OFFICE OF JUSTICE PROGRAMS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2012

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

Audit Report 13-13
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OFFICE OF JUSTICE PROGRAMS
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2012

OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the Office of Justice Programs (OJP) for the fiscal years (FY) ended September 30, 2012, and September 30, 2011. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed OJP's audit in accordance with auditing standards generally accepted in the United States of America. The audit resulted in an unqualified opinion on the FY 2012 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles. For FY 2011 OJP also received an unqualified opinion on its financial statements (OIG Report No. 12-18).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors identified one significant deficiency in the FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting*. The significant deficiency related to weaknesses in system software change management. Specifically, OJP needs to improve oversight of its configuration management process.

No instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* were identified during the audit in the FY 2012 *Independent Auditors' Report on Compliance and Other Matters*. Additionally, KPMG LLP's tests disclosed no instances in which OJP's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996*.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, an opinion on OJP's financial statements, conclusions about the effectiveness of internal control, conclusions on whether OJP's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 5, 2012, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

OFFICE OF JUSTICE PROGRAMS
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2012

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Management's Discussion and Analysis

Unaudited

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U.S. DEPARTMENT OF JUSTICE
OFFICE OF JUSTICE PROGRAMS
MANAGEMENT'S DISCUSSION & ANALYSIS
(UNAUDITED)

BACKGROUND

The Department of Justice (DOJ, or Department), Office of Justice Programs (OJP), established by the Justice Assistance Act of 1984 and reauthorized in 2005, provides federal leadership in developing the nation's capacity to prevent and control crime, administer justice, and assist crime victims. OJP strives to make the nation's criminal and juvenile justice systems more responsive to the needs of state, local, and tribal governments and their citizens. OJP partners with federal, state, and local agencies, and national and faith/community-based organizations to develop, operate, and evaluate a wide range of criminal and juvenile justice programs. These partnerships also provide resources to more effectively fight crime and improve the quality of life and sense of safety in communities across the nation.

OJP administers formula and discretionary grant programs, and provides training and technical assistance on evidence-based practices through programs developed and funded by its bureaus and program offices. Although OJP staff conduct some research and provide technical assistance, the bulk of OJP's resources for achieving its goals are dedicated to federal financial assistance for practitioners, state and local governments and agencies, scholars, and experts. OJP awards formula grants to state agencies that administer drug control, criminal justice system improvement, juvenile justice, and victim compensation and assistance programs. State agencies also utilize OJP funds to award subgrants to units of state and local governments to accomplish program goals. OJP awards discretionary grants to a variety of state, local, private, and non-profit organizations through competitive solicitations and invited solicitations.

MISSION

Mission

To increase public safety and improve the fair administration of justice across America through innovative leadership and programs.

Vision

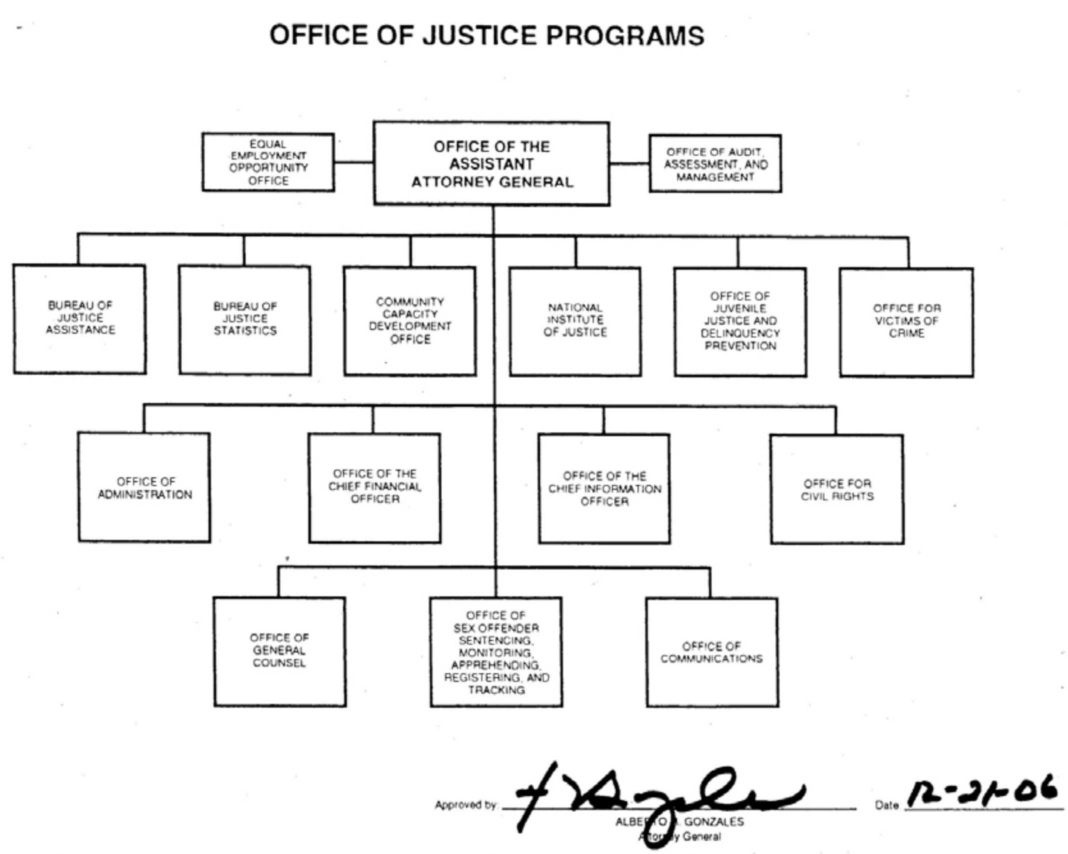
To be the premier resource for the justice community by:

- Providing and coordinating information, research and development, statistics, training, and support to help the justice community build the capacity it needs to meet its public safety goals.

- Embracing local decision-making, while encouraging local innovation through national policy leadership.

ORGANIZATION STRUCTURE

OJP's organizational structure reflects a centralized, transparent, and client-based approach to accomplishing its mission. The Office of the Assistant Attorney General (OAAG) is responsible for overall management and oversight of OJP, setting policy, and ensuring that OJP's policies and programs reflect the priorities of the President, the Attorney General, and the Congress. OJP's organization chart has not changed since Congress approved it in April 2007. It should be noted that Federal funding reductions in fiscal year (FY) 2011 included Community Capacity Development Office's (CCDO) Weed and Seed Program. Without funding for this program, CCDO closed, and all remaining open, active CCDO grants were transferred to and consolidated with the Bureau of Justice Assistance (BJA), effective June 5, 2011.



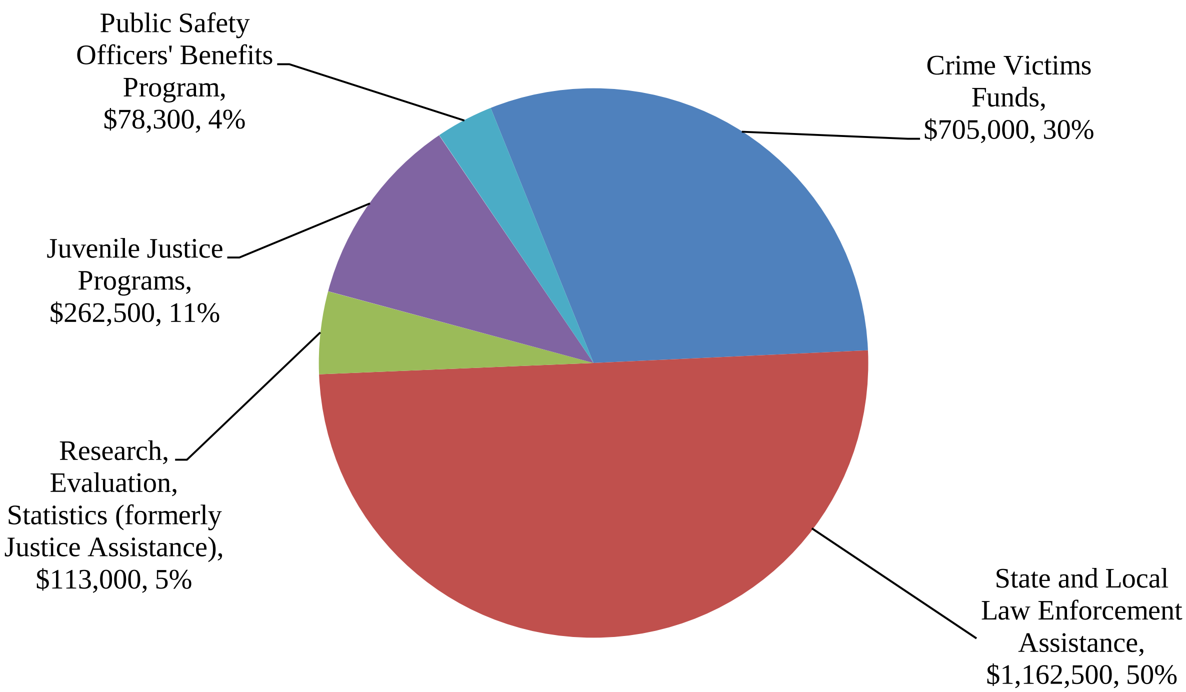
FINANCIAL STRUCTURE

In FY 2012, OJP's financial structure was comprised of the following appropriated accounts:

- **Research, Evaluation, and Statistics (formerly Justice Assistance)**: No-year discretionary assistance.
- **State and Local Law Enforcement Assistance**: No-year discretionary assistance.
- **Juvenile Justice Programs:** No-year discretionary assistance.
- **Public Safety Officers' Benefits Program:** No-year mandatory and discretionary assistance.
- In addition, Congress provides an obligation limitation cap of $705 million for the **Crime Victims Fund (CVF),** no-year appropriated account, through Title V, Section 512 of the General Provisions in the FY 2012 Appropriations Act.

Below is a pie chart depicting OJP's FY 2012 funding by appropriation.

Office of Justice Programs
FY 2012 Enacted Funding by Appropriation
(Dollars in Thousands)
Total Funding: $2,321,300



Financial Responsibility

OJP is responsible for the fair presentation of its financial position as of September 30, 2012, and its net cost, changes in net position, budgetary resources, Management's Discussion and Analysis (MD&A), Notes to the Financial Statements, Required Supplementary Information (RSI), Required Supplementary Stewardship Information (RSSI), and Other Accompanying Information for the year then ended, in conformity with accounting principles generally accepted in the United States of America. OJP is responsible for establishing and maintaining internal controls and for implementing and maintaining financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

OJP has several programs reported under the RSSI, of which the most materially significant programs are the Correctional Systems and Correctional Alternatives for Tribal Lands (CSCATL) and the Violent Offender Incarceration and Truth-In-Sentencing (VOI/TIS) incentive grant programs. Both programs provide grants for the purposes of building and expanding correctional facilities and jails to increase secure confinement space for violent offenders and implementing correctional alternatives to reduce reliance on incarceration. VOI/TIS funds are available to any of the 50 United States, the District of Columbia, Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, the Northern Mariana Islands, and recognized Tribal governments; while CSCATL funds are available to tribes within the 50 states. The Tribal Law and Order Act of 2010 (Public Law [P.L.] 111-211) expanded the CSCATL grant program scope to include multi-purpose justice centers. The facilities built or expanded with these funds constitute non-federal physical property. Upon completion, the Bureau of Indian Affairs (BIA) of the Department of Interior, and/or tribal grantees are responsible for supporting, operating, and maintaining the correctional facilities.

OJP is also responsible for the fair presentation of performance data consistent with the Government Performance and Results Act Modernization Act of 2010 and the Government Performance and Results Act of 1993 and reporting in the DOJ Performance and Accountability Report (PAR). OJP maintains that the financial and performance data presented herein are valid and acceptably reliable.

