



# **FEDERAL BUREAU OF INVESTIGATION ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2012**

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

Audit Report 13-11  
January 2013



# FEDERAL BUREAU OF INVESTIGATION ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2012

## 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, 2012, and September 30, 2011. 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 audit resulted in an unqualified opinion on the FY 2012 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles. For FY 2011, the FBI also received an unqualified opinion on its financial statements (OIG Report No. 12-16).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors did not identify any significant deficiencies in the FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting*. However, in the FY 2012 *Independent Auditors' Report on Compliance and Other Matters*, the auditors noted that the FBI's financial management systems did not substantially comply with federal financial management system requirements and the application of the U.S. Government Standard General Ledger at the transaction level as required by the *Federal Financial Management Improvement Act of 1996 (FFMIA)*. This non-compliance with the FFMIA was also reported for FY 2011.

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 FFMIA, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 5, 2012, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

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**FEDERAL BUREAU OF INVESTIGATION  
ANNUAL FINANCIAL STATEMENTS  
FISCAL YEAR 2012**

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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*

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### **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 and defend the 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, municipal, and international agencies and partners.

Director Robert Mueller sets the FBI priorities to communicate how the FBI would address 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 are listed in order of precedence. 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.

In Fiscal Year (FY) 2012, DOJ published an updated Strategic Plan under which the FBI now reports on all three DOJ Strategic Goals (SGs or Goals). The methodology by which the FBI allocates gross costs and earned revenue across the three SGs is consistent with the methodology used to allocate the FBI's budget to the three SGs in the FY 2013 Authorization and Budget Request to Congress. The three SGs are:

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

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

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.



## *Management's Discussion and Analysis*

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### **ORGANIZATION STRUCTURE**

Along with the FBI's headquarters (HQ or Headquarters) located in Washington, D.C., the FBI operates 56 field offices and approximately 370 resident agencies across the U.S. and its territories. The FBI also operates more than 60 Legal Attaché (Legat) offices and 14 sub-offices in 67 foreign countries worldwide.

As the FBI has grown, some Headquarters functions have moved to other locations. The Criminal Justice Information Services Division (CJIS) is located in Clarksburg, West Virginia. The Laboratory Division, Operational Technology Division, and the FBI Academy are located in Quantico, Virginia. Other specialized facilities, such as Regional Computer Forensic Laboratories, are located at various locations across the country.

FBI Headquarters 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, HQ is organized into five main 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.

In FY 2012, the FBI's appropriated staffing level consisted of 12,979 Special Agents, 3,038 Intelligence Analysts, and 18,002 professional staff along with an additional 3,213 reimbursable positions.

### **FINANCIAL STRUCTURE**

For purposes of executing its budget, the FBI's funds are organized into the following categories: appropriated single, multi-year, and no-year Salaries and Expenses funds; appropriated no-year Construction funds; and, no-year Violent Crime Reduction Program trust 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.

### **ANALYSIS OF FINANCIAL STATEMENTS**

The FBI's financial statements received an unqualified audit opinion for FYs 2012 and 2011. These financial statements have been 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 were \$6.7 billion as of September 30, 2012, an increase of \$211.7 million or three percent from the previous fiscal year's Total Assets of \$6.5 billion. This increase is primarily due to an increase in General Property, Plant and Equipment. The FBI attributes the majority of this increase to an increase in Internal Use Software and Construction in Progress. Internal Use Software increased due to the recording of the following completed software projects: Sentinel Agile, the Next Generation Identification (NGI) system, Orion, and Combined DNA Index System.

