodities, and other sundry items. Commissary items are stated at latest acquisition cost, which is adjusted using the CPI for the year to approximate the value of the inventory under the FIFO accounting methodology.

Cash receipts collected from the public for funds from dedicated collections are deposited in Treasury. The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Fiscal Service. The Trust Fund security investments have matured, and the respective investment balances are zero. These securities are available to the public but cannot be resold.

14. Funds from Dedicated Collections (continued)

As of September 30, 2021 and 2020	2021 Funds from Dedicated Collections	2020 Funds from Dedicated Collections
Balance Sheet		
ASSETS		
Intragovernmental		
Fund Balance with Treasury	$ 137,199	$ 78,467
Accounts Receivable, net	9,654	-
Total Intragovernmental Assets	146,853	78,467
With the Public		
Accounts Receivable, net	729	7,630
Inventory and Related Property, Net	19,911	21,226
General Property, Plant, and Equipment, net	3,348	3,667
Advances and Prepayments	20	73
Total With the Public Assets	24,008	32,596
Total Assets	$ 170,861	$ 111,063
LIABILITIES		
Intragovernmental		
Accounts Payable	352	(2,200)
Other Liabilities	3,181	2,980
Total Intragovernmental Liabilities	$ 3,533	$ 780
With the Public		
Accounts Payable	7,124	22,509
Federal Employee Benefits Payable	7,118	7,189
Advances from Others and Deferred Revenue	589	667
Other Liabilities	2,549	2,304
Total With the Public Liabilities	17,380	32,669
Total Liabilities	$ 20,913	$ 33,449
Net Position		
Cumulative Results of Operations	$ 149,948	$ 77,614
Total Net Position	$ 149,948	$ 77,614
Total Liabilities and Net Position	$ 170,861	$ 111,063
For the Fiscal Year Ended September 30, 2021 and 2020		
Statement of Net Cost		
Gross Cost of Operations	$ 346,042	$ 340,819
Less: Earned Revenue	411,839	328,579
Net Cost of Operations	$ (65,797)	$ 12,240
Statement of Changes in Net Position		
Cumulative Results of Operation		
Beginning Balance	77,614	84,501
Transfers in/out Without Reimbursement	131	-
Imputed Financing	6,406	5,353
Net Cost of Operations	65,797	(12,240)
Net Change in Cumulative Results of Operations	72,334	(6,887)
Cumulative Results of Operations - Ending	149,948	77,614
Net Position End of Year	$ 149,948	$ 77,614

15. Imputed Financing

Imputed inter-departmental financing sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the BOP from a providing Federal entity that is not part of the U.S. Department of Justice.

In accordance with SFFAS No. 55, *Amending Inter-entity Cost Provisions*, the material imputed inter-departmental financing sources recognized by the BOP are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), the Federal Pension plans that are paid by other Federal entities, and any un-reimbursed payments made from the Treasury Judgment Fund on behalf of the BOP. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable, and the amount can be estimated and will be paid by the Treasury Judgment Fund.

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

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees Non-Postal	42.1
	Regular Employees Offset	31.2
	Law Enforcement Officers	68.2
	Law Enforcement Officers Offset	57.8
Federal Employees Retirement System (FERS)	Regular Employees Non-Postal	18.5
	Regular Employees - Revised Annuity Employees (RAE)	19.0
	Regular Employees - Further Revised Annuity Employees (FRAE)	19.2
	Law Enforcement Officers	38.2
	Law Enforcement Officers - RAE	38.8
	Law Enforcement Officers - FRAE	38.9

15. Imputed Financing (continued)

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

Those inter-departmental costs determined to be material are presented below.

For the Fiscal Years Ended September 30, 2021 and 2020		2021		2020
Imputed Inter-Departmental Financing				
Treasury Judgment Fund	$	13,661	$	8,596
Health Insurance		271,613		245,095
Life Insurance		517		507
Pension		19,561		(5,536)
Total Imputed Inter-Departmental	$	305,352	$	248,662
Total Imputed Financing	$	305,352	$	248,662

Imputed intra-departmental financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts for the Federal Government*, and FASAB Interpretation No. 6, *Accounting for Imputed Intra-Departmental Costs: An Interpretation of SFFAS No. 4*, are the unreimbursed portion of the full costs of goods and services received by the BOP from a providing entity that is part of the DOJ. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output.

