



FEDERAL PRISON INDUSTRIES, INC. ANNUAL SPECIAL-PURPOSE FINANCIAL STATEMENTS FISCAL YEAR 2012

U.S. Department of Justice
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**FEDERAL PRISON INDUSTRIES, INC.
ANNUAL SPECIAL-PURPOSE
FINANCIAL STATEMENTS
FISCAL YEAR 2012**

**OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY**

This audit report contains the Annual Special-Purpose Financial Statements of the Federal Prison Industries, Inc. (FPI) for the fiscal years (FY) ended September 30, 2012, and September 30, 2011. Under the direction of the Office of the Inspector General (OIG), Cotton & Company LLP performed the FPI's audit in accordance with auditing standards generally accepted in the United States of America. The audit resulted in an unqualified opinion on the FY 2012 special-purpose financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles (GAAP). For FY 2011, the FPI also received an unqualified opinion on its special-purpose financial statements (OIG Report No. 12-07).

FPI's special-purpose financial statements were prepared by cross-walking their general-purpose financial statements, prepared in conformity with GAAP standards issued by the Financial Accounting Standards Board, to reflect the United States General Ledger account structure as established by the Department of Treasury Financial Management Service. Their purpose is to assist the Department of Justice in preparing the Department's consolidated financial statements, by reclassifying FPI's general-purpose financial statements into a standard format that will be consolidated with the Department's other reporting entities.

Cotton & Company LLP also issued reports on internal control over financial reporting and on compliance and other matters. For FY 2012, the auditors did not identify any significant deficiencies in the *Independent Auditors' Report on Internal Control over Financial Reporting*.

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

The OIG reviewed Cotton & Company 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 FPI's special-purpose financial statements, conclusions about the effectiveness of internal control, conclusions on whether the FPI's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations. Cotton & Company LLP is responsible for the attached auditors' reports dated November 5, 2012, and the conclusions expressed in the reports. However, our review disclosed no instances where Cotton & Company LLP did not comply, in all material respects, with auditing standards generally accepted in the United States of America.