



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



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

**FEDERAL BUREAU OF INVESTIGATION
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 Investigation (FBI) for the fiscal years (FY) ended September 30, 2016, and September 30, 2015. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the FBI's audit in accordance with auditing standards generally accepted in the United States of America. 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 FBI also received an unmodified opinion on its financial statements (OIG Audit Report No. 16-07).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. KPMG LLP did not identify any material weaknesses, nor did they report any significant deficiencies in the FY 2016 *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. 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 Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Additionally, KPMG LLP's tests disclosed no instances in which the FBI's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996*.

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

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**AUDIT OF THE
FEDERAL BUREAU OF INVESTIGATION
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2016**

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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)



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Management's Discussion and Analysis

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

MISSION

The Federal Bureau of Investigation (FBI or Bureau) is a component of the United States (U.S.) Department of Justice (DOJ or the Department) and a member of the U.S. Intelligence Community (IC). The mission of the FBI is to protect the American people and uphold the Constitution of the United States.

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

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

The methodology by which the FBI allocates gross costs and earned revenue across its three Strategic Goals (SGs or Goals) is consistent with the methodology used to allocate the FBI's budget to the three SGs in the Fiscal Year (FY) 2016 Authorization and Budget Request to Congress. The three SGs are:

1. Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law;
2. Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law; and
3. Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels.

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



ORGANIZATION STRUCTURE

Along with the FBI's headquarters (HQ or Headquarters) located in Washington, D.C., the FBI operates 56 field offices and approximately 360 resident agencies across the U.S. and its territories. The FBI also operates more than 64 Legal Attaché (Legat) offices and more than 20 sub-offices in over 70 foreign countries.

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

The Criminal Justice Information Services Division (CJIS), including the Biometrics Technology Center, is located in Clarksburg, West Virginia. The Laboratory Division, Operational Technology Division (Engineering Research Facility), Training Division, and Critical Incident Response Group are located in Quantico, Virginia. Other specialized facilities, such as the Regional Computer Forensic Laboratories, are located at various locations across the country.

In FY 2016, the FBI's appropriated staffing level consisted of 13,084 Special Agents, 3,100 Intelligence Analysts, and 18,974 professional staff along with an additional 3,146 reimbursable positions.

FINANCIAL STRUCTURE

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



Management's Discussion and Analysis

FY 2016 RESOURCE INFORMATION

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

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

Source	FY 2016	FY 2015	Change%
Earned Revenue	\$ 1,106,239	\$ 1,163,741	(5%)
Budgetary Financing Sources			
Appropriations Received	8,798,768	8,436,569	4%
Appropriation Transferred-In/Out	(45,945)	(35,187)	(31%)
Nonexchange Revenue	-	21	(100%)
Other Adjustments	(151)	-	(100%)
Transfers-In/Out Without Reimbursement	131,600	548,515	(76%)
Other Budgetary Financing Sources	(80,767)	-	(100%)
Other Financing Sources			
Transfers-In/Out Without Reimbursement	10,911	25,800	(58%)
Imputed Financing from Costs Absorbed by Others	247,408	257,696	(4%)
Other Financing Sources	(7,849)	(10,836)	28%
Total FBI Resources	\$ 10,160,214	\$ 10,386,319	(2%)

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

Strategic Goal (SG)	FY 2016	FY 2015	Change%
SG 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
Gross Cost	\$ 5,616,030	\$ 5,310,342	
Less: Earned Revenue	319,400	274,532	
<i>Net Cost</i>	\$ 5,296,630	\$ 5,035,810	5%
SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	\$ 3,561,832	\$ 3,555,518	
Less: Earned Revenue	225,117	306,527	
<i>Net Cost</i>	\$ 3,336,715	\$ 3,248,991	3%
SG 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
Gross Cost	\$ 790,470	\$ 960,334	
Less: Earned Revenue	561,722	582,682	
<i>Net Cost</i>	\$ 228,748	\$ 377,652	(39%)
Total Gross Cost	\$ 9,968,332	\$ 9,826,194	
Less: Total Earned Revenue	1,106,239	1,163,741	
Total Net Cost of Operations	\$ 8,862,093	\$ 8,662,453	2%



ANALYSIS OF FINANCIAL STATEMENTS

The FBI's financial statements received unmodified audit opinions for FYs 2016 and 2015. These financial statements were prepared from the accounting records of the FBI in conformity with U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

Assets: Total Assets was \$7.74 billion as of September 30, 2016, an increase of \$179.49 million, or two percent, from the previous fiscal year's Total Assets of \$7.56 billion. The increase is primarily related to increases in Intragovernmental Accounts Receivable and Intragovernmental Other Assets.

Intragovernmental Accounts Receivable increased in FY 2016 by \$62.66 million, or 19 percent, which is primarily due to the transition of the Healthcare Fraud Program from discretionary to mandatory funds. Healthcare Fraud and Abuse Control funds are now recorded as an Expenditure Transfers Receivable; whereas, in FY 2015 Accounts Receivable was not recognized until bills were generated. Accounts Receivable related to other reimbursable activity increased by an additional \$19.50 million.

Intragovernmental Other Assets increased in FY 2016 by \$9.57 million, or 139 percent, which is primarily due to an ongoing clean up of aging Advances and more timely reporting from agencies. Additionally, Fund Balance with Treasury increased by \$146.24 million, or three percent.

Liabilities: Total Liabilities was \$1.37 billion as of September 30, 2016, a decrease of \$12.40 million, or one percent, from the previous fiscal year's Total Liabilities of \$1.38 billion. This decrease is primarily due to a decrease in Accounts Payable with the Public and an increase in Accrued Payroll and Benefits. Accounts Payable with the Public decreased by \$105.92 million or 24 percent, offset by an increase in Accrued Payroll and Benefits of \$39.94 million, or 35 percent. The decrease related to Accounts Payable with the Public is attributed to a decrease in total open obligations. Accrued Payroll and Benefits increased by \$39.94 million or 35 percent due to a two day increase in the number of days included in the payroll accrual, as compared to FY 2015. This net decrease is further offset by a net increase in the remaining liabilities of \$53.58 million, or 6 percent. Of the \$53.58 million increase, the majority is related to an increase in Intragovernmental Other liabilities and Accrued Annual and Compensatory Leave Liabilities totaling \$38.86 million, or 10 percent.

Net Position: Total Net Position was \$6.37 billion as of September 30, 2016, an increase of \$191.88 million, or three percent, from the previous fiscal year's Total Net Position of \$6.18 billion. The increase is primarily due to an increase Cumulative Results of Operations – Beginning Balances, and a net decrease in Transfers-In/Out Without Reimbursement and Other Budgetary Financing Sources. Cumulative Results of Operations – Beginning Balances increased by \$568.91 million, or 19 percent. In FY 2015, FBI received a Transfer-In of Spectrum Advance Wireless Services (AWS) funding in the amount of \$553.30 million to support FBI and DOJ components in the spectrum relocation effort, as mandated by the Middle Class Tax Relief and Job Creation Act of 2012. Transfers-In/Out Without Reimbursement decreased by \$416.92 million, or 76 percent, which is primarily due to a decrease in the FY 2015 Transfer-In of Spectrum AWS funding, offset by an increase of \$136.30 million in Health Care Fraud and Abuse Control Act Funds. Other Budgetary Financing Sources decreased by \$80.77 million, or 100 percent, which is due to the rescission of FBI's No-Year Surcharge apportionment.

Net Cost of Operations: Total Net Cost of Operations was \$8.86 billion for FY 2016, an increase of \$199.64 million, or two percent, from Total Net Cost of Operations of \$8.66 billion for FY 2015. The increase is primarily attributed to a net increase of \$348.54 million, or four percent in Goals 1 and 2, offset by a decrease of \$148.90 million or 39 percent in Goal 3. The decrease in Goal 3 is primarily attributed to a decrease in Gross Costs related to the User Fees Program.



Management's Discussion and Analysis

Budgetary Resources: Total Budgetary Resources was \$12.15 billion for FY 2016, an increase of \$449.58 million, or four percent, from Total Budgetary Resources of \$11.70 billion in FY 2015. The change is related to increases in Unobligated Balances, Brought Forward on October 1, 2016 of \$675.85 million and a decrease in Appropriations of \$269.68 million, or three percent.

FY 2016 Financial Highlights

Performance measures included in previous FBI Management's Discussion and Analysis (MD&A) documents may have changed as a result of new information that was unavailable prior to submitting previous financial reports. Due to the requirement to disclose performance data in the MD&A before the close of the data entry period, reports of certain FY 2016 performance results should be considered tentative and are annotated accordingly. Other subsequent changes to prior year data may have occurred due to factors beyond the control of the FBI's data collection systems (e.g., convictions overturned on appeal). For previously estimated measures, the FBI reviewed and revised certain FY 2015 performance data from the FY 2015 MD&A. The FBI's FY 2017 Authorization and Budget Request to Congress documented these revisions. For FY 2016 MD&A performance estimates, the final targets will be reflected in the FY 2017 President's Budget.

Strategic Goal 1, Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law, includes the FBI's counterterrorism (CT) and counterintelligence (CI) investigations, intelligence collection and analysis, computer intrusions investigations, and the Weapons of Mass Destruction (WMD) program. In FY 2016, Goal 1 Net Cost was \$5.3 billion, a net increase of five percent from FY 2015.

Strategic Goal 2, Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law, includes the majority of the FBI's criminal investigative programs and programs supporting state and local law enforcement. Investigations under Goal 2 includes: organized crime, drugs, violent crime, white-collar crime, and cyber crime. In FY 2016, Goal 2 Net Cost was \$3.3 billion, a net increase of three percent from FY 2015.