OJP is highly committed to continuous improvement through its federal financial assistance monitoring, internal audits, and related policy updates and training. OJP also actively participates in government-wide grant simplification efforts and will participate in the DOJ Unified Financial Management System (UFMS), upon its implementation. In compliance with the Federal Financial Assistance Management Improvement Act of 1999, OJP continues efforts to streamline and standardize grant management policies, procedures, and technologies across the agency to reduce costs, improve customer service, and increase efficiency. The mission of the UFMS project is to implement a department-wide secure, integrated, and unified financial management system, supported by standard processes, to comply with applicable statutes and regulations.

ANALYSIS OF FINANCIAL STATEMENTS

The OJP Office of the Chief Financial Officer is responsible for developing, analyzing, and ensuring the accuracy of financial statements for OJP.

Financial Results, Position and Condition

These financial statements have been prepared to report the financial position and results of operations for OJP, pursuant to the requirements under Title IV of the Government Management Reform Act (GMRA) of 1994 (P.L. 103-356). These statements have been prepared from OJP books and records, in conformity with the formats prescribed by the Office of Management and Budget (OMB). The FY 2012 statement of changes in net position includes a cumulative result of operations of approximately $9.3 billion and unexpended appropriations of approximately $3.5 billion. OJP has approximately $12.6 billion in fund balances with Treasury of which $3.3 billion is available. Since OJP has approximately $614 million in liabilities, OJP has sufficient resources to meet its requirements in the near future. From FY 2011 to FY 2012, the significant decrease of $162 million in budgetary financing sources is due primarily to the reduction in appropriations received of $255 million. There are no known trends or demands, commitments, events or uncertainties that will impact or that are reasonably likely to increase or decrease the liquidity of OJP in any material way.

Resources and Results

OJP's FY 2012 and FY 2011 sources of resources and how resources were spent are displayed in Tables 1 and 2, respectively.

Table 1. Source of Office of Justice Programs Resources
(Dollars in Thousands)

Source	FY 2012	FY 2011	Change %
Earned Revenue	$ 27,297	$ 42,762	-36%
Budgetary Financing Sources			
Appropriation Received	$1,638,300	$ 1,893,160	-13%
Appropriation Transferred-In/Out	$ (8,470)	$ 200,344	-104%
Nonexchange Revenues	$2,796,548	$ 1,998,729	40%
Other Adjustments and Budgetary Financing Sources	$ (55,000)	$ (45,365)	21%
Other Financing Sources			
Transfers In/Out Without Reimbursement	$ 2,295	$ 10,600	-78%
Imputed Financing from Cost Absorbed by Others	$ 4,474	$ 5,265	-15%
Total	$4,405,444	$ 4,105,495	7%

Table 2. How Office of Justice Programs Resources are Spent
(Dollars in Thousands)

Strategic Goal (SG)	FY 2012	FY 2011	Change %
SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ 998,795	$ 1,004,443	
Less: Earned Revenue	$ 4,839	$ 7,489	
Net Cost	**$ 993,956**	**$ 996,954**	**-0.3%**
SG 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
Gross Cost	$ 2,465,313	$ 2,730,468	
Less: Earned Revenue	$ 22,458	$ 35,273	
Net Cost	**$ 2,442,855**	$ 2,695,195	**-9.4%**
Total Gross Cost	$ 3,464,108	$ 3,734,911	
Less: Total Earned Revenue	$ 27,297	$ 42,762	
Total Net Cost of Operations	**$ 3,436,811**	**$ 3,692,149**	**-6.9%**

2012 Financial Highlights
OJP's FY 2012 budgetary resources totaled $2.7 billion. Of this amount, OJP obligated approximately $2.5 billion, resulting in an unobligated balance of $178 million. The net cost of operations totaled approximately $3.4 billion for FY 2012.

In FY 2012, Other Liabilities decreased by $9.7 million, due to a decrease of $8.6 million in the Office of Community Oriented Policing advances.

On January 4, 2012, the Department released the DOJ Strategic Plan for Fiscal Years 2012-2016 (Strategic Plan or Plan), which provides a guide for describing and accomplishing the Department priorities over the next five years. While the strategic goals are similar to those in the prior version, this Plan places a stronger emphasis on rule of law, international partnerships, reinvigorating the traditional missions of the Department, and restoring credibility in this institution.

This Plan describes the Department's strategies to support its top priority, which is, and will continue to be, combating terrorism. At the same time, the Plan describes the Department's work and responsibilities that extend over the broad spectrum of American life. These responsibilities include making streets safe for families, ridding communities of illegal guns and drugs, stopping those that would undermine the financial stability of communities and the Nation, protecting children and other vulnerable persons from predators, protecting the environment, and preserving civil liberties and freedoms.

This Strategic Plan responds to these challenges through three strategic goals focused on advancing the Department's priorities and reflecting the outcomes the American people deserve.

These goals are:

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

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

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

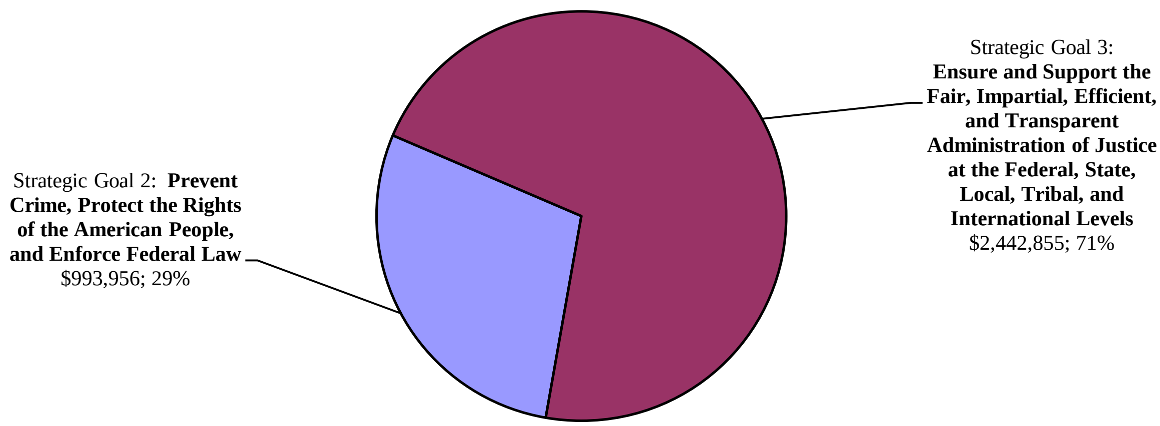
OJP will begin the planning and coordination phase in preparation of revising its OJP strategic plan to conform to the Department's new strategic plan, to include OJP strategic goals by 2014. OJP strategic plan will link directly to two of the DOJ Strategic Goals. These Goals are: Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law; and Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels.

Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law includes the America's Missing: Broadcast Emergency Response (AMBER) Program.

Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels, includes several programs, but not limited to: the DNA Backlog Reduction Program, the Residential Substance Abuse Treatment Program, and the Drug Court Program.

The following section describes OJP's spending and its relationship to the DOJ Strategic Plan. During FY 2012, $3.46 billion of budgetary resources were expended. DOJ Strategic Goal 2 activities accounted for net cost decreases of 0.3% and DOJ Strategic Goal 3 activities accounted for net cost decreases of 9.4%, compared to FY 2011 net costs.

How the Office of Justice Programs Resources were Spent by DOJ Strategic Goal
FY 2012
(Dollars in Thousands)
Total Net Cost of Operations: $3,436,811



PERFORMANCE INFORMATION

Data Reliability and Validity

OJP views data reliability and validity as critically important in the planning and assessment of our performance. As such, this document includes a discussion of data validation, verification, and any identified data limitations for each performance measure presented. Performance data are considered reliable if transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained.

FY 2012 REPORT ON SELECTED RESULTS

DOJ STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law

(29% of OJP's net costs support this Goal.)

PROGRAM: America's Missing: Broadcast Emergency Response (AMBER)

Background/Program Objectives: Research shows that it is critical to post and resolve AMBER Alerts as soon as possible because abductors who murder children are most likely to do so within four hours following the abduction. The Office of Juvenile Justice and Delinquency Prevention (OJJDP) administers OJP's AMBER Program, which supports best practices training and technical assistance for state and regional AMBER Alert teams. At the end of 2001, there were only four statewide AMBER Alert plans. Today, all 50 states, two U.S. territories (the U.S. Virgin Islands and Puerto Rico), and fifteen Indian tribes have plans in place. The AMBER Alert strategy focuses on:

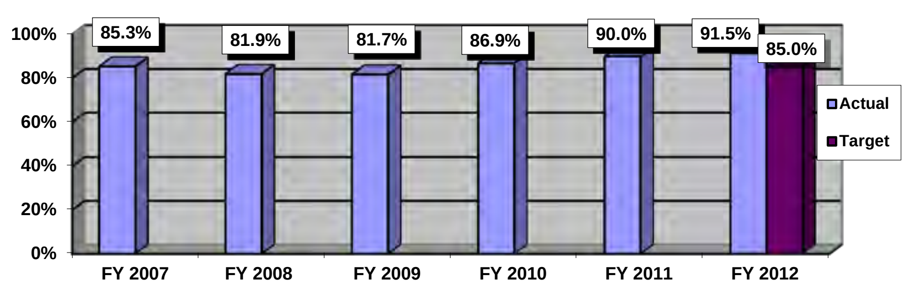
(1) Strengthening the existing AMBER Alert system;
(2) Expanding the scope of AMBER Alert; and
(3) Enhancing communication and coordination.

Performance Measure: Percent of children recovered within 72 hours of issuing an AMBER Alert

Discussion of FY 2012 Results: The target for FY 2012 is to recover 85 percent of children within 72 hours of issuing an AMBER Alert. The actual was 91.5 percent and exceeded the estimated target value by 6.5 percent.

FYs 2003 – 2006: N/A (Measure developed in FY 2007)

Figure 3. AMBER Alert - Percent of Children Recovered Within 72 Hours



***Data Definition*:** The Amber Alert recovery rate is determined by taking the total number of children who are recovered within 72 hours of issuance of an Amber Alert, divided by the total number of children for whom AMBER Alerts were issued for the fiscal year. The result is expressed as a percentage. Children from cases classified as hoax or unfounded after intake are excluded from the measure.

***Data Collection and Storage*:** Data are collected from law enforcement and the National Crime Information Center database, which stores abducted children's names and other critical data elements.

Data Validation and Verification: Data for this measure are validated and verified through a review of progress reports submitted by grantees, telephone contacts, and monitoring.

Data Limitations: None known at this time.

DOJ STRATEGIC GOAL 3: **Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels**

(71% of OJP's net costs support this Goal.)

PROGRAM: DNA Backlog Reduction

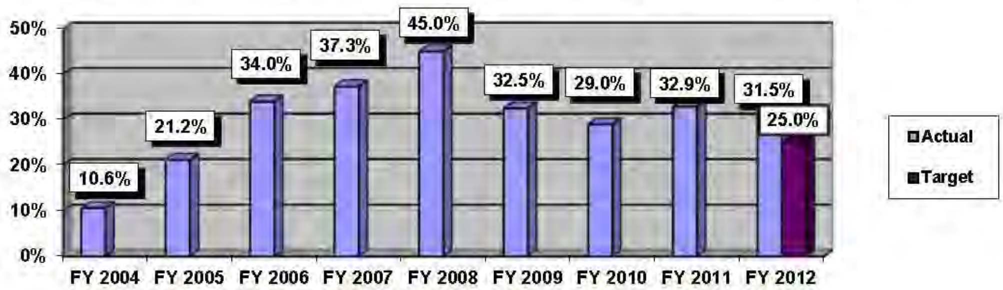
***Background/Program Objectives*:** The National Institute of Justice (NIJ) funds and administers the DNA Backlog Reduction Program to increase the capacity of the nation's public DNA laboratories and to reduce the number of backlogged casework DNA samples awaiting analysis and entry into the Combined DNA Index System (CODIS). The overarching goal of the program is to reduce the size of the DNA casework backlog so that more DNA sample profiles are available in CODIS for matching to forensic cases, offenders, and arrestees. CODIS matches offer powerful investigative leads that can solve past crimes and prevent new crimes from occurring. The short-term goal is to reduce the DNA casework backlog by providing funding for laboratories to purchase supplies to test cases in-house, to fund overtime for existing personnel to test cases in-house, or to outsource the DNA samples to another qualified laboratory. The long-term goal is to increase the laboratories' capacity by providing funding to hire additional personnel, purchase automated equipment, and validate new chemistries. In the past, funds awarded for analysis of backlogged forensic casework DNA samples were only available for the analysis of violent offense samples (i.e., murder, non-negligent manslaughter, and forcible rape); however, from FY 2008 to date, funds can be used for any criminal DNA case. OJP's role in reducing the DNA backlog is to provide funding to qualified labs that apply for federal funding to assist in analyzing cases. Since 2011, states have received limited supplemental funds for the state designated DNA database laboratories to reduce backlogs of offender database samples or to build the capacity of the database unit.