16. Information Related to the Statement of Budgetary Resources

Net Adjustments to Unobligated Balance, Brought Forward, October 1

As of September 30, 2021 and 2020	2021	2020
Unobligated balance brought forward from prior year	$ 1,481,466	$ 1,194,506
Adjustments to Budgetary Resources made during current year		
Downward Adjustments of prior year undelivered orders	$ 50,051	$ 59,131
Downward Adjustments of prior year delivered orders	35	56
Other Adjustments	(32,552)	(31,311)
Total Adjustments	17,534	27,876
Unobligated balance from Prior Year budget authority, net (discretionary and mandatory)	$ 1,499,000	$ 1,222,382

Status of Undelivered Orders:

Undelivered Orders (UDO) represents the amount of goods and/or services ordered, but not 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, 2021 and 2020	2021	2020
Intragovernmental		
UDO Obligations Unpaid	112,971	71,127
UDO Obligations Prepaid/Advanced	2,812	2,465
Total Intragovernmental	$ 115,783	$ 73,592
With the Public		
UDO Obligations Unpaid	540,039	326,447
UDO Obligations Prepaid/Advanced	13,441	11,312
Total With the Public	$ 553,480	$ 337,759
Total UDO	$ 669,263	$ 411,351

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

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.

Congress established the Trust Fund in 1932 to allow inmates a means to purchase additional products and services above the necessities provided by appropriated Federal funds. The Trust Fund is a self-sustaining trust revolving fund account that is funded through 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 based on annual legislative requirements and other enabling authorities, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, or no-year basis. Appropriated funds shall expire on the last day of availability and are no longer available for new obligations. Unobligated balances in unexpired fund symbols are available in the next fiscal year for new obligations unless some restrictions have been placed on those funds by law. Amounts in expired fund symbols are not available for new obligations but may be used to adjust previously established obligations.

Explanation of Differences between the SBR and the Budget of the U.S. Government:

The reconciliation between the Statement of Budgetary Resources and the Budget of the United States Government for FY 2020 is shown in the following table. The reconciliation as of September 30, 2021 is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2023, which presents the execution of the FY 2021 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website and will be available in early February 2022.

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

For the Fiscal Year Ended September 30, 2020
(Dollars in millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 9,454	$ 7,972	$ 7	$ 7,668
Funds not Reported in the Budget				
Expired Funds	(369)	(1)	-	-
Reconciling Item 15F3875.10 (YH)	-	-	1	(1)
Reconciling Item 153220 (ZM)	-	-	(8)	8
Other (Rounding)	(1)	-	-	2
Budget of the United States Government	$ 9,084	$ 7,971	$ -	$ 7,677

17. Incidental Custodial Collections

For the fiscal years ended September 30, 2021 and 2020, the BOP collected $27 thousand and $31 thousand respectively, in collections of fines and penalties, confiscated funds, found money on institution grounds, inmate's funds whose whereabouts are unknown, and excess meal ticket collections. These collections were incidental to the BOP's mission. Since the BOP does not have statutory authority to use these funds, the BOP remits these funds to Treasury's General Fund.

18. Reconciliation of Net Costs to Net Outlays

The reconciliation explains the relationship between the net cost of operations and net outlays by presenting (1) components of net cost that are not part of net outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities); and (2) components of net outlays that are not part of net cost (e.g. acquisition of capital assets); and (3) other temporary timing difference (e.g. prior period adjustments due to correction of error).

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. Other components of net operating cost not part of the budgetary outlays includes primarily cost capitalization offset, advances and prepayments, commitments and contingencies, and other liabilities with/without related budgetary obligations.