**Liabilities:** Total Liabilities were \$1.5 billion as of September 30, 2012, a decrease of \$52.2 million or three percent from the previous fiscal year's Total Liabilities of \$1.6 billion. This decrease is primarily due to decreases in Intragovernmental Accounts Payable and Contingent Liabilities, offset by an increase in non-federal Accounts Payable. The decrease in Intragovernmental Accounts Payable is primarily due to a



## *Management's Discussion and Analysis*

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decrease in Reimbursable Work Authorizations, where the FBI enters into an agreement with U.S. General Services Administration for contracted services to renovate or build work spaces for the FBI. The decrease in Contingent Liabilities is primarily due to the settlement of five prior cases. The increase in non-federal Accounts Payable is primarily due to an increase in accruals for services provided by consulting firms and labor and services for construction projects, mostly from existing vendors who provide continuing contracts/services with the FBI.

**Net Cost of Operations:** Total Net Cost of Operations were \$8.1 billion for the fiscal year ended September 30, 2012, an increase of \$117.1 million or one percent from the previous fiscal year's Total Net Cost of Operations of \$8.0 billion. This increase is primarily due to the enhancements and adjustments the FBI received in its FY 2012 appropriation including resources for Computer Intrusions, National Security Investigations, Violent Crime in Indian Country, and for the Weapons of Mass Destruction (WMD) Render Safe mission.

**Budgetary Resources:** Total Budgetary Resources were \$10.7 billion for the fiscal year ended September 30, 2012, an increase of \$341.2 million or three percent from the previous fiscal year's Total Budgetary Resources of \$10.3 billion. This increase is primarily due to an increase in Appropriations and Recoveries of Prior Year Unpaid Obligations. The FBI attributes the increase in appropriations to increased salaries and expenses and construction funding appropriated by Congress in FY 2012. The FBI attributes the increase in Recoveries of Prior Year Unpaid Obligations to deobligations relating to radio equipment and employee relocation, particularly for Spectrum and Prudential, respectively.

**Net Outlays:** Agency Outlays, Net were \$8.1 billion for the fiscal year ended September 30, 2012, an increase of \$132.4 million or two percent from the previous fiscal year's Agency Outlays, Net of \$7.9 billion. This increase is primarily due to an increase in appropriations for salaries and expenses and construction funding appropriated by Congress in FY 2012.



*Management's Discussion and Analysis*

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 2012	FY 2011	Change%
<b>Earned Revenue</b>	\$ 1,286,794	\$ 1,277,122	1%
<b>Budgetary Financing Sources</b>			
Appropriations Received	8,117,973	7,941,932	2%
Appropriation Transferred-In/Out	(60,821)	(61,176)	1%
Other Adjustments and Other Budgetary Financing Sources	-	(15,884)	100%
<b>Other Financing Sources</b>			
Transfers-In/Out Without Reimbursement	5,333	74,270	(93%)
Imputed Financing from Costs Absorbed by Others	276,722	305,129	(9%)
Other Financing Sources	(5,199)	(4,613)	(13%)
<b>Total</b>	<b>\$ 9,620,802</b>	<b>\$ 9,516,780</b>	<b>1%</b>

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

Strategic Goal (SG)	FY 2012	FY 2011	Change%
<b>SG 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law</b>			
Gross Cost	\$ 5,341,870	\$ 5,223,334	
Less: Earned Revenue	460,839	447,606	
<i>Net Cost</i>	<i>\$ 4,881,031</i>	<i>\$ 4,775,728</i>	2%
<b>SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law</b>			
Gross Cost	\$ 2,964,275	\$ 2,992,410	
Less: Earned Revenue	340,061	318,479	
<i>Net Cost</i>	<i>\$ 2,624,214</i>	<i>\$ 2,673,931</i>	(2%)
<b>SG 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels</b>			
Gross Cost	\$ 1,050,783	\$ 1,014,392	
Less: Earned Revenue	485,894	511,037	
<i>Net Cost</i>	<i>\$ 564,889</i>	<i>\$ 503,355</i>	12%
<b>Total Gross Cost</b>	<b>\$ 9,356,928</b>	<b>\$ 9,230,136</b>	
<b>Less: Total Earned Revenue</b>	<b>1,286,794</b>	<b>1,277,122</b>	
<b>Total Net Cost of Operations</b>	<b>\$ 8,070,134</b>	<b>\$ 7,953,014</b>	<b>1%</b>



## *Management's Discussion and Analysis*

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### **FY 2012 Financial Highlights**

**Strategic Goal 1, Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law**, includes the FBI's counterterrorism and counterintelligence investigations, intelligence collection and analysis, computer intrusions investigations, and the WMD program. In FY 2012, Goal 1 Net Cost was \$4.9 billion, a net increase of two percent from FY 2011. This increase is primarily attributed to enhancements received in FY 2012 in support of Goal 1 to include Computer Intrusions, National Security Investigations, and the WMD Render Safe mission.