***Performance Measure*:** Percent reduction in DNA backlog (casework only)

Discussion of FY 2012 Results: OJP's FY 2012 target for reducing the DNA casework backlog is 25 percent. The actual reduction was 31.5% and exceeded the estimated target value by 6.5%.

FY 2003: N/A (Measure developed in FY 2004)

Figure 2. Percent Reduction in DNA Backlog (Casework Only)



***Data Definition*:** NIJ computes this measure by calculating the cumulative number of cases requested to be worked with federal overtime, supply, and/or outsourcing assistance as part of the FY 2012 solicitation process. This number is divided by the total number of backlogged DNA cases as of December 31 of the year prior to when solicitations are released (for FY 2012, the number of cases in the backlog as of December 31, 2011). Because the size of the backlog is assessed at the end of each calendar year, the number of samples in the backlog tends to vary at other times as more or fewer samples are submitted for analysis and tested. For example, when more samples are submitted than tested, the number of samples in the backlog necessarily grows. Likewise, when more samples are tested than were submitted for analysis, the number of samples in the backlog shrinks.

***Data Collection and Storage*:** NIJ program managers collect and maintain data for this measure in office files.

***Data Validation and Verification*:** The number of cases funded for analysis in FY 2012 is computed from applications submitted by grantees to the FY 2012 DNA Backlog Reduction Program. During the course of the grant, which can take up to three years to complete, grant managers monitor each grant to ensure that grantees are meeting or achieving the targets they proposed in their applications.

***Data Limitations*:** None known at this time.

PROGRAM: Residential Substance Abuse Treatment (RSAT)

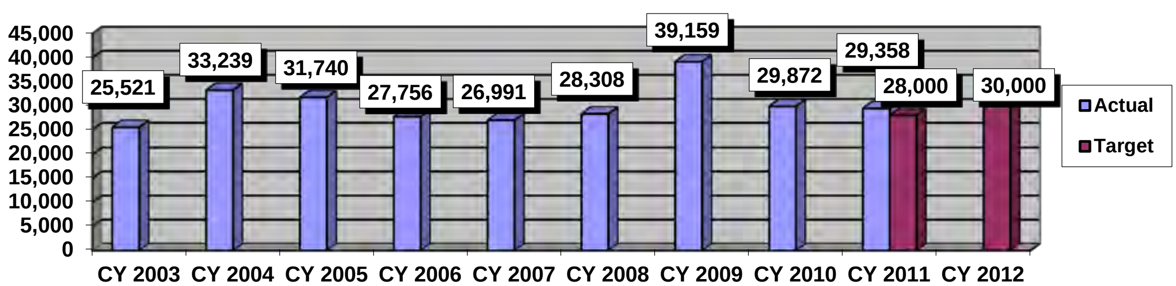
***Background/Program Objectives*:** RSAT formula grant funds are used to implement four types of programs: 1) residential substance abuse treatment programs that provide individual and group treatment activities for offenders in residential facilities operated by state correctional agencies; 2) jail-based substance abuse programs that provide individual and group treatment activities for offenders in jails and local correctional facilities; 3) post-release treatment components that provide treatment following inmates' release from custody; and 4) aftercare components that require states to give preference to sub-grant applicants that provide aftercare services to program participants. For all programs, at least 10 percent of the total state allocation is made available to local correctional and detention facilities for either residential substance abuse treatment programs or jail-based substance abuse treatment programs.

Performance Measure: Number of participants in the Residential Substance Abuse Treatment (RSAT) Program

Discussion of CY 2012 Results: The target for Calendar Year (CY) 2012 is to have 30,000 participants in RSAT programs. Data for this measure are collected on a quarterly basis and CY 2012 data will be available in June 2013.

***Discussion of CY 2011 Results*:** The target for CY 2011 was to have 28,000 participants in RSAT programs. Data were analyzed and 29,358 participants were served in CY 2011. The target was exceeded by 1,358 participants.

Figure 4. Number of Participants in RSAT



***Data Definitions*:** The number of RSAT participants is the count of state and local program participants during the reporting period. The number of participants is collected from grantees.

***Data Collection and Storage*:** Program managers obtain data from reports submitted by grantees into the BJA Performance Measurement Tool (PMT), an on-line data collection tool.

***Data Validation and Verification*:** Data are validated and verified through four steps including program managers' programmatic monitoring and electronic controls over the data. This oversight includes a review of all relevant material to determine grant performance, desk reviews of grantee support documentation, telephone contacts, and on-site grant monitoring.

1. BJA applies front-end business rules and logic to the data grantees enter into the PMT so that erroneous data values are flagged. Grantees receive an error message if a required data field is omitted, or if a value entered exceeds a pre-established value range.
2. BJA applies data cleaning techniques to the back-end data when analyzing it after reporting is complete. This includes reviewing PMT data for missing and duplicate data that can lead to division errors and outcome values over 100 percent. Follow-up phone calls or outreach may be conducted during this step.
3. BJA grant managers review and validate performance measure data during on-site visits, using specific questions pertaining to data included in the checklist. BJA conducts on-site monitoring for approximately five percent of active grants.
4. Outside of the on-site visit process, BJA grant managers review and approve the progress reports. As a result of this review, the BJA grant manager may contact the grantee to ask them to explain or resolve any perceived inconsistent or missing performance measure data.

Data Limitations**:** None known at this time.

PROGRAM: Drug Court

Background/Program Objectives**:** BJA and OJJDP administer OJP's Drug Court program. The Drug Court program was established in 1995 to provide financial and technical assistance to states, state courts, local courts, units of local government, and tribal governments in order to establish drug treatment courts. Drug courts employ an integrated mix of treatment, drug testing, incentives, and sanctions to break the cycle of substance abuse and crime. Since 1989, more than 2,500 drug courts have been established in a number of jurisdictions throughout the country. Currently, every state and two U.S. territories have established or planned one or more drug courts in their jurisdiction.

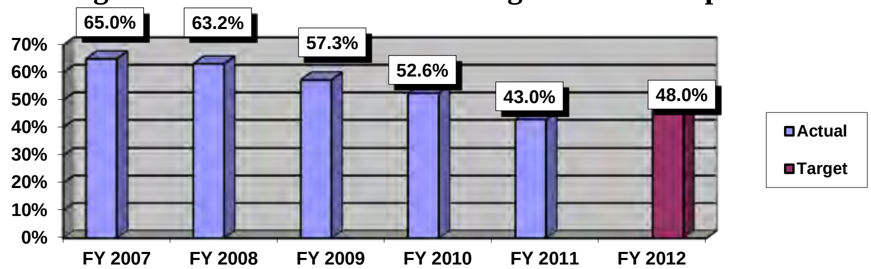
The need for drug treatment services is tremendous and OJP has a long history of providing resources to break the cycle of drugs and violence by reducing the demand, use, and trafficking of illegal drugs. Thirty-six percent of the 4.9 million people, who reported to the 2010 National Crime Victimization Survey that they had been a victim of violence, believed that the perpetrator was using drugs, alcohol, or both drugs and alcohol. Further, 54 percent of jail inmates were abusing or dependent on drugs, according to Bureau of Justice Statistics (BJS) 2002 Survey of Inmates in Local Jails. Correspondingly, 53 percent of state inmates, and 45 percent of federal inmates abused or were dependent on drugs in the year before their admission to prison, according to the BJS 2004 Surveys of Inmates in State and Federal Correctional Facilities.

Performance Measure**:** Graduation rate of program participants in the Drug Court Program (adult drug court participants only).

Discussion of FY 2012 Results: The FY 2012 target for the Drug Court graduation rate is 48 percent. Data for this measure are collected on a quarterly basis, and FY 2012 data will be available in November 2012.

FYs 2003 – 2006: N/A (Measure developed in FY 2005, using a different methodology. As a result, data from FY 2005 and FY 2006 are not included)

Figure 5. Graduation Rate of Drug Court Participants



***Data Definitions*:** The graduation rate is calculated by dividing the number of graduates (successful completions) during the reporting period (numerator) by the sum of the successful and unsuccessful completions (denominator). Unsuccessful completions stem from participants' inability to complete all program requirements due to court or new criminal involvement, lack of engagement, or absconding.

***Data Collection and Storage*:** Grantees submit data to BJA's PMT, which is where the data are maintained.

***Data Validation and Verification*:** Data are validated and verified through a four-step process, including program managers' programmatic monitoring and electronic controls over the data. This oversight includes a review of all relevant material to determine grant performance, desk reviews of grantee support documentation, telephone contacts, and on-site grant monitoring.

1. BJA applies front-end business rules and logic to the data grantees enter into the PMT so that erroneous data values are flagged. Grantees receive an error message if a required data field is omitted, or if a value entered exceeds a pre-established value range.
2. BJA applies data cleaning techniques to the back-end data when analyzing it after reporting is complete. This includes reviewing PMT data for missing and duplicate data that can lead to division errors and outcome values over 100 percent. Follow-up phone calls or outreach may be conducted during this step.
3. BJA grant managers review and validate performance measure data during on-site visits, using specific questions pertaining to data included in the checklist. BJA conducts on-site monitoring for approximately five percent of active grants.
4. Outside of the on-site visit process, BJA grant managers review and approve the progress reports. As a result of this review, the BJA grant manager may contact the grantee to ask them to explain or resolve any perceived inconsistent or missing performance measure data.

***Data Limitations*:** Graduation rates are not reported for years prior to FY 2007 because the formula for calculating the rate was changed that year to make it more accurate. Prior to FY 2007, the formula divided the number of graduates by the total number of drug court participants, regardless of eligibility for graduation and continued program participation and compliance, which resulted in lower graduation rates. The reporting cycle for these data is July 1- June 30.

However, in FY 2012, BJA revised the drug court performance measures to address limitations. Grantees began reporting on the new performance measures on October 1, 2011; therefore, the reporting cycle changed to October 1, 2011 – September 30, 2012.

Discontinued OJP Performance Measures From FY 2011 to FY 2012
There are no measures that have been discontinued from FY 2011 to FY 2012.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

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

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

OJP management is responsible for establishing and maintaining effective internal controls and a financial management system that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, OJP management conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2). OJP management also assessed whether its financial management system conforms to financial system requirements (FMFIA § 4).

Based on the results of the assessments, OJP management can provide reasonable assurance that OJP's internal controls and financial management system meet the objectives of the FMFIA. Internal controls were operating effectively as of September 30, 2012, and the assessments identified no material weaknesses in the design or operation of the controls or any non-conformances required to be reported.

In accordance with Appendix A of OMB Circular A-123, OJP management conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of the assessment, OJP management can provide reasonable assurance that OJP's internal control over financial reporting was operating effectively as of September 30, 2012, and the assessment identified no material weaknesses in the design or operation of the controls.