Strategic Goal 3, Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels, includes the FBI's Integrated Automation Fingerprint Identification Systems, Next Generation Identification, the National Instant Criminal Background Check System, the Law Enforcement National Data Exchange, and other criminal justice services that the FBI offers to law enforcement agencies and local communities. In FY 2016, Goal 3 Net Cost was \$.2 billion, a net decrease of 39 percent from FY 2015. This decrease is primarily attributed to a decrease in expenditures of User Fee funds.



FY 2016 REPORT ON SELECTED RESULTS

STRATEGIC GOAL 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law 60 percent of the FBI's Net Cost supports this Goal.

PROGRAM: Counterterrorism

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

Performance Measure: Number of Terrorism Disruptions

FY 2015 Actual Performance: 440

FY 2016 Target: 200

FY 2016 Actual Performance¹: 460

Discussion of FY 2016 Results:

The FBI exceeded its annual target for the number of terrorism disruptions effected through CT investigations, with 460 disruptions for FY 2016. This exceeded FY 2015's total by 20 disruptions. The FBI is committed to stopping terrorism of any kind at any stage as evidenced by its transformation into a proactive agency. To fulfill DOJ's mission of defeating terrorism, the FBI focuses resources on targeting and disrupting terrorist threats and groups by leveraging its workforce and ensuring the use of the latest technology to thwart emerging trends.

Maintaining the proficiency levels of CT agents and Task Force Officers (TFO) is critical to an effective workforce. In FY 2016, seven iterations of the Counterterrorism and Operations courses were completed. Each class is comprised of a minimum of 15 state/local and federal TFOs culled from over hundreds of agencies, 15 stage II CT FBI agents and 15 CT field supervisors from across the field.

The Guardian Threat Tracking System, a platform used to receive, assess, disseminate and memorialize threats and suspicious activities, has proven to be an important tool for CT investigations. FBI shares information with law enforcement partner agencies, some of which are state-run Fusion Centers, and individual users. Use of the system continued to grow in FY 2016 by both the FBI and Law Enforcement partners, which resulted in an increased exchange between the FBI and Law Enforcement partners.

PROGRAM: Counterintelligence

Background/Program Objectives: Foreign espionage strikes at the heart of U.S. national security, impacting political, military, and economic arenas. The foreign intelligence threat to the U.S. is expanding, becoming more complex and less predictable. While traditional threats to national defense, military operations and policy, intelligence, and science and technology remain, many intelligence threats are expanding their targets to include the burgeoning population of cleared defense contractors. Other sectors affecting U.S. security, most notably sensitive economic information and emerging proprietary technology, are also threatened. Concurrently, foreign threats now have sophisticated networks of governmental and non-governmental

¹ Due to the requirement to disclose performance data in the MD&A before the close of the data entry period, reports of certain FY 2016 performance results should be considered tentative.



Management's Discussion and Analysis

entities using a wide array of intelligence collection platforms and engaging in long-term efforts to obtain sensitive information and threaten the security of the U.S.

To facilitate its counterespionage mission, the FBI focuses resources on protecting the nation from foreign espionage attempts by leveraging the Strategic Partnership Coordination (SPC) Program and targeting the highest priority threats as determined by the National Intelligence Priorities Framework (NIPF). The intent of the following measure is to evaluate the impact of CI outreach initiatives against the FBI's counterespionage strategic objectives.

Performance Measure: Percentage of Counterespionage Actions and Disruptions against National Counterintelligence Priorities that Result from FBI Outreach

FY 2015 Actual Performance: 14.6%

FY 2016 Target: 10%

FY 2016 Actual Performance¹: 16.9% (28.7% including Economic Espionage)

Discussion of FY 2016 Results:

In FY 2016, espionage remained one of the CI program's most significant threats. In addition to traditional tradecraft used to access economic, national security, and proprietary information, the FBI continued to disrupt and monitor more advanced methods to infiltrate organizations. Of the CI program's total law enforcement actions and disruption activities, espionage-related threats accounted for more than 18 percent of the FBI's total CI accomplishments. These accomplishments included approximately 20 arrests, 9 convictions, 26 indictments, and 7 sentencing.

The FBI relies heavily on its coordination with the U.S. Intelligence Community, other government agencies, international partners, and public as well as private entities. These relationships increase intelligence collection, identify emerging threats, and disrupt priority threats. As a result of this coordination, the FBI organized regular Counterintelligence Working Group (CIWG) meetings and formed alliances with the academic and business sectors. Through the CIWG, the FBI was able to brief its members on current counterintelligence threats and provide guidance on threat mitigation. In FY 2016, the CIWG met eight times on varying topics and briefed 555 members.

Outreach predicated the opening of 133 counterintelligence cases, with counterespionage accounting for 53 of those cases. As hostile foreign intelligence services use more sophisticated techniques to breach key economic, national security, and technology sectors, it is essential that the FBI develop more robust partnerships outside the intelligence and law enforcement communities. In FY 2017, threat-prioritized strategic outreach will remain an important initiative for the CI program. Further, the CI program will address the emerging threat of foreign nation states increasingly using commercial enterprises to achieve their desired intelligence collection and operational capabilities.

PROGRAM: Cyber

Background/Program Objectives: Under the Next Generation Cyber Initiative, Cyber Division (CyD) has realigned from a regional identification to a threat-based model, which enables it to focus on the greatest cyber threat to our national security - intrusions into government and private computer networks. To facilitate its mission of countering cyber threats, the FBI focuses its resources on targeting and disrupting the

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Management's Discussion and Analysis

top cyber threat actors, leveraging its workforce, as well as developing and utilizing the latest technology to counter emerging trends.

In order to protect government and private computer networks from cyber intrusion, the CyD prioritizes its resources on effectively disrupting and/or dismantling threat actors. Disruptions are milestones in the process of dismantling a group or organized criminal enterprise. Disruptions force an organization to adopt unfamiliar patterns or to use less experienced personnel creating opportunities for additional disruptions, and building momentum for the ultimate goal of the dismantlement of the organization. Dismantlement means that the targeted organization's leadership, financial base and supply network has been destroyed, such that the organization is incapable of operating and/or reconstituting itself.

Performance Measure: Number of Computer Intrusion Program Disruptions and Dismantlements (D&D)

FY 2015 Actual Performance: 510

FY 2016 Target: 500

FY 2016 Actual Performance¹: 250

Discussion of FY 2016 Results:

The FBI manages cyber disruptions and dismantlement operations with the goal of eliminating the capabilities of a threat enterprise/organization engaged in criminal or national security related activities. During FY 2016, CyD successfully achieved 250 computer intrusion program disruptions and dismantlements against adversaries targeting global U.S. interests. Although CyD did not achieve the FY 2016 target of 500, the FBI made noteworthy progress towards neutralizing global cybercrime. Under the Department of Justice's Strategic Objectives, FBI CyD is accountable for Objective 1.4 "Combat cyber-based threats and attacks through the use of all available tools, strong public-private partnerships, and the investigation and prosecution of cyber threat actors." In January 2016 Cyber Operations Section IV provided policy guidance to investigators regarding claiming Cyber Disruptions and Dismantlements which clarified the policy and led to a reduction in claimed disruptions and dismantlements.

Throughout FY 2016, CyD, in coordination with other law enforcement agencies and members of the IC, gathered evidence of computer intrusion techniques, patterns of criminal activity, and copies of malicious software. When possible, the FBI notified victims of computer intrusions, which enabled them to protect themselves against such tactics. In many circumstances victims were unaware their networks had been compromised. The FBI's information sharing and analysis capabilities have ensured that computer intrusion information and other information about cyber threats are also shared with other agencies in support of their independent cyber-related missions. For example in March 2016, during the investigation known as ARMOURERED LEVEE, the FBI, in coordination with private sector partners, internet service providers, the intelligence community and DOJ, linked attacks on almost 50 U.S. financial institutions to seven people and two computer companies based in and directed by the Iranian government. Successful indictments send a global warning to any group, nation or individual with intentions to sabotage U.S. institutions, disrupt current patterns, and have a dampening effect on intrusion activity.

Although the total number of disruptions and dismantlements against criminal and national security related cyber threats is unpredictable because of the nature of ongoing cyber campaigns, the FBI expects continued and sustained performance on this metric.

¹ Due to the requirement to disclose performance data in the MD&A before the close of the data entry period, reports of certain FY 2016 performance results should be considered tentative.



Management's Discussion and Analysis

STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law *38 percent of the FBI's Net Cost supports this Goal.*

PROGRAM: Criminal Enterprises

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

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

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

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

Performance Measure: CPOT-linked DTOs Dismantled

FY 2015 Actual Performance: 32

FY 2016 Target: 20

*FY 2016 Actual Performance*¹: 22

Discussion of FY 2016 Results:

The FBI anticipates that it will meet its FY 2016 target for the number of CPOT linked organizations disrupted or dismantled.

Performance Measure: CPOT-linked DTOs Disrupted

FY 2015 Actual Performance: 136

FY 2016 Target: 50

*FY 2016 Actual Performance*¹: 72

Discussion of FY 2016 Results:

The FBI expects to surpass its FY 2016 target again this fiscal year for the number of CPOT linked organizations disrupted or dismantled. It is anticipated the FBI will continue to achieve greater efficiency linking cases to CPOTs that were not previously identified or documented; therefore, allowing higher documented production.

¹ Due to the requirement to disclose performance data in the MD&A before the close of the data entry period, reports of certain FY 2016 performance results should be considered tentative.



Management's Discussion and Analysis

Violent Gang Criminal Enterprises (VGCEs)

The mission of the FBI's Violent Gang Program is to address the VGCE threat in the U.S. by aggressively identifying, prioritizing, and targeting the most violent street and prison gangs whose activities constitute criminal enterprises. In January 1992, the FBI established the Safe Streets Violent Crime Initiative to attack gang and drug-related violence through the establishment of long-term, proactive, and coordinated teams of federal, state, and local law enforcement officers and prosecutors. The teams are manifested in Violent Gang Safe Streets Task Forces (VGSSTFs). As of September 30, 2016, the 170 VGSSTFs managed by the FBI were comprised of approximately 775 FBI Special Agents and 1,390 state, local, and other federal law enforcement officials.

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

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

Performance Measure: Number of Gangs/Criminal Enterprise Dismantlements (non-CPOT)

FY 2015 Actual Performance: 153

FY 2016 Target: 150

FY 2016 Actual Performance¹: 118

Discussion of FY 2016 Results:

The FBI did not meet its target for this measure in FY 2016. However, it should be noted through sustained, proactive, coordinated investigations utilizing sophisticated techniques and technological advances, the FBI did exceed its target for disruptions by achieving 1,345 in FY 2016. Combining short term, street-level enforcement activity with investigative techniques such as consensual monitoring, financial analysis and Title III wire intercepts, the FBI made significant achievements against the gang and criminal enterprise threat in FY 2016.

PROGRAM: White-Collar Crime (WCC)

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

¹ Due to the requirement to disclose performance data in the MD&A before the close of the data entry period, reports of certain FY 2016 performance results should be considered tentative.



Management's Discussion and Analysis

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

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

FY 2015 Actual Performance: 416

FY 2016 Target: 385

FY 2016 Actual Performance¹: 342

Discussion of FY 2016 Results:

Although the FY 2016 Actual Performance Metrics for Dismantlements was slightly lower than projected, the FBI notes no significant decrease in its efforts to dismantle criminal enterprises engaging in white-collar crimes. The FBI continues to utilize proactive investigative techniques and technological advances. Increased utilization of advanced techniques not commonly utilized in past WCC cases enabled significant investigative achievements against WCC threat actors. The FBI only reports dismantlement accomplishments upon the targeted organization's leadership, financial supply base and supply network being destroyed, such that the organization is incapable of operating and/or reconstituting itself. Accordingly, many FBI field offices wait until all subjects have been convicted and/or sentenced before claiming a dismantlement. As such statistics are entirely dependent on the judicial process, it is difficult to compare one year to another. The number reported above includes dismantlements claimed in corporate fraud, securities and commodities fraud, financial institution fraud, mortgage fraud, mass marketing fraud, money laundering, and health care fraud investigations conducted by the FBI. Dismantlement accomplishments associated with white-collar crime investigations conducted by the FBI's Public Corruption and Transnational Organized Crime programs were not included in this analysis.

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

The FBI has no required reportable performance measures for Strategic Goal 3.

¹ Due to the requirement to disclose performance data in the MD&A before the close of the data entry period, reports of certain FY 2016 performance results should be considered tentative.



ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

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

Internal Controls Program

FBI's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, revised December 21, 2004, the FBI conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA Section 2). The FBI also assessed whether its financial management systems conform to financial systems requirements (FMFIA Section 4). Based on the results of the assessments, the FBI provided reasonable assurance that its internal controls and financial management systems met the objectives of the FMFIA, with the exception of the reportable condition summarized below. A Corrective Action Plan was established to institute programs and/or controls to eliminate this condition.

FMFIA Section 2 – Reportable Conditions

The FBI designated National Security Letters (NSLs) under Section 2 as a reportable condition. In March 2007, the Office of the Inspector General (OIG) reported that the FBI's use of NSLs grew dramatically and shifted in focus since the enactment of the Patriot Act and that NSLs served as an indispensable investigative tool. The OIG found issues with the FBI's tracking, reporting, and guidance regarding NSL usage. A March 2008 follow-up review assessed the FBI's corrective actions and indicated the FBI and the Department had made significant progress in implementing the 2007 recommendations. Improvements included strengthening the controls and automated workflow governing the request, review, and approval of NSLs; field office monthly reconciliations of NSL usage; and improving the database used to track NSL use. The FBI's actions to remediate the March 2007 OIG findings were completed by June 2007. The FBI agreed to each of the recommendations proposed in the 2008 report and implemented the proposed changes where appropriate. Several of the recommendations, however, were rendered moot by the FBI's implementation of the NSL Subsystem. An August 2014 report on the FBI's progress in the implementation of recommendations from 2007 and 2009 reviews resulted in 11 additional recommendations. The FBI continues to dedicate personnel and resources to ensure appropriate use of NSLs and to provide responses to OIG recommendations as necessary.

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

In FY 2016, the FBI documented and assessed its significant business processes according to the requirements of DOJ's Implementation Plan for compliance with OMB Circular A-123, *Management's Responsibility for Internal Control*, revised December 21, 2004. The revised Circular A-123 re-examined internal control requirements for federal agencies in light of the requirements for publicly-traded companies



Management's Discussion and Analysis

implemented by the Sarbanes-Oxley Act of 2002. The full Circular A-123, *Appendix A: Internal Control Over Financial Reporting* assessment covered all processes deemed to be significant to the FBI and the DOJ. These processes were: Budget and Funds Management; Revenue and Receivables Management; Procurement; Property Management; Treasury and Fund Balance with Treasury; Human Resources; Financial Reporting; and Information Systems. The results of the assessment indicated no material weaknesses in the FBI's internal control over financial reporting as of June 30, 2016.

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 system requirements, applicable Federal accounting standards, and the application of the U.S. Government 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 FBI 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 FBI financial statement audit.

Legal Compliance

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

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 Improper Payments Information Act of 2002 (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 FBI assessed its activities for susceptibility to significant improper payments and conducted its payment recapture audit program. The FBI provided the results of both the risk assessment and payment recapture audit activities to the Department for the Department-level reporting in the FY 2016 Agency Financial Report.



POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

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

The Changing Threat

Threats from the Islamic State, the increase in violent crime in the U.S., and the increase in domestic and international terrorism attacks are all manifestations of the various threats the FBI faces and will continue to face in the near future.

The FBI continues to identify individuals who seek to join the ranks of foreign fighters traveling in support of the Islamic State of Iraq and the Levant, commonly known as ISIL, and also homegrown violent extremists who may aspire to attack the U.S. from within. These threats remain among the highest priorities for the FBI and the IC as a whole.

The U.S. continues to face a range of criminal, terrorist, and nation-state actor threats, such as organized crime syndicates seeking to defraud banks and corporations or spies seeking to steal defense and intelligence secrets. While these threats are not new, the means by which actors implement them are changing. Today, these actors engage via the Internet and other computer networks. These networks provide ample cover from attribution, making the identification of the intrusion difficult as the motive of the attacker – be it criminal, and terrorist or nation-state espionage – can remain unknown.

The foreign intelligence threat to the U.S. continues to increase as foreign powers seek to establish economic, military, and political preeminence and to position themselves to compete with the U.S. in economic and diplomatic arenas. Criminal threats continue in areas such as gang violence, transnational organized crime, civil rights, crimes against children, Indian country, fugitives, transportation crimes, and Southwest border.

Budget Environment

While threats to the U.S. continue to evolve, the FBI and the rest of the federal government must operate within resource constraints. In accordance with administration guidance, the FBI has taken many steps to effectively operate within its resource constraints. The FBI continues to identify opportunities to modernize operations and to automate and streamline processes. Such innovations include:

- Participation in the DOJ Data Center Transformation Initiative (DCTI).
- Establishment of the Support Services Transformation Office (SSTO) to eliminate individual-level IT solutions in favor of producing innovative and efficient IT systems for the entire Enterprise.

Hiring

The FBI is aggressively pursuing and processing qualified candidates to fill vacant positions. The FBI has participated in hundreds of career fairs during FY 2016, targeting minority candidates, those with specialized skills (e.g. language, legal, financial), and other top quality individuals. These aggressive recruiting efforts are intended to address the personnel vacancies efficiently and expeditiously. The FBI continues to utilize all available internal resources to surge support to short-staffed program activities, and to prioritize hiring for critical position vacancies, such as Special Agents and Intelligence Analysts.

DOJ Data Center Transformation

The DOJ and FBI have committed to operate smaller and smarter, aligning with the Federal Data Center Consolidation Initiative. Whether delivered onsite through a core enterprise facility or hosted in a commercial cloud, the transition of enterprise IT to a commodity-based services oriented model will give DOJ components—including the FBI—the opportunity to focus on their mission objectives through the use of efficient, effective, standard, and secure IT resources.



Management's Discussion and Analysis

The Data Center Optimization Initiative optimizes and standardizes IT infrastructure to improve operational efficiencies and agility, reduce the energy and real property footprint of existing data center facilities, enhance security posture, and better align the use of IT staff and labor resources supporting DOJ and FBI missions.

The DOJ will reduce the number of data centers that exist today and consolidate into three Core Enterprise Facilities (CEFs) by the end of FY 2019. The FBI will host two of the three CEFs in Clarksburg, WV and Pocatello, ID.

Business Transformation Initiatives

The FBI is engaged in business transformation initiatives to improve our customers' experience, increase process efficiencies, and comply with Government-wide initiatives. These efforts include implementation of UFMS upgrades to facilitate the transition to full Central Accounting Reporting System (CARS) reporting to meet Treasury mandates, implementation of electronic invoicing for commercial payments to address the OMB e-invoicing mandate and transition to the Government-wide Intragovernmental Payment, and Collection (IPAC) solution (G-Invoicing) in response to Treasury initiatives.

FBI Headquarters Consolidation

The FBI Headquarters consolidation project will bring together FBI components currently dispersed at many locations across the Washington D.C. area. More importantly, this project will provide the FBI with a center of operations to perform its critical national security, criminal investigative and critical partnership missions today, and for the next 50 years. Over the past two years, GSA and FBI have worked closely to perform many necessary studies for each site including security, environmental, traffic and other critical evaluations to validate the sites.

New Facilities

The FBI continues to work towards consolidating and improving its operations through the construction of modern facilities. The Consolidated Records Complex near Winchester, VA will provide a state-of-the-art facility to warehouse all of the FBI's paper records. It will employ a sophisticated automatic storage and retrieval system that will allow the FBI to find, pull and file records in a shortened period of time.

The FBI is increasing its presence at the U.S. Army Redstone Arsenal (RSA), Huntsville, Alabama. Historically, the FBI presence was the Hazardous Devices School (HDS), which provides basic, recertification, and advance training and certification for law enforcement and public safety bomb technicians. HDS was originally started by the U.S. Army at RSA in 1971; the FBI assumed administration of the program in 1980 and, this past September, full operational and instructional responsibility was transferred from the U.S. Army to the FBI. Annually, students attend HDS for training.

Guiding current and future projects is an on-going high-level strategic master plan effort. The FBI is working closely with RSA to identify potential sites for other FBI divisions and offices at RSA. This high-level plan is the basis for a current Environmental Assessment effort necessary for near term construction projects.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

While the statements have been prepared from the books and records of the FBI in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by OMB, the



Management's Discussion and Analysis

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.

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

INDEPENDENT AUDITORS' REPORTS



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KPMG LLP
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Washington, DC 20006

Independent Auditors' Report on the Financial Statements

Inspector General
U.S. Department of Justice

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

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice Federal Bureau of Investigation (FBI), which comprise the consolidated balance sheet as of September 30, 2016, and the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Federal Bureau of Investigation as of September 30, 2016, and its net costs, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Financial Statements Audited by Other Auditors

The accompanying consolidated financial statements of the FBI's as of September 30, 2015 and for the year then ended were audited by other auditors whose report thereon dated November 4, 2015, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the FBI's internal control over financial reporting, and our report dated November 4, 2016 on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FBI's internal control over financial reporting and compliance.

KPMG LLP

Washington, D.C.
November 4, 2016



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

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

Inspector General
U.S. Department of Justice

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

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

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

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

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



Purpose of this Report

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

KPMG LLP

Washington, D.C.
November 4, 2016



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

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

Inspector General
U.S. Department of Justice

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FBI's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996 (FFMIA)*. Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test of FFMIA disclosed no instances in which the FBI's financial management systems did not substantially comply with the (1) federal financial management system requirements, (2) applicable federal accounting standards, and (3) application of the United States Government Standard General Ledger at the transaction level.

Purpose of this Report

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

KPMG LLP

Washington, D.C.
November 4, 2016

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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

PRINCIPAL FINANCIAL STATEMENTS AND RELATED NOTES



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

Dollars in Thousands	2016	2015
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	\$ 4,417,713	\$ 4,271,474
Accounts Receivable (Note 5)	398,354	335,690
Other Assets (Note 8)	16,460	6,894
Total Intragovernmental	<u>4,832,527</u>	<u>4,614,058</u>
Cash and Other Monetary Assets (Note 4)	81,188	73,580
Accounts Receivable, Net (Note 5)	40,648	35,419
General Property, Plant and Equipment, Net (Note 7)	2,718,609	2,763,048
Advances and Prepayments	69,939	77,319
Other Assets (Note 8)	-	1
Total Assets	<u><u>\$ 7,742,911</u></u>	<u><u>\$ 7,563,425</u></u>
LIABILITIES (Note 9)		
Intragovernmental		
Accounts Payable	\$ 133,927	\$ 125,860
Accrued Federal Employees' Compensation Act Liabilities	32,273	33,322
Custodial Liabilities (Note 18)	864	19
Other Liabilities (Note 13)	145,551	123,437
Total Intragovernmental	<u>312,615</u>	<u>282,638</u>
Accounts Payable	334,929	440,845
Actuarial Federal Employees' Compensation Act Liabilities	201,737	193,721
Accrued Payroll and Benefits	155,051	115,112
Accrued Annual and Compensatory Leave Liabilities	300,507	283,758
Environmental and Disposal Liabilities (Note 10)	1,980	12,137
Seized Cash and Monetary Instruments (Note 12)	38,260	33,179
Contingent Liabilities (Note 14)	3,789	2,864
Other Liabilities (Note 13)	21,855	18,865
Total Liabilities	<u><u>\$ 1,370,723</u></u>	<u><u>\$ 1,383,119</u></u>
NET POSITION		
Unexpended Appropriations	\$ 2,798,520	\$ 2,631,892
Cumulative Results of Operations	3,573,668	3,548,414
Total Net Position	<u><u>\$ 6,372,188</u></u>	<u><u>\$ 6,180,306</u></u>
Total Liabilities and Net Position	<u><u>\$ 7,742,911</u></u>	<u><u>\$ 7,563,425</u></u>

Federal Bureau of Investigation

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



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

Dollars in Thousands

FY	Gross Costs		Less: Earned Revenues		Net Cost of Operations (Note 15)
	Intra-governmental	With the Public	Intra-governmental	With the Public	
Goal 1					
2016	\$ 1,575,606	\$ 4,040,424	\$ 310,818	\$ 8,582	\$ 319,400
2015	\$ 1,426,003	\$ 3,884,339	\$ 263,571	\$ 10,961	\$ 274,532
Goal 2					
2016	959,865	2,601,967	219,776	5,341	225,117
2015	914,346	2,641,172	299,471	7,056	306,527
Goal 3					
2016	294,711	495,759	366,631	195,091	561,722
2015	290,555	669,779	410,888	171,794	582,682
Total					
2016	<u>\$ 2,830,182</u>	<u>\$ 7,138,150</u>	<u>\$ 897,225</u>	<u>\$ 209,014</u>	<u>\$ 1,106,239</u>
2015	<u>\$ 2,630,904</u>	<u>\$ 7,195,290</u>	<u>\$ 973,930</u>	<u>\$ 189,811</u>	<u>\$ 1,163,741</u>

Goal 1 Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law
 Goal 2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law
 Goal 3 Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels

Federal Bureau of Investigation

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



U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2016 and 2015

Dollars in Thousands	2016	2015
Unexpended Appropriations		
Beginning Balances	\$ 2,631,892	\$ 2,640,676
Budgetary Financing Sources		
Appropriations Received	8,798,768	8,436,569
Appropriations Transferred-In/Out	(45,945)	(35,187)
Other Adjustments	(151)	-
Appropriations Used	(8,586,044)	(8,410,166)
Total Budgetary Financing Sources	166,628	(8,784)
Unexpended Appropriations	\$ 2,798,520	\$ 2,631,892
Cumulative Results of Operations		
Beginning Balances	\$ 3,548,414	\$ 2,979,505
Budgetary Financing Sources		
Appropriations Used	8,586,044	8,410,166
Nonexchange Revenues	-	21
Transfers-In/Out Without Reimbursement	131,600	548,515
Other Budgetary Financing Sources	(80,767)	-
Other Financing Sources		
Transfers-In/Out Without Reimbursement	10,911	25,800
Imputed Financing from Costs Absorbed by Others (Note 16)	247,408	257,696
Other Financing Sources	(7,849)	(10,836)
Total Financing Sources	8,887,347	9,231,362
Net Cost of Operations	(8,862,093)	(8,662,453)
Net Change	25,254	568,909
Cumulative Results of Operations	\$ 3,573,668	\$ 3,548,414
Net Position	\$ 6,372,188	\$ 6,180,306

Federal Bureau of Investigation

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



**U.S. Department of Justice
Federal Bureau of Investigation
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2016 and 2015**

Dollars in Thousands	2016	2015
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	\$ 1,997,091	\$ 1,321,242
Recoveries of Prior Year Unpaid Obligations	247,237	225,535
Other Changes in Unobligated Balances	(25,052)	(15,989)
Unobligated Balance from Prior Year Budget Authority, Net	2,219,276	1,530,788
Appropriations (discretionary and mandatory)	8,720,005	8,989,686
Spending Authority from Offsetting Collections (discretionary and mandatory)	1,211,877	1,181,101
Total Budgetary Resources	\$ 12,151,158	\$ 11,701,575
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total) (Note 17)	\$ 10,004,967	\$ 9,704,484
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,848,284	1,609,687
Unapportioned, Unexpired Accounts	1,953	98
Unexpired Unobligated Balance, End of Year	1,850,237	1,609,785
Expired Unobligated Balance, End of Year	295,954	387,306
Unobligated Balance - End of Year (Total)	2,146,191	1,997,091
Total Status of Budgetary Resources	\$ 12,151,158	\$ 11,701,575
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 2,835,687	\$ 2,783,840
New Obligations and Upward Adjustments (Total)	10,004,967	9,704,484
Outlays, Gross	(9,735,982)	(9,427,102)
Recoveries of Prior Year Unpaid Obligations	(247,237)	(225,535)
Unpaid Obligations, End of Year	2,857,435	2,835,687
Uncollected Payments:		
Uncollected Payments from Federal Sources, Brought Forward, October 1	(537,226)	(606,615)
Change in Uncollected Customer Payments from Federal Sources	(23,798)	69,389
Uncollected Customer Payments from Federal Sources, End of Year	(561,024)	(537,226)
Memorandum (non-add) Entries:		
Obligated Balance, Start of Year	\$ 2,298,461	\$ 2,177,225
Obligated Balance, End of Year	\$ 2,296,411	\$ 2,298,461
Budgetary Authority and Outlays, Net:		
Budgetary Authority, Gross (discretionary and mandatory)	\$ 9,931,882	\$ 10,170,787
Less: Actual Offsetting Collections (discretionary and mandatory)	1,215,877	1,274,292
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(23,798)	69,389
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	27,798	23,802
Budgetary Authority, Net (discretionary and mandatory)	\$ 8,720,005	\$ 8,989,686
Outlays, Gross (discretionary and mandatory)	\$ 9,735,982	\$ 9,427,102
Less: Actual Offsetting Collections (discretionary and mandatory)	1,215,877	1,274,292
Outlays, Net (discretionary and mandatory)	8,520,105	8,152,810
Less: Distributed Offsetting Receipts	(1,316)	(1,153)
Agency Outlays, Net (discretionary and mandatory)	\$ 8,521,421	\$ 8,153,963

Federal Bureau of Investigation

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



Notes to the Principal Financial Statements

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

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

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the FBI. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for Fiscal Years (FYs) 2016 and 2015, and as such, intra-entity transactions have not been eliminated. The consolidated financial statements do not include centrally administered assets and liabilities of the Federal Government



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

as a whole, such as General Services Administration (GSA) owned property and equipment, and borrowings from the public by the U.S. Department of the Treasury (Treasury), which may in part be attributed to the FBI.

D. Basis of Accounting

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

E. Non-Entity Assets

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

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

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

G. Accounts Receivable

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

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



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

H. Inventory and Related Property

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

The FBI used the purchase method, under Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property* to record OM&S. Per SFFAS No. 3, an exception to the consumption method is provided when (1) the OM&S are not significant amounts (2) they are in the hands of the end users for use in normal operations, or (3) it is not cost-beneficial to apply the consumption method. The purchase method may be used if any of these circumstances exist.

I. General Property, Plant, and Equipment

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

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

Below are the capitalization thresholds:

Type of Property	Threshold
Real Property	\$250
Personal Property	\$50
Aircraft	\$100
Internal Use Software	\$5,000

While the FBI owns some land, buildings, and other structures, it leases its headquarters building, field office buildings, and warehouse space from the GSA. The FBI also leases office space from non-governmental entities, both in the U.S. and abroad. The FBI, independently, enters into lease agreements for the purchase of property, equipment, buildings or facilities expressly for use in undercover investigative operations. These leases are classified as operating leases within the financial statements.



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

J. Advances and Prepayments

Advances and prepayments classified as assets include funds disbursed to finance operations that exceed the total expenditures incurred. This amount also includes advances of funds to Federal employees for official travel, and the balance of travel advances in excess of travel expenses claimed on reimbursement vouchers. When authorized by procurement regulations, payments made in advance of the FBI's receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenditures/expense when the related goods and services are received. Advances and prepayments involving other Federal agencies are classified as *Other Assets* on the balance sheet.

K. Seized Property

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

Cash in the custody of the FBI for evidentiary purposes is recognized as an asset on the balance sheet with an offsetting liability. Non-monetary valuable property held as evidence is disclosed in Note 6 and valued at the appraised or fair market value upon seizure, or, when market value could not be readily determined, as soon as reasonably possible. These items are not adjusted to any subsequent increases and decreases in estimated fair market value. Non-monetary valuable property is not recognized as assets on the balance sheet.

Quantities of illegal drugs and firearms held as evidence are disclosed in Note 6 in accordance with SFFAS No. 3, and Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*. Reported quantities of drugs include only substances over one kilogram (KG) that are laboratory-analyzed and confirmed.

L. Liabilities

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

M. Contingencies and Commitments

The FBI is party to various administrative proceedings, legal actions, and claims. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel considers 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



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered “remote.”

N. Annual, Sick, and Other Leave

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

O. Interest on Late Payments

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

P. Retirement Plans

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

- 1) Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). The FBI contributes 7.0 percent of the gross pay for regular employees 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 FBI contributes 13.7 percent of the gross pay for regular employees and for agents 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) System. The FBI 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 FBI contributes 11.9 percent of the gross pay for regular employees and 28.4 percent for law enforcement officers.



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

The accompanying financial statements report expenses incurred by the FBI for required contributions made to retirement accounts administered by the Office of Personnel Management (OPM). All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the FBI is required to contribute an additional 1.0 percent of gross pay and match employee contributions up to 4.0 percent. The FBI is not authorized to make automatic or matching contributions to the TSP for employees covered by the CSRS. The FBI's financial statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of OPM. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 16, Imputed Financing from Costs Absorbed by Others, for additional details.

The FBI recognizes an additional expense and an offsetting imputed financing source for FBI Pension and Other Retirement Benefits Expense not covered by employee and FBI contributions; this expense is ultimately paid by OPM. Refer to Note 16, Imputed Financing from Costs Absorbed by Others, for additional details.

Q. Federal Employee Compensation Benefits

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

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

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

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



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

R. Intragovernmental Activity

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

S. Revenues and Other Financing Sources

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

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

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

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



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

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 being financed by specifically identified revenues, provided to the government by non-Federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues.

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

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

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

U. Tax Exempt Status

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

V. Use of Estimates

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

W. Reclassifications

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

X. 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.



Notes to the Principal Financial Statements

2. Non-Entity Assets

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

As of September 30, 2016 and 2015		
	2016	2015
Intragovernmental		
Fund Balance with U.S. Treasury	\$ (2,471)	\$ (1,156)
With the Public		
Cash and Other Monetary Assets	58,768	50,658
Accounts Receivable, Net	1,746	-
Total With the Public	<u>60,514</u>	<u>50,658</u>
Total Non-Entity Assets	58,043	49,502
Total Entity Assets	<u>7,684,868</u>	<u>7,513,923</u>
Total Assets	<u>\$ 7,742,911</u>	<u>\$ 7,563,425</u>

3. Fund Balance with U.S. Treasury

As of September 30, 2016 and 2015		
	2016	2015
Fund Balances		
General Funds	\$ 4,420,184	\$ 4,272,630
Other Fund Types	(2,471)	(1,156)
Total Fund Balances with U.S. Treasury	<u>\$ 4,417,713</u>	<u>\$ 4,271,474</u>
Status of Fund Balances		
Unobligated Balance - Available	\$ 1,438,914	\$ 1,114,312
Unobligated Balance - Available in Subsequent Periods	409,370	495,375
Unobligated Balance - Unavailable	297,907	387,404
Obligated Balance not yet Disbursed	2,296,411	2,298,461
Other Funds (With)/Without Budgetary Resources	(24,889)	(24,078)
Total Status of Fund Balances	<u>\$ 4,417,713</u>	<u>\$ 4,271,474</u>

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

Unobligated Balance - Available includes current year apportionments that may be used for new obligations. Unobligated Balance - Available in Subsequent Periods includes amounts apportioned for

Federal Bureau of Investigation

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



Notes to the Principal Financial Statements

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

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

4. Cash and Other Monetary Assets

As of September 30, 2016 and 2015		
	2016	2015
Cash		
Imprest Funds	\$ 22,420	\$ 22,921
Other	20,508	17,480
Total Cash	<u>42,928</u>	<u>40,401</u>
Other Monetary Assets		
Seized Monetary Instruments	38,260	33,179
Total Cash and Other Monetary Assets	<u>\$ 81,188</u>	<u>\$ 73,580</u>

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

Other Cash consists of project generated proceeds.

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



Notes to the Principal Financial Statements

5. Accounts Receivable, Net

As of September 30, 2016 and 2015	2016	2015
Intragovernmental		
Accounts Receivable	\$ 398,354	\$ 335,690
With the Public		
Accounts Receivable	40,712	35,611
Allowance for Uncollectible Accounts	(64)	(192)
Total With the Public	40,648	35,419
Total Accounts Receivable, Net	\$ 439,002	\$ 371,109

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

6. Seized Property, Net

Analysis of Change in Seized Property:

Seized Monetary Instruments (see also Notes 4 and 12) includes cash held by the FBI as evidence for legal proceedings, and is reported on the balance sheet as an asset, with an offsetting liability. Non-monetary evidence includes art, jewelry, and other valuables (see Note 1.K). According to DOJ guidelines, evidence items subject to forfeiture are not disclosed by the seizing agency.

The item counts and financial value of non-monetary valuable property in the custody of the FBI as of September 30, 2016 and 2015, excluding forfeited property for evidentiary purposes, and activity during each fiscal year are summarized in the following charts in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*.

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

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

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

Federal Bureau of Investigation

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



Notes to the Principal Financial Statements

6. Seized Property, Net (continued)

For the Fiscal Year Ended September 30, 2016							
Seized Property Category		Beginning Balance	Adjustments*	Seizures	Disposals	Ending Balance	
Seized for Evidence							
Seized Monetary Instruments							
Value	\$	33,179	\$ (3,012)	\$ 18,267	\$ (10,174)	\$	38,260
Personal Property							
Number		317	60	37	(105)		309
Value	\$	5,531	\$ 1,339	\$ 609	\$ (3,376)	\$	4,103
Non-Valued							
Firearms							
Number		28,259	(901)	3,559	(2,759)		28,158
Drug Evidence							
Cocaine	KG	5,653	356	63	(613)		5,459
Heroin	KG	218	22	6	(8)		238
Marijuana	KG	1,313	84	52	(171)		1,278
Methamphetamine	KG	697	73	119	(42)		847
Other	KG	290	(5)	-	(76)		209
Total Drug Evidence		8,171	530	240	(910)		8,031

*Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category.



Notes to the Principal Financial Statements

6. Seized Property, Net (continued)

For the Fiscal Year Ended September 30, 2015											
Seized Property Category		Beginning Balance		Adjustments*		Seizures		Disposals		Ending Balance	
Seized for Evidence											
Seized Monetary											
Instruments	Value	\$	33,616	\$	(6,334)	\$	10,683	\$	(4,786)	\$	33,179
Personal Property											
	Number		350		(35)		75		(73)		317
	Value	\$	7,094	\$	(2,595)	\$	2,325	\$	(1,293)	\$	5,531
Non-Valued											
Firearms	Number		27,527		(157)		3,477		(2,588)		28,259
Drug Evidence											
Cocaine	KG		4,411		1,379		103		(240)		5,653
Heroin	KG		133		75		11		(1)		218
Marijuana	KG		1,020		73		251		(31)		1,313
Methamphetamine	KG		639		23		72		(37)		697
Other	KG		153		136		6		(5)		290
Total Drug Evidence			6,356		1,686		443		(314)		8,171

*Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category.

Method of Disposition of Seized Property:

During FYs 2016 and 2015, \$7,119 and \$2,306, respectively, were returned to parties with a bonafide interest, and \$6,431 and \$3,773, respectively, were either released to a designated party or transferred to the appropriate Federal entity under abandonment proceedings. Non-valued property was primarily disposed of through destruction.



Notes to the Principal Financial Statements

7. General Property, Plant and Equipment, Net

As of September 30, 2016				
	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Useful Life</u>
Land and Land Rights	\$ 6,667	\$ -	\$ 6,667	N/A
Construction in Progress	167,186	-	167,186	N/A
Buildings, Improvements, and Renovations	1,121,545	(383,069)	738,476	10-50 years
Other Structures and Facilities	59,426	(21,506)	37,920	10-50 years
Aircraft	369,907	(114,450)	255,457	5-30 years
Boats	9,927	(3,975)	5,952	5-25 years
Vehicles	154,404	(100,961)	53,443	2-25 years
Equipment	788,553	(501,837)	286,716	2-25 years
Leasehold Improvements	693,700	(354,617)	339,083	3-10 years
Internal Use Software	1,670,245	(941,429)	728,816	3-7 years
Internal Use Software in Development	98,893	-	98,893	N/A
Total	<u>\$ 5,140,453</u>	<u>\$ (2,421,844)</u>	<u>\$ 2,718,609</u>	

	<u>Federal</u>	<u>Public</u>	<u>Total</u>
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2016	<u>\$ 84,640</u>	<u>\$ 320,048</u>	<u>\$ 404,688</u>

As of September 30, 2015				
	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Useful Life</u>
Land and Land Rights	\$ 6,667	\$ -	\$ 6,667	N/A
Construction in Progress	350,658	-	350,658	N/A
Buildings, Improvements, and Renovations	798,390	(339,771)	458,619	10-50 years
Other Structures and Facilities	41,401	(19,875)	21,526	10-50 years
Aircraft	344,595	(98,922)	245,673	5-30 years
Boats	10,077	(3,625)	6,452	5-25 years
Vehicles	139,325	(96,740)	42,585	2-25 years
Equipment	761,145	(493,593)	267,552	2-25 years
Leasehold Improvements	678,185	(327,068)	351,117	3-10 years
Internal Use Software	1,615,830	(695,335)	920,495	3-7 years
Internal Use Software in Development	91,704	-	91,704	N/A
Total	<u>\$ 4,837,977</u>	<u>\$ (2,074,929)</u>	<u>\$ 2,763,048</u>	

	<u>Federal</u>	<u>Public</u>	<u>Total</u>
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2015	<u>\$ 94,044</u>	<u>\$ 305,072</u>	<u>\$ 399,116</u>



Notes to the Principal Financial Statements

8. Other Assets

As of September 30, 2016 and 2015		
	2016	2015
Intragovernmental		
Advances and Prepayments	\$ 16,460	\$ 6,894
Other Assets With the Public	-	1
Total Other Assets	<u>\$ 16,460</u>	<u>\$ 6,895</u>

Other Assets With the Public consist of cancelled US Treasury disbursements awaiting reissuance or cancellation by the FBI.

9. Liabilities not Covered by Budgetary Resources

As of September 30, 2016 and 2015		
	2016	2015
Intragovernmental		
Accrued FECA Liabilities	\$ 32,273	\$ 33,322
Other Unfunded Employment Related Liabilities	140	130
Total Intragovernmental	<u>32,413</u>	<u>33,452</u>
With the Public		
Actuarial FECA Liabilities	201,737	193,721
Accrued Annual and Compensatory Leave Liabilities	300,507	283,758
Environmental and Disposal Liabilities (Note 10)	1,980	12,137
Contingent Liabilities (Note 14)	3,789	2,864
Total With the Public	<u>508,013</u>	<u>492,480</u>
Total Liabilities not Covered by Budgetary Resources	540,426	525,932
Total Liabilities Covered by Budgetary Resources	830,297	857,187
Total Liabilities	<u>\$ 1,370,723</u>	<u>\$ 1,383,119</u>

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



Notes to the Principal Financial Statements

10. Environmental and Disposal Liabilities

In accordance with the Federal Accounting Standard Advisory Board’s (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, Federal Financial Accounting and Auditing Technical Release No. 2, *Environmental Liabilities Guidance*, and Federal Financial Accounting and Auditing Technical Release No. 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* Federal agencies are required to recognize liabilities for environmental cleanup costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

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

As of September 30, 2016 and 2015		
	2016	2015
Firing Ranges		
Beginning Balance, Brought Forward	\$ 1,326	\$ 831
Future Funded Expenses	178	495
Total Firing Range Liability	1,504	1,326
Asbestos		
Beginning Balance, Brought Forward	\$ 10,811	\$ 10,576
Inflation Adjustment	-	2
Future Funded Expenses	(10,335)	233
Total Asbestos Liability	\$ 476	\$ 10,811
Total Environmental and Disposal Liabilities	\$ 1,980	\$ 12,137

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

The FBI exercises due care in determining the presence of contamination in adherence to the law, rules and regulations, and policies of the Clean Air Act. The Facilities and Logistics Service Division, responsible for managing and maintaining FBI and non-FBI owned facilities, has identified FBI-owned facilities in Quantico that contain hazardous friable and non-friable asbestos. The facilities have a useful life of 50 years. The estimated total asbestos liability over the 50 year useful life is \$496, and is based on the square footage of the facilities that may be contaminated. This value divided by the useful life and



Notes to the Principal Financial Statements

10. Environmental and Disposal Liabilities (continued)

multiplied by the number of years in service, less any current year abatements, and adjusted for inflation is the estimated cleanup liability. The estimated asbestos cleanup liability is increased each quarter by recording future funded expenses for the asbestos cleanup costs.

EPA's Statement on National Guidance EPA-902-B-01-001 discusses the potential environmental impacts of firing ranges. The Facilities and Logistics Service Division, responsible for managing and maintaining FBI and non-FBI owned facilities, has identified FBI-owned range facilities in Quantico and El Toro that contain possible contamination issues based on the Federal Financial Accounting and Auditing Technical Release No. 2, *Environmental Liabilities Guidance* and EPA-902-B-01-001. Due care requires the agency to exert a reasonable effort to identify the presence or likely presence of contamination. Since no remedial investigation/feasibility study (RI/FS) has been completed and there are no comparable sites, remediation costs are not considered reasonably estimable at this time. Technical Release No. 2, *Environmental Liabilities Guidance* then requires the agency to recognize the anticipated cost of conducting a future study, plus any other identifiable costs, as a future environmental and disposal liability.

The estimated total firing range liability of \$1,504 is based on the estimated costs for contamination remediation. As of September 30, 2016 and 2015, the FBI reported the estimated firing range cleanup liability of \$1,504 and \$1,326, respectively.

There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2016.



Notes to the Principal Financial Statements

11. Leases

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

Typically, the minimum lease term for a Resident Agency (RA) is five years and the maximum is 15 years. The minimum lease term for a field office is 15 years and the maximum is 20 years. Some new leases for field offices and RAs will be noncancelable.

For field offices, lease terms that are scheduled to expire within the next five years are currently being analyzed. The FBI is relocating four field offices through FY 2021 and anticipate two additional if budget for construction is received in FY 2018. When field offices relocate, often from space leased for 20 years or longer, the rental rates may increase. The field offices that relocate will accommodate the FBI's growth in workforce, space needs, and increased security requirements.

As of September 30, 2016			
Future Noncancelable Operating Lease Payments Due			
<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2017	233,291	7,287	240,578
2018	245,306	-	245,306
2019	247,252	-	247,252
2020	236,891	-	236,891
2021	214,781	-	214,781
After 2021	1,827,093	-	1,827,093
Total Future Noncancelable Operating Lease Payments	<u>\$ 3,004,614</u>	<u>\$ 7,287</u>	<u>\$ 3,011,901</u>

12. Seized Cash and Monetary Instruments

Seized Cash and Monetary Instruments represents liabilities for seized assets held by the FBI pending disposition. The Seized Cash and Monetary Instruments as of September 30, 2016 and 2015 are \$38,260 and \$33,179, respectively.



Notes to the Principal Financial Statements

13. Other Liabilities

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

As of September 30, 2016 and 2015		
	<u>2016</u>	<u>2015</u>
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	\$ 53,184	\$ 38,804
Other Post-Employment Benefits Due and Payable	260	78
Other Unfunded Employment Related Liabilities	140	130
Advances from Others	93,756	84,158
Liability for Clearing Accounts	(2,727)	(1,337)
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	<u>938</u>	<u>1,604</u>
Total Intragovernmental	<u>145,551</u>	<u>123,437</u>
With the Public		
Advances from Others	1,091	1,228
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	-	(25)
Liability for Clearing Accounts	256	182
Other Liabilities	<u>20,508</u>	<u>17,480</u>
Total With the Public	<u>21,855</u>	<u>18,865</u>
Total Other Liabilities	<u>\$ 167,406</u>	<u>\$ 142,302</u>

14. Contingencies and Commitments

	<u>Accrued Liabilities</u>	<u>Estimated Range of Loss</u>	
		<u>Lower</u>	<u>Upper</u>
As of September 30, 2016			
Probable	\$ 3,789	\$ 3,789	\$ 6,003
Reasonably Possible	-	11,630	22,650
As of September 30, 2015			
Probable	\$ 2,864	\$ 2,864	\$ 6,294
Reasonably Possible	-	16,469	19,599



Notes to the Principal Financial Statements

15. Net Cost of Operations by Suborganization

The methodology by which the FBI allocates gross costs and earned revenue across the three Strategic Goals (SGs or Goal) is consistent with the methodology used to allocate the FBI's budget to the three SGs in the FY 2017 Authorization and Budget Request to Congress. The tables below and on the next page break out costs and revenue by these three SGs, as well as by FBI appropriation. These funds include new appropriations, transfers of appropriations from other Federal agencies, and the carry-over of prior years' unobligated balances for multi-year and no-year appropriated funds.

For the Fiscal Year Ended September 30, 2016				
	Suborganizations			
	CNST		S&E	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law				
Gross Cost	\$	13,149	\$ 5,602,881	\$ 5,616,030
Less: Earned Revenue		-	319,400	319,400
Net Cost of Operations		13,149	5,283,481	5,296,630
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law				
Gross Cost	\$	7,993	\$ 3,553,839	\$ 3,561,832
Less: Earned Revenue		-	225,117	225,117
Net Cost of Operations		7,993	3,328,722	3,336,715
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	\$	2,490	\$ 787,980	\$ 790,470
Less: Earned Revenue		-	561,722	561,722
Net Cost of Operations		2,490	226,258	228,748
Net Cost of Operations	\$	23,632	\$ 8,838,461	\$ 8,862,093



Notes to the Principal Financial Statements

15. Net Cost of Operations by Suborganization (continued)

For the Fiscal Year Ended September 30, 2015			
	Suborganizations		
	CNST	S&E	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law			
Gross Cost	\$ 32,870	\$ 5,277,472	\$ 5,310,342
Less: Earned Revenue	-	274,532	274,532
Net Cost of Operations	32,870	5,002,940	5,035,810
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	\$ 22,712	\$ 3,532,806	\$ 3,555,518
Less: Earned Revenue	-	306,527	306,527
Net Cost of Operations	22,712	3,226,279	3,248,991
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	\$ 5,375	\$ 954,959	\$ 960,334
Less: Earned Revenue	-	582,682	582,682
Net Cost of Operations	5,375	372,277	377,652
Net Cost of Operations	\$ 60,957	\$ 8,601,496	\$ 8,662,453

16. Imputed Financing from Costs Absorbed by Others

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

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

Federal Bureau of Investigation

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



Notes to the Principal Financial Statements

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

	Category	Cost Factor (%)
Civil Services	Regular Employees	33.5
Retirement System (CSRS)	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 Offset - RAE	34.1
	Law Enforcement Officers Offset - FRAE	34.1

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

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

For the Fiscal Years Ended September 30, 2016 and 2015		
	2016	2015
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	\$ 4,180	\$ 5,988
Health Insurance	187,182	162,366
Life Insurance	731	704
Pension	55,315	88,638
Total Imputed Financing	<u>\$ 247,408</u>	<u>\$ 257,696</u>



Notes to the Principal Financial Statements

17. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

The apportionment categories are determined in accordance with the guidance provided in Part 4, *Instructions on Budget Execution*, of OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B spending includes funds appropriated for digital technology upgrades and construction funding for projects, such as: the FBI's Secure Work Environment Program, Biometrics Technology Center, Health Care Fraud, Terrorist Explosive Device Analytic Center, Hazardous Devices School, DOJ Consolidated Data Center, and the training academy facility at Quantico, Virginia. Category B also includes mortgage fraud investigations, operations along the U.S. southwest border, Department of State funding, Hurricane Sandy supplemental, Law Enforcement Wireless Communication funding, and Spectrum AWS Funding.

	Direct New Obligations and Upward Adjustments	Reimbursable New Obligations and Upward Adjustments	Total New Obligations and Upward Adjustments
For the Fiscal Year Ended September 30, 2016			
Obligations Apportioned Under:			
Category A	\$ 8,640,571	\$ 1,045,873	\$ 9,686,444
Category B	316,008	2,515	318,523
Exempt from Apportionment	-	-	-
Total	<u>\$ 8,956,579</u>	<u>\$ 1,048,388</u>	<u>\$ 10,004,967</u>
For the Fiscal Year Ended September 30, 2015			
Obligations Apportioned Under:			
Category A	\$ 8,448,471	\$ 1,085,274	\$ 9,533,745
Category B	165,197	5,542	170,739
Total	<u>\$ 8,613,668</u>	<u>\$ 1,090,816</u>	<u>\$ 9,704,484</u>

Status of Undelivered Orders:

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

As of September 30, 2016 and 2015	2016	2015
UDO Obligations Unpaid	\$ 2,180,081	\$ 2,125,064
UDO Obligations Prepaid/Advanced	86,399	74,125
Total UDO	<u>\$ 2,266,480</u>	<u>\$ 2,199,189</u>

Federal Bureau of Investigation

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



Notes to the Principal Financial Statements

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

Legal Arrangements Affecting Use of Unobligated Balances:

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

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

The Statement of Budgetary Resources versus the Budget of the U.S. Government as of September 30, 2015 is presented below.

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 DOJ Budget Appendix can be found on the OMB website and will be available in early February 2017.

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

For the Fiscal Year Ended September 30, 2015 (Dollars in Millions)				
	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	\$ 11,702	\$ 9,704	\$ (1)	\$ 8,154
Funds not Reported in the Budget				
Expired Funds	(481)	(93)	-	-
Distributed Offsetting Receipts	-	-	1	(1)
Special and Trust Fund Receipts	-	-	-	-
Other	-	1	-	-
Budget of the United States Government	<u>\$ 11,221</u>	<u>\$ 9,612</u>	<u>\$ -</u>	<u>\$ 8,153</u>

18. Net Custodial Revenue Activity

For the fiscal years ended September 30, 2016 and 2015, the FBI collected \$3,376 and \$5,214, respectively, in restitution payments, seized abandoned cash, and project generated proceeds. These collections were incidental to the FBI's mission. Since the FBI does not have statutory authority to use these funds, the FBI remits these funds upon receipt to the U.S. Treasury's General Fund. As of September 30, 2016 and 2015, the FBI had custodial liabilities of \$864 and \$19, respectively.

Federal Bureau of Investigation

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



Notes to the Principal Financial Statements

19. Reconciliation of Net Cost of Operations to Budget

For the Fiscal Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Resources Used to Finance Activities		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	\$ 10,004,967	\$ 9,704,484
Less: Spending Authority from Offsetting Collections and Recoveries	<u>1,486,912</u>	<u>1,430,438</u>
Obligations Net of Offsetting Collections and Recoveries	8,518,055	8,274,046
Less: Offsetting Receipts	<u>(1,316)</u>	<u>(1,153)</u>
Net Obligations	8,519,371	8,275,199
Other Resources		
Transfers-In/Out Without Reimbursement	10,911	25,800
Imputed Financing from Costs Absorbed by Others (Note 16)	247,408	257,696
Other	<u>(7,849)</u>	<u>(10,836)</u>
Net Other Resources Used to Finance Activities	<u>250,470</u>	<u>272,660</u>
Total Resources Used to Finance Activities	8,769,841	8,547,859
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	(97,125)	13,376
Resources That Fund Expenses Recognized in Prior Periods (Note 20)	(11,206)	(15,295)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	79,464	(1,140)
Resources That Finance the Acquisition of Assets	(404,688)	(399,116)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	<u>44,670</u>	<u>7,111</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(388,885)</u>	<u>(395,064)</u>
Total Resources Used to Finance the Net Cost of Operations	\$ 8,380,956	\$ 8,152,795
Components of Net Cost of Operations That Did not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 20)	\$ 21,622	\$ 16,972
Depreciation and Amortization	442,056	477,671
Revaluation of Assets or Liabilities	17,884	25,754
Other	<u>(425)</u>	<u>(10,739)</u>
Total Components of Net Cost of Operations That Did not Require or Generate Resources in the Current Period	<u>481,137</u>	<u>509,658</u>
Net Cost of Operations	<u>\$ 8,862,093</u>	<u>\$ 8,662,453</u>

Federal Bureau of Investigation

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



Notes to the Principal Financial Statements

20. 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 \$540,426 and \$525,932 as of September 30, 2016 and 2015 respectively, are discussed in Note 9, Liabilities not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2016 and 2015		
	2016	2015
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Liabilities Not Covered by Budgetary Resources:		
Decrease in Environmental and Disposal Liabilities	\$ (10,157)	\$ -
Decrease in Actuarial FECA Liabilities	-	(6,949)
Decrease in Accrued FECA Liabilities	(1,049)	
Decrease in Contingent Liabilities	-	(8,283)
Decrease in Other Unfunded Employment Related Liabilities	-	(63)
Total Decrease in Liabilities Not Covered by Budgetary Resources	<u>(11,206)</u>	<u>(15,295)</u>
Total Resources that Fund Expenses Recognized in Prior Periods	<u>\$ (11,206)</u>	<u>\$ (15,295)</u>
Components That Will Require or Generate Resources in Future Periods		
(Increase)/Decrease in Exchange Revenue Receivable from the Public	\$ (130)	\$ (1,652)
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	(3,948)	3,541
Increase in Liabilities Not Covered by Budgetary Resources:		
Increase in Accrued Annual and Compensatory Leave Liabilities	16,749	13,858
Increase in Actuarial FECA Liabilities	8,016	-
Increase in Accrued FECA Liabilities	-	495
Increase in Contingent Liabilities	925	-
Increase in Other Unfunded Employment Related Liabilities	10	-
Increase in Environmental and Disposal Liabilities	-	730
Total Increase in Liabilities Not Covered by Budgetary Resources	<u>25,700</u>	<u>15,083</u>
Total Components That Will Require or Generate Resources in Future Periods	<u>\$ 21,622</u>	<u>\$ 16,972</u>

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)





**U.S. Department of Justice
Federal Bureau of Investigation
Combining Statement of Budgetary Resources
By Major Appropriation
For the Fiscal Year Ended September 30, 2016**

Dollars in Thousands	2016		
	<u>CNST</u>	<u>S&E</u>	<u>TOTAL</u>
Budgetary Resources:			
Unobligated Balance, Brought Forward, October 1	\$ 78,935	\$ 1,918,156	\$ 1,997,091
Recoveries of Prior Year Unpaid Obligations	11,158	236,079	247,237
Other Changes in Unobligated Balances	465	(25,517)	(25,052)
Unobligated Balance from Prior Year Budget Authority, Net	90,558	2,128,718	2,219,276
Appropriations (discretionary and mandatory)	308,982	8,411,023	8,720,005
Spending Authority from Offsetting Collections (discretionary and mandatory)	-	1,211,877	1,211,877
Total Budgetary Resources	\$ 399,540	\$ 11,751,618	\$ 12,151,158
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total) (Note 17)	\$ 80,155	\$ 9,924,812	\$ 10,004,967
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	319,385	1,528,899	1,848,284
Unapportioned, Unexpired Accounts	-	1,953	1,953
Unexpired Unobligated Balance, End of Year	319,385	1,530,852	1,850,237
Expired Unobligated Balance, End of Year	-	295,954	295,954
Unobligated Balance - End of Year (Total)	319,385	1,826,806	2,146,191
Total Status of Budgetary Resources	\$ 399,540	\$ 11,751,618	\$ 12,151,158
Change in Obligated Balance:			
Unpaid Obligations:			
Unpaid Obligations, Brought Forward, October 1	\$ 240,669	\$ 2,595,018	\$ 2,835,687
New Obligations and Upward Adjustments (Total)	80,155	9,924,812	10,004,967
Outlays, Gross	(128,852)	(9,607,130)	(9,735,982)
Recoveries of Prior Year Unpaid Obligations	(11,158)	(236,079)	(247,237)
Unpaid Obligations, End of Year	180,814	2,676,621	2,857,435
Uncollected Payments:			
Uncollected Payments from Federal Sources, Brought Forward, October 1	-	(537,226)	(537,226)
Change in Uncollected Customer Payments from Federal Sources	-	(23,798)	(23,798)
Uncollected Customer Payments from Federal Sources, End of Year	-	(561,024)	(561,024)
Memorandum (non-add) Entries:			
Obligated Balance, Start of Year	<u>\$ 240,669</u>	<u>\$ 2,057,792</u>	<u>\$ 2,298,461</u>
Obligated Balance, End of Year	<u>\$ 180,814</u>	<u>\$ 2,115,597</u>	<u>\$ 2,296,411</u>
Budgetary Authority and Outlays, Net:			
Budgetary Authority, Gross (discretionary and mandatory)	\$ 308,982	\$ 9,622,900	\$ 9,931,882
Less: Actual Offsetting Collections (discretionary and mandatory)	465	1,215,412	1,215,877
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	-	(23,798)	(23,798)
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	465	27,333	27,798
Budgetary Authority, Net (discretionary and mandatory)	<u>\$ 308,982</u>	<u>\$ 8,411,023</u>	<u>\$ 8,720,005</u>
Outlays, Gross (discretionary and mandatory)	\$ 128,852	\$ 9,607,130	\$ 9,735,982
Less: Actual Offsetting Collections (discretionary and mandatory)	465	1,215,412	1,215,877
Outlays, Net (discretionary and mandatory)	128,387	8,391,718	8,520,105
Less: Distributed Offsetting Receipts	-	(1,316)	(1,316)
Agency Outlays, Net (discretionary and mandatory)	<u>\$ 128,387</u>	<u>\$ 8,393,034</u>	<u>\$ 8,521,421</u>



**U.S. Department of Justice
Federal Bureau of Investigation
Combining Statement of Budgetary Resources
By Major Appropriation
For the Fiscal Year Ended September 30, 2015**

Dollars in Thousands	2015		
	<u>CNST</u>	<u>S&E</u>	<u>TOTAL</u>
Budgetary Resources:			
Unobligated Balance, Brought Forward, October 1	\$ 66,159	\$ 1,255,083	\$ 1,321,242
Recoveries of Prior Year Unpaid Obligations	10,694	214,841	225,535
Other Changes in Unobligated Balances	1,666	(17,655)	(15,989)
Unobligated Balance from Prior Year Budget Authority, Net	78,519	1,452,269	1,530,788
Appropriations (discretionary and mandatory)	115,000	8,874,686	8,989,686
Spending Authority from Offsetting Collections (discretionary and mandatory)	-	1,181,101	1,181,101
Total Budgetary Resources	\$ 193,519	\$ 11,508,056	\$ 11,701,575
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total) (Note 17)	\$ 114,584	\$ 9,589,900	\$ 9,704,484
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	78,837	1,530,850	1,609,687
Unapportioned, Unexpired Accounts	98	-	98
Unexpired Unobligated Balance, End of Year	78,935	1,530,850	1,609,785
Expired Unobligated Balance, End of Year	-	387,306	387,306
Unobligated Balance - End of Year (Total)	78,935	1,918,156	1,997,091
Total Status of Budgetary Resources	\$ 193,519	\$ 11,508,056	\$ 11,701,575
Change in Obligated Balance:			
Unpaid Obligations:			
Unpaid Obligations, Brought Forward, October 1	\$ 252,672	\$ 2,531,168	\$ 2,783,840
New Obligations and Upward Adjustments (Total)	114,584	9,589,900	9,704,484
Outlays, Gross	(115,893)	(9,311,209)	(9,427,102)
Recoveries of Prior Year Unpaid Obligations	(10,694)	(214,841)	(225,535)
Unpaid Obligations, End of Year	240,669	2,595,018	2,835,687
Uncollected Payments:			
Uncollected Payments from Federal Sources, Brought Forward, October 1	-	(606,615)	(606,615)
Change in Uncollected Customer Payments from Federal Sources	-	69,389	69,389
Uncollected Customer Payments from Federal Sources, End of Year	-	(537,226)	(537,226)
Memorandum (non-add) Entries:			
Obligated Balance, Start of Year	\$ 252,672	\$ 1,924,553	\$ 2,177,225
Obligated Balance, End of Year	\$ 240,669	\$ 2,057,792	\$ 2,298,461
Budgetary Authority and Outlays, Net:			
Budgetary Authority, Gross (discretionary and mandatory)	\$ 115,000	\$ 10,055,787	\$ 10,170,787
Less: Actual Offsetting Collections (discretionary and mandatory)	1,666	1,272,626	1,274,292
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	-	69,389	69,389
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	1,666	22,136	23,802
Budgetary Authority, Net (discretionary and mandatory)	\$ 115,000	\$ 8,874,686	\$ 8,989,686
Outlays, Gross (discretionary and mandatory)	\$ 115,893	\$ 9,311,209	\$ 9,427,102
Less: Actual Offsetting Collections (discretionary and mandatory)	1,666	1,272,626	1,274,292
Outlays, Net (discretionary and mandatory)	114,227	8,038,583	8,152,810
Less: Distributed Offsetting Receipts	-	(1,153)	(1,153)
Agency Outlays, Net (discretionary and mandatory)	\$ 114,227	\$ 8,039,736	\$ 8,153,963

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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

OTHER INFORMATION
(UNAUDITED)



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

Dollars in Thousands	2016	2015
What Money is Available to Spend?		
Total Resources	\$ 12,151,158	\$ 11,701,575
Less Amount Available but Not Agreed to be Spent	1,848,284	1,609,687
Less Amount Not Available to be Spent	297,907	\$ 387,404
Total Amounts Agreed to be Spent	\$ 10,004,967	\$ 9,704,484
How was the Money Spent?		
Personnel Compensation and Benefits		
1100 Personnel Compensation	\$ 3,780,130	\$ 3,655,324
1200 Personnel Benefits	1,625,275	1,466,436
1300 Former Personnel	374	3,559
Other Program Related Expenses		
2100 Travel and Transportation of Persons	225,925	209,766
2200 Transportation of Things	21,479	22,450
2300 Rent, Communications, and Utilities	979,023	\$ 1,011,860
2400 Printing and Reproduction	1,881	1,744
2500 Other Contractual Services	2,610,205	2,575,498
2600 Supplies and Materials	148,891	\$ 164,000
3100 Equipment	549,649	490,426
3200 Land and Structures	59,639	100,719
4200 Insurance Claims and Indemnities	1,696	2,702
4400 Refunds	800	-
Total Amounts Agreed to be Spent	\$ 10,004,967	\$ 9,704,484
Who did the Money go to?		
For Profit	\$ 2,525,756	\$ 2,617,191
Government	2,860,998	2,624,797
Employees	3,780,130	\$ 3,655,324
Other	838,083	\$ 807,172
Total Amounts Agreed to be Spent	\$ 10,004,967	\$ 9,704,484

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