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

Audit of the Federal Bureau of Prisons Annual Financial Statements Fiscal Year 2016

Audit Division 17-02 November 2016

FEDERAL BUREAU OF PRISONS
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2016

OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the Federal Bureau of Prisons (BOP) for the fiscal years (FY) ended September 30, 2016, and September 30, 2015. Under the direction of the Office of the Inspector General (OIG), Kearney & Company, P.C. (Kearney & Company) performed the BOP's audit in accordance with auditing standards generally accepted in the United States of America. The FY 2016 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. For FY 2015, the BOP also received an unmodified opinion on its financial statements, as restated.

The originally issued audit report containing the Annual Financial Statements of the BOP for FY 2015, dated November 4, 2015, resulted in an unmodified opinion. However, during the FY 2016 audit of the BOP, management identified a material error in its FY 2015 financial statements. Specifically BOP management identified a material overstatement in the FY 2015 year-end balance of General Property, Plant, and Equipment. As a result, and in accordance with *Government Auditing Standards*, Kearney & Company withdrew its FY 2015 independent auditor's report. The BOP's FY 2015 financial statements were subsequently restated, and Kearney & Company issued its independent auditor's report on the restated FY 2015 financial statements on November 4, 2016.

Kearney & Company also issued reports on internal control over financial reporting and on compliance and other matters. The Kearney & Company auditors identified one material weakness in the FY 2016 *Independent Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. The material weakness related to BOP's internal control over financial reporting not being properly designed to prevent, detect, and correct a material misstatement.

No instances of non-compliance or other matters were identified during the audit that are required to be reported under *Government Auditing Standards*, in the FY 2016 *Independent Auditor's Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.* Additionally, Kearney & Company's tests disclosed no instances in which the BOP's financial management systems did not comply substantially with the *Federal Financial Management Improvement Act of 1996*.

The OIG reviewed Kearney & Company's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, an opinion on the BOP's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the BOP's financial management systems complied substantially with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance and other matters. Kearney & Company is responsible for the attached auditor's reports dated November 4, 2016, and the conclusions expressed in the reports. However, our review disclosed no instances where Kearney & Company did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

AUDIT OF THE FEDERAL BUREAU OF PRISONS ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2016

TABLE OF CONTENTS

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

MANAGEMENT'S
DISCUSSION & ANALYSIS
(UNAUDITED)

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U.S. Department of Justice
Bureau of Prisons
Management's Discussion & Analysis

MISSION

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

ORGANIZATION STRUCTURE

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

As of September 30, 2016, the **BOP** was comprised of 122 institutions, six regional offices, two staff training centers, 24 Residential Reentry Management field offices, and a Central Office, or headquarters, in Washington, D.C. The Executive Office of the Director provides overall direction for agency operations, with ten central office divisions, each led by a member of the BOP's Executive Staff, providing operational and policy direction. The Central Office manages the security and correctional operations of the BOP, the medical and psychiatric programs, and food and nutritional programs. Additionally, the Central Office plans for the acquisition, construction, and staffing of new facilities; and oversees budget development and execution, contracting, property management, and financial management. Additional operational support and direction are provided for residential reentry management and detention programs, legal counsel, public affairs, information resources, and human resources management.

The **National Institute of Corrections** (NIC), one of the BOP's Salaries and Expenses activities, provides technical assistance and training for state and local correctional agencies across the nation. The NIC supports the BOP's goal of building partnerships with community, state, local, and other entities. The **Program Review Division** (PRD) performs oversight of the BOP's programs through a rigorous review process that measures program effectiveness and adequacy of internal controls. The **Administration Division** (ADM) provides resources and support for the BOP to perform effectively and efficiently. This includes the development of budget requests; the stewardship of financial resources; procurement and property management; the coordination and analysis of information related to capacity; the selection of sites for new prison construction; the design and construction of new correctional facilities; and the renovation and maintenance of existing facilities. The **Correctional Programs Division** (CPD) develops activities and programs designed to appropriately classify inmates, eliminate inmate idleness, and develop the skills necessary to facilitate the successful reintegration of inmates into their communities upon release. The **Health Services Division** (HSD) has responsibilities in medical care, safety and environmental health, and food services. The health care mission is to deliver necessary health care to inmates. The occupational safety and environmental health mission is to provide a safe and healthy environment for staff and inmates. The food service mission is to provide healthy and appetizing meals that meet the needs of the general population. The **Human Resource Management Division** (HRMD) is designed to oversee and administer personnel policy and programs developed to address the needs of Bureau employees covering all areas of personnel management. The **Industries Division** encompasses the FPI program and vocational training programming. The Inmate Transition Branch works to enhance inmates' post-release employment opportunities and also oversees the Bureau's Volunteer Management Program. The **Information, Policy and Public Affairs Division** (IPPA) collects, develops, and disseminates useful, accurate, and timely information to BOP staff, DOJ, Congress, other government agencies, and the public. The **Office of General Counsel** (OGC) provides effective legal advice, assistance, and representation to officials of the Federal Bureau of Prisons. The **Reentry Services Division** (RSD) enhances oversight and direction for the critical area of offender reentry. Within the RSD is the Education and Recreation Services Branch, who oversees the Bureau's recreation and education programs. The RSD prepares inmates for reentry by focusing on reentry programming and community resource transition, thereby increasing public safety.

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

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

In fiscal year 2016, the BOP operated 122 institutions spanning four main security levels in its efforts to provide secure and cost effective housing to a broad spectrum of offenders. Institutions are assigned a security classification based in part on the physical design of each facility. The four security levels are minimum, low, medium, and high. In addition, **administrative** facilities are institutions with special missions, including: detention of non-citizen or pretrial offenders, treatment of inmates with serious or chronic medical problems, and containment of extremely violent or dangerous inmates. Administrative facilities are capable of housing inmates of all security categories.

FINANCIAL STRUCTURE

The BOP was provided two appropriations by Congress for fiscal year 2016: **Salaries and Expenses** and **Buildings and Facilities.** The Salaries and Expenses (S&E) portion includes annual and multi-year appropriations, while Buildings and Facilities (B&F) is a no-year appropriation. The **Trust Fund** is not appropriated and receives spending authority from offsetting collections for revenue earned through the sale of goods and services.

The S&E appropriations are annual and multi-year appropriations that support costs associated with the care and custody of all Federal offenders in Federal institutions and contract facilities, and the maintenance and operational costs associated with the upkeep of Federal facilities, regional offices, staff training centers, and administrative offices.

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

FY 2016 RESOURCE INFORMATION

Tables 1 and 2 summarize the activity on the BOP's Consolidated Statements of Changes in Net Position and Consolidated Statements of Net Cost. The tables show the funds provided to the BOP for the fiscal years ended September 30, 2016 and 2015 for the purpose of achieving the strategic goals.

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

Source	FY 2016	FY 2015 - Restated	FY 2015 - Originally Presented	Change %
Earned Revenue	$ 378,243	$ 419,292	$ 419,292	-10%
Budgetary Financing Sources				
Appropriations Received	7,478,500	6,921,000	6,921,000	8%
Appropriations Transferred-In/Out	(6,182)	(12,837)	(12,837)	-52%
Other Adjustments	(166)	(46)	(46)	261%
Other Financing Sources				
Donations and Forfeitures of Property	-	1	1	-100%
Transfers-In/Out Without Reimbursement	-	(6,896)	(6,896)	-100%
Imputed Financing from Costs Absorbed by Others	242,530	253,399	253,399	-4%
Total BOP Resources	**$ 8,092,925**	**$ 7,573,913**	**$ 7,573,913**	7%

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

Strategic Goal (SG)	FY 2016	FY 2015 - Restated	FY 2015 - Originally Presented	Change %
SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law				
Gross Cost	$ 10,431	$ 9,217	$ 9,217	
Less: Earned Revenue	-	-	-	
Net Cost	$ 10,431	$ 9,217	$ 9,217	13%
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	$ 7,974,513	$ 7,928,326	$ 7,832,948	
Less: Earned Revenue	378,243	419,292	419,292	
Net Cost	$ 7,596,270	$ 7,509,034	$ 7,413,656	1%
Total Gross Cost	**$7,984,944**	**$7,937,543**	**$ 7,842,165**	
Less: Total Earned Revenue	**378,243**	**419,292**	**419,292**	
Total Net Cost of Operations	**$7,606,701**	**$7,518,251**	**$ 7,422,873**	1%

ANALYSIS OF FINANCIAL STATEMENTS

Highlights of the financial and budgetary information presented in the financial statements follows.

Assets: The BOP's Consolidated Balance Sheets as of September 30, 2016, shows $6.918 billion in total assets, a increase of $252 million from the previous year's total assets of $6.666 billion. General Property, Plant and Equipment, Net was $5.358 billion, which represents 77 percent of total assets.

Liabilities: Total BOP liabilities were $2.318 billion as of September 30, 2016, an increase of $144 million from the previous year's total liabilities of $2.174 billion. Actuarial FECA liabilities were $1.063 billion and Accounts Payable was $346 million, which represents 46 percent and 15 percent of total liabilities, respectively.

Net Cost of Operations: The Consolidated Statements of Net Cost presents the BOP's gross and net cost by strategic goals 2 and 3. The net cost of the BOP's operations totaled $7.607 billion for the fiscal year ended September 30, 2016, a increase of $98 million (1 percent) from the previous year's net cost of operations of $7.518 billion.

Consistent with the Government Performance and Results Act (GPRA), the BOP has a formal strategic planning process that feeds into the Department's strategic plan. The BOP sets goals, measures performance, and reports annually on its actual performance compared to its goals. The Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and the Statement of Federal Financial Accounting Standard (SFFAS) No. 15, *Management's Discussion and Analysis – Standards*, require agencies to present the most significant performance measures related to information on major goals from the agency's strategic plan. Reported measures are also linked to the DOJ 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." Gross costs allocated to Goal 2 are incurred through the implementation of the Adam Walsh Act of 2006, which mandates the establishment of sex offender management programs and residential sex offender treatment. Goal 2 costs are tracked based on a designated project code that captures all costs associated with the Adam Walsh Act. The remaining gross costs and earned revenues are allocated to Goal 3.

2016 Financial Highlights

Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law, includes preventing, suppressing and intervening in crimes against children. The Adam Walsh Child Protection and Safety Act (Walsh Act) includes a provision for the civil commitment of sexually dangerous persons due for release from BOP custody. To initiate court commitment proceedings, the BOP must certify the inmate as a "sexually dangerous person" as specified in the statute. The BOP does not have an existing performance measure for its Walsh Act efforts.

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 maintaining secure, safe, and humane correctional institutions for sentenced offenders placed in custody. The BOP develops and operates correctional programs that seek a balanced application of the concepts of punishment and deterrence with opportunities to prepare the offender for successful reintegration into society. Through the NIC, the BOP provides assistance to international, Federal, state, and local correctional agencies. The BOP conducts its incarceration function using a range of the BOP operated institutions of varying security levels, as well as the use of privately operated facilities, which includes residential reentry centers. In addition, the BOP houses all Washington, D.C. adult felons sentenced to a term of confinement. In FY 2016, Goal 3 net costs increased from the prior year.

FY 2016 REPORT ON SELECTED RESULTS

STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law. .1 percent of the BOP's Net Costs support this Goal.

STRATEGIC GOAL 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels. 99.9 percent of the BOP's Net Costs support this Goal.

Performance Measure: Percent of System-wide Crowding in Federal Prisons (% over rated capacity)

***FY 2015 Actual Performance:* 23%**
***FY 2016 Target:* 14%**
***FY 2016 Actual Performance:* 16%**

The BOP inmate population decreased by 13,553 in FY 2016; this decrease was less than the initially projected decrease of 15,651. This resulted in a crowding rate that was greater than expected. Crowding is the extent to which a facility's inmate population level exceeds its rated capacity. System-wide, BOP prisons exceed their rated capacity by 16 percent.

Performance Measure: Number of inmate participants in the Residential Drug Abuse Program (RDAP)

***FY 2015 Actual Performance:* 18,304**
***FY 2016 Target:* 18,511**
***FY 2016 Actual Performance:* 17,848**

The actual participation numbers were lower than the projected target (663). This is likely attributable to a decline in the BOP inmate population, resulting in a smaller pool of potential RDAP participants.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

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

Guidance for implementing the Integrity Act is provided through OMB Circular A-123, *Management's Responsibility for Internal Control*. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial systems requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting. The Department requires components to provide both of the assurance statements in order to have the information necessary to prepare the agency assurance statements.