OJP also assessed whether its financial management systems conform to government-wide requirements, as required by Section 4 of the FMFIA. Based on the results of this assessment, OJP can provide reasonable assurance that, as of September 30, 2012, its systems substantially conform to government-wide requirements, except for non-conformances related to information system general controls noted for account management, annual certification, configuration management, identification and authentication, and vulnerability management. OJP has submitted a corrective action plan that includes automatic disablement of accounts, timely annual recertification, implementing a new secure configuration checklist, enhancing password complexity settings, and timely addressing detected vulnerabilities to remediate the reported non-conformances.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to improve federal financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. FFMIA requires agencies to have financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. The FFMIA also 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 2012, OJP assessed its financial management systems for compliance with FFMIA and determined that they substantially comply with FFMIA. This determination is based on the results of testing performed in accordance with OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the financial statement audit.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

State, local, and tribal public safety agencies across the country continue to face significant budget-related challenges that threaten their ability to deliver core services and maintain public safety. It is in this context that OJP's role becomes even more essential. During this time of limited budget resources, OJP continues to use evidence and evaluation findings to help the Federal Government and its state, local, and tribal partners make the most of the resources entrusted to the agency by the nation's taxpayers. OJP works closely with communities to help them adopt evidence-based approaches that maximize resources and improve results. OJP also encourages closer partnerships and collaborations, including those between law enforcement agencies and research entities.

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

OJP received $2.76 billion in Recovery Act funding in FY 2009 to assist state and local communities with the prevention of crime, improvement of criminal justice systems, and crime victim support, while contributing to job creation and providing much needed resources for states and local communities. These funds are being administered through the BJA, BJS, NIJ, OJJDP, and the OVC. These funds are being distributed through formula and discretionary grant programs. The bulk of these funds ($1.98 billion) are being distributed through the Edward Byrne Memorial Justice Assistance Grant Program, which supports all components of the criminal justice system, including but not limited to, multijurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Please visit the OJP Recovery Act website, http://www.ojp.usdoj.gov/recovery/, for further details on announcements, implementation, and reporting of Recovery Act funding and data.

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT (IPERA) REPORTING

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

In accordance with the Departmental approach for implementing IPERA, OJP assessed its activities for susceptibility to significant improper payments. OJP also conducted its payment recapture audit program in accordance with the Departmental approach. OJP provided the results of both the risk assessment and payment recapture audit activities to the Department for the Department-level reporting in the FY 2012 Performance and Accountability Report.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

Independent Auditors' Reports

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KPMG LLP
Suite 12000
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Washington, DC 20006

Independent Auditors' Report on Financial Statements

Inspector General
U.S. Department of Justice

Assistant Attorney General
Office of Justice Programs
U.S. Department of Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice Office of Justice Programs (OJP) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements" or "basic financial statements") for the years then ended. These consolidated financial statements are the responsibility of OJP's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OJP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Office of Justice Programs as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1.W to the consolidated financial statements, OJP changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, OJP's combined statement of budgetary resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

U.S. generally accepted accounting principles require that the information in the *Required Supplementary Information*, including *Management's Discussion and Analysis*, and *Required Supplementary Stewardship Information* sections be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audits of the basic 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.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 5, 2012, on our consideration of OJP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 5, 2012

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

Independent Auditors' Report on Internal Control over Financial Reporting

Inspector General
U.S. Department of Justice

Assistant Attorney General
Office of Justice Programs
U.S. Department of Justice

We have audited the consolidated balance sheets of U.S. Department of Justice Office of Justice Programs (OJP) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 5, 2012. As discussed in Note 1.W to the consolidated financial statements, OJP changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*.

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

The management of OJP is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our fiscal year 2012 audit, we considered OJP's internal control over financial reporting by obtaining an understanding of OJP's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of OJP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OJP's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in the Exhibit that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

KPMG LLP

November 5, 2012

EXHIBIT

SIGNIFICANT DEFICIENCY

This section contains our discussion of the significant deficiency we identified in internal control over financial reporting.

SYSTEM SOFTWARE CHANGE MANAGEMENT NEEDS IMPROVEMENT

During the vulnerability assessment documentation review and network scanning, it was noted that OJP continues to have improper configurations, missing patches, and default/insufficient passwords within their environment. Many of these deficiencies were originally identified in prior years and continue to remain unremediated in the current year. The deficiencies continue to exist because the OJP Information Technology Security Division (ITSD) and the Enterprise Applications Support Division (EASD) are not consistently communicating to ensure that vulnerabilities are remediated in a timely manner. When vulnerabilities are not identified and remediated in a timely manner, the risk of data being compromised increases.

OJP's Vulnerability Management Program, Standard Operating Procedure, version 4.2, dated February 22, 2011, section 5.0, states that the Director of ITSD is responsible for reviewing vulnerability reports and forwarding to senior management; keeping senior management informed of emerging trends and the status of the overall IT security posture of the OJP enterprise; and managing resources for vulnerability mitigation on security devices. Responsibilities of the Director of EASD include managing resources for vulnerability mitigation on UNIX servers, Windows servers, Network Devices, and other system software.

DOJ, Information Technology Security Standard, version 1.3, dated February 2011, section 4.0, states that DOJ Components must identify, report, and correct information system flaws; test software updates related to flaw remediation for effectiveness and potential side effects on organizational information systems before installation; and incorporate flaw remediation into the organizational configuration management process. Further, DOJ Components must centrally manage the flaw remediation process and install software updates automatically as well as remediate legitimate vulnerabilities within 30 days for high-risk vulnerabilities and 90 days for moderate-risk vulnerabilities.

The National Institute of Standards and Technology Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, System and Information Integrity, SI-2 Flaw Remediation states that the organization identifies information systems containing software affected by recently announced software flaws (and potential vulnerabilities resulting from those flaws) and reports this information to designated organizational officials with information security responsibilities (e.g., senior information security officers, information system security managers, information systems security officers). The organization (including any contractor to the organization) promptly installs security-relevant software updates (e.g., patches, service packs, and hot fixes). Flaws discovered during security assessments, continuous monitoring, incident response activities, or information system error handling, are also addressed expeditiously. Organizations are encouraged to use resources such as the Common Weakness Enumeration or Common Vulnerabilities and Exposures databases in remediating flaws discovered in organizational information systems. By requiring that flaw remediation be incorporated into the organizational configuration management process, it is the intent of this control that required/anticipated remediation actions are tracked and verified.

We recommend OJP:

1. Conduct an enterprise-wide security configuration assessment of its environments (NextGen, ENS, E-Gov, etc.). *(New)*

Management Response:

In June and September 2012, the Office of Justice Programs (OJP), Office of the Chief Information Officer (OCIO) conducted an enterprise-wide security configuration assessment of its environments (NextGen, ENS, E-Gov, etc.). The OCIO is continuing to improve the assessment activity as a component of the overall vulnerability management program.

2. Prioritize vulnerabilities as part of its ongoing continuous monitoring activities. *(New)*

Management Response:

In June 2012, the OCIO revised the vulnerability program standard operating procedure (SOP) – OCIO 25, which added scanning responsibilities for two of the OCIO's divisions to ensure staff flexibility on the discovery and remediation of vulnerabilities between the OCIO's Information Technology Security Division's (ITSD) assessments. Following the SOP revision, the OCIO then revised the vulnerability management process to address priorities as part of an overall risk management function. As the OCIO continues to refine the process and associated responsibilities, SOP OCIO 25 will be updated appropriately.

3. Management (Chief Information Officer and Deputy Chief Information Officer) ensure that the baseline configurations and the VMP process for communicating and mitigating vulnerabilities and verifying remediations are completed in accordance with OJP Policy between ITSD and EASD. *(New)*

Management Response:

OJP's Chief Information Officer (CIO) has requested authority to recruit and hire a senior IT Specialist, to direct Information Risk Management activities. OJP will continue to work with Department of Justice approving officials with the understanding that the Federal government and Department of Justice budgetary and personnel hiring constraints may impact the OCIO's recruitment of this resource. As such, in June 2012, a senior member within the OCIO, and independent of the ITSD and IT Operations and Development Division, was assigned the responsibilities of directing near term actions related to the finding and overall risk management, as well as conducting regular briefings to the Deputy CIO, CIO, and other OJP executives on the status of management response and the actions listed here.

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Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of Justice

Assistant Attorney General
Office of Justice Programs
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice Office of Justice Programs (OJP) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 5, 2012. As discussed in Note 1.W to the consolidated financial statements, OJP changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*.

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

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

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

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

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

KPMG LLP

November 5, 2012

Principal Financial Statements and Related Notes

See Independent Auditors' Report on Financial Statements

Consolidated Balance Sheets
As of September 30, 2012 and 2011

Dollars in Thousands	2012	2011
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 2)	$ 12,614,717	$ 11,287,838
Accounts Receivable, Net (Note 3)	6,642	6,970
Other Assets (Note 5)	47,203	78,034
Total Intragovernmental	12,668,562	11,372,842
Accounts Receivable, Net (Note 3)	4,348	6,056
General Property, Plant and Equipment, Net (Note 4)	11,006	12,526
Advances and Prepayments	693,159	1,009,997
Total Assets	**$ 13,377,075**	**$ 12,401,421**
LIABILITIES (Note 6)		
Intragovernmental		
Accounts Payable	$ 22,536	$ 54,240
Accrued Federal Employees' Compensation Act Liabilities	69	86
Other Liabilities (Note 8)	107,620	117,275
Total Intragovernmental	130,225	171,601
Accounts Payable	33,317	24,177
Accrued Grant Liabilities	436,451	369,245
Actuarial Federal Employees' Compensation Act Liabilities	442	680
Accrued Payroll and Benefits	7,910	8,182
Accrued Annual and Compensatory Leave Liabilities	6,011	6,148
Capital Lease Liabilities (Note 7)	9	14
Total Liabilities	**$ 614,365**	**$ 580,047**
Contingencies and Commitments (Note 9)		
NET POSITION		
Unexpended Appropriations - All Other Funds	$ 3,478,217	$ 4,605,970
Cumulative Results of Operations - Earmarked Fund (Note 10)	9,273,109	7,202,248
Cumulative Results of Operations - All Other Funds	11,384	13,156
Total Net Position	**$ 12,762,710**	**$ 11,821,374**
Total Liabilities and Net Position	**$ 13,377,075**	**$ 12,401,421**

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

Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2012 and 2011

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	(Note 11)
Goal 2	**2012**	$ 45,938	$ 952,857	$ 998,795	$ 4,839	$ -	$ 4,839	$ 993,956
	2011	$ 43,903	$ 960,540	$ 1,004,443	$ 7,489	$ -	$ 7,489	$ 996,954
Goal 3	**2012**	148,858	2,316,455	2,465,313	22,310	148	22,458	2,442,855
	2011	180,000	2,550,468	2,730,468	35,228	45	35,273	2,695,195
Total	**2012**	**$ 194,796**	**$ 3,269,312**	**$ 3,464,108**	**$ 27,149**	**$ 148**	**$ 27,297**	**$ 3,436,811**
	2011	**$ 223,903**	**$ 3,511,008**	**$ 3,734,911**	**$ 42,717**	**$ 45**	**$ 42,762**	**$ 3,692,149**

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

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

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

Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands

	2012		
	Earmarked Funds	All Other Funds	Total
Unexpended Appropriations			
Beginning Balances	$ -	$ 4,605,970	$ 4,605,970
Budgetary Financing Sources			
Appropriations Received	-	1,638,300	1,638,300
Appropriations Transferred-In/Out	-	(8,470)	(8,470)
Other Adjustments	-	(55,000)	(55,000)
Appropriations Used	-	(2,702,583)	(2,702,583)
Total Budgetary Financing Sources	-	(1,127,753)	(1,127,753)
Unexpended Appropriations	$ -	$ 3,478,217	$ 3,478,217
Cumulative Results of Operations			
Beginning Balances	$ 7,202,248	$ 13,156	$ 7,215,404
Budgetary Financing Sources			
Appropriations Used	-	2,702,583	2,702,583
Nonexchange Revenues	2,795,573	975	2,796,548
Other Financing Sources			
Transfers-In/Out Without Reimbursement	-	2,295	2,295
Imputed Financing from Costs Absorbed by Others (Note 12)	-	4,474	4,474
Total Financing Sources	2,795,573	2,710,327	5,505,900
Net Cost of Operations	(724,712)	(2,712,099)	(3,436,811)
Net Change	2,070,861	(1,772)	2,069,089
Cumulative Results of Operations	$ 9,273,109	$ 11,384	$ 9,284,493
Net Position	$ 9,273,109	$ 3,489,601	$ 12,762,710

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

Consolidated Statements of Changes in Net Position (continued)
For the Fiscal Year Ended September 30, 2011

Dollars in Thousands

	2011		
	Earmarked Funds	**All Other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	$ -	$ 5,571,977	$ 5,571,977
Budgetary Financing Sources			
Appropriations Received	-	1,893,160	1,893,160
Appropriations Transferred-In/Out	-	200,344	200,344
Other Adjustments	-	(45,365)	(45,365)
Appropriations Used	-	(3,014,146)	(3,014,146)
Total Budgetary Financing Sources	**-**	**(966,007)**	**(966,007)**
Unexpended Appropriations	$ -	$ 4,605,970	$ 4,605,970
Cumulative Results of Operations			
Beginning Balances	$ 5,866,596	$ 12,217	$ 5,878,813
Budgetary Financing Sources			
Appropriations Used	-	3,014,146	3,014,146
Nonexchange Revenues	1,998,221	508	1,998,729
Other Financing Sources			
Transfers-In/Out Without Reimbursement	-	10,600	10,600
Imputed Financing from Costs Absorbed by Others (Note 12)	-	5,265	5,265
Total Financing Sources	**1,998,221**	**3,030,519**	**5,028,740**
Net Cost of Operations	**(662,569)**	**(3,029,580)**	**(3,692,149)**
Net Change	**1,335,652**	**939**	**1,336,591**
Cumulative Results of Operations	$ 7,202,248	$ 13,156	$ 7,215,404
Net Position	$ 7,202,248	$ 4,619,126	$ 11,821,374

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

U.S. Department of Justice
Office of Justice Programs
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2012 and 2011

Dollars in Thousands	2012	2011
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	$ 187,462	$ 232,500
Recoveries of Prior Year Unpaid Obligations	53,296	54,156
Other Changes in Unobligated Balance	(2,409)	(2,311)
Unobligated Balance from Prior Year Budget Authority, Net	238,349	284,345
Appropriations (discretionary and mandatory)	2,286,418	2,750,112
Spending Authority from Offsetting Collections (discretionary and mandatory)	196,233	33,249
Total Budgetary Resources	**$ 2,721,000**	**$ 3,067,706**
Status of Budgetary Resources:		
Obligations Incurred (Note 13)	2,543,035	2,880,244
Unobligated Balance, End of Period:		
Apportioned	152,618	169,067
Unapportioned	25,347	18,395
Total Unobligated Balance - End of Period	177,965	187,462
Total Status of Budgetary Resources:	**$ 2,721,000**	**$ 3,067,706**
Change in Obligated Balance:		
Obligated Balance, Net - Brought Forward, October 1		
Unpaid Obligations, Gross	$ 5,025,867	$ 5,510,847
Less: Uncollected Customer Payments from Federal Sources	25,236	25,666
Total Obligated Balance, Net - Brought Forward, October 1	5,000,631	5,485,181
Obligations Incurred	2,543,035	2,880,244
Less: Outlays, Gross	3,237,410	3,311,068
Change in Uncollected Customer Payments from Federal Sources	(2,347)	430
Less: Recoveries of Prior Year Unpaid Obligations	53,296	54,156
Obligated Balance, Net - End of Period		
Unpaid Obligations, Gross	4,278,196	5,025,867
Less: Uncollected Customer Payments from Federal Sources	27,583	25,236
Total Obligated Balance, Net - End of Period	**$ 4,250,613**	**$ 5,000,631**

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

Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	$	2,482,651	$	2,783,361
Less: Actual Offsetting Collections (discretionary and mandatory)		193,886		33,679
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)		(2,347)		430
Budget Authority, Net (discretionary and mandatory)	**$**	**2,286,418**	**$**	**2,750,112**
Outlays, Gross (discretionary and mandatory)	$	3,237,410		3,311,068
Less: Actual Offsetting Collections (discretionary and mandatory)		193,886		33,679
Outlays, Net (discretionary and mandatory)		3,043,524		3,277,389
Less: Distributed Offsetting Receipts (Note 14)		26		206
Agency Outlays, Net (discretionary and mandatory)	**$**	**3,043,498**	**$**	**3,277,183**

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

U.S. Department of Justice
Office of Justice Programs
Notes to the Financial Statements
As of and For the Fiscal Years Ended September 30, 2012 and 2011
(Dollars in Thousands, Except as Noted)

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Office of Justice Programs (OJP) is a reporting entity within the U.S. Department of Justice (Department or DOJ). The Justice Act of 1984 created OJP to work within established partnership arrangements with federal, state and local agencies and community-based organizations to develop, operate, and evaluate a wide range of criminal and juvenile justice programs. OJP is authorized by Congress to award grants, contracts, cooperative agreements, and other assistance authorized by *Title I of the Omnibus Crime Control and Safe Street Act of 1968.* In FY 2012, OJP is funded by several no-year appropriations, however in prior years OJP received several no-year, multi-year, and annual appropriations.

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

OJP is comprised of the following bureaus and program offices:

Bureau of Justice Assistance (BJA) provides leadership and assistance in support of local criminal justice strategies to achieve safe communities. BJA's goals are to reduce and prevent crime, violence, and drug abuse and to improve the functioning of the criminal justice system. BJA administers programs that bolster law enforcement operations, expand drug courts, and provide benefits to public safety officers.

Bureau of Justice Statistics (BJS) is the primary statistical agency of the DOJ. BJS collects, analyzes, publishes, and disseminates information on crime, criminal offenders, crime victims, and criminal justice operations, and provides financial and technical support to state, local, and tribal governments to improve their statistical capabilities and the quality and utility of their criminal history records.

A. Reporting Entity (continued)

National Institute of Justice (NIJ) is the research arm of the DOJ and is dedicated to researching crime control and justice issues. NIJ advances the application of science and technology to matters of criminal justice by providing objective, independent, evidence-based knowledge and tools to meet the challenges posed by crime.

Office of Juvenile Justice and Delinquency Prevention (OJJDP) supports state and community efforts to prevent and respond to juvenile delinquency and victimization. Through programs that offer mentoring, provide treatment and rehabilitation, and hold juvenile offenders accountable, OJJDP strives to improve the juvenile justice system so that the public is better protected, and youth and their families are better served.

Office for Victims of Crime (OVC) works to enhance America's capacity to assist crime victims by helping to change attitudes, policies, and practices. OVC supports a wide range of activities using the Crime Victims' Fund (CVF), which is composed of federal criminal fines and penalties, special assessments, and bond forfeitures. These activities include victim compensation and assistance services, training and technical assistance for service providers and criminal justice professionals, and program evaluation.

Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking (SMART Office) was authorized by the Adam Walsh Child Protection and Safety Act of 2006. The primary assignment of the SMART Office is to ensure that convicted sex offenders are prohibited from preying on citizens through an organization of restrictions, regulations, and internment. The SMART Office is responsible for establishing and maintaining the standards for the Sex Offender Registration and Notification Program, as described by the Adam Walsh Act. The SMART Office also oversees grant programs regarding sex offender registration and notification.

OJP Principal Accounts

In fiscal years (FYs) 2012 and 2011, OJP's financial structure was comprised of these principal accounts: Research, Evaluation, and Statistics (RES) (formerly Justice Assistance); State and Local Law Enforcement Assistance (SLLEA); Juvenile Justice Programs (JJ); Public Safety Officers' Benefits (PSOB) Program; Management and Administration, which was Salaries and Expenses in FY 2011; and the CVF.

A. Reporting Entity (continued)

OJP Goals

In compliance with the statutory framework of the Government Performance and Results Act (GPRA) of 1993 (P.L. 103-62), OJP aligns its programs and activities with Goals 2 and 3 of the Attorney General's strategic goals, which are:

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

2.1 Combat the threat, incidence, and prevalence of violent crime

2.2 Prevent and intervene in crimes against vulnerable populations; uphold the rights of, and improve services to, America's crime victims

2.3 Combat the threat, trafficking, and use of illegal drugs and the diversion of licit drugs

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

3.1 Promote and strengthen relationships and strategies for the administration of justice with state, local, tribal, and international law enforcement

3.3 Provide for the safe, secure, humane, and cost-effective confinement of detainees awaiting trial and/or sentencing, and those in the custody of the federal prison system

B. Basis of Presentation

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

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of OJP. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for FYs 2012 and 2011, and as such, intra-entity transactions have not been eliminated.

D. Basis of Accounting

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

E. Non-Entity Assets

Non-entity assets are assets held by an entity but are not available for use by the entity. OJP does not have any non-entity assets.

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

The Fund Balance with U.S. Treasury includes appropriated funds that are available to pay current liabilities and to fund authorized purchase commitments. The U.S. Department of Treasury (Treasury) processes the cash receipts and cash disbursements of OJP. OJP's records are reconciled with those of Treasury.

Available unobligated balances represent amounts that are apportioned for obligation in the current fiscal year. Unavailable unobligated balances represent amounts that are not apportioned for obligation during the current fiscal year and expired appropriations no longer available to incur new obligations. Obligated balances not yet disbursed include undelivered orders and unpaid delivered orders.

G. Accounts Receivable

Intragovernmental Accounts Receivable result from reimbursable agreements entered into by OJP with other federal agencies for various goods and services. Since OJP's accounts receivable balance consists of amounts due by other federal agencies, an allowance for doubtful accounts has not been established.

G. Accounts Receivable (continued)

Accounts Receivable with the Public is an estimate of amounts due from grantees for expired grants. OJP evaluates the necessity of establishing the allowance for doubtful accounts based on historical trends of collectability of closed grants.

Pursuant to 28 CFR Part II, OJP has authorized Treasury's Financial Management Services to collect debts on our behalf. When OJP determines that our internal efforts are unsuccessful, the debtor is referred to Treasury and a receivable is set-up in our records. The types of debts that are normally referred to Treasury are grants and payment programs with the public.

H. General Property, Plant and Equipment

The U.S. General Services Administration (GSA) provides the buildings in which OJP operates and charges rent equivalent to the commercial rental rates for similar properties. Acquisitions of equipment and assets under capital lease costing twenty-five thousand dollars or more are capitalized. Depreciation is calculated using the straight-line basis using historical cost and a five-year useful life. Equipment with an acquisition cost of less than twenty-five thousand dollars is expensed when purchased. Equipment consists primarily of computer network components.

Internal Use Software meeting the cost threshold and useful life criteria is also capitalized. Internal Use Software is either purchased off the shelf and modified, internally developed, or contractor developed solely to meet the agency's internal needs. OJP capitalizes the cost of internal use software when the development phase costs exceed five hundred thousand dollars and the software is expected to have a service life of two or more years. Amortization is calculated using the straight-line basis using historical cost and a five-year useful life.

I. Advances and Prepayments

Advances and Prepayments, classified as assets on OJP's Balance Sheet, represent funds disbursed to individuals and other organizations for which goods or services have not yet been provided. OJP awards grants to various grantees and provides advance payments to grantees to meet their cash needs to carry out their programs. Advance payments are recorded as "Advances to Grantees" and are adjusted upon grantees' reporting expenditures and/or based on the estimated accrual for unreported expenses. These balances primarily consist of funds disbursed to grantees in the Research, Evaluation, and Statistics Grant Program, as well as advances for discretionary/non-block grants.

Advances and Prepayments involving other federal agencies are classified as Other Assets on the Balance Sheet.

J. Liabilities

Liabilities represent actual and estimated amounts likely to be paid as a result of transactions or events that have already occurred. However, no liabilities can be paid by OJP without an appropriation or other collection of revenue for services provided. Liabilities not covered by budgetary resources include liabilities for which an appropriation has not been enacted and there is no certainty that it will be enacted.

Accounts Payable primarily consists of amounts due for goods and services received, progress in contract performance, interest due on accounts payable, and other miscellaneous payables.

K. Accrued Grant Liabilities

Disbursements of grant funds are recognized as expenses at the time of disbursement. However, some grant recipients incur expenditures prior to initiating a request for disbursement based on the nature of the expenditures. OJP accrues an estimated liability for expenditures incurred by grantees prior to their receiving grant funds for the expenditures. These estimates are based on the most current information available to OJP at the time the financial statements are prepared. OJP's management has established a process to review these estimates in the context of subsequent changes in activity and assumptions, and to reflect the impact of these changes as appropriate.

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

L. Contingencies and Commitments

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

M. Annual, Sick, and Other Leave

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the liability is reduced as leave is taken. At the end of each quarter, the balance in the accrued annual leave liability reflects current pay rates and leave balances. Because 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.

N. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. 3901-3907, federal agencies must pay interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after the latest of the following dates: (1) date on the invoice, (2) date the invoice is received, (3) date when the goods or services are received, or (4) the date when the goods or services are accepted.

O. Retirement Plans

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

For employees covered by the CSRS, OJP contributes 7.0 percent of the employee's gross pay for normal retirement. For employees covered by the FERS, OJP contributes approximately 11.9 percent of gross pay. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP account is established and OJP contributes 1.0 percent of gross pay to this plan. In addition, for FERS employees, TSP contributions are matched 100.0 percent for the first 3.0 percent and 50.0 percent for the 4th and 5th percentage of gross pay. No matching contributions are made to the TSP accounts for those employees covered by CSRS. The accompanying financial statements do not report CSRS or the FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to OJP employees. Such reporting is the responsibility of the Office of Personnel Management (OPM).

Contributions for CSRS, FERS, and other retirement benefits are insufficient to fully fund the programs, which are subsidized by the OPM. The Department imputes its share of the OPM subsidy, using cost factors OPM provides, and reports the full cost of the programs related to its employees.

P. Federal Employee Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have 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 OJP employees under FECA are administered by the U.S. Department of Labor (DOL) and are ultimately paid by OJP. The FECA liability consists of two components. The first component is based on actual claims paid by the DOL but not yet reimbursed by OJP. OJP reimburses the DOL for the amount of actual claims as funds are appropriated for this purpose. There is generally a two- to three-year time period between payment by the DOL and reimbursement by OJP. As a result, a liability is recognized for the actual claims paid by the DOL and to be reimbursed by OJP.

The second component is the estimated liability for future benefit payments as a result of past events. The DOL calculates the liability of the federal government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. 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 federal government liability was then distributed by the DOL to the agencies. DOJ calculates and distributes each bureau's respective portion of the total DOJ actuarial liability that is recorded for reporting purpose only. OJP's portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for OJP employees.

Q. 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 costs 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.

R. Revenues and Other Financing Sources

OJP receives funding needed to support its activities through no-year, multi-year and annual appropriations that may be used, within statutory limits, for operating and capital expenditures. In FY 2012, OJP received only no-year appropriations. Additionally, OJP earns exchange revenue through inter-agency agreements with other federal entities for which OJP provides grant administration services. The majority of the partnering is with other DOJ components. Revenues are recognized at the time related program or administrative expenses are incurred. For agreements, OJP records its intra-agency agreements as either exchange revenue or transfers-in, depending on the corresponding treatment by other DOJ components, to facilitate the DOJ-wide elimination process. The revenue generated from these reimbursable activities is based on the full cost pricing policy. Under full cost pricing, indirect costs and overheads are fully absorbed into the costs of activities.

OJP receives nonexchange revenue for the CVF from collections of fines, penalty assessments, and bond forfeitures from defendants convicted of federal crimes. The CVF was established by the Victims of Crime Act of 1984 (P.L. 98-473), as amended by the Children's Justice and Assistance Act of 1986 (P.L. 99-401), and reauthorized by the Anti-Drug Abuse Act of 1988 (P.L. 100-690). Funds collected are available for obligation subject to Congressional limitation where Congress placed an annual cap on funds available for distribution.

S. Earmarked Funds

As defined in Statements of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. The CVF is the only OJP fund meeting the criteria listed below.

The three required criteria for an earmarked fund are:

1. A statute committing the federal government to use specifically identified revenues and other financing sources only for designated activities, benefits, or purposes;

2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and

S. Earmarked Funds (continued)

3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

T. Allocation Transfer of Appropriations

OJP is a party to allocation transfers with another federal agency as a transferring (parent) entity and with a different federal agency as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. 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.

OJP, as the parent, is required to transfer seventeen million dollars from the CVF to the U.S. Department of Health and Human Services (HHS), in FY 2012. This transfer is required by 42 U.S.C § 10603a {Sec. 14-4A} for ***Child abuse prevention and treatment grants***. Amounts made available by section §10601(d)(2) of this title, for the purposes of this section, are to be obligated and expended by the Secretary of HHS for grants under section §5106c of this title. The allocation transfer is reported in OJP's financial statements.

OJP receives, as a child entity, allocation transfers of appropriations from the Executive Office of the President. This transfer is authorized by P.L. 111-117 and P.L. 112-74. Per OMB guidance OJP reports all budgetary and proprietary activity for ***Do Right by Youth Pilot*** transferred from the Executive Office of the President to OJP. Exceptions to the general rule discussed above affecting OJP include the Funds transferred from the Executive Office of the President to the Department of Justice, for whom the OJP is the child in the allocation transfer but, per OMB guidance, will report all activity relative to these allocation transfers in OJP's financial statements.

U. Tax Exempt Status

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

V. Use of Estimates

The preparation of the 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.

The assumptions are continuously reviewed and refined in order to reflect the variance between the estimate and actual data. OJP recognizes the sensitivity of the changes in assumptions and the impact that the projections can have on estimates.

W. Reclassifications

The FY 2011 financial statements were reclassified to conform to the FY 2012 Departmental financial statement presentation requirements. OJP has realigned its Statement of Net Cost and Note 11, Net Cost of Operations by Suborganization to further align to the revised goal structure in accordance with the Department's Strategic Plan. Also, changes to the presentation of the Combined and Combining Statements of Budgetary Resources were made, in accordance with guidance provided in OMB Circular A-136, *"Financial Reporting Requirements"* and as such, activity and balances reported on the FY 2011 Combined and Combining Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year. Certain other prior year amounts have also been reclassified to conform with the current year presentation. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

X. Subsequent Events

Subsequent events and transactions occurring after September 30, 2012 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

2. Fund Balance with U.S. Treasury

The Fund Balance with U.S. Treasury, as reported in the financial statements, represents the unexpended cash balances in OJP's accounting records for all OJP Treasury Symbols, as of September 30, 2012 and 2011. The CVF Fund Balance with Treasury is presented as Special Funds type.

The unobligated balance for annual, multi-year, and no-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 the fifth expired years, the unobligated balance becomes unavailable and may be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a legitimate or bona fide need arising in the fiscal year for which the appropriation was made. The unobligated balance for no-year budget authority may be used to incur obligations indefinitely for the purpose specified by the appropriation act.

Under the Status of Fund Balances, the CVF funds unavailable for spending are included in Other Funds without Budgetary Resources.

An analysis of the balances as of September 30, 2012 and 2011 is provided below:

As of September 30, 2012 and 2011

	2012	2011
Fund Balances		
Special Funds	$ 9,359,797	$ 7,260,185
General Funds	3,254,920	4,027,653
Total Fund Balances with U.S. Treasury	$ 12,614,717	$ 11,287,838
Status of Fund Balances		
Unobligated Balance - Available	$ 152,618	$ 169,067
Unobligated Balance - Unavailable	25,347	18,395
Obligated Balance not yet Disbursed	4,250,613	5,000,631
Other Funds (With)/Without Budgetary Resources	8,186,139	6,099,745
Total Status of Fund Balances	$ 12,614,717	$ 11,287,838

3. Accounts Receivable, Net

Accounts Receivable represent the amounts due to OJP, as of September 30, 2012 and 2011, as shown in the following table. Accounts Receivable with the Public is an estimate of amounts due from grantees for expired grants and grants that have been referred to Treasury for debt collection.

As of September 30, 2012 and 2011	2012	2011
Intragovernmental		
Accounts Receivable	$ 6,642	$ 6,970
Total Intragovernmental	6,642	6,970
With the Public		
Accounts Receivable	4,348	6,056
Total With the Public	4,348	6,056
Total Accounts Receivable, Net	$ 10,990	$ 13,026

4. General Property, Plant and Equipment, Net

Property, Plant and Equipment, as reported in the financial statements, is recorded at the acquisition cost, net of accumulated depreciation, as of September 30, 2012 and 2011. In FYs 2012 and 2011, OJP purchased $3,457 and $4,768 respectively, in property, plant, and equipment. All equipment has been purchased through non-federal sources. See Note 1.H for method of depreciation, capitalization thresholds, and useful lives.

As of September 30, 2012	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Equipment	$ 8,730	$ (5,329)	$ 3,401	5 years
Assets Under Capital Lease	27	(26)	1	5 years
Internal Use Software	34,659	(27,093)	7,566	5 years
Internal Use Software in Development	38	-	38	N/A
Total	$ 43,454	$ (32,448)	$ 11,006	

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

As of September 30, 2011

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Equipment	$ 8,918	$ (5,571)	$ 3,347	5 years
Assets Under Capital Lease	27	(21)	6	5 years
Internal Use Software	33,045	(23,879)	9,166	5 years
Internal Use Software in Development	7	-	7	N/A
Total	$ 41,997	$ (29,471)	$ 12,526	

5. Other Assets

Other Assets represent monies advanced to the United States Marshals Service (USMS), the Offices, Boards and Divisions (OBDs), the Bureau of Prisons (BOP), and other Federal agencies for inter-agency agreements. The agreement with the USMS is to help build, expand or renovate correctional facilities and jails for the confinement of violent offenders. The agreements with the OBDs are for the administering of the Office of Community Oriented Policing Services grants. The agreements with the BOP are for training and clearinghouse activities designed to reduce or eliminate incidents of prison rape.

As of September 30, 2012 and 2011

	2012	2011
Intragovernmental		
Advances and Prepayments	$ 47,203	$ 78,034

6. Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources are liabilities for which Congressional action is needed before budgetary resources can be provided. These liabilities, as of September 30, 2012 and 2011, are presented in the table below.

As of September 30, 2012 and 2011	2012	2011
Intragovernmental		
Accrued FECA Liabilities	$ 69	$ 86
Other Unfunded Employment Related Liabilities	9	33
Total Intragovernmental	78	119
With the Public		
Actuarial FECA Liabilities	442	680
Accrued Annual and Compensatory Leave Liabilities	6,011	6,148
Total With the Public	6,453	6,828
Total Liabilities not Covered by Budgetary Resources	6,531	6,947
Total Liabilities Covered by Budgetary Resources	607,834	573,100
Total Liabilities	$ 614,365	$ 580,047

7. Leases

Capital leases consist of leased equipment with various expiration dates. The capital lease term dates do not exceed 2013. The leased equipment is being depreciated in accordance with the length of the lease. Following is a summary of assets under capital lease and a schedule of minimum lease payments.

As of September 30, 2012 and 2011

Capital Leases	2012	2011
Summary of Assets Under Capital Lease		
Machinery and Equipment	$ 27	$ 27
Accumulated Amortization	(26)	(21)
Total Assets Under Capital Lease (Note 4)	$ 1	$ 6

Future Capital Lease Payments Due

Fiscal Year	Machinery and Equipment
2013	10
Total Future Capital Lease Payments	10
Less: Executory Costs	1
FY 2012 Net Capital Lease Liabilities	$ 9
FY 2011 Net Capital Lease Liabilities	$ 14

	2012	2011
Net Capital Lease Liabilities Covered by Budgetary Resources	$ 9	$ 14

7. Leases (continued)

Noncancelable operating leases consist of leased equipment with various expiration dates, which do not exceed 2015. Following is a schedule of minimum noncancelable operating lease payments that reflects commitments for lease agreements with terms in excess of one year.

Future Noncancelable Operating Lease Payments Due

Fiscal Year	Machinery and Equipment
2013	69
2014	67
2015	56
Total Future Noncancelable Operating Lease Payments	$ 192

8. Other Liabilities

Typically, OJP enters into reimbursable agreements to award funds to various grant recipients on behalf of other federal agencies. Once expenses are incurred by the grantees, the Advances from Others account balance is reduced. In addition, Other Liabilities include both funded and unfunded payroll costs. As of September 30, 2012 and 2011, all other liabilities are current and are presented in the following table:

As of September 30, 2012 and 2011

	2012	2011
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 932	$ 967
Other Post-Employment Benefits Due and Payable	13	79
Other Unfunded Employment Related Liabilities	9	33
Advances from Others	106,666	116,196
Total Intragovernmental	107,620	117,275
Total Other Liabilities	$ 107,620	$ 117,275

9. Contingencies and Commitments

OJP is a party in various administrative proceedings, legal actions, and claims brought by or against it. In the opinion of OJP's management and legal counsel, the ultimate resolution of these proceedings, actions, and claims, is remote and potential loss is immaterial.

10. Earmarked Fund

In 1984, Congress enacted the Victims of Crime Act (VOCA), which authorized the establishment of the CVF and its direct services programs and national-scope training and technical assistance efforts on behalf of crime victims. In support of VOCA, OJP provides federal leadership for the rights and needs of crime victims through policy development, funding promising practices, public awareness, educational activities intended to promote justice for crime victims, and monitoring compliance with federal victims' rights statutes. Nonexchange revenue results from assessed criminal fines collected by the U.S. Courts, the U.S. Army, and the DOJ Office of Debt Collection Management.

CVF receipts are available for obligation subject to Congressional limitation where Congress placed an annual cap on funds available for distribution.

10. Earmarked Fund (continued)

The following table shows the Earmarked Fund, as of and for the fiscal years ended September 30, 2012 and 2011, respectively.

As of September 30, 2012 and 2011	2012 Crime Victims Fund	2011 Crime Victims Fund
Balance Sheet		
Assets		
Fund Balance with U.S. Treasury	$ 9,359,797	$ 7,260,185
Other Assets	13,666	275
Total Assets	$ 9,373,463	$ 7,260,460
Liabilities		
Accounts Payable	$ 19,031	$ 9,664
Other Liabilities	81,323	48,548
Total Liabilities	$ 100,354	$ 58,212
Net Position		
Cumulative Results of Operations	$ 9,273,109	$ 7,202,248
Total Net Position	$ 9,273,109	$ 7,202,248
Total Liabilities and Net Position	$ 9,373,463	$ 7,260,460
For the Fiscal Years Ended September 30, 2012 and 2011		
Statement of Net Cost		
Gross Cost of Operations	$ 724,712	$ 662,569
Less: Exchange Revenues	-	-
Net Cost of Operations	$ 724,712	$ 662,569
Statement of Changes in Net Position		
Net Position Beginning of Period	$ 7,202,248	$ 5,866,596
Budgetary Financing Sources	2,795,573	1,998,221
Net Cost of Operations	(724,712)	(662,569)
Net Change	2,070,861	1,335,652
Net Position End of Period	$ 9,273,109	$ 7,202,248

11. Net Cost of Operations by Suborganization

The following tables show the Net Cost of Operations for each of the DOJ's goals by suborganization, for the fiscal years ended September 30, 2012 and 2011, respectively. The suborganizations are: Research, Evaluation, and Statistics (RES) – formerly Justice Assistance (JA); State and Local Law Enforcement Assistance (SLLEA); Juvenile Justice Programs (JJ); the CVF; and Other, which includes the PSOB Program, Management and Administration, which was Salaries and Expenses in FY 2011, and the Weed and Seed Program.

For the Fiscal Year Ended September 30, 2012

	Suborganizations					
	RES	SLLEA	JJ	CVF	OTHER	Consolidated
Goal 2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law						
Gross Cost	$ 65,013	$ 75,210	$ 188,734	$ 668,133	$ 1,705	$ 998,795
Less: Earned Revenue	-	601	3,661	-	577	4,839
Net Cost of Operations	65,013	74,609	185,073	668,133	1,128	993,956
Goal 3 Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels						
Gross Cost	146,100	1,944,160	187,442	56,578	131,033	2,465,313
Less: Earned Revenue	8,340	13,598	500	-	20	22,458
Net Cost of Operations	137,760	1,930,562	186,942	56,578	131,013	2,442,855
Net Cost of Operations	$ 202,773	$ 2,005,171	$ 372,015	$ 724,711	$ 132,141	$ 3,436,811

For the Fiscal Year Ended September 30, 2011

	Suborganizations					
	RES	SLLEA	JJ	CVF	OTHER	Consolidated
Goal 2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law						
Gross Cost	$ 96,634	$ 86,680	$ 158,560	$ 662,569	$ -	$ 1,004,443
Less: Earned Revenue	125	6,410	954	-	-	7,489
Net Cost of Operations	96,509	80,270	157,606	662,569	-	996,954
Goal 3 Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels						
Gross Cost	111,719	2,086,685	193,296	-	338,768	2,730,468
Less: Earned Revenue	5,895	20,160	(30)	-	9,248	35,273
Net Cost of Operations	105,824	2,066,525	193,326	-	329,520	2,695,195
Net Cost of Operations	$ 202,333	$ 2,146,795	$ 350,932	$ 662,569	$ 329,520	$ 3,692,149

12. Imputed Financing from Costs Absorbed by Others

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by OJP from a providing entity that is not part of the U.S. Department of Justice. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS No. 4, Managerial Cost Accounting Standards and Concepts,* the material Imputed Inter-Departmental financing sources recognized by OJP are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), and the Federal Pension plans that are paid by other federal entities.

SFFAS No. 5, *Accounting for Liabilities of the Federal Government,* requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. For employees covered by CSRS, the cost factors are 29.8 percent of basic pay for regular, and 23.2 percent for regular offset. For employees covered by FERS, the cost factor is 13.7 percent of basic pay for regular.

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

There are no material imputed intra-departmental financing sources.

For the Fiscal Years Ended September 30, 2012 and 2011

	2012	2011
Imputed Inter-Departmental Financing		
Health Insurance	$ 3,024	$ 3,300
Life Insurance	13	14
Pension	1,437	1,951
Total Imputed Inter-Departmental	$ 4,474	$ 5,265

13. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

The apportionment categories are determined in accordance with the guidance provided in Part 4 *Instructions on Budget Execution* of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget.* Category A represents resources apportioned for calendar quarters. Category B represents resources apportioned for the other time periods; for activities, projects, and objectives or for a combination thereof.

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2012			
Obligations Apportioned Under			
Category A	$ 2,322,473	$ 23,247	$ 2,345,720
Category B	24,689	172,626	197,315
Total	$ 2,347,162	$ 195,873	$ 2,543,035
For the Fiscal Year Ended September 30, 2011			
Obligations Apportioned Under			
Category A	$ 2,656,815	$ 23,840	$ 2,680,655
Category B	191,296	8,293	199,589
Total	$ 2,848,111	$ 32,133	$ 2,880,244

Status of Undelivered Orders:

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

As of September 30, 2012 and 2011	2012	2011
UDO Obligations Unpaid	$ 3,777,217	$ 4,569,152
UDO Obligations Prepaid/Advanced	779,592	1,087,842
Total UDO	$ 4,556,809	$ 5,656,994

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

Permanent Indefinite Appropriations:

The Public Safety Officers' Benefits Act of 1976 is generally codified at 42 U.S.C. Chapter 46, SUBCHAPTER XII.

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

The PSOB Program offers three types of benefits:

1. Death Benefits, a one-time financial benefit to survivors of public safety officers whose deaths resulted from injuries sustained in the line of duty. Under the Hometown Heroes Survivors Benefit Act of 2003, survivors of public safety officers who die of a heart attack or stroke within 24 hours of stressful, non-routine public safety activities may also qualify for death benefits.

2. Disability Benefits, a one-time financial benefit to public safety officers permanently disabled by catastrophic injuries sustained in the line of duty.

3. Education Benefits, which provide financial support for higher education expenses (such as tuition and fees, books, supplies, and room and board) to the eligible spouses and children of public safety officers killed or permanently disabled in the line of duty.

Legal Arrangements Affecting Use of Unobligated Balances:

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation under law, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, and no-year basis. Appropriated funds, except no-year, 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.

In FYs 2011 and 2012, the budget authority for the CVF has been limited to $705 million in new authority, and $50 million in carry forward authority from prior fiscal years.

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

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

The reconciliation as of September 30, 2012, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2014, which presents the execution of the FY 2012 Budget, occurs after publication of these financial Statements. The Department of Justice Budget Appendix can be found on the OMB website (http://whitehouse.gov/omb/budget) and will be available in early February 2013.

The reconciliation of the Statement of Budgetary Resources versus the Budget of the United States Government, as of September 30, 2011 is presented below:

For the Fiscal Year Ended September 30, 2011 (Dollars in Millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 3,068	$ 2,880	$ -	$ 3,277
Funds not Reported in the Budget:				
Expired Funds	(15)	(2)	-	-
Rounding	(2)	(2)	-	-
Budget of the United States Government	$ 3,051	$ 2,876	$ -	$ 3,277

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

For the Fiscal Years Ended September 30, 2012 and 2011

	2012	2011
Resources Used To Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 2,543,035	$ 2,880,244
Less: Spending Authority from Offsetting Collections and Recoveries	249,529	87,405
Obligations Net of Offsetting Collections and Recoveries	2,293,506	2,792,839
Less: Offsetting Receipts	26	206
Net Obligations	2,293,480	2,792,633
Other Resources		
Transfers In/Out Without Reimbursement	2,295	10,600
Imputed Financing from Costs Absorbed by Others (Note 12)	4,474	5,265
Net Other Resources Used to Finance Activities	6,769	15,865
Total Resources Used to Finance Activities	2,300,249	2,808,498
Resources Used to Finance Items not Part of the Net Cost of Operations		
Net Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not Yet Provided	1,132,750	883,368
Resources That Fund Expenses Recognized in Prior Periods (Note 15)	(416)	(43)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	1,000	507
Resources That Finance the Acquisition of Assets	(3,356)	(4,768)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	-	3,871
Total Resources Used to Finance Items not Part of the Net Cost of Operations	1,129,978	882,935
Total Resources Used to Finance the Net Cost of Operations	$ 3,430,227	$ 3,691,433

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

For the Fiscal Years Ended September 30, 2012 and 2011

	2012		2011	
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period				
Components That Will Require or Generate Resources in Future Periods (Note 15)	$	1	$	109
Depreciation and Amortization		4,922		4,318
Revaluation of Assets or Liabilities		(47)		(45)
Other		1,708		(3,666)
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		6,584		716
Net Cost of Operations	$	3,436,811	$	3,692,149

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

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $6,531 on September 30, 2012 and $6,947 on September 30, 2011, are discussed in Note 6, Liabilities Not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

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

For the Fiscal Years Ended September 30, 2012 and 2011	2012	2011
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Accrued Annual and Compensatory Leave Liabilities	$ (137)	$ -
Other		
Decrease in Actuarial FECA Liabilities	(238)	-
Decrease in Accrued FECA Liabilities	(17)	(43)
Decrease in Other Unfunded Employement Liabilities	(24)	-
Total Other	(279)	(43)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (416)	$ (43)
Components of Net Cost of Operations will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ 1	$ 80
Other		
Increase in Accrued FECA Liabilities	-	23
Increase in Other Unfunded Employment Related Liabilities	-	6
Total Other	-	29
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 1	$ 109

Required Supplementary Information

Unaudited

U.S. Department of Justice
Office of Justice Programs
Required Supplementary Information
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands						2012
Budgetary Resources:	**RES**	**SLLEA**	**JJ**	**CVF**	**OTHER**	**TOTAL**
Unobligated Balance, Brought Forward, October 1	$ 19,912	$ 85,747	$ 6,869	$ 50,441	$ 24,493	$ 187,462
Recoveries of Prior Year Unpaid Obligations	5,545	32,762	7,005	2,574	5,410	53,296
Other Changes in Unobligated Balance	-	639	1,710	-	(4,758)	(2,409)
Unobligated Balance from Prior Year Budget Authority, Net	25,457	119,148	15,584	53,015	25,145	238,349
Appropriations (discretionary and mandatory)	128,786	1,101,741	249,272	709,179	97,440	2,286,418
Spending Authority from Offsetting Collections (discretionary and mandatory)	174,517	13,819	6,768	177	952	196,233
Total Budgetary Resources	**$ 328,760**	**$ 1,234,708**	**$ 271,624**	**$ 762,371**	**$ 123,537**	**$ 2,721,000**
Status of Budgetary Resources:						
Obligations Incurred (Note 13)	302,089	1,166,244	267,246	712,349	95,107	2,543,035
Unobligated Balance, End of Period:						
Apportioned	26,671	65,053	4,378	42,651	13,865	152,618
Unapportioned	-	3,411	-	7,371	14,565	25,347
Total Unobligated Balance - End of Period	26,671	68,464	4,378	50,022	28,430	177,965
Total Status of Budgetary Resources:	**$ 328,760**	**$ 1,234,708**	**$ 271,624**	**$ 762,371**	**$ 123,537**	**$ 2,721,000**
Change in Obligated Balance:						
Obligated Balance, Net - Brought Forward, October 1						
Unpaid Obligations, Gross	$ 335,323	$ 2,776,953	$ 674,631	$ 1,110,000	$ 128,960	$ 5,025,867
Less: Uncollected Customer Payments from Federal Sources	13,848	3,969	5,366	-	2,053	25,236
Total Obligated Balance, Net - Brought Forward, October 1	321,475	2,772,984	669,265	1,110,000	126,907	5,000,631
Obligations Incurred	302,089	1,166,244	267,246	712,349	95,107	2,543,035
Less: Outlays, Gross	327,677	1,659,878	365,061	696,137	188,657	3,237,410
Change in Uncollected Customer Payments from Federal Sources	(4,553)	(632)	1,330	-	1,508	(2,347)
Less: Recoveries of Prior Year Unpaid Obligations	5,545	32,762	7,005	2,574	5,410	53,296
Obligated Balance, Net - End of Period						
Unpaid Obligations, Gross	304,190	2,250,557	569,811	1,123,638	30,000	4,278,196
Less: Uncollected Customer Payments from Federal Sources	18,401	4,601	4,036	-	545	27,583
Total Obligated Balance, Net - End of Period	**$ 285,789**	**$ 2,245,956**	**$ 565,775**	**$ 1,123,638**	**$ 29,455**	**$ 4,250,613**
Budgetary Authority and Outlays, Net:						
Budgetary Authority, Gross (discretionary and mandatory)	$ 303,303	$ 1,115,560	$ 256,040	$ 709,356	$ 98,392	$ 2,482,651
Less: Actual Offsetting Collections (discretionary and mandatory)	169,965	13,187	8,098	177	2,459	193,886
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(4,552)	(632)	1,330	-	1,507	(2,347)
Budget Authority, Net (discretionary and mandatory)	**$ 128,786**	**$ 1,101,741**	**$ 249,272**	**$ 709,179**	**$ 97,440**	**$ 2,286,418**
Outlays, Gross (discretionary and mandatory)	$ 327,677	$ 1,659,878	$ 365,061	$ 696,137	$ 188,657	$ 3,237,410
Less: Actual Offsetting Collections (discretionary and mandatory)	169,965	13,187	8,098	177	2,459	193,886
Outlays, Net (discretionary and mandatory)	157,712	1,646,691	356,763	695,960	186,398	3,043,524
Less: Distributed Offsetting Receipts (Note 14)	-	-	-	-	26	26
Agency Outlays, Net (discretionary and mandatory)	**$ 157,712**	**$ 1,646,691**	**$ 356,763**	**$ 695,960**	**$ 186,372**	**$ 3,043,498**

Dollars in Thousands	RES	SLLEA	JJ	CVF	OTHER	TOTAL
2011						
Budgetary Resources:						
Unobligated Balance, Brought Forward, October 1	$ 32,924	$ 115,214	$ 12,581	$ 50,441	$ 21,340	$ 232,500
Recoveries of Prior Year Unpaid Obligations	8,188	25,617	7,153	8,230	4,968	54,156
Other Changes in Unobligated Balance	-	-	-	-	(2,311)	(2,311)
Unobligated Balance from Prior Year Budget Authority, Net	41,112	140,831	19,734	58,671	23,997	284,345
Appropriations (discretionary and mandatory)	220,406	1,231,946	283,045	699,951	314,764	2,750,112
Spending Authority from Offsetting Collections (discretionary and mandatory)	4,194	14,334	4,693	1,249	8,779	33,249
Total Budgetary Resources	**$ 265,712**	**$ 1,387,111**	**$ 307,472**	**$ 759,871**	**$ 347,540**	**$ 3,067,706**
Status of Budgetary Resources:						
Obligations Incurred (Note 13)	245,800	1,301,364	300,603	709,430	323,047	2,880,244
Unobligated Balance, End of Period:						
Apportioned	19,912	84,931	6,843	45,570	11,811	169,067
Unapportioned	-	816	26	4,871	12,682	18,395
Total Unobligated Balance - End of Period	19,912	85,747	6,869	50,441	24,493	187,462
Total Status of Budgetary Resources:	**$ 265,712**	**$ 1,387,111**	**$ 307,472**	**$ 759,871**	**$ 347,540**	**$ 3,067,706**
Change in Obligated Balance:						
Obligated Balance, Net - Brought Forward, October 1						
Unpaid Obligations, Gross	$ 311,321	$ 3,283,075	$ 714,626	$ 1,086,783	$ 115,042	$ 5,510,847
Less: Uncollected Customer Payments from Federal Sources	13,773	7,397	1,417	-	3,079	25,666
Total Obligated Balance, Net - Brought Forward, October 1	297,548	3,275,678	713,209	1,086,783	111,963	5,485,181
Obligations Incurred	245,800	1,301,364	300,603	709,430	323,047	2,880,244
Less: Outlays, Gross	213,610	1,781,869	333,445	677,983	304,161	3,311,068
Change in Uncollected Customer Payments from Federal Sources	(75)	3,428	(3,949)	-	1,026	430
Less: Recoveries of Prior Year Unpaid Obligations	8,188	25,617	7,153	8,230	4,968	54,156
Obligated Balance, Net - End of Period						
Unpaid Obligations, Gross	335,323	2,776,953	674,631	1,110,000	128,960	5,025,867
Less: Uncollected Customer Payments from Federal Sources	13,848	3,969	5,366	-	2,053	25,236
Total Obligated Balance, Net - End of Period	**$ 321,475**	**$ 2,772,984**	**$ 669,265**	**$ 1,110,000**	**$ 126,907**	**$ 5,000,631**
Budgetary Authority and Outlays, Net:						
Budgetary Authority, Gross (discretionary and mandatory)	$ 224,600	$ 1,246,280	$ 287,738	$ 701,200	$ 323,543	$ 2,783,361
Less: Actual Offsetting Collections (discretionary and mandatory)	4,120	17,761	745	1,249	9,804	33,679
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(74)	3,427	(3,948)	-	1,025	430
Budget Authority, Net (discretionary and mandatory)	**$ 220,406**	**$ 1,231,946**	**$ 283,045**	**$ 699,951**	**$ 314,764**	**$ 2,750,112**
Outlays, Gross (discretionary and mandatory)	$ 213,610	$ 1,781,869	$ 333,445	$ 677,983	$ 304,161	$ 3,311,068
Less: Actual Offsetting Collections (discretionary and mandatory)	4,120	17,761	745	1,249	9,804	33,679
Outlays, Net (discretionary and mandatory)	209,490	1,764,108	332,700	676,734	294,357	3,277,389
Less: Distributed Offsetting Receipts (Note 14)	-	-	-	-	206	206
Agency Outlays, Net (discretionary and mandatory)	**$ 209,490**	**$ 1,764,108**	**$ 332,700**	**$ 676,734**	**$ 294,151**	**$ 3,277,183**

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Required Supplementary Stewardship Information

Unaudited

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The Bureau of Justice Assistance administers the Correctional Systems and Correctional Alternatives for Tribal Lands (CSCATL) and the Violent Offender Incarceration and Truth-In-Sentencing (VOI/TIS) incentive grant programs. Both programs provide grants for the purposes of building and expanding correctional facilities and jails to increase secure confinement space for violent offenders and implementing correctional alternatives to reduce reliance on incarceration. VOI/TIS funds are available to any of the 50 United States, the District of Columbia, Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, the Northern Mariana Islands, and recognized Tribal governments; while CSCATL funds are available to tribes within the 50 states. The Tribal Law and Order Act of 2010 (Public Law 111-211) expanded the CSCATL grant program scope to include multi-purpose justice centers. The facilities built or expanded with these funds constitute non-federal physical property. Upon completion, the Bureau of Indian Affairs of the Department of Interior, and/or tribal grantees are responsible for supporting, operating, and maintaining the correctional facilities.

The CSCATL strategy broadly addresses tribal justice systems and lends support to tribes that:

– Are interested in establishing/enhancing (tribal/non-tribal) multi-agency cooperation and collaborations;
– Are committed to conducting community-wide assessment for purpose of developing a comprehensive master plan that encompasses the design, use, capacity, and cost of adult and/or juvenile justice sanctions and services;
– Wish to explore an array of detention and correctional building options, including prototypical or quasi-prototypical concepts/designs for local correctional facilities, multipurpose justice centers, and regional facilities; and
– Are interested in learning about/applying community-based alternatives to help control and prevent jail overcrowding due to growing problems involving alcohol, substance abuse, and methamphetamine.

CSCATL and VOI/TIS funds expended from fiscal years 2008 through September 30, 2012, are as follows:

Dollars in Thousands	2012	2011	2010	2009	2008
Recipients of Non-Federal Physical Property:					
Cooperative Agreement Program					
Administered by US Marshals Service	$ -	$ -	$ -	$ -	$ 1,140
Grants to Indian Tribes	97,553	52,339	24,768	14,320	5,094
Grants to States	84	(1,139)	11,389	41,561	59,011
Total Non-Federal Physical Property	$ 97,637	$ 51,200	$ 36,157	$ 55,881	$ 65,245

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Other Accompanying Information

Unaudited

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Combined Schedule of Spending
For the Fiscal Year Ended September 30, 2012

Dollars in Thousands			OJP		Total
What Money is Available to Spend?					
Total Resources		$	2,721,000	$	2,721,000
Less: Amount Available but Not Agreed to Spent			152,618		152,618
Less: Amount Not Available to be Spent			25,347		25,347
Total Amounts Agreed to be Spent		**$**	**2,543,035**	**$**	**2,543,035**
How was the Money Spent?					
Personnel Compensation and Benefits					
11xx	Personnel Compensation	$	68,766	$	68,766
12xx	Personnel Benefits		20,058		20,058
13xx	Benefits for Former Personnel		807		807
21xx	Travel & Transportation of Persons		1,048		1,048
22xx	Transportation of Things		607		607
Other Program Related Expenses					
23xx	Rent, Communications, and Utilities		15,317		15,317
24xx	Printing and Reproduction		728		728
25xx	Other Services		410,519		410,519
26xx	Supplies and Materials		482		482
31xx	Equipment/IT Software		4,597		4,597
41xx	Grants		2,634,286		2,634,286
42xx	Insurance Claims and Indemnities		80,195		80,195
Total Spending			3,237,410		3,237,410
Amounts Remaining to be Spent		$	(694,375)	$	(694,375)
Total Amounts Agreed to be Spent		**$**	**2,543,035**	**$**	**2,543,035**

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Appendix

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

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

Recommendation Number:

1. **Resolved.** OJP concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that OJP has conducted an enterprise-wide security configuration assessment of its environments.

2. **Resolved.** OJP concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that OJP has prioritized vulnerabilities as part of its ongoing continuous monitoring activities.

3. **Resolved.** OJP concurred with our recommendation. This recommendation can be closed when subsequent annual financial statement audit testing verifies that OJP management (Chief Information Officer and Deputy Chief Information Officer) ensures that the baseline configurations and the Vulnerability Management Program process for communicating and mitigating vulnerabilities and verifying remediations are completed in accordance with OJP policy between Information Technology Security Division and Enterprise Applications Support Division.