**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 include: organized crime, drugs, violent crime, white-collar crime, and cyber crime. In FY 2012, Goal 2 Net Cost was \$2.6 billion, a net decrease of two percent from FY 2011. This decrease is primarily attributed to several offsets the FBI was required to take in FY 2012 including reductions to criminal task forces, personnel relocations, Resident Agency closures, Sentinel, and other information technology tools, a portion of which are scored to Goal 2.

**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, NGI, 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 2012, Goal 3 Net Cost was \$0.6 billion, a net increase of 12 percent from FY 2011. This increase is primarily attributed to personnel-related adjustments to base (e.g. health insurance premiums, retirement costs) included in the FBI's FY 2012 Appropriation.

### **PERFORMANCE INFORMATION**

#### **Data Reliability and Validity**

Data reliability and validity are critically important to the FBI's planning and performance. This document includes a discussion of data validation, verification, and data limitations for each performance measure presented. Each reporting component ensures that data meet the following criteria:

*At a minimum, performance data are considered reliable if transactions and other data that support performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained.*

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 2012 performance measures 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 2011 performance data from the FY 2011 MD&A. The FBI's FY 2013 Authorization and Budget Request to Congress documented these revisions. For FY 2012 MD&A performance estimates, the final results will be reflected in the FY 2014 President's Budget.



FY 2012 REPORT ON SELECTED ACCOMPLISHMENTS

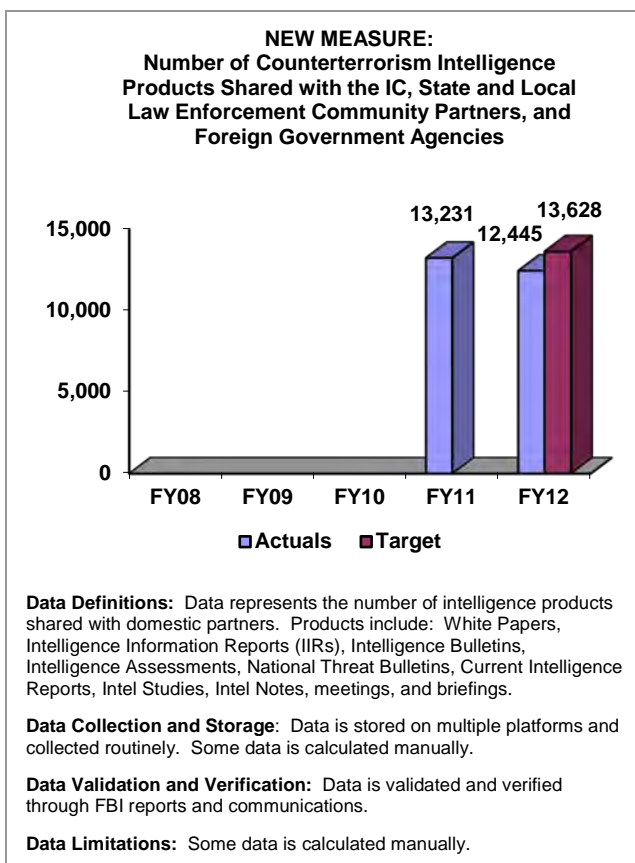
STRATEGIC GOAL 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law 60 percent of the FBI's Net Cost supports this Goal.