18. Reconciliation of Net Costs to Net Outlays (continued)

For the year ended September 30, 2021	Intra-governmental	With the Public	Total FY 2021
NET COST	$ 2,184,063	$ 6,014,826	$ 8,198,889
Components of net costs not part of the budgetary outlays			
Property, Plant and Equipment depreciation expense	-	(380,980)	(380,980)
Property, Plant and Equipment disposal and reevaluation	-	(1,466)	(1,466)
Cost of goods sold	-	(200,904)	(200,904)
Applied overhead/costs capitalization offset	-	131,360	131,360
Other	-	(138,762)	(138,762)
Increase/(decrease) in Assets			
Accounts Receivable, Net	10,565	(2,165)	8,400
Other Assets	(465)	(2,022)	(2,487)
(Increase)/decrease in Liabilities			
Accounts Payable	38,548	25,364	63,822
Environment and Disposal Liabilities	-	(2,615)	(2,615)
Federal employee and benefits payable	-	(18,682)	(18,682)
Other Liabilities	(9,622)	11,298	1,676
Financing Sources			
Imputed Costs	(305,352)	-	(305,352)
Total Components of net operating cost not part of the budgetary outlays	(266,416)	(579,574)	(845,990)
Components of the budget outlays that are not part of net operating cost			
Acquisition of capital assets	-	117,685	117,685
Acquisition of Inventory	-	217,396	217,396
Total Components of the budget outlays that are not part of net operating cost	-	335,081	335,081
Misc Items			
Distributed offsetting receipts (SBR 4200)	-	5,408	5,408
Custodial/Non-exchange revenue	(30)	(10,362)	(10,392)
Total Other Reconciling Items	(30)	(4,954)	(4,984)
TOTAL NET OUTLAYS	$ 1,917,617	$ 5,765,379	$ 7,682,996
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, net	1,917,617	5,765,379	7,682,996

18. Reconciliation of Net Costs to Net Outlays (continued)

For the year ended September 30, 2020	Intra-governmental	With the Public	Total FY 2020
NET COST	$ 2,025,133	$ 6,020,920	$ 8,046,053
Components of net costs not part of the budgetary outlays			
Property, Plant and Equipment depreciation expense	-	(387,509)	(387,509)
Property, Plant and Equipment disposals and reevaluations	-	(1,084)	(1,084)
Cost of goods sold	-	(180,120)	(180,120)
Applied overhead/costs capitalization offset	-	184,366	184,366
Other	-	(107,412)	(107,412)
Increase/(decrease) in Assets			
Accounts Receivable, net	443	5,792	6,235
Other Assets	(2,724)	130	(2,594)
(Increase)/decrease in Liabilities			
Accounts Payable	3,413	61,362	64,775
Environment and Disposal Liabilities	-	(1,023)	(1,023)
Federal employee and benefits payable	-	77,967	77,967
Other Liabilities	(17,040)	(67,222)	(84,262)
Financing Sources			
Imputed Costs	(248,664)	-	(248,664)
Total Components of net operating cost not part of the budgetary outlays	(264,572)	(414,753)	(679,325)
Components of the budget outlays that are not part of net operating cost			
Acquisition of capital assets	-	127,171	127,171
Acquisition of inventory	-	181,860	181,860
Financing Sources			
Transfers out (in) without reimbursements	(140)	-	(140)
Total Components of the budget outlays that are not part of net operating cost	(140)	309,031	308,891
Misc Items			
Distributed offsetting receipts (SBR 4200)	-	(7,489)	(7,489)
Total Other Reconciling Items	-	(7,489)	(7,489)
TOTAL NET OUTLAYS	$ 1,760,421	$ 5,907,709	$ 7,668,130
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, net	1,760,421	5,907,709	7,668,130

19. Public-Private Partnerships

In accordance with SFFAS No. 49, the BOP maintains Public-Private Partnerships with energy service companies through energy savings performance contracts (ESPC). An ESPC allows federal agencies to procure energy savings and facility improvements with no up-front capital costs or special appropriations from Congress. An ESPC is a partnership between an agency and an energy service company (ESCO), with authority provided by 42 U.S.C. § 8287(b)(1)(A); 10 C.F.R. § 436.30(a).

The average length of an ESPC is 17 years but may not exceed 25 years. Term length depends on the scope of work performed by the ESCO and the nature of energy upgrades required by the institution.

Annual payments made to the ESCO are tied to the energy savings guaranteed for the project and validated by the ESCO through the annual measurement and verification activity plan. Unless otherwise stipulated in the payment schedules or amended by a procurement action, payments are applied to principal, interest expense, and operational expense. By contrast, Note 12 includes only liabilities related to principal payments.

As with all property acquisitions, the BOP assumes the inherent risk of maintaining the asset through its expected useful life. There may be additional risks of costs associated with asset ownership or control should those assets require maintenance beyond traditional wear and tear and outside the contractual scope of work. Likewise, private partners may assume added risk given the length of the contracts and may incur substantial financing liabilities in the delivery of performance measures. In addition, the BOP may elect to terminate individual contracts with a lump sum payment predetermined within the contract and as approved by the ESCO.

The schedule of current and future payments as of September 30, 2021 and 2020 is presented in the following table.

19. Public-Private Partnerships (continued)

As of September 30, 2021 and 2020

Public/Private Partnership	FY 2021			
	Actual Amount Received	Actual Amount Paid	Estimated Amount to be Received	Estimated Amount to be paid
ESPCs	$ -	$ 38,062	$ -	$ 682,735
Estimated Total	$ -	$ 38,062	$ -	$ 682,735

	FY 2020			
	Actual Amount Received	Actual Amount Paid	Estimated Amount to be Received	Estimated Amount to be paid
ESPCs	$ -	$ 90,597	$ -	$ 724,190
Estimated Total	$ -	$ 90,597	$ -	$ 724,190

20. COVID-19 Activity

In FY 2021 the BOP received $300 million in funding in the salaries and expense (S&E) appropriation for correctional officer overtime, personal protective equipment and supplies for employees and inmates, increased cleaning of work and living environments, inmate medical care, and other expenses related to the Coronavirus response. These funds are available for obligation in both FY 2021 and FY 2022.

20. COVID-19 Activity (continued)

The BOP's Coronavirus response has been coordinated using the Incident Command System (ICS) framework. The BOP is utilizing the guidance and directives from the World Health Organization (WHO), the Centers for Disease Control (CDC), the Office of Personnel Management (OPM), DOJ and the Office of the Vice President in developing and coordinating the response to the Coronavirus. Coronavirus-related spending is closely monitored by the senior management of the BOP. Please visit the BOP website for further details on announcements, responses, and updates related to COVID-19.

Summarized financial information about BOP's COVID-19 appropriated funds received, obligations incurred, and remaining resources available is listed below.

As of September 30, 2021 and 2020

	2021	2020
Supplemental/Annual Appropriated Funds Received	$ 300,000	$ 100,000
Other COVID-19 Budgetary Resources	-	217,678
Total Budgetary Resources	300,000	317,678
Less: Obligations Incurred	260,917	317,678
Unobligated Balance - End of Year	$ 39,083	$ -

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REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SFFAS No. 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Standards 6, 14, 29 and 32, defines deferred maintenance and repairs as activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

The BOP uses the Computerized Maintenance Management System (CMMS) Program to track normal and emergency maintenance requests. Work Orders are entered into the CMMS Program by requesting staff. Requests for work are reviewed, approved, and assigned to the appropriate facilities staff by the Facility Manager. Work Orders are assigned a priority rating by the Facility Manager or designee. Priorities are designated as urgent or routine. Once the Work Order is completed, all data will be entered in CMMS. If any additional/follow-up work is needed, a new pending Work Order will be entered.

Due to health and safety concerns for staff and inmates, the BOP does not defer necessary maintenance and repairs. The BOP maintains maintenance and repair schedules to monitor the condition of its PP&E. As such, the BOP's deferred maintenance and repairs is immaterial.

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2021

Dollars in Thousands				2021
	S&E	B&F	TF	Total
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 16)	$ 479,092	$ 967,963	$ 51,945	$ 1,499,000
Appropriations (discretionary and mandatory)	7,995,675	139,700	-	8,135,375
Spending Authority from Offsetting Collections (discretionary and mandatory)	18,336	-	411,980	430,316
Total Budgetary Resources	**$ 8,493,103**	**$ 1,107,663**	**$ 463,925**	**$ 10,064,691**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 7,886,147	$ 145,796	$ 336,452	$ 8,368,395
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	133,615	961,867	-	1,095,482
Exempt from Apportionment, Unexpired Accounts	-	-	127,473	127,473
Unapportioned, Unexpired Accounts	69,585	-	-	69,585
Unexpired Unobligated Balance, End of Year	203,200	961,867	127,473	1,292,540
Expired Unobligated Balance, End of Year	403,756	-	-	403,756
Unobligated Balance - End of Year (Total)	606,956	961,867	127,473	1,696,296
Total Status of Budgetary Resources:	**$ 8,493,103**	**$ 1,107,663**	**$ 463,925**	**$ 10,064,691**
Outlays, Net:				
Outlays, Net (Total) (discretionary and mandatory)	$ 7,610,963	$ 125,357	$ (58,732)	$ 7,677,588
Less: Distributed Offsetting Receipts	(5,408)	-	-	(5,408)
Agency Outlays, Net (discretionary and mandatory)	**$ 7,616,371**	**$ 125,357**	**$ (58,732)**	**$ 7,682,996**

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2020

Dollars in Thousands				2020
	S&E	**B&F**	**TF**	**Total**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 16)	$ 421,058	$ 752,979	$ 48,345	$ 1,222,382
Appropriations (discretionary and mandatory)	7,570,000	308,000	-	7,878,000
Spending Authority from Offsetting Collections (discretionary and mandatory)	24,640	-	328,791	353,431
Total Budgetary Resources	**$ 8,015,698**	**$ 1,060,979**	**$ 377,136**	**$ 9,453,813**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 7,554,140	$ 93,016	$ 325,191	$ 7,972,347
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	93,307	967,963	-	1,061,270
Exempt from Apportionment, Unexpired Accounts	-	-	51,945	51,945
Unexpired Unobligated Balance, End of Year	93,307	967,963	51,945	1,113,215
Expired Unobligated Balance, End of Year	368,251	-	-	368,251
Unobligated Balance - End of Year (Total)	461,558	967,963	51,945	1,481,466
Total Status of Budgetary Resources:	**$ 8,015,698**	**$ 1,060,979**	**$ 377,136**	**$ 9,453,813**
Outlays, Net:				
Outlays, Net (Total) (discretionary and mandatory)	$ 7,548,972	$ 121,576	$ 5,071	$ 7,675,619
Less: Distributed Offsetting Receipts	7,489	-	-	7,489
Agency Outlays, Net (discretionary and mandatory)	**$ 7,541,483**	**$ 121,576**	**$ 5,071**	**$ 7,668,130**

U.S. DEPARTMENT OF JUSTICE

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OTHER INFORMATION
(UNAUDITED)

TREASURY SYMBOL MATRIX

15211060	Salaries and Expense
15201060	Salaries and Expense
15191060	Salaries and Expense
15181060	Salaries and Expense
15171060	Salaries and Expense
15161060	Salaries and Expense
1521/221060	Salaries and Expense
1520/211060	Salaries and Expense
1519/201060	Salaries and Expense
1518/191060	Salaries and Expense
1517/181060	Salaries and Expense
1516/171060	Salaries and Expense
1515/161060	Salaries and Expense
7515211060	Public Health Services
7515201060	Public Health Services
7515191060	Public Health Services
7515181060	Public Health Services
7515171060	Public Health Services
7515161060	Public Health Services
15X1003	Buildings and Facilities
15X8408	Revolving Trust Fund
15X1060	Salaries and Expense
15X6085	Deposit Fund (Prisoners)
151060	General Fund (Forfeiture Unclaimed)
151099	General Fund (Fines, Penalties, Forfeiture)
153200	General Fund (Miscellaneous Receipts)
153220	General Fund (Miscellaneous Receipts)
151435	Miscellaneous Interest Received
15F3875.10	Clearing Account (Budget)
15F3880.10	Clearing Account (Budget)
15X6275.10	Deposit Fund (State/Local Taxes)
20X1807	BOP Refund Erroneously Received
20X6133	BOP Payment Unclaimed Money
15_7001	Elimination Fund
15_7002	Elimination Fund

PRISONER CAPACITY REQUIREMENTS

The numbers in the chart reflect the additional requested, funded, and partially funded capacity (number of beds) required for the established facility below as of September 30, 2021.

REQUESTED, FUNDED, OR PARTIALLY FUNDED CAPACITY REQUIREMENTS						
ADDITIONAL CAPACITY:	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
USP Thomson, IL (High/Camp)	1,900	1,900	1,900	1,900	1,900	1,900

OPERATING LEASES AS OF SEPTEMBER 30, 2021 (IN THOUSANDS)

Operating Lease Identifier		Total Future Payments
230 N First Avenue	Phoenix, AZ	$ 244
230 N First Avenue	Phoenix, AZ	816
255 E. Temple Street	Los Angeles, CA	171
7338 Shoreline Drive	Stockton, CA	7,869
324 Horton Plaza	San Diego, CA	871
9692 Via Excelencia, Suite 104	San Diego, CA	255
320 First Street, NW	Washington, DC	57,249
200 Constitution Avenue	Washington, DC	1,840
901 D Street SW	Washington, DC	62,021
450 S. Federal Street	Chicago, IL	49
230 S. Dearborn Street	Chicago, IL	562
5333 S. Laramie Avenue	Chicago, IL	3,825
4th & State Avenue	Kansas City, KS	2,722
302 Sentined Drive	Annapolis, MD	166
300 S. 4 th Street	Minneapolis, MN	259
1222 Spruce Street	St. Louis, MO	70
1222 Spruce Street	St. Louis, MO	29
36 E. Seventh Street	Cincinnati, OH	58
7100 Terminal Drive	Oklahoma City, OK	893
200 Chestnut Street	Philadelphia, PA	1,291
1000 Liberty Avenue	Pittsburgh, PA	390
600 Arch Street	Philadelphia, PA	7
701 Market Street	Philadelphia, PA	723
145 W. Thompson Street	Philadelphia, PA	252
701 Broadway	Nashville, TN	34
701 San Jacinto Street	Houston, TX	161
701 San Jacinto Street	Houston, TX	582
15431 W. Vantage Parkway, Suites 200 & 205	Houston, TX	626
727 E. Cesar E. Chavez Boulevard	San Antonio, TX	1,263
796 N. Foxcroft Avenue	Martinsburg, WV	1,123
		$ 146,421

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

APPENDIX

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

The Office of the Inspector General (OIG) provided a draft of the *Independent Auditors' Report* to the Federal Bureau of Prisons (BOP). The BOP's response is incorporated in the Exhibit of the *Independent Auditors' Report* of this final report. In response to the *Independent Auditors' Report*, the BOP concurred with the recommendations and discussed the actions it will implement in response to the finding. As a result, the status of the report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for the BOP:

1. **Continue to provide training to personnel over existing policies and procedures related to financial statement preparation and review, as started at year-end, including when there are changes in personnel. (New)**

   Resolved. The BOP concurred with this recommendation. The BOP stated in its response that it will continue to provide training to personnel on existing financial statement policies and procedures. Each quarter, an assessment will be performed to determine if additional training is required for any staff. BOP management will work with the Justice Management Division Finance Staff, on the assessment of staff and any knowledge gaps will be addressed.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that BOP has provided training to personnel over existing policies and procedures related to financial statement preparation and review.

2. **Continue to ensure reviews are performed by individuals with the appropriate knowledge and experience, as started at year-end. (New)**

   Resolved. The BOP concurred with this recommendation. The BOP stated in its response that it will continue to ensure that trained personnel conduct the financial statement reviews. Prior to the quarter end reviews, BOP management will review roles and responsibilities with all staff associated with the reviews.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that BOP reviews are performed by individuals with the appropriate knowledge and experience.

3. **Perform a periodic, at least annually, aging analysis over open construction in process projects. (New)**

   Resolved. The BOP concurred with this recommendation. The BOP stated in its response that it will perform an aging analysis review over open construction in process projects during fiscal year 2022. BOP management will review this information and determine if any additional guidance is required, and distribute as such.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that BOP performed a periodic aging analysis over open construction in process projects.