FMFIA Assurance Statement

The Director of the BOP provides Reasonable Assurance that management controls and financial systems met the objectives of Sections 2 and 4 of the FMFIA, with the exception of the material weaknesses summarized below, for which a Corrective Action Plan has been established. In accordance with Appendix A of OMB Circular A-123, the BOP conducted its assessment of the effectiveness of internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment, the BOP can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2016, and the assessment identified no material weaknesses in the design or operations of the controls.

Controls

The BOP has a management control and financial management systems review program as required by the FMFIA. The PRD facilitates, monitors, and evaluates the BOP's implementation of the FMFIA by coordinating management assessments, thereby providing a quality assurance mechanism for the program review process. The PRD conducts reviews that examine compliance with laws, regulations, and policy for all BOP programs. In addition, reviews examine the adequacy of controls, efficiency of operations, and effectiveness in achieving program results. During fiscal years 2016 and 2015, 41 and 32 Financial Management Program Reviews, respectively, were conducted at field sites and the Central Office. The reviews covered the areas of Accounting, Budgeting, Laundry, Employee Organizations, Property Management, Commissary, and Warehouse.

Systems

For fiscal year 2016, the BOP's official reports were generated from the Financial Management Information System (FMIS) General Ledger, Cost Reporting, and Expenditure and Allotment reporting facilities. The FMIS General Ledger is supported by the following other systems: SENTRY Property Management System; SENTRY Real Property Management System; Trust Fund Accounting and Commissary System; and National Finance Center Payroll System.

Improper Payments

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

FMFIA Section 2 – Material Weaknesses

Management of the Bureau of Prisons is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. The BOP assessed its internal control over the effectiveness and efficiency of operations and compliance with the applicable laws and regulations in accordance with OMB Circular A-123 as required by Section 2 of the FMFIA. Based on the results of this assessment, the BOP can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2016, was operating effectively, except for one material weakness of system-wide prison crowding.

The BOP manages prison crowding by contracting with the private sector and using state and local facilities for certain groups of low-security inmates, expanding existing institutions, and building new facilities. The continued use of these approaches is expected to allow the BOP to keep pace with the inmate population and gradually reduce the crowding rate, thereby ensuring safe and secure operations in facilities housing Federal inmates.

In fiscal year 2016, the BOP identified and corrected an error in real property that resulted in an overstatement of fiscal year 2015 Property, Plant, and Equipment (PP&E) and Depreciation account balances by $95,378 thousand net. The BOP has taken corrective action to not only correct the error but increase internal controls surrounding the reporting of PP&E balances. As a result of this error, the BOP elected to restate the fiscal year 2015 balances to reflect the correction of the error. The BOP expects to receive a material weakness on the fiscal year 2016 financial audit resulting from the error.

FMFIA Section 4 – Material Nonconformances

The BOP management is responsible for ensuring compliance with applicable laws and regulations. To ensure compliance, reviews are performed as discussed above. Specifically, the BOP performed a review of its financial management systems pursuant to Section 4 provisions of the FMFIA.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the Government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the application of the U.S. Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

FFMIA Compliance Determination

During FY 2016, the BOP assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the BOP's financial statement audit.

IMPROPER PAYMENTS INFORMATION ACT OF 2002, AS AMENDED

In accordance with OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, and the Departmental guidance for implementing the IPIA, as amended, 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 IPIA, as amended, the BOP assessed its activities for susceptibility to significant improper payments and conducted its payment recapture audit program. The BOP provided the results of both the risk assessment and payment recapture audit activities to the Department for the Department-level reporting in the FY 2016 Agency Financial Report.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Crowding in Federal Prisons

Most of the challenges affecting the BOP today relate to the Federal inmate population. The BOP continues to rely on funding to build and acquire additional facilities to help manage its inmate population and reduce the crowding rate.

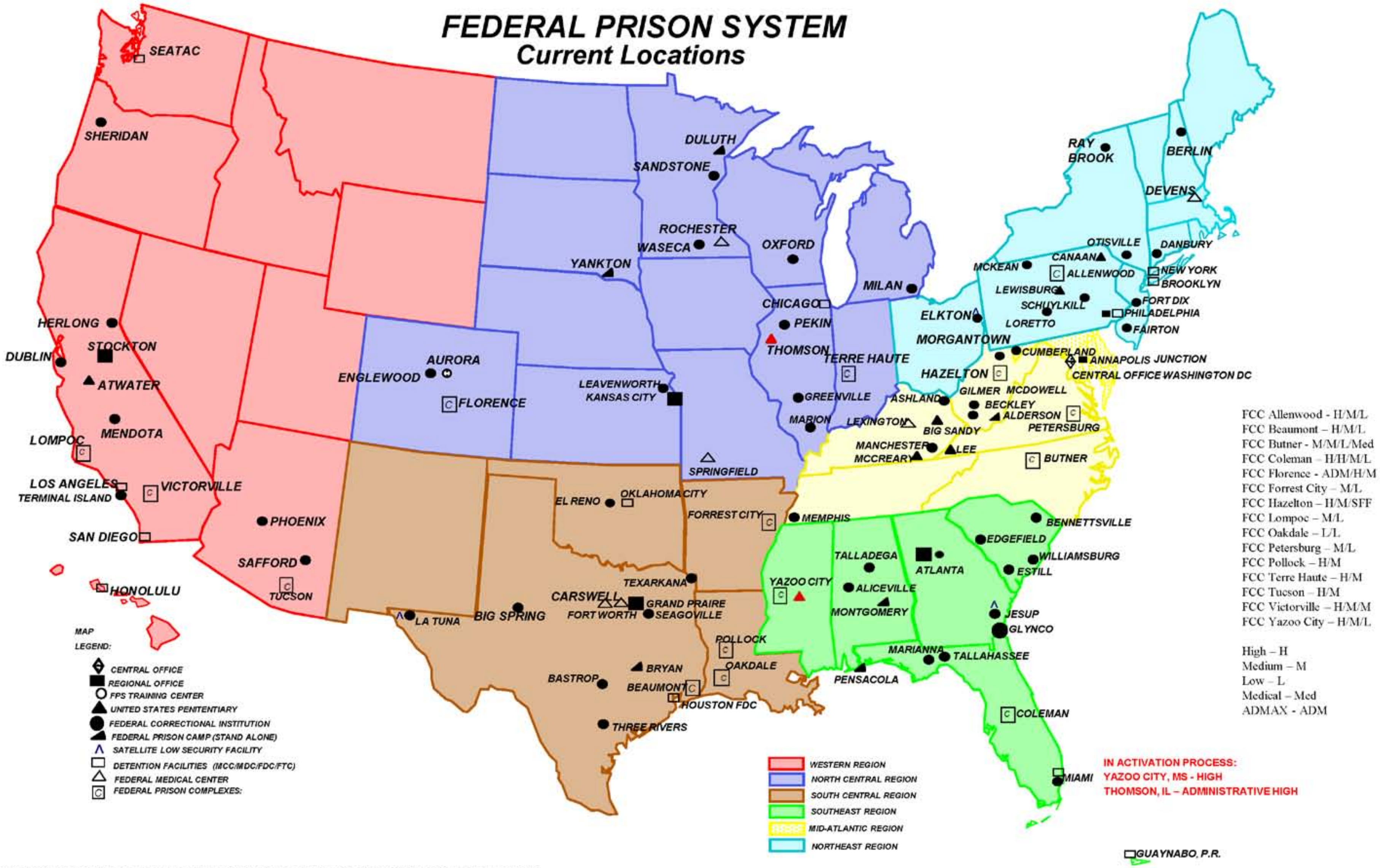
LIMITATIONS OF THE FINANCIAL STATEMENTS

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

- While the statements have been prepared from the books and records of the BOP 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.

ATTACHMENT A
ATTACHMENT A



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

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

Produced by: Capacity Planning & Construction Branch
Administration Division
September 30, 2015

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Inspector General
U.S. Department of Justice

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as the "financial statements") for the years then ended, as well as the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the BOP as of September 30, 2016 and 2015 and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the BOP restated its 2015 financial statement amounts due to an error resulting in a material overstatement of BOP assets in the amount of $95.4 million. We withdrew our previously issued auditor's report, dated November 5, 2015, and replace it with this auditor's report on the restated financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

KEARNEY& COMPANY

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued reports, dated November 4, 2016, on our consideration of the BOP's internal control over financial reporting and on our tests of the BOP's compliance with provisions of applicable laws, regulations, contracts, and other matters for the year ended September 30, 2016. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, as well as the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 in considering the BOP's internal control over financial reporting and compliance.

Kearney & Company

Alexandria, Virginia
November 4, 2016

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Inspector General
U.S. Department of Justice

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

We have audited the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2016, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, as well as the related notes to the consolidated financial statements, and we have issued our report thereon dated November°4, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2016, we considered the BOP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOP's internal control. Accordingly, we do not express an opinion on the effectiveness of the BOP's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations.

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

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

Bureau of Prisons' Response to Findings

The BOP's management has provided its response to our findings as presented in the Exhibit. The BOP's response was not subject to the auditing procedures applied in the audits of the financial statements; accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, as well as the results of that testing, and not to provide an opinion on the effectiveness of the BOP's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 4, 2016

Schedule of Findings and Responses

Material Weakness

Restatement of Fiscal Year 2015 Financial Statements and Footnotes (New Condition)

The BOP's internal control over financial reporting was not properly designed to prevent, detect, and correct a material misstatement. During fiscal year (FY) 2016, the BOP identified an error related to the General Property, Plant, and Equipment (PP&E). The material adjustment and restatement is discussed below.

1. **As of September 30, 2015, the PP&E Net line item was overstated by $95.4 million.**

   On or about September 30, 2012, the BOP acquired through purchase the Administrative United States Penitentiary (AUSP) Thomson (the Institution) with total building assets of $162.7 million. Of that amount, 12 physically separate, and completed, buildings were recorded as asset TOMB005 with an initial value of $105.7 million. At the time of purchase, the assets were completed construction that varied from normal operations (typically construction). Therefore, BOP Central Office Property Management Branch recorded those assets in its Sentry Real Property Management System (SRPMS). Lacking a functional business office and without staff onsite at the Institution, the BOP Central Office Property Management Branch captured all 12 assets under one asset ID, instead of 12 separate IDs. Bundling the assets and recording directly into SRPMS as completed construction is not a normal process for the BOP. The asset was transferred out of the Central Office to the Institution later in FY 2013 when accounting staff were present at the Institution.

   In February 2015, the Institution requested to separate the initial asset into 12 separate assets in SRPMS. The Regional Comptroller and the Chief of Financial Statements at the Central Office approved the request in February 2015 and March 2015, respectively.

   In August 2015, 12 new asset IDs were created in SRPMS with the same put-in-use date. However, when the Institution's Property Officer attempted to adjust the original asset value to zero, system limitations in SRPMS did not allow for the function; thus, the original asset entry was not reversed.

   On September 1, 2015, a Systems Accountant in the Finance Branch, Financial Statements Section communicated to the Regional Office the need for a review of the 12 separate assets and requested an adjustment be processed, if required. In September 2015, the Institution Business Office accounting staff recognized a large increase to the asset account and escalated the issue to their Regional Office after confirming the situation with the Institution Property Officer. The Regional Office Property Officer was notified that the Institution Property Officer was not able to adjust the original asset, TOMB005, to zero due to controls in SRPMS. The issue was then escalated by the

Regional Office to the Central Office Property section, who worked with SRPMS programmers to evaluate the issue.

In February 2016, the error was communicated to the Chief of Financial Statements by the Institution accounting staff and also to the Chief of Property Management at the Central Office by the Regional Comptroller. The day after the Chief of Property Management was informed, the correction was made to adjust the original asset, TOMB005, to zero in SRPMS, thus reversing the last transaction code associated with the asset. While the Regional Office personnel were unable to override the system to reverse the incorrect entry, this action was accessible to the Central Office Property Management Branch personnel. In addition, the Financial Statements Section thoroughly reviewed the related asset value and accumulated depreciation calculations by manually calculating asset amounts and accumulated depreciation and comparing it to General Ledger drilldowns on those Standard General Ledger (SGL) accounts affected.

As a result, the BOP's FY 2015 financial statements and related footnotes were misstated as shown below.

BOP Financial Statement Misstatements as of September 30, 2015

Financial Statement	Line Item	Over (Under) Stated Amount (in thousands)
Balance Sheet	General PP&E Net line	$ 95,378
	Total Assets	$ 95,378
	Cumulative Results of Operations – All Other Funds	$ 95,378
	Total Net Position	$ 95,378
	Total Liabilities and Net Position	$ 95,378
Statement of Net Cost	Goal 3: Gross Costs: With the Public	$ 10,271
	Goal 3: Net Cost of Operations	$ 10,271
Changes in Net Position	All Other Funds: Net Cost of Operations	$ 95,378
	All Other Funds: Net Change	$ 95,378
	All Other Funds: Cumulative Results of Operations	$ 95,378
	All Other Funds: Net Position	$ 95,378
Footnote 2: Non-Entity Assets	Total Entity Assets	$ 95,378
	Total Assets	$ 95,378
Footnote 8: General PP&E, Net	Buildings, Improvements, and Renovations	$ 105,649
	Accumulated Depreciation on Buildings, Improvements, and Renovations	$ 10,271
Footnote 16: Net Cost of Operations by Suborganization	Goal 3: Gross Cost	$ 95,378
	Goal 3: Net Cost of Operations	$ 95,378
	Net Cost of Operations	$ 95,378

Footnote 20: Reconciliation of Net Cost of Operations (proprietary) to Budget	Resources Used to Finance Items not Part of the Net Cost of Operations: Resources That Finance the Acquisition of Assets	$	105,649
	Resources Used to Finance Items not Part of the Net Cost of Operations: Resources Used to Finance Items no Part of the Net Cost of Operations	$	105,649
	Resources Used to Finance Items not Part of the Net Cost of Operations: Total Resources Used to Finance Net Cost of Operations	$	105,649
	Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period: Depreciation and Amortization	$	10,271
	Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period: Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	$	10,271
	Net Cost of Operations	$	95,378

2. **The BOP did not correct, communicate, or restate its financial statements timely after the identification of a material error.**

The BOP identified an accounting error in September 2015, resulting in a misstatement in its FY 2015 financial statements. The error was communicated to senior BOP management in February 2016 and to the OIG and independent auditors, Kearney & Company, P.C. (Kearney), in May and June 2016, respectively. After discussions with Kearney and the OIG, this matter was determined to be quantitative materiality to the financial statements taken as a whole. Consequently, the BOP decided to correct the error in the period in which it occurred and therefore restate its FY 2015 financial statement amounts.

The BOP did not report in accordance with Generally Accepted Accounting Principles (GAAP) and OMB Circular A-136, *Financial Reporting Requirements*, requirements for management actions related to correction of material errors. The BOP's basis of financial statement presentation asserts to follow OMB Circular A-136, as stated in Footnote 1B, Basis of Presentation. The BOP did not complete the management actions related to the correction of material errors communication requirements and financial reporting requirements. The BOP did not provide notification to Congress, OMB, Treasury, or GAO, as required by OMB Circular A-136. Additionally, the BOP did not restate its financial statements or send notification to OMB in the next interim period, which would have been June 30, 2016, at the latest, since the Financial Statement Branch at Central Office knew about the material error in February 2016.

While detection of a quantitatively material error in published financial statements is a rare occurrence, BOP financial management personnel did not properly address the error due to a lack of training and awareness of the significance and need to prioritize and correct the error immediately. The BOP's internal communication channels did not ensure that the error was corrected timely and that all necessary parties were informed timely of the misstatement. Without proper and timely notification of the error, users of the financial statements may be misled in their understanding of the BOP's financial condition.

Recommendations: Kearney recommends that BOP Management:

1. Modify SRPMS to prevent a similar error from occurring in the future.

Management Response:

The BOP concurs, the BOP has enhanced Sentry with additional edits to prevent similar errors.

2. Add a reconciliation of United States Standard General Ledger (USSGL) accounts 679000.30, Other Expenses – Renovations – Salaries and Expenses, and 661000.30, Cost Capitalization Offset – SRPMS Salaries and Expenses, to the monthly proof check reconciliation to identify any errors using the Salaries and Expense acquisition method.

Management Response:

The BOP concurs, the Finance Branch has added an additional monthly reconciliation of the accounts identified above at the Central Office Level.

3. Add a variance analysis with an expectation level at the Institution, Regional Office, and Central Office levels designed to catch errors of this magnitude.

Management Response:

The BOP concurs, the Proof Check was enhanced to include additional variance analysis

4. Develop documented policies, procedures, and protocols that define appropriate action when errors in issued financial statements are identified.

Management Response:

The BOP concurs, the BOP stresses communication chain. This is accomplished during Trainings, Meetings and written communications.

5. Establish a training program to ensure that all levels of BOP Finance (Institution, Regional Office, and Central Office) have appropriate knowledge of the Federal Accounting Standards Advisory Board and GAO standards, as well as OMB circulars and regulations, to address complex accounting and financial reporting issues.

Management Response:

The BOP concurs, the BOP has continual training. During these training opportunities, staffs are kept aware of updates in Financial Management.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Inspector General
U.S. Department of Justice

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

We have audited the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2016, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, as well as the related notes to the consolidated financial statements, and we have issued our report thereon dated November 4, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOP's consolidated financial statements are free from material misstatement, we performed tests of its compliance with provisions of applicable laws, regulations, contracts, noncompliance which could have a direct and material effect on the determination of financial statement amounts, and provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, and contracts applicable to the BOP. Providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 15-02.

The results of our tests of compliance with FFMIA disclosed no instances in which the BOP's financial management systems did not substantially comply with the Federal financial management system's requirements, applicable Federal accounting standards, and application of the United States Standard General Ledger at the transaction level.

KEARNEY& COMPANY

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance, as well as the results of that testing, and not to provide an opinion on the BOP's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 4, 2016

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

PRINCIPAL FINANCIAL STATEMENTS AND RELATED NOTES

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U.S. Department of Justice
Bureau of Prisons
Consolidated Balance Sheets
As of September 30, 2016 and 2015

Dollars in Thousands	2016	2015 Restated	2015 Originally Presented
ASSETS (Note 2)			
Intragovernmental			
Fund Balance with U.S. Treasury (Note 3)	$ 1,518,493	$ 1,057,086	$ 1,057,086
Accounts Receivable, Net (Note 6)	2,093	3,932	3,932
Other Assets (Note 9)	8,096	11,539	11,539
Total Intragovernmental	1,528,682	1,072,557	1,072,557
Cash and Monetary Assets (Note 4)	420	449	449
Accounts Receivable, Net (Note 6)	5,906	6,321	6,321
Inventory and Related Property, Net (Note 7)	18,564	19,034	19,034
General Property, Plant and Equipment, Net (Note 8)	5,358,410	5,562,586	5,657,964
Advances and Prepayments	5,745	5,085	5,085
Total Assets	**$ 6,917,727**	**$ 6,666,032**	**$ 6,761,410**
LIABILITIES (Note 10)			
Intragovernmental			
Accounts Payable	$ 36,694	$ 45,839	$ 45,839
Accrued Federal Employees' Compensation Act Liabilities	176,933	173,376	173,376
Other Liabilities (Note 13)	60,215	41,494	41,494
Total Intragovernmental	273,842	260,709	260,709
Accounts Payable	309,500	346,989	346,989
Actuarial Federal Employees' Compensation Act Liabilities	1,063,293	1,003,179	1,003,179
Accrued Payroll and Benefits	114,129	87,587	87,587
Accrued Annual and Compensatory Leave Liabilities	179,274	177,589	177,589
Environmental and Disposal Liabilities (Note 11)	68,407	67,665	67,665
Deferred Revenue	880	1,283	1,283
Contingent Liabilities (Note 14)	8,265	10,920	10,920
Other Liabilities (Note 13)	300,260	218,215	218,215
Total Liabilities	**$ 2,317,850**	**$ 2,174,136**	**$ 2,174,136**
NET POSITION			
Unexpended Appropriations - All Other Funds	$ 887,347	$ 419,497	$ 419,497
Cumulative Results of Operations - Funds from Dedicated Collections (Note 15)	75,189	86,784	86,784
Cumulative Results of Operations - All Other Funds	3,637,341	3,985,615	4,080,993
Total Net Position	**$ 4,599,877**	**$ 4,491,896**	**$ 4,587,274**
Total Liabilities and Net Position	**$ 6,917,727**	**$ 6,666,032**	**$ 6,761,410**

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

U.S. Department of Justice
Bureau of Prisons
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2016 and 2015

Dollars in Thousands

	FY		Gross Costs: Intra-governmental	Gross Costs: With the Public	Gross Costs: Total	Less: Earned Revenues: Intra-governmental	Less: Earned Revenues: With the Public	Less: Earned Revenues: Total	Net Cost of Operations (Note 16)
Goal 2	**2016**		$ -	$ 10,431	$ 10,431	$ -	$ -	$ -	$ 10,431
	2015	**Restated**	$ -	$ 9,217	$ 9,217	$ -	$ -	$ -	$ 9,217
	2015	**Originally Presented**	$ -	$ 9,217	$ 9,217	$ -	$ -	$ -	$ 9,217
Goal 3	**2016**		1,876,331	6,098,182	7,974,513	3,037	375,206	378,243	7,596,270
	2015	**Restated**	1,825,084	6,103,242	7,928,326	28,560	390,732	419,292	7,509,034
	2015	**Originally Presented**	1,825,084	6,007,864	7,832,948	28,560	390,732	419,292	7,413,656
Total	**2016**		**$ 1,876,331**	**$ 6,108,613**	**$ 7,984,944**	**$ 3,037**	**$ 375,206**	**$ 378,243**	**$ 7,606,701**
	2015	**Restated**	**$ 1,825,084**	**$ 6,112,459**	**$ 7,937,543**	**$ 28,560**	**$ 390,732**	**$ 419,292**	**$ 7,518,251**
	2015	**Originally Presented**	**$ 1,825,084**	**$ 6,017,081**	**$ 7,842,165**	**$ 28,560**	**$ 390,732**	**$ 419,292**	**$ 7,422,873**

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, 2016

Dollars in Thousands

	2016		
	Funds from Dedicated Collections	**All other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 419,497**	**$ 419,497**
Budgetary Financing Sources			
Appropriations Received	-	7,478,500	7,478,500
Appropriations Transferred-In/Out	-	(6,182)	(6,182)
Other Adjustments	-	(166)	(166)
Appropriations Used	-	(7,004,302)	(7,004,302)
Total Budgetary Financing Sources	**-**	**467,850**	**467,850**
Unexpended Appropriations	**$ -**	**$ 887,347**	**$ 887,347**
Cumulative Results of Operations			
Beginning Balances	**$ 86,784**	**$ 3,985,615**	**$ 4,072,399**
Budgetary Financing Sources			
Appropriations Used	-	7,004,302	7,004,302
Other Financing Sources			
Imputed Financing from Costs Absorbed by Others (Note 17)	4,456	238,074	242,530
Total Financing Sources	**4,456**	**7,242,376**	**7,246,832**
Net Cost of Operations	**(16,051)**	**(7,590,650)**	**(7,606,701)**
Net Change	(11,595)	(348,274)	(359,869)
Cumulative Results of Operations	**$ 75,189**	**$ 3,637,341**	**$ 3,712,530**
Net Position	**$ 75,189**	**$ 4,524,688**	**$ 4,599,877**

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, 2015

Dollars in Thousands

	2015 - Restated		
	Funds from Dedicated Collections	All other Funds	Total
Unexpended Appropriations			
Beginning Balances	$ -	$ 477,632	$ 477,632
Budgetary Financing Sources			
Appropriations Received	-	6,921,000	6,921,000
Appropriations Transferred-In/Out	-	(12,837)	(12,837)
Other Adjustments	-	(46)	(46)
Appropriations Used	-	(6,966,252)	(6,966,252)
Total Budgetary Financing Sources	-	(58,135)	(58,135)
Unexpended Appropriations	$ -	$ 419,497	$ 419,497
Cumulative Results of Operations			
Beginning Balances	$ 93,245	$ 4,284,649	$ 4,377,894
Budgetary Financing Sources			
Appropriations Used	-	6,966,252	6,966,252
Other Financing Sources			
Donations and Forfeitures of Property	-	1	1
Transfers-In/Out Without Reimbursement	-	(6,896)	(6,896)
Imputed Financing from Costs Absorbed by Others (Note 17)	4,579	248,820	253,399
Total Financing Sources	4,579	7,208,177	7,212,756
Net Cost of Operations	(11,040)	(7,507,211)	(7,518,251)
Net Change	(6,461)	(299,034)	(305,495)
Cumulative Results of Operations	$ 86,784	$ 3,985,615	$ 4,072,399
Net Position	$ 86,784	$ 4,405,112	$ 4,491,896

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, 2015

Dollars in Thousands

	2015 - Originally Presented		
	Funds from Dedicated Collections	All other Funds	Total
Unexpended Appropriations			
Beginning Balances	$ -	$ 477,632	$ 477,632
Budgetary Financing Sources			
Appropriations Received	-	6,921,000	6,921,000
Appropriations Transferred-In/Out	-	(12,837)	(12,837)
Other Adjustments	-	(46)	(46)
Appropriations Used	-	(6,966,252)	(6,966,252)
Total Budgetary Financing Sources	-	(58,135)	(58,135)
Unexpended Appropriations	$ -	$ 419,497	$ 419,497
Cumulative Results of Operations			
Beginning Balances	$ 93,245	$ 4,284,649	$ 4,377,894
Budgetary Financing Sources			
Appropriations Used	-	6,966,252	6,966,252
Other Financing Sources			
Donations and Forfeitures of Property	-	1	1
Transfers-In/Out Without Reimbursement	-	(6,896)	(6,896)
Imputed Financing from Costs Absorbed by Others (Note 17)	4,579	248,820	253,399
Total Financing Sources	4,579	7,208,177	7,212,756
Net Cost of Operations	(11,040)	(7,411,833)	(7,422,873)
Net Change	(6,461)	(203,656)	(210,117)
Cumulative Results of Operations	$ 86,784	$ 4,080,993	$ 4,167,777
Net Position	$ 86,784	$ 4,500,490	$ 4,587,274

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

U.S. Department of Justice
Bureau of Prisons
Combined Statement of Budgetary Resources
For the Fiscal Years Ended September 30, 2016 and 2015

Dollars in Thousands	2016	2015 Restated	2015 Originally Presented
Budgetary Resources:			
Unobligated Balance, Brought Forward, October 1	$ 336,597	$ 300,243	$ 300,243
Recoveries of Prior Year Unpaid Obligations	1,510	25,438	25,438
Other Changes in Unobligated Balance	(6,348)	(11,482)	(11,482)
Unobligated Balance from Prior Year Budget Authority, Net	331,759	314,199	314,199
Appropriations (discretionary and mandatory)	7,478,500	6,919,615	6,919,615
Spending Authority from Offsetting Collections (discretionary and mandatory)	378,448	414,266	414,266
Total Budgetary Resources	**$ 8,188,707**	**$ 7,648,080**	**$ 7,648,080**
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total)	$ 7,442,435	$ 7,311,483	$ 7,311,483
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	568,221	160,498	160,498
Exempt from Apportionment, Unexpired Accounts	47,464	56,121	56,121
Unexpired Unobligated Balance, End of Year	615,685	216,619	216,619
Expired Unobligated Balance, End of Year	130,587	119,978	119,978
Unobligated Balance - End of Year (Total)	746,272	336,597	336,597
Total Status of Budgetary Resources:	**$ 8,188,707**	**$ 7,648,080**	**$ 7,648,080**
Change in Obligated Balance:			
Unpaid Obligations:			
Unpaid obligations, Brought Forward, October 1	$ 661,076	$ 725,928	$ 725,928
New obligations and upward adjustments	7,442,435	7,311,483	7,311,483
Outlays, Gross	(7,399,090)	(7,350,897)	(7,350,897)
Recoveries of Prior Year Unpaid Obligations	(1,510)	(25,438)	(25,438)
Unpaid Obligations, End of Year	702,911	661,076	661,076
Uncollected Payments:			
Uncollected Payments from Federal Sources, Brought Forward, October 1	(6,430)	(5,007)	(5,007)
Change in Uncollected Customer Payments from Federal Sources	1,610	(1,423)	(1,423)
Uncollected Customer Payments from Federal Sources, End of Period	(4,820)	(6,430)	(6,430)
Memorandum (non-add) Entries:			
Obligated balance, Start of Year	$ 654,646	$ 720,921	$ 720,921
Obligated balance, End of Year	$ 698,091	$ 654,646	$ 654,646
Budgetary Authority and Outlays, Net:			
Budgetary Authority, Gross (discretionary and mandatory)	7,856,948	7,333,881	7,333,881
Less: Actual Offsetting Collections (discretionary and mandatory)	379,703	418,042	418,042
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	1,610	(1,423)	(1,423)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	-	16	16
Budget Authority, Net (discretionary and mandatory)	**$ 7,478,855**	**$ 6,914,432**	**$ 6,914,432**
Outlays, Gross (discretionary and mandatory)	$ 7,399,090	$ 7,350,897	$ 7,350,897
Less: Actual Offsetting Collections (discretionary and mandatory)	379,703	418,042	418,042
Outlays, Net (discretionary and mandatory)	7,019,387	6,932,855	6,932,855
Less: Distributed Offsetting Receipts	5,336	988	988
Agency Outlays, Net (discretionary and mandatory)	**$ 7,014,051**	**$ 6,931,867**	**$ 6,931,867**

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the BOP as required by the Government Management Reform Act of 1994, Public Law 103-356, Section 108, Stat. 3515. These financial statements have been prepared from the books and records of the BOP in accordance with United States generally accepted accounting principles (GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136. These financial statements are different from the financial reports prepared pursuant to OMB directives which are used to monitor and control the use of the BOP budgetary resources. To ensure that the BOP 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 with the public, Accrued Federal Employees' Compensation Act (FECA) Liabilities, Accrued Payroll and Benefits, Accrued Annual and Compensatory Leave Liabilities, and Deferred Revenue. The fiscal year 2015 restated balances are presented in accordance with FASAB Statement of Federal Financial Accounting Standards 21.

1. Summary of Significant Accounting Policies (continued)

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the BOP. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for the fiscal years ended September 30, 2016, and 2015 and as such, intra-entity transactions have not been eliminated.

D. Basis of Accounting

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

These statements were prepared in accordance with GAAP. GAAP for Federal entities are the standards prescribed by the FASAB, which is designated as the official accounting standards-setting body for the Federal Government (Government) by the American Institute of Certified Public Accountants. The Statements of Federal Financial Accounting Standards (SFFAS) that were in effect as of September 30, 2016, were followed in the preparation of these financial statements.

E. Non-Entity Assets

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

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance with U.S. Treasury, and Cash and Monetary Assets

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

G. Investments

The Government does not set aside assets to pay future benefits or other expenditures associated with the Trust Fund. Treasury securities are an asset to the BOP and a liability to the Treasury. Because the BOP and the Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the BOP with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the BOP requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Beginning in fiscal year 1995, the Trust Fund was granted authority (Public Law 103-317, Section 107) to invest funds in excess of operating needs in securities guaranteed by the Treasury. In November 1994, the Trust Fund began participating in the Federal Investment Counseling Program through the Treasury. The Treasury charges no commissions or transaction fees for participating in the program. Investments are made in any U.S. Government securities available to the public. The amount and length of investments are determined after careful review of cash balances available to defray outstanding payables and other liabilities.

Investments in U.S. Government securities are reported at cost, net of amortized discounts. Discounts are amortized into interest income over the term of the investment. The Trust Fund's intent is to hold investments to maturity, unless they are needed to sustain the operations of the Trust Fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. The interest received on these securities is captured in the Trust Fund and is used to defray its general operating expenses.

1. Summary of Significant Accounting Policies (continued)

H. Accounts Receivable

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

I. Inventory and Related Property

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

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

J. General Property, Plant and Equipment

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

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

1. Summary of Significant Accounting Policies (continued)

J. General Property, Plant and Equipment (continued)

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

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

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

In compliance with DOJ's Policy Statement 1400.06 (which replaced DOJ Financial Management Policy Memorandum (FMPM) 13-12), the BOP revised its capitalization threshold for personal property in FY 2015. This increased the threshold from $5 thousand to $50 thousand for capitalization. In FY 2015, the BOP was granted a waiver from increasing the capitalization threshold for real property, resulting in the capitalization threshold for real property remaining at $100 thousand. The change in accounting principle caused a $121,114 thousand reduction in the overall PP&E balance in FY 2015. The pre-FY 2015 effect is recognized in the FY2015 beginning balance of Cumulative Results of Operations on the Consolidated Statements of Changes in Net Position. The effect of the new policy decreased the personal property balance by $121,114 thousand. The BOP opted for early implementation of the revised capitalization threshold for internal use software in FY 2013.

Below are the capitalization thresholds:

Type of Property	FY 2016 Thresholds	FY 2015 Thresholds
Real Property	$100	$100
Personal Property	$50	$50
Aircraft	N/A	N/A
Internal Use Software	$5,000	$5,000

Except for land, all general PP&E will be capitalized when the cost of acquiring or improving the property meets the threshold noted in the table above and has a useful life of two or more years. Land is capitalized regardless of the acquisition cost. Except for land, all general PP&E is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset. Land is never depreciated.

1. Summary of Significant Accounting Policies (continued)

K. Advances and Prepayments

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

L. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by the BOP as the result of a transaction or event that has already occurred. However, no liability can be paid by the BOP absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 10.

M. Contingencies and Commitments

The BOP is party to various administrative proceedings, legal actions, and claims related to contract disputes, employee claims under the Fair Labor Standards Act, and inmate claims under the Federal Tort Claim Act and other legal matters. These claims are of a nature considered normal for a Government law enforcement agency. In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government* and SFFAS No. 12, *Recognition of Contingent liabilities from Litigation*, the BOP has probable and reasonably possible losses arising from litigation. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions "probable" and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 14, Contingencies and Commitments. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered "remote."

1. Summary of Significant Accounting Policies (continued)

N. Annual, Sick, and Other Leave

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

O. Interest on Late Payments

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

P. Retirement Plans

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

1. Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). The BOP contributes 7 percent of the gross pay for regular and 7.5 percent for law enforcement officers.
2. Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).
    a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The BOP contributes 13.7 percent of the gross pay for regular employees and 30.1 percent for law enforcement officers.
    b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The BOP contributes 11.9 percent of the gross pay for regular employees and 28.4 percent for law enforcement officers.
    c. Employees hired January 1, 2014 or later are covered by the Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE). The BOP contributes 11.9 percent of the gross pay for regular employees and 28.4 percent for law enforcement officers.

1. Summary of Significant Accounting Policies (continued)

P. Retirement Plans (continued)

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the BOP is required to contribute an additional 1 percent of gross pay and match employee contributions up to 4 percent. No Government contributions are made to the TSP accounts established by the CSRS employees. The BOP does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM). SFFAS No. 5 requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 17, Imputed Financing from Costs Absorbed by Others, for additional details.

Q. Federal Employee Compensation Benefits

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

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

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to the DOJ.

1. Summary of Significant Accounting Policies (continued)

Q. Federal Employee Compensation Benefits (continued)

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

R. Intragovernmental Activity

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

S. Revenues and Other Financing Sources

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

The BOP receives the majority of its exchange revenues for daily care, maintenance, and housing of state and local offenders; medical services outside of the BOP provided to the United States Marshals Service's prisoners; meals provided to the BOP staff; rental of staff housing on institution premises; utilities used by the FPI; purchase card rebates; and recycling income.

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources (continued)

The amount billed to house state prisoners is based on the average inmate per capita rate for the security level of the institution where the prisoner is housed. The price of meal tickets for institution employees is calculated using the annual per capita cost for providing meals to inmates. Rental rates for employee housing on institution premises are calculated using the Regional Survey Method: base rental rates are established by means of a series of economic models that utilize typical rates for comparable private rental housing in the established communities nearest to the sites in which the quarters are located. The amount charged for steam purchased by the FPI is the actual cost incurred by the BOP during the production of the utility provided. Purchase card rebates are calculated based on productivity and sales. Recycling income is based on the weight and/or volume of material being recycled.

Trust Fund profits are utilized for continued operations and programs that benefit the inmate population. The Trust Fund receives no appropriated funds. The Trust Fund receives the majority of its funding through revenues generated by the sale of merchandise, telephone services, electronic messaging through the Trust Fund Limited Inmate Computer System (TRULINCS), and TRUGRAM. TRULINCS was fully implemented as of February 2011, and provides inmates with some limited computer access. TRULINCS is funded completely by the Trust Fund Appropriation. A TRUGRAM is an electronic funds transfer service provided by the BOP through MoneyGram that allows Federal inmates to transfer funds and an associated message to an individual in the public, who can receive the funds at one of MoneyGram's locations throughout the United States, Puerto Rico, Virgin Islands, and Guam. Regular items sold through the institution commissaries are marked-up 30 percent from their per unit cost. They are then rounded to the nearest nickel to determine selling price. In rare instances when taxes (whether state, local, or Federal) are included, the per unit tax amount is added to the marked-up price before rounding. Should the selling price ever exceed the manufacturer's printed price, the printed price shall be set even if it is on odd cents.

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources (continued)

The Trust Fund also earned other revenue from medical co-payments, vendor commissions/ revenue share, and recycling income. As of March 2004, friends and family members are able to send money to inmates electronically. Funds are deposited directly to an inmate's account within a few hours. A commission based on transaction volume is received from the vendor. As of October 2005, inmates pay a $2 per visit co-pay for in-house medical appointments. Twenty-five percent of the co-pay is retained by the Trust Fund and the other percent is paid to the Office of Justice Programs Crime Victims Fund. Trust Fund Debit Card Vending has been limited to the sale of credits through the commissary for services such as copies and the use of washer and dryers. Trust Fund revenue also includes investment income.

The Trust Fund has deferred revenue for the inmate Telephone System, which includes the amount of phone credits that have not been used as of September 30, 2016.

T. Funds from Dedicated Collections

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

U. Allocation Transfer of Appropriations

The BOP is a party to allocation transfers with another Federal agency as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department.

Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

The BOP allocates funds to the Public Health Service (PHS). The PHS provides a portion of the medical treatment for Federal inmates. Money is transferred from the BOP to PHS, and is designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses. The amounts transferred to PHS from the BOP totaled $113 and $111 million for the fiscal years ended September 30, 2016 and 2015, respectively.

V. Tax Exempt Status

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

W. Use of Estimates

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

X. Reclassifications

The FY 2015 financial statements were reclassified to conform to the FY 2016 Departmental and OMB financial statement presentation requirements. The reclassification had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources as previously reported.

1. Summary of Significant Accounting Policies (continued)

Y. Subsequent Events

Subsequent events and transactions occurring after September 30, 2016 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

2. Non-Entity Assets

Non-entity assets are assets that are held by an entity but are not available for use by the entity. Non-entity assets as of September 30, 2016 and 2015 are presented in the following table.

As of September 30, 2016 and 2015

	2016	Restated 2015	Originally Presented 2015
Intragovernmental			
Fund Balance With U.S. Treasury	$ 69,728	$ 61,105	$ 61,105
With the Public			
Accounts Receivable, Net	428	275	275
Total With the Public	428	275	275
Total Non-Entity Assets	70,156	61,380	61,380
Total Entity Assets	6,847,571	6,604,652	6,700,030
Total Assets	$ 6,917,727	$ 6,666,032	$ 6,761,410

3. Fund Balance with U.S. Treasury

The Fund Balance with the Treasury as reported in the financial statements represents the unexpended cash balances in the BOP's accounting records for all the BOP Treasury Symbols at September 30, 2016 and 2015. The fund balances with the Treasury are presented in the following table.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Fund Balances			
Trust Fund	$ 75,164	$ 86,602	$ 86,602
General Funds	1,373,601	909,379	909,379
Other Fund Types	69,728	61,105	61,105
Total Fund Balances with U.S. Treasury	$ 1,518,493	$ 1,057,086	$ 1,057,086
Status of Fund Balances			
Unobligated Balance - Available	$ 615,685	$ 216,619	$ 216,619
Unobligated Balance - Available in Subsequent Periods	-	-	$ -
Unobligated Balance - Unavailable	130,587	119,978	119,978
Obligated Balance not yet Disbursed	698,091	654,646	654,646
Other Funds (With)/Without Budgetary Resources	69,302	60,660	60,660
Total Status of Fund Balances	$ 1,513,665	$ 1,051,903	$ 1,051,903

The fund balance with the Treasury as reported in these financial statements and notes have been adjusted to account for the difference from that reported by the Treasury. The reported balance in the BOP's general ledger account, Fund Balance with the Treasury, before any adjustments, was $5,772 and $5,894 thousand greater than the actual fund balance reported by the Treasury as of September 30, 2016 and 2015, respectively. Routinely, two types of differences arise. First, differences are created between the accounting records of the BOP and the Treasury because of the timing of transaction inputs corresponding with cash receipts and disbursements. Second, differences are created by data input errors and remain until the necessary correcting entries are processed by the BOP's or the Treasury's accounting systems. The BOP operates a decentralized accounting system with 111 agency location codes. Any cause for reconciliation must be done individually by location.

3. Fund Balance with U.S. Treasury (continued)

For the Trust Fund, this amount represents the aggregate balance of the Trust Fund's cash accounts with the Treasury under the account symbol 15X8408. This item also represents the total amount of all obligated and unobligated undisbursed account balances with the Treasury as reflected in the Trust Fund's records. The Trust Fund's general ledger balance for Fund Balance with the Treasury, before any adjustments, was $111 and $9 thousand less than the actual amount reported by each of the BOP's accounting stations to the Treasury as of September 30, 2016 and 2015, respectively. Additionally, the fund balance with the Treasury reflects $4,828 and $5,183 thousand sequester balance for the fiscal years ended September 30, 2016 and 2015, respectively, as requested by OMB.

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

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

4. Cash and Other Monetary Assets

Cash and Other Monetary Assets, as reported in the financial statements, represent the total cash and cash equivalents under the control of the BOP as of September 30, 2016 and 2015, respectively.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Cash			
Imprest Funds	$ 420	$ 449	$ 449

4. Cash and Other Monetary Assets (continued)

The BOP's cash account is minimal given that the BOP does not, for the most part, maintain cash in commercial bank accounts. The BOP's cash account consists of imprest funds totaling $420 and $449 thousand as of September 30, 2016 and 2015, respectively. All of the listed amounts are available to pay current liabilities and finance future authorized purchases.

5. Investments, Net

The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Fiscal Service. These securities are available to the public but cannot be resold. These securities are purchased and redeemed at par value (the value at maturity) exclusively through the Treasury's Finance and Funding Branch, see Note 1.G. When securities are purchased, the investment is recorded at par value. Premiums and/or discounts are amortized through the end of the reporting period. As of September 30, 2016 and 2015, all Trust Fund security investments have matured. Therefore, the respective investment balances are zero.

6. Accounts Receivable, Net

Accounts Receivable represents the amounts due to the BOP as of September 30, 2016 and 2015, respectively, as shown in the following table. The Intergovernmental accounts receivable balance consists of refunds and reimbursements with Federal entities deemed fully collectable. The majority of the accounts receivable balance with the Public is billings to state municipalities in relation to the housing of non-federal inmates.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Intragovernmental			
Accounts Receivable	$ 2,093	$ 3,932	$ 3,932
With the Public			
Accounts Receivable	5,906	6,321	6,321
Total Accounts Receivable, Net	$ 7,999	$ 10,253	$ 10,253

7. Inventory and Related Property, Net

The Trust Fund Commissary inventory purchased for resale as of September 30, 2016 and 2015 is presented in the following table.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Inventory			
Inventory Purchased for Resale	$ 18,564	$ 19,034	$ 19,034

8. General Property, Plant and Equipment, Net

PP&E, as reported in the financial statements, are recorded at the acquisition cost net of accumulated depreciation at September 30, 2016 and 2015, respectively. See Note 1.J for method of depreciation, capitalization thresholds, and useful lives.

As of September 30, 2016	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 172,423	$ -	$ 172,423	N/A
Construction in Progress	76,238	-	76,238	N/A
Buildings, Improvements, and Renovations	9,822,985	(5,147,445)	4,675,540	2-30 yrs
Other Structures & Facilities	899,494	(609,805)	289,689	20 yrs
Vehicles	91,672	(66,878)	24,794	6-10 yrs
Equipment	150,353	(88,629)	61,724	10 yrs
Assets Under Capital Lease	89,625	(62,738)	26,887	5-30 yrs
Leasehold Improvements	101,550	(76,035)	25,515	2-20 yrs
Internal Use Software	28,425	(22,825)	5,600	5-7 yrs
Total	$ 11,432,765	$ (6,074,355)	$ 5,358,410	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2016	$ 354	$ 172,661	$ 173,015

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

As of September 30, 2015 - Restated

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 172,423	$ -	$ 172,423	N/A
Construction in Progress	43,578	-	43,578	N/A
Buildings, Improvements, and Renovations	9,692,091	(4,832,426)	4,859,665	2-30 yrs
Other Structures & Facilities	885,031	(573,937)	311,094	20 yrs
Vehicles	92,716	(61,307)	31,409	6-10 yrs
Equipment	151,141	(79,740)	71,401	10 yrs
Assets Under Capital Lease	89,625	(59,750)	29,875	5-30 yrs
Leasehold Improvements	100,468	(64,653)	35,815	2-20 yrs
Internal Use Software	28,425	(21,099)	7,326	5-7 yrs
Total	$ 11,255,498	$ (5,692,912)	$ 5,562,586	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2015 - Restated	$ 5,318	$ (3,313)	$ 2,005

As of September 30, 2015 - Originally Presented

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 172,423	$ -	$ 172,423	N/A
Construction in Progress	43,578	-	43,578	N/A
Buildings, Improvements, and Renovations	9,797,740	(4,842,697)	4,955,043	2-30 yrs
Other Structures & Facilities	885,031	(573,937)	311,094	20 yrs
Vehicles	92,716	(61,307)	31,409	6-10 yrs
Equipment	151,141	(79,740)	71,401	10 yrs
Assets Under Capital Lease	89,625	(59,750)	29,875	5-30 yrs
Leasehold Improvements	100,468	(64,653)	35,815	2-20 yrs
Internal Use Software	28,425	(21,099)	7,326	5-7 yrs
Total	$ 11,361,147	$ (5,703,183)	$ 5,657,964	

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

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2015 - Originally Presented	5,318	102,336	107,654

Leasehold improvements reflect capital improvements made to facilities occupied but not owned by the BOP. Capital improvements made to buildings and other structures owned by the BOP are reflected as buildings and other structures and facilities. The BOP had capitalized property purchases from federal sources and from the public. These purchases totaled $354 and $5,318 thousand from federal sources, and $172,661 and ($3,313) thousand from the public, for the fiscal years ended September 30, 2016 and 2015, respectively.

9. Other Assets

Intragovernmental assets consist of advances to the Department of Justice for computer equipment and to the Department of Transportation for transit subsidy benefits. The amounts as of September 30, 2016 and 2015 are presented in the following table.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Intragovernmental			
Advances and Prepayments	$ 8,096	$ 11,539	$ 11,539

10. 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, 2016 and 2015, respectively, are presented in the following table.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Intragovernmental			
Accrued FECA Liabilities	$ 175,977	$ 172,199	$ 172,199
Other Unfunded Employment Related Liabilities	768	776	$ 776
Other	2,761	2,879	2,879
Total Intragovernmental	179,506	175,854	$ 175,854
With the Public			
Actuarial FECA Liabilities	1,063,293	1,003,179	$ 1,003,179
Accrued Annual and Compensatory Leave Liabilities	179,274	177,589	177,589
Environmental and Disposal Liabilities (Note 11)	68,407	67,665	67,665
Contingent Liabilities (Note 14)	8,265	10,920	10,920
Capital Lease Liabilties (Note 12)	97	129	129
Other	224,746	144,225	144,225
Total With the Public	1,544,082	1,403,707	$ 1,403,707
Total Liabilities not Covered by Budgetary Resources	1,723,588	1,579,561	$ 1,579,561
Total Liabilities Covered by Budgetary Resources	594,262	594,575	$ 594,575
Total Liabilities	$ 2,317,850	$ 2,174,136	$ 2,174,136

11. Environmental and Disposal Liabilities

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

11. Environmental and Disposal Liabilities (continued)

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

Firing Ranges

The BOP operates firing ranges on 67 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2015, BOP management determined their estimated clean-up liability to be $28,595 thousand. In FY 2016, BOP management adjusted the estimated clean-up liability by the current U.S. inflation rate as determined by the Treasury and as such determined that an estimated firing range clean-up liability of $29,057 thousand, based on an inflation rate of 1.6 percent, should be recorded. In FY 2016, the liability cost for firing ranges increased by $462 thousand.

Asbestos

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

The BOP conducted a review of 46 institutions that were built prior to 1980; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. As of September 30, 2015, BOP management determined their estimated clean-up liability to be $39,070 thousand. In FY 2016, BOP Management decreased the clean-up liability in the amount of $357 thousand for the abatement of asbestos at 14 locations. In addition, BOP Management increased the clean-up liability in the amount of $11 thousand due to additional asbestos found at five locations and in the amount of $626 thousand by the current U.S. inflation rate of 1.6 percent as determined by the Treasury. In FY 2016, BOP management recorded a clean-up liability in the amount of $39,350 thousand, a $280 thousand increase in liability cost for asbestos from the previous year.

11. Environmental and Disposal Liabilities (continued)

These liabilities as of September 30, 2016 and 2015, respectively, are presented in the following table.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Firing Ranges			
Beginning Balance, Brought Forward	$ 28,595	$ 28,405	$ 28,405
Inflation Adjustment	462	190	190
Total Firing Range Liability	29,057	28,595	28,595
Asbestos			
Beginning Balance, Brought Forward	$ 39,070	$ 38,987	$ 38,987
New Asbestos	11	31	31
Abatements	(357)	(208)	(208)
Inflation Adjustment	626	260	260
Total Asbestos Liability	$ 39,350	$ 39,070	$ 39,070
Total Environmental and Disposal Liabilities	$ 68,407	$ 67,665	$ 67,665

12. Leases

Capital Leases

The two tables that follow represent a 25-year capital lease for a Federal Transfer Center in Oklahoma City. The lease agreement, which will expire in fiscal year 2019, calls for semi-annual payments of $4.5 million for 20 years; the last five years (lease years 21 through 25) will be land rental payments only. The BOP paid a total of $32 thousand in payments during the fiscal year ended September 30, 2016.

As of September 30, 2016 and 2015 Capital Leases	2016	Restated 2015	Originally Presented 2015
Summary of Assets Under Capital Lease			
Land and Buildings	$ 89,625	$ 89,625	$ 89,625
Accumulated Amortization	(62,738)	(59,750)	(59,750)
Total Assets Under Capital Lease (Note 8)	$ 26,887	$ 29,875	$ 29,875

12. Leases (continued)

Future Capital Lease Payments

Future Capital Lease Payments Due

Fiscal Year	Land and Buildings
2017	33
2018	32
2019	32
Total Future Capital Lease Payments	$ 97
FY 2016 Net Capital Lease Liabilities	$ 97
FY 2015 Net Capital Lease Liabilities	$ 129

	2016	Restated 2015	Originally Presented 2015
Net Capital Lease Liabilities not Covered by Budgetary Resources	$ 97	$ 129	$ 129

Operating Leases

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

Future Noncancelable Operating Lease Payments

Future Noncancelable Operating Lease Payments

Fiscal Year	Land and Buildings
2017	$ 591
2018	591
2019	591
2020	591
2021	591
After 2021	1,520
Total Future Noncancelable Operating Lease Payments	$ 4,475

13. Other Liabilities

Other liabilities as of September 30, 2016 and 2015, totaled $360 and $260 million, respectively. The majority of Intragovernmental Other Liabilities are composed of tenant allowances for operating leases, monies received from prisoner funds, and certain receipts of cash that are in suspense, clearing, deposit, or general fund accounts that are owed to the Treasury. The majority of other liabilities with the public are composed of future funded energy savings performance contracts and utilities. All other liabilities are current and are presented in the following table.

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	$ 49,121	$ 37,121	$ 37,121
Other Post-Employment Benefits Due and Payable	1,463	460	460
Other Unfunded Employment Related Liabilities	768	776	776
Advances from Others	65	-	-
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	6,037	-	-
Other Liabilities	2,761	3,137	3,137
Total Intragovernmental	60,215	41,494	41,494
With the Public			
Other Accrued Liabilities	6,763	7,933	7,933
Advances from Others	11,297	12,739	12,739
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	64,120	61,122	61,122
Capital Lease Liabilities	97	129	129
Other Liabilities	217,983	136,292	136,292
Total With the Public	300,260	218,215	218,215
Total Other Liabilities	$ 360,475	$ 259,709	$ 259,709

14. Contingencies and Commitments

Contingencies include various administrative proceedings, legal actions, and claims related to contract disputes and employee and inmate claims; see Note 1.M for more details. For legal actions where management and the Chief Counsel consider adverse decisions “probable” or “reasonably possible” and the amounts are reasonably estimable, information is disclosed below. The amounts as of September 30, 2016 and 2015 are presented in the following table.

14. Contingencies and Commitments (continued)

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2016			
Probable	$ 8,265	$ 8,265	$ 25,450
Reasonably Possible		55,680	116,880
As of September 30, 2015 - Restated			
Probable	$ 10,920	$ 10,920	$ 44,225
Reasonably Possible		51,136	96,206
As of September 30, 2015 - Originally Presented			
Probable	$ 10,920	$ 10,920	$ 44,225
Reasonably Possible		51,136	96,206

15. Funds from Dedicated Collections

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

Cash receipts collected from the public for funds from dedicated collections are deposited in the Treasury. The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Fiscal Service. These securities are available to the public but cannot be resold. Trust fund will usually invest any amount over expected cost of operations; investing on the first of every month and liquidating the investments on the last Thursday of the month. These securities are purchased and redeemed at par value (the value at maturity) exclusively through the Treasury's Finance and Funding Branch. When securities are purchased, the investment is recorded at par value. Discounts are amortized into interest income over the term of the investment. The Trust Fund's intent is to hold investments to maturity, unless they are needed to sustain the operations of the Trust Fund. Interest received on securities is captured in the Trust Fund and is used to defray its general operating expenses. The following table shows funds from dedicated collections as of September 30, 2016 and 2015.

15. Funds from Dedicated Collections (continued)

As of September 30, 2016 and 2015

	2016	Restated 2015	Originally Presented 2015
	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from Dedicated Collections
Balance Sheet			
Assets			
Fund Balance with U.S. Treasury	$ 75,164	$ 86,602	$ 86,602
Other Assets	24,632	23,911	23,911
Total Assets	$ 99,796	$ 110,513	$ 110,513
Liabilities			
Accounts Payable	$ 13,169	$ 12,402	$ 12,402
Other Liabilities	11,438	11,327	11,327
Total Liabilities	$ 24,607	$ 23,729	$ 23,729
Net Position			
Cumulative Results of Operations	$ 75,189	$ 86,784	$ 86,784
Total Net Position	$ 75,189	$ 86,784	$ 86,784
Total Liabilities and Net Position	$ 99,796	$ 110,513	$ 110,513
Statement of Net Cost			
Gross Cost of Operations	$ 369,144	$ 380,274	$ 380,274
Less: Earned Revenue	353,093	369,234	369,234
Net Cost of Operations	$ 16,051	$ 11,040	$ 11,040
Statement of Changes in Net Position			
Net Position Beginning of Period	$ 86,784	$ 93,245	$ 93,245
Other Financing Sources	4,456	4,579	4,579
Total Financing Sources	4,456	4,579	4,579
Net Cost of Operations	(16,051)	(11,040)	(11,040)
Net Change	(11,595)	(6,461)	(6,461)
Net Position End of Period	$ 75,189	$ 86,784	$ 86,784

16. Net Cost of Operations by Suborganization

The following tables show the net cost of operations for each of the BOP's goals by suborganization for the fiscal years ended September 30, 2016 and 2015.

For the Fiscal Year Ended September 30, 2016

	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 10,431	$ 10,431
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	10,431	10,431
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	369,144	7,605,369	7,974,513
Less: Earned Revenue	353,093	25,150	378,243
Net Cost of Operations	16,051	7,580,219	7,596,270
Net Cost of Operations	$ 16,051	$ 7,590,650	$ 7,606,701

For the Fiscal Year Ended September 30, 2015 - Restated

	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 9,217	$ 9,217
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	9,217	9,217
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	380,274	7,548,052	7,928,326
Less: Earned Revenue	369,234	50,058	419,292
Net Cost of Operations	11,040	7,497,994	7,509,034
Net Cost of Operations	$ 11,040	$ 7,507,211	$ 7,518,251

16. Net Cost of Operations by Suborganization (continued)

For the Fiscal Year Ended September 30, 2015 - Originally Presented

	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 9,217	$ 9,217
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	9,217	9,217
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	380,274	7,452,674	7,832,948
Less: Earned Revenue	369,234	50,058	419,292
Net Cost of Operations	11,040	7,402,616	7,413,656
Net Cost of Operations	$ 11,040	$ 7,411,833	$ 7,422,873

17. Imputed Financing from Costs Absorbed by Others

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

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

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

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees	33.5%
	Regular Employees Offset	24.6%
	Law Enforcement Officers	57.9%
	Law Enforcement Officers Offset	49.7%
Federal Employees Retirement System (FERS)	Regular Employees	15.1%
	Regular Employees - Revised Annuity Employees (RAE)	15.6%
	Regular Employees - Further Revised Annuity Employees (FRAE)	15.7%
	Law Enforcement Officers	33.4%
	Law Enforcement Officers - RAE	34.1%
	Law Enforcement Officers - FRAE	34.1%

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

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, and FASAB Interpretation No. 6, *Accounting for Imputed Intra-Departmental Costs: An Interpretation of SFFAS No. 4*, are the unreimbursed portion of the full costs of goods and services received by the BOP from a providing entity that is part of the DOJ. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. In accordance with FASAB Interpretation No. 6, the BOP management reviews Imputed Intra-Departmental Financing Sources quarterly to determine materiality. As of September 30, 2016 these costs are deemed immaterial and are not reported.

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

For the Fiscal Years Ended September 30, 2016 and 2015

	2016	Restated 2015	Originally Presented 2015
Imputed Inter-Departmental Financing			
Treasury Judgment Fund	$ 4,229	$ 8,520	$ 8,520
Health Insurance	198,051	172,175	172,175
Life Insurance	493	484	484
Pension	39,757	72,220	72,220
Total Imputed Inter-Departmental	$ 242,530	$ 253,399	$ 253,399
Total Imputed Financing	$ 242,530	$ 253,399	$ 253,399

18. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

The apportionment categories are determined in accordance with the guidance provided in Part 4 "Instructions on Budget Execution" of OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B represents resources apportioned for Hurricane Sandy.

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

	Direct Obligations	Reimbursable Obligations	Total New Obligations and Upward Adjustments
For the Fiscal Year Ended September 30, 2016			
Obligations Apportioned Under			
Category A	$ 7,423,264	$ 19,150	$ 7,442,414
Category B	21	-	21
Total	$ 7,423,285	$ 19,150	$ 7,442,435
For the Fiscal Year Ended September 30, 2015 - Restated			
Obligations Apportioned Under			
Category A	$ 7,260,018	$ 50,058	$ 7,310,076
Category B	1,407	-	1,407
Total	$ 7,261,425	$ 50,058	$ 7,311,483
For the Fiscal Year Ended September 30, 2015 - Originally Presented			
Obligations Apportionment Under:			
Category A	$ 7,260,018	$ 50,058	$ 7,310,076
Category B	1,407	-	1,407
Total	$ 7,261,425	$ 50,058	$ 7,311,483

Status of Undelivered Orders:

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

As of September 30, 2016 and 2015	2016	Restated 2015	Originally Presented 2015
UDO Obligations Unpaid	$ 191,048	$ 141,904	$ 141,904
UDO Obligations Prepaid/Advanced	4,423	6,305	6,305
Total UDO	$ 195,471	$ 148,209	$ 148,209

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

Permanent Indefinite Appropriations:

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

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

Legal Arrangements Affecting Use of Unobligated Balances:

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

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

The reconciliation between the Statement of Budgetary Resources and the Budget of the United States Government for fiscal year 2015 is shown in the following table. The reconciliation as of September 30, 2016 is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2018, which presents the execution of the FY 2016 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2017.

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

For the Fiscal Year Ended September 30, 2015
(Dollars in millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	$ 7,648	$ 7,311	$ 1	$ 6,932
Funds not Reported in the Budget				
Expired Funds	(153)	(33)	-	-
Reconciling Item 15F3875(YH)	-	-	3	(3)
Reconciling Item 153220(ZX)	-	-	(4)	4
Budget of the United States Government	**$ 7,495**	**$ 7,278**	**$ -**	**$ 6,933**

19. Net Custodial Revenue Activity

For the fiscal years ended September 30, 2016 and 2015, the BOP collected $49 and $41 thousand respectively, in collections of fines and penalties, confiscated funds, found money on institution grounds, inmate's funds whose whereabouts are unknown and excess meal ticket collections. These collections were incidental to the BOP's mission. Since the BOP does not have statutory authority to use these funds, the BOP remits these funds to the Treasury's General Fund. As of September 30, 2016 and 2015, the BOP did not have any custodial liabilities.

20. Reconciliation of Net Cost of Operations (proprietary) to Budget

For the Fiscal Years Ended September 30, 2016 and 2015	2016	2015 Restated	2015 Originally Presented
Resources Used to Finance Activities			
Budgetary Resources Obligated			
New Obligations and Upward Adjustments	$ 7,442,435	$ 7,311,483	$ 7,311,483
Less: Spending Authority from Offsetting Collections and Recoveries	379,603	444,903	444,903
Obligations Net of Offsetting Collections and Recoveries	7,062,832	6,866,580	6,866,580
Less: Offsetting Receipts	5,336	988	988
Net Obligations	7,057,496	6,865,592	6,865,592
Other Resources			
Donations and Forfeitures of Property	-	1	1
Transfers-In/Out Without Reimbursement	-	(6,896)	(6,896)
Imputed Financing from Costs Absorbed by Others (Note 17)	242,530	253,399	253,399
Net Other Resources Used to Finance Activities	242,530	246,504	246,504
Total Resources Used to Finance Activities	**7,300,026**	**7,112,096**	**7,112,096**
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	(47,347)	105,935	105,935
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(2,695)	(32)	(32)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	5,336	988	988
Resources That Finance the Acquisition of Assets	(183,193)	1,436	(104,213)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	-	(121,114)	(121,114)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(227,899)	(12,787)	(118,436)
Total Resources Used to Finance Net Cost of Operations	**$ 7,072,127**	**$ 7,099,309**	**$ 6,993,660**
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period			
Components That Will Require or Generate Resources in Future Periods (Note 21)	$ 146,722	$ 33,546	$ 33,546
Depreciation and Amortization	386,911	385,093	395,364
Revaluation of Assets or Liabilities	941	303	303
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	**534,574**	**418,942**	**429,213**
Net Cost of Operations	**$ 7,606,701**	**$ 7,518,251**	**$ 7,422,873**

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

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $1,724 and $1,580 million on September 30, 2016 and 2015, respectively, are discussed in Note 10, Liabilities not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are presented in the following table.

The BOP has authority to record budgetary resources for receivables due from the public, which mainly consists of state prisoner billings, before the funds are actually collected. For this reason, the change in Exchange Revenue receivables from the public is not presented in the following table.

For the Fiscal Years Ended September 30, 2016 and 2015

	2016	Restated 2015	Originally Presented 2015
Resources that Fund Expenses Recognized in Prior Periods			
Decrease in Liabilities Not Covered by Budgetary Resources:			
Decrease in Contingent Liabilities	$ (2,655)	$ -	$ -
Decrease in Unfunded Capital Lease Liabilities	(32)	(32)	(32)
Decrease in Other Unfunded Employment Related Liabilities	(8)	-	-
Total Decrease in Liabilities Not Covered by Budgetary Resources	(2,695)	(32)	(32)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (2,695)	$ (32)	$ (32)
Components That Will Require or Generate Resources in Future Periods			
Increase in Liabilities Not Covered by Budgetary Resources:			
Increase in Accrued Annual and Compensatory Leave Liabilities	$ 1,685	$ 2,183	$ 2,183
Increase in Actuarial FECA Liabilities	60,114	6,044	6,044
Increase in Accrued FECA Liabilities	3,778	10,268	10,268
Increase in Contingent Liabilities	-	59	59
Increase in Other Liabilities	80,403	14,719	14,719
Increase in Environmental and Disposal Liabilities	742	273	273
Total Increase in Liabilities Not Covered by Budgetary Resources	146,722	33,546	33,546
Total Components that Will Require or Generate Resources in Future Periods	$ 146,722	$ 33,546	$ 33,546

22. Restatements and Adjustments

The BOP has elected to restate fiscal year 2015 reported balances due to an unintentional error resulting in the overstatement of BOP assets in the amount of $95,378 thousand net as of September 30, 2105. The BOP acquired Administrative United States Penitentiary (AUSP) Thomson with total building assets of $162,654 thousand in October 2012. Since the prison was complete, the BOP had to record those assets in their property system and captured all twelve (12) assets under one asset ID, instead of twelve separate IDs. This was due in part to the unique nature of the acquisition and varied significantly from BOP's normal operations of building and tracking institutions from the start of construction. In August 2015, twelve (12) new assets IDs were created in BOP's property management system to adjust the Thomson asset IDs to match normal tracking of an institution's assets in the property system. When the local property officer attempted to adjust the original asset value to zero, system limitations in the property system would not allow for the function. The issue was escalated to BOP Central Office Property section, however, the information was not relayed to the Finance Branch, Financial Statements Section until February 2016. As a result the BOP ended fiscal year 2015 with overstated assets of $105,649 thousand and overstated accumulated depreciation in the amount of $10,271 thousand, for a net overstatement of Property, Plant, and Equipment of $95,378 thousand.

When the error was communicated to the Chief of Financial Statements by AUSP Thomson accounting staff, the correction was made to adjust the original asset to zero in the property system. The Financial Statements section has thoroughly reviewed the related asset value and accumulated depreciation calculations, by manually calculating asset amounts and accumulated depreciation and comparing it to general ledger drill downs on those USSGL accounts affected. The Financial Statements section has since added an additional monthly reconciliation of USSGL accounts 679000.30 and 661000.30 to capture any like future errors using incorrect acquisition method. Finally, the Finance Branch has held meetings with the property management system programmers to implement attribute edits in the property management system. This would largely prevent invalid property entries from being keyed. The BOP Finance Branch staff has since addressed the importance of proper communication between property and finance staff when escalating issues from the institution, through the region, and finally to Central Office. We have utilized this error as an example in financial management trainings, and it has been discussed at all Regional Comptroller meetings. Lastly, the Chief of Financial Statements addressed institution property officers at a training held in Central Office.

22. Restatements and Adjustments (continued)

For the Fiscal Year Ended September 30, 2015	As Reported	As Restated	Over/ (Under)stated Difference
Consolidated Balance Sheets			
General Property, Plant, and Equipment, Net	$ 5,657,964	$ 5,562,586	$ 95,378
Total Assets	6,761,410	6,666,032	95,378
Cumulative Results of Operations-All Other Funds	4,080,993	3,985,615	95,378
Total Net Position	4,587,274	4,491,896	95,378
Total Liabilities and Net Position	6,761,410	6,666,032	95,378
Consolidated Statements of Net Cost			
Goal 3: Gross Cost With the Public	6,007,864	6,103,242	(95,378)
Goal 3: Net Cost of Operations	7,413,656	7,509,034	(95,378)
Consolidated Statements of Changes in Net Position			
All Other Funds: Net Cost of Operations	(7,411,833)	(7,507,211)	95,378
All Other Funds: Net Change	(203,656)	(299,034)	95,378
All Other Funds: Cumulative Results of Operations	4,080,993	3,985,615	95,378
All Other Funds: Net Position	4,500,490	4,405,112	95,378

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)

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

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2016

Dollars in Thousands	S&E	B&F	TF	Total 2016
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 199,343	$ 81,133	$ 56,121	$ 336,597
Recoveries of Prior Year Unpaid Obligations	1,510	-	-	1,510
Other Changes in Unobligated Balance	(6,348)	-	-	(6,348)
Unobligated Balance from Prior Year Budget Authority, Net	194,505	81,133	56,121	331,759
Appropriations (discretionary and mandatory)	6,948,500	530,000	-	7,478,500
Spending Authority from Offsetting Collections (discretionary and mandatory)	25,000	-	353,448	378,448
Total Budgetary Resources	**$ 7,168,005**	**$ 611,133**	**$ 409,569**	**$ 8,188,707**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 6,965,768	$ 114,562	$ 362,105	$ 7,442,435
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	71,650	496,571	-	568,221
Exempt from Apportionment, Unexpired Accounts	-	-	47,464	47,464
Unexpired Unobligated Balance, End of Year	71,650	496,571	47,464	615,685
Expired Unobligated Balance, End of Year	130,587	-	-	130,587
Unobligated Balance - End of Year (Total)	202,237	496,571	47,464	746,272
Total Status of Budgetary Resources:	**$ 7,168,005**	**$ 611,133**	**$ 409,569**	**$ 8,188,707**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 577,944	$ 57,152	$ 25,980	$ 661,076
New obligations and upward adjustments	6,965,768	114,562	362,105	7,442,435
Outlays, Gross	(6,934,522)	(100,525)	(364,043)	(7,399,090)
Recoveries of Prior Year Unpaid Obligations	(1,510)	-	-	(1,510)
Unpaid Obligations, End of Year	607,680	71,189	24,042	702,911
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(5,601)	(150)	(679)	(6,430)
Change in Uncollected Customer Payments from Federal Sources	1,946	150	(486)	1,610
Uncollected Customer Payments from Federal Sources, End of Period	(3,655)	-	(1,165)	(4,820)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	$ 572,343	$ 57,002	$ 25,301	$ 654,646
Obligated balance, End of Year	$ 604,025	$ 71,189	$ 22,877	$ 698,091
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	6,973,500	530,000	353,448	7,856,948
Less: Actual Offsetting Collections (discretionary and mandatory)	26,946	150	352,607	379,703
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	1,946	150	(486)	1,610
Budget Authority, Net (discretionary and mandatory)	**$ 6,948,500**	**$ 530,000**	**$ 355**	**$ 7,478,855**
Outlays, Gross (discretionary and mandatory)	$ 6,934,522	$ 100,525	$ 364,043	$ 7,399,090
Less: Actual Offsetting Collections (discretionary and mandatory)	26,946	150	352,607	379,703
Outlays, Net (discretionary and mandatory)	6,907,576	100,375	11,436	7,019,387
Less: Distributed Offsetting Receipts	5,336	-	-	5,336
Agency Outlays, Net (discretionary and mandatory)	**$ 6,902,240**	**$ 100,375**	**$ 11,436**	**$ 7,014,051**

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2015

Dollars in Thousands	S&E	B&F	TF	2015 Restated Total
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 167,246	$ 64,998	$ 67,999	$ 300,243
Recoveries of Prior Year Unpaid Obligations	25,438	-	-	25,438
Other Changes in Unobligated Balance	(11,482)	-	-	(11,482)
Unobligated Balance from Prior Year Budget Authority, Net	181,202	64,998	67,999	314,199
Appropriations (discretionary and mandatory)	6,813,615	106,000	-	6,919,615
Spending Authority from Offsetting Collections (discretionary and mandatory)	50,000	215	364,051	414,266
Total Budgetary Resources	**$ 7,044,817**	**$ 171,213**	**$ 432,050**	**$ 7,648,080**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 6,845,474	$ 90,080	$ 375,929	$ 7,311,483
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	79,365	81,133	-	160,498
Exempt from Apportionment, Unexpired Accounts	-	-	56,121	56,121
Unexpired Unobligated Balance, End of Year	79,365	81,133	56,121	216,619
Expired Unobligated Balance, End of Year	119,978	-	-	119,978
Unobligated Balance - End of Year (Total)	199,343	81,133	56,121	336,597
Total Status of Budgetary Resources:	**$ 7,044,817**	**$ 171,213**	**$ 432,050**	**$ 7,648,080**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 652,945	$ 49,755	$ 23,228	$ 725,928
New obligations and upward adjustments	6,845,474	90,080	375,929	7,311,483
Outlays, Gross	(6,895,037)	(82,683)	(373,177)	(7,350,897)
Recoveries of Prior Year Unpaid Obligations	(25,438)	-	-	(25,438)
Unpaid Obligations, End of Year	577,944	57,152	25,980	661,076
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(4,405)	(17)	(585)	(5,007)
Change in Uncollected Customer Payments from Federal Sources	(1,196)	(133)	(94)	(1,423)
Uncollected Customer Payments from Federal Sources, End of Period	(5,601)	(150)	(679)	(6,430)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	$ 648,540	$ 49,738	$ 22,643	$ 720,921
Obligated balance, End of Year	$ 572,343	$ 57,002	$ 25,301	$ 654,646
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	6,863,615	106,215	364,051	7,333,881
Less: Actual Offsetting Collections (discretionary and mandatory)	48,820	82	369,140	418,042
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(1,196)	(133)	(94)	(1,423)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	16	-	-	16
Budget Authority, Net (discretionary and mandatory)	**$ 6,813,615**	**$ 106,000**	**$ (5,183)**	**$ 6,914,432**
Outlays, Gross (discretionary and mandatory)	$ 6,895,037	$ 82,683	$ 373,177	$ 7,350,897
Less: Actual Offsetting Collections (discretionary and mandatory)	48,820	82	369,140	418,042
Outlays, Net (discretionary and mandatory)	6,846,217	82,601	4,037	6,932,855
Less: Distributed Offsetting Receipts	988	-	-	988
Agency Outlays, Net (discretionary and mandatory)	**$ 6,845,229**	**$ 82,601**	**$ 4,037**	**$ 6,931,867**

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2015

Dollars in Thousands	2015 Originally Presented			
	S&E	B&F	TF	Total
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 167,246	$ 64,998	$ 67,999	$ 300,243
Recoveries of Prior Year Unpaid Obligations	25,438	-	-	25,438
Other Changes in Unobligated Balance	(114,982)	-	-	(11,498)
Unobligated Balance from Prior Year Budget Authority, Net	181,202	64,998	67,999	314,199
Appropriations (discretionary and mandatory)	6,813,615	106,000	-	6,919,615
Spending Authority from Offsetting Collections (discretionary and mandatory)	50,000	215	364,051	414,266
Total Budgetary Resources	**$ 7,044,817**	**$ 171,213**	**$ 432,050**	**$ 7,648,080**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 6,845,474	$ 90,080	$ 375,929	$ 7,311,483
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	79,365	81,133	-	160,498
Exempt from Apportionment, Unexpired Accounts	-	-	56,121	56,121
Unexpired Unobligated Balance, End of Year	79,365	81,133	56,121	216,619
Expired Unobligated Balance, End of Year	119,978	-	-	119,978
Unobligated Balance - End of Year (Total)	199,343	81,133	56,121	336,597
Total Status of Budgetary Resources:	**$ 7,044,817**	**$ 171,213**	**$ 432,050**	**$ 7,648,080**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 652,945	$ 49,755	$ 23,228	$ 725,928
New obligations and upward adjustments	6,845,474	90,080	375,929	7,311,483
Outlays, Gross	(6,895,037)	(82,683)	(373,177)	(7,350,897)
Recoveries of Prior Year Unpaid Obligations	(25,438)	-	-	(25,438)
Unpaid Obligations, End of Year	577,944	57,152	25,980	661,076
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(4,405)	(17)	(585)	(5,007)
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Memorandum (non-add) Entries:				
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Obligated balance, End of Year	$ 572,343	$ 57,002	$ 25,301	$ 654,646
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	6,863,615	106,215	364,051	7,333,881
Less: Actual Offsetting Collections (discretionary and mandatory)	48,820	82	369,140	418,042
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(1,196)	(133)	(94)	(1,423)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	16	-	-	16
Budget Authority, Net (discretionary and mandatory)	**$ 6,813,615**	**$ 106,000**	**$ (5,183)**	**$ 6,914,432**
Outlays, Gross (discretionary and mandatory)	$ 6,895,037	$ 82,683	$ 373,177	$ 7,350,897
Less: Actual Offsetting Collections (discretionary and mandatory)	48,820	82	369,140	418,042
Outlays, Net (discretionary and mandatory)	6,846,217	82,601	4,037	6,932,855
Less: Distributed Offsetting Receipts	988	-	-	988
Agency Outlays, Net (discretionary and mandatory)	**$ 6,845,229**	**$ 82,601**	**$ 4,037**	**$ 6,931,867**

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

OTHER INFORMATION
(UNAUDITED)

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U.S. Department of Justice
Bureau of Prisons
Combined Schedule of Spending
For the Fiscal Years Ended September 30, 2016 and 2015

Dollars in Thousands		2016		2015 - Restated		2015 - Originally Presented
What Money is Available to Spend?						
Total Resources	$	8,188,707	$	7,648,080	$	7,648,080
Less: Amount Available but Not Agreed to be Spent		615,685		216,619		216,619
Less: Amount Not Available to be Spent		130,587		119,978		119,978
Total Amounts Agreed to be Spent	**$**	**7,442,435**	**$**	**7,311,483**	**$**	**7,311,483**
How was the Money Spent?						
Personnel Compensation and Benefits						
1100 Personnel Compensation	$	2,848,521	$	2,800,890	$	2,800,890
1200 Personnel Benefits		1,536,034		1,455,289		1,455,289
1300 Former Personnel		2,033		2,226		2,226
Other Program Related Expenses						
2100 Travel & Transportation of Persons		39,968		38,487		38,487
2200 Transportation of Things		14,975		13,597		13,597
2300 Rent, Communications, and Utilities		307,715		305,481		305,481
2400 Printing and Reproduction		227		227		227
2500 Other Contractual Services		1,816,705		1,795,754		1,795,754
2600 Supplies and Materials		794,247		845,517		845,517
3100 Equipment		39,466		31,089		31,089
3200 Land and Structures		3,723		1,592		1,592
4100 Grants, Subsidies, and Contributions		4,359		958		958
4200 Insurance Claims and Indemnities		34,462		20,376		20,376
Total Amounts Agreed to be Spent	**$**	**7,442,435**	**$**	**7,311,483**	**$**	**7,311,483**
Who did the Money go to?						
For Profit		2,933,869		2,769,137		2,769,137
Federal Government		1,536,034		1,646,728		1,646,728
Employees		2,848,521		2,800,890		2,800,890
Grants		4,359		958		958
Other		119,652		93,770		93,770
Total Amounts Agreed to be Spent	**$**	**7,442,435**	**$**	**7,311,483**	**$**	**7,311,483**

TREASURY SYMBOL MATRIX

15161060	Salaries and Expense
15151060	Salaries and Expense
15141060	Salaries and Expense
15131060	Salaries and Expense
15121060	Salaries and Expense
15111060	Salaries and Expense
1515/161060	Salaries and Expense
1514/151060	Salaries and Expense
1513/141060	Salaries and Expense
1512/131060	Salaries and Expense
1511/121060	Salaries and Expense
1510/111060	Salaries and Expense
7515161060	Public Health Services
7515151060	Public Health Services
7515141060	Public Health Services
7515131060	Public Health Services
7515121060	Public Health Services
7515111060	Public Health Services
15X1003	Buildings and Facilities
15X8408	Revolving Trust Fund
15X1060	Salaries and Expense
15X6085	Deposit Fund (Prisoners)
151060	General Fund (Forfeiture Unclaimed)
151099	General Fund (Fines, Penalties, Forfeiture)
153200	General Fund (Miscellaneous Receipts)
153220	General Fund (Miscellaneous Receipts)
151435	Miscellaneous Interest Received
15F3875.10	Clearing Account (Budget)
15F3880.10	Clearing Account (Budget)
15X6275.10	Deposit Fund (State/Local Taxes)
20X1807	BOP Refund Erroneously Received
20X6133	BOP Payment Unclaimed Money
15_7001	Elimination Fund
15_7002	Elimination Fund

PRISONER CAPACITY REQUIREMENTS

The numbers in the chart reflect the additional requested, funded, and partially funded capacity (number of beds) required for each established facility.

Note that the estimated construction completion dates supplied below are projections, not fixed dates. Also, once construction is completed at an institution, that institution does not immediately begin accepting inmates, as there are necessary activation and preparatory procedures that must be enacted beforehand.

REQUESTED, FUNDED, OR PARTIALLY FUNDED CAPACITY REQUIREMENTS

ADDITIONAL CAPACITY:	2017	2018	2019	2020	2021	Total
FCI Mendota, CA (Medium/Camp)						-
FCI Berlin, NH (Medium/Camp)						-
FCI Aliceville, AL (Secure Female/Low Camp)						-
FCI Hazelton, WV (Medium/Camp)						-
USP Yazoo City, MS (High/Camp)						-
FCI Danbury, CT (Secure Female/Female Camp)	126					126
USP Thomson, IL (High/Camp)		500	950	450		1,900
USP Letcher County, KY (High/Camp)						-
FCI Leavenworth, KS (Medium/Camp)						-
USP Bennettsville, SC (High/Camp)						-
FCI Florida (Medium/Camp)						-
FCI South Central (Medium/Camp)						-
USP South Central (High/Camp)						-
USP El Reno, OK (High/Camp)						-
USP North Central/Pekin, IL (High/Camp)						-
USP Southeast (High/Camp)						-
FCI Northeast (Medium/Camp)						-
FCI Western (Medium/Camp)						-
FCI North Central (Medium/Camp)						-
USP Mid-Atlantic (High/Camp)						-
USP Western (High/Camp)						-
Total	126	500	950	450	-	2,026

This exhibit includes facilities requested, funded, or partially funded capacity requirements through September 30, 2016.

OPERATING LEASES AS OF SEPTEMBER 30, 2016 (IN THOUSANDS)

Operating Lease Identifier		Total Future Payments
230 N First Avenue	Phoenix, AZ	321
255 E. Temple Street	Los Angeles, CA	41
501 First Street	Sacramento, CA	353
2880 Sunrise Boulevard	Rancho Cordova, CA	378
7338 Shoreline Drive	Stockton, CA	2,012
324 Horton Plaza	San Diego, CA	1,394
9692 Via Excelencia, Suite 104	San Diego, CA	440
11900 East Cornell Avenue	Aurora, CO	10,691
320 First Street, NW	Washington, DC	10,163
500 First Street, NW	Washington, DC	7,485
200 Constitution Avenue	Washington, DC	445
3800 Camp Creek Parkway	Atlanta, GA	2,080
450 S. Federal Street	Chicago, IL	67
5270 S. Cicero Avenue	Chicago, IL	1,828
200 W. Adams Street	Chicago, IL	23
230 S. Dearborn Street	Chicago, IL	227
Fourth & State Avenue	Kansas City, KS	12,052
302 Sentinel Drive	Annapolis Junction, MD	1,226
300 S. Fourth Street	Minneapolis, MN	1,702
1222 Spruce Street	St. Louis, MO	9
1222 Spruce Street	St. Louis, MO	12
36 E. Seventh Street	Cincinnati, OH	60
200 Chestnut Street	Philadelphia, PA	6,098
1000 Liberty Avenue	Pittsburgh, PA	21
600 Arch Street	Philadelphia, PA	49
701 Market Street	Philadelphia, PA	1,349
145 W. Thompson Street	Philadelphia, PA	1,374
701 Broadway	Nashville, TN	33
701 San Jacinto Street	Houston, TX	2
701 San Jacinto Street	Houston, TX	93
15431 W. Vantage Parkway, Suites 200 & 205	Houston, TX	1,753
727 E. Durango Boulevard	San Antonio, TX	563
324 S. State Street	Salt Lake City, UT	86
6810 Loisdale Rd, Building A	Franconia, VA	649
796 N. Foxcroft Avenue	Martinsburg, WV	988
		$ 66,067

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

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 Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* to the Federal Bureau of Prisons (BOP). The BOP's response is incorporated in the *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* of this final report. The following provides the report's recommendations, the status of the recommendations, the OIG analysis of the response, and a summary of actions necessary to close the report.

Recommendations:

1. **Modify SRPMS to prevent a similar error from occurring in the future.**

   Resolved. The BOP concurred with our recommendation. The BOP management stated in its response that the BOP has enhanced Sentry with additional edits to prevent similar errors.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that management's enhancements to SRPMS will prevent similar errors from occurring.

2. **Add a reconciliation of United States Standard General Ledger (USSGL) accounts 679000.30, Other Expenses – Renovations – Salaries and Expenses, and 661000.30, Cost Capitalization Offset – SRPMS Salaries and Expenses, to the monthly proof check reconciliation to identify any errors using the Salaries and Expense acquisition method.**

   Resolved. The BOP concurred with our recommendation. The BOP management stated in its response that the Finance Branch has added an additional monthly reconciliation of the accounts identified above at the Central Office Level.

   This recommendation can be closed when subsequent annual financial statement audit testing verifies that management has sufficiently implemented a reconciliation of USSGL accounts 679000.30 and 661000.30 to the monthly proof check reconciliation to identify any errors using the Salaries and Expense acquisition method.

3. **Add a variance analysis with an expectation level at the Institution, Regional Office, and Central Office levels designed to catch errors of this magnitude.**

   Resolved. The BOP concurred with our recommendation. The BOP management stated in its response that the proof check was enhanced to include additional variance analysis.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that management has sufficiently implemented a variance analysis with an expectation level at the Institution, Regional Office, and Central Office levels designed to identify material errors.

4. **Develop documented policies, procedures, and protocols that define appropriate action when errors in issued financial statements are identified.**

Resolved. The BOP concurred with our recommendation. The BOP management stated in its response that the BOP stresses the communication chain during trainings, meetings, and written communications.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that management has documented policies, procedures, and protocols that define appropriate action to take when errors in issued financial statements are identified.

5. **Establish a training program to ensure that all levels of BOP Finance (Institution, Regional Office, and Central Office) have appropriate knowledge of the Federal Accounting Standards Advisory Board and GAO standards, as well as OMB circulars and regulations, to address complex accounting and financial reporting issues.**

Resolved. The BOP concurred with our recommendation. The BOP management stated in its response that the BOP has continual training opportunities during which staff are kept aware of updates in financial management.

This recommendation can be closed when subsequent annual financial statement audit testing verifies that management has established a training program to ensure that all levels of BOP Finance have appropriate knowledge of the Federal Accounting Standards Advisory Board and GAO standards, as well as OMB circulars and regulations, to address complex accounting and financial reporting issues.

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