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 counterterrorism investigations are managed at FBI 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: NEW MEASURE: Number of Counterterrorism Intelligence Products Shared with the IC, State and Local Law Enforcement Community Partners, and Foreign Government Agencies

- FY 2003 Actual Performance: Not Available
FY 2004 Actual Performance: Not Available
FY 2005 Actual Performance: Not Available
FY 2006 Actual Performance: Not Available
FY 2007 Actual Performance: Not Available
FY 2008 Actual Performance: Not Available
FY 2009 Actual Performance: Not Available
FY 2010 Actual Performance: Not Available
FY 2011 Actual Performance: 13,231
FY 2012 Target: 13,628
FY 2012 Actual Performance: 12,445



Discussion of FY 2012 Results: The FBI missed its target for this measure in FY 2012. Broken down by quarter, the number of intelligence products shared with the IC and state and local law enforcement community partners were 2,869; 3,168; 3,061; and 3,347; respectively. Based on feedback received from Other Government Agency (OGA), IC, and law enforcement partners, CTD emphasized the production of high-value IIRs which addressed priority intelligence gaps or provided actionable intelligence to IC and law enforcement partners over low-value IIRs which served only to flood the system with non-actionable intelligence or information of little-to-no intelligence value. Although the emphasis on high-value IIRs resulted in missing the FY 2012 target, the change has been well-received by OGA, IC, and law enforcement partners. CTD executive management will continue to focus on increased intelligence sharing in the effort to combat the terrorist threat.



## *Management's Discussion and Analysis*

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**STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law** *33 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.

#### Violent Gang Criminal Enterprises (VGCEs)

The mission of the FBI's Violent Gang Subprogram 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, 2012, the 164 VGSSTFs managed by the FBI included approximately 815 FBI Special Agents and 1,440 state, local, and other federal law enforcement officials.

Through VGSSTFs, the FBI pursues violent gangs through sustained, pro-active, 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 amongst 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 like 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 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.



## Management’s Discussion and Analysis

**Performance Measure:** NEW MEASURE: Number of Gang Arrests Resulting from Coordination of Gang Investigations

**FY 2003 Actual Performance:** 3,837

**FY 2004 Actual Performance:** 4,162

**FY 2005 Actual Performance:** 4,726

**FY 2006 Actual Performance:** 5,357

**FY 2007 Actual Performance:** 7,256

**FY 2008 Actual Performance:** 7,792

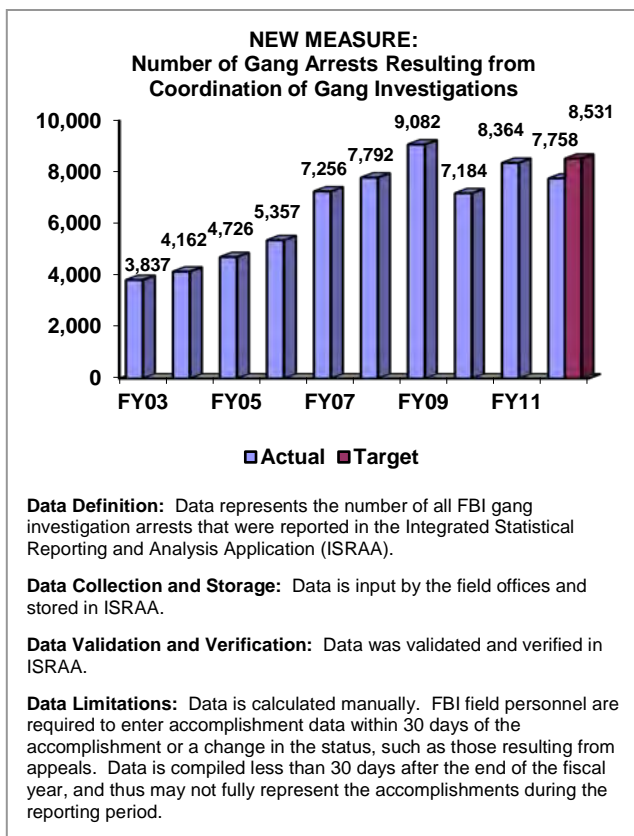
**FY 2009 Actual Performance:** 9,082

**FY 2010 Actual Performance:** 7,184

**FY 2011 Actual Performance:** 8,364

**FY 2012 Target:** 8,531

**FY 2012 Actual Performance:** 7,758



**Discussion of FY 2012 Results:** The FBI has not met its target for this measure in FY 2012. However, as discussed in the Data Limitations (see chart), the FBI expects an additional increase in the final results for this measure due to FBI field personnel having until the end of the month to submit their statistics into the FBI’s internal statistical accomplishments tracking system. The final end of year performance data for this measure will be reflected in DOJ’s FY 2012 Violent Crime Priority Goal reporting process.

In comparison to FY 2011, the FBI has exceeded many statistical accomplishments for FY 2012. While the FBI’s VGSSTFs fell short of their target of 8,531 arrests for FY 2012, VGSSTFs dismantled 123 criminal organizations – the second highest dismantlement total of the past 13 fiscal years. In addition, FBI Special Agents and task force officers posted a greater number of indictments/informations, convictions, and disruptions. The FBI views indictments, convictions, disruptions, and dismantlements as more relevant measures as these statistical accomplishments show a greater impact on combating violent gangs. As of September 30, 2012, the VGSSTFs arrested 7,758 individuals; filed indictments/informations against 4,292 subjects; convicted 3,149 defendants; and disrupted the activities of 1,557 criminal enterprises.

The FBI recognizes that violent gangs are one of the biggest threats in the U.S. as 52 out of 56 FBI field offices have ranked violent gangs as a priority criminal threat. VGSSTFs are examples of the FBI’s longstanding and continued commitment to address violent gang activity across the U.S. As of September 30, 2012, the FBI’s safe streets and gang unit administered 164 VGSSTFs nationwide. Due to current budget constraints faced by the U.S. Government (USG), it is vital that the FBI continue to maximize its resources by partnering together to combat this pervasive threat.





## Management's Discussion and Analysis

**Performance Measure:** NEW MEASURE: Number of Intelligence Products to Support Federal, State, and Local Law Enforcement

**FY 2003 Actual Performance:** Not Available

**FY 2004 Actual Performance:** Not Available

**FY 2005 Actual Performance:** Not Available

**FY 2006 Actual Performance:** Not Available

**FY 2007 Actual Performance:** Not Available

**FY 2008 Actual Performance:** Not Available

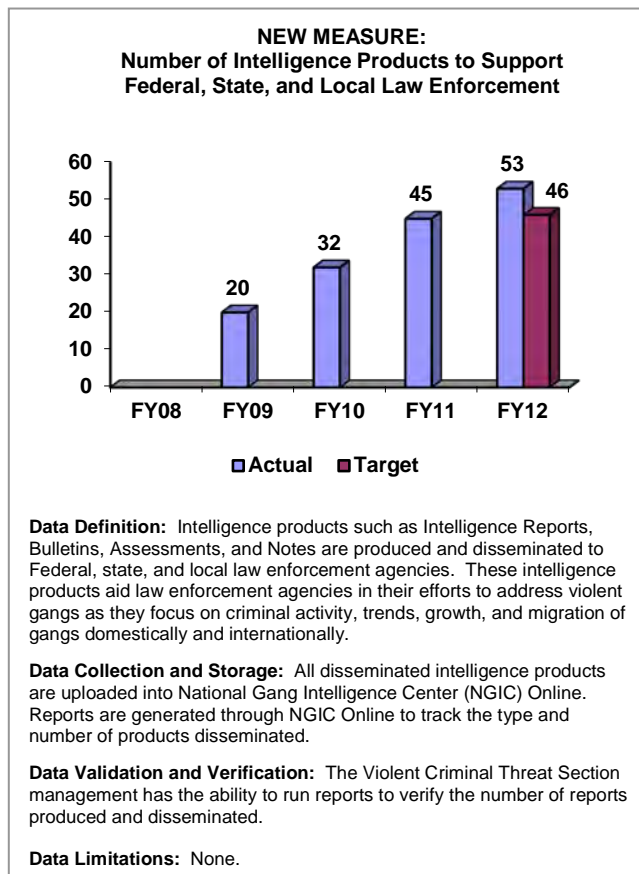
**FY 2009 Actual Performance:** 20

**FY 2010 Actual Performance:** 32

**FY 2011 Actual Performance:** 45

**FY 2012 Target:** 46

**FY 2012 Actual Performance:** 53



**Discussion of FY 2012 Results:** The FBI met and exceeded its target for this measure in FY 2012 for the number of intelligence products produced in support of federal, state, and local investigations that are focused on gangs posing a significant threat to the U.S. NGIC integrates intelligence from across federal, state, and local law enforcement communities on the growth, migration, criminal activity, and association of violent gangs. NGIC supports law enforcement by sharing timely and accurate information and by providing strategic, tactical, and analytical intelligence products. Products are defined as intelligence products that have a nexus to gang matters. These intelligence products include Intelligence Bulletins, Intelligence Assessments, Intelligence Reports, Situational Awareness Bulletins, and Gang Information Reports. NGIC projected it would produce and disseminate 46 intelligence products in FY 2012. However, NGIC surpassed this goal by producing 53 intelligence products.

In order to accomplish the target set for this measure, NGIC conducted outreach to law enforcement organizations to promote the existence and use of NGIC Online. Through NGIC Online, investigators throughout the country can submit requests for intelligence and analytical support electronically and receive the resulting analytical products electronically. NGIC Online also allows the requestor to check the status of the request online. As a result of the successful implementation of NGIC Online, law enforcement officers can obtain gang intelligence more quickly and effectively. NGIC Online thus represents, and promotes, the efficient use of law enforcement resources.

### 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.



## Management's Discussion and Analysis

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 2003 Actual Performance:** 15

**FY 2004 Actual Performance:** 12

**FY 2005 Actual Performance:** 18

**FY 2006 Actual Performance:** 17

**FY 2007 Actual Performance:** 15

**FY 2008 Actual Performance:** 18

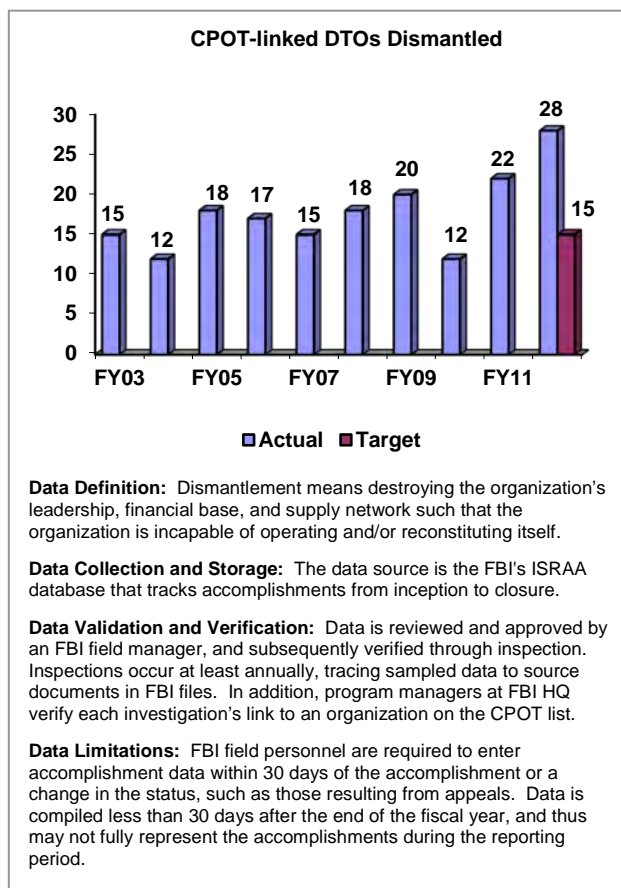
**FY 2009 Actual Performance:** 20

**FY 2010 Actual Performance:** 12

**FY 2011 Actual Performance:** 22

**FY 2012 Target:** 15

**FY 2012 Actual Performance:** 28



**Discussion of FY 2012 Results:** The FBI met and exceeded its target for this measure in FY 2012.

In FY 2012, the FBI continued implementing the Southwest Border Strategy which includes the establishment of a Latin America/Southwest Border Threat Section in the Criminal Investigative Division. The section has allowed the FBI to dedicate more direct appropriation resources to the threats along the Southwest Border, including numerous Mexican Criminal Enterprises.

The FBI is also a partner on the Organized Crime Drug Enforcement Task Force (OCDETF) Strike Forces. This partnership fosters the intelligence sharing and coordination necessary to achieve an intelligence-driven, multi-agency strategic enforcement approach to investigations. The OCDETF Executive Office has established co-located Strike Forces in key cities around the country. These Strike Forces serve a dual purpose through aggressively targeting CPOT and high-level trafficking organizations and functioning as a central point of contact for OCDETF agents and prosecutors nationwide by gathering intelligence and disseminating investigative leads throughout the country. The OCDETF Strike Forces advance drug trafficking investigations by bringing together the resources and expertise of OCDETF's participating investigative agents and prosecutors. By coordinating these efforts, the participants eliminate superfluous efforts and save valuable resources.



## Management's Discussion and Analysis

As stated in the data limitations, it should be noted that there is a potential lag in the reporting of the data for this measure, meaning that the final result may ultimately vary from this report. Final results will be reflected in the FY 2014 President's Budget.

### Performance Measure: CPOT-linked DTOs Disrupted

*FY 2003 Actual Performance:* 41

*FY 2004 Actual Performance:* 27

*FY 2005 Actual Performance:* 25

*FY 2006 Actual Performance:* 36

*FY 2007 Actual Performance:* 45

*FY 2008 Actual Performance:* 50

*FY 2009 Actual Performance:* 35

*FY 2010 Actual Performance:* 40

*FY 2011 Revised Performance:* 54

*FY 2012 Target:* 30

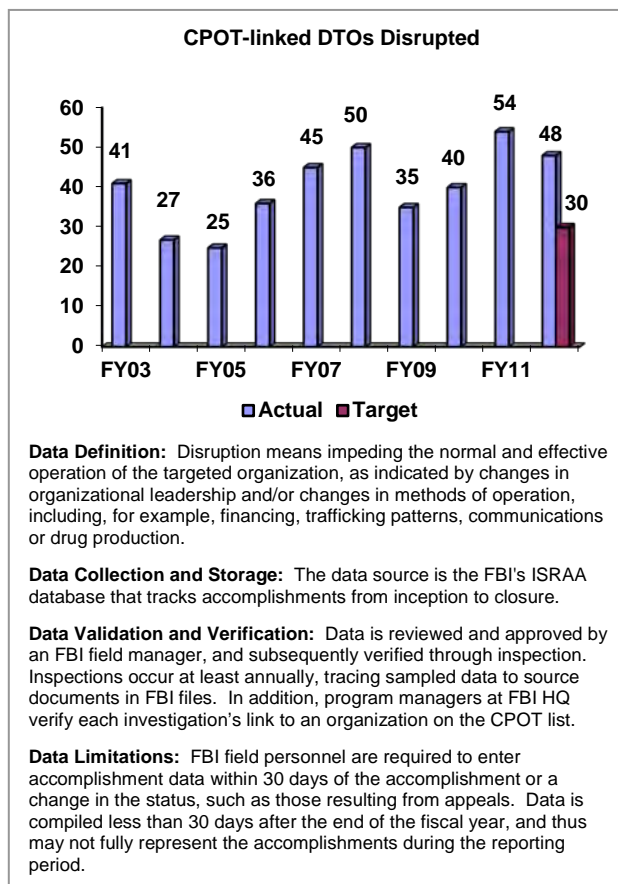
*FY 2012 Actual Performance:* 48

**Discussion of FY 2012 Results:** The FBI met and exceeded its target for this measure in FY 2012.

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As stated in the data limitations, it should be noted that there is a potential lag in the reporting of the data for this measure, meaning that the final result may ultimately vary from this report. FY 2012 final results will be reflected in the FY 2014 President's Budget.





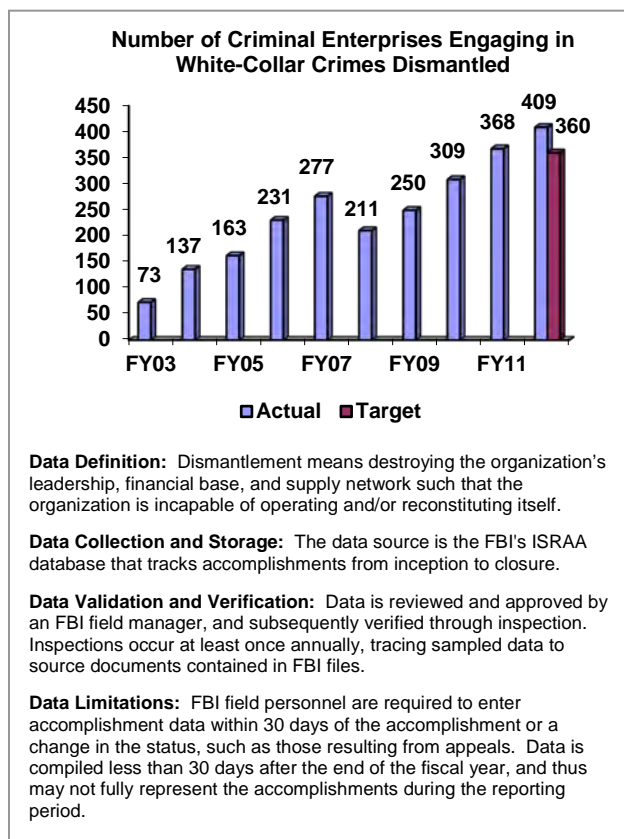
**PROGRAM: White-Collar Crime**

**Background/Program Objectives:** The FBI's White-Collar Crime (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.

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 2003 Actual Performance:* 73
- FY 2004 Actual Performance:* 137
- FY 2005 Actual Performance:* 163
- FY 2006 Actual Performance:* 231
- FY 2007 Actual Performance:* 277
- FY 2008 Actual Performance:* 211
- FY 2009 Actual Performance:* 250
- FY 2010 Actual Performance:* 309
- FY 2011 Revised Performance:* 368
- FY 2012 Target:* 360
- FY 2012 Actual Performance:* 409



**Discussion of FY 2012 Results:** The FBI met and exceeded its target for this measure in FY 2012 through proactive investigative techniques and technological advances. Increased utilization of Group I Undercover Operations, Title IIIs, and other advanced techniques not commonly utilized in past WCC cases enabled significant investigative achievements against WCC threat actors.

As stated in the data limitations, it should be noted that there is a potential lag in the reporting of the data for this measure, meaning that the final result may ultimately vary from this report. FY 2012 final results will be reflected in the FY 2014 President's Budget.



## *Management's Discussion and Analysis*

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**STRATEGIC GOAL 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels 7 percent of the FBI's Net Cost supports this Goal.**

### **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**

Management of the FBI 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*, 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 conditions and nonconformances summarized below. Corrective Action Plans were established to institute programs and/or controls to eliminate these conditions.

#### **FMFIA Section 2 – Reportable Conditions**

The FBI designated two items under Section 2 as reportable conditions:

- **National Security Letters (NSLs):** 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 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 and validated prior to December 31, 2008. 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. The FBI continues to dedicate personnel and resources to ensure appropriate use of NSLs.
- **Management of the Sentinel Program:** The Government Accountability Office (GAO) audited the FBI's delivery of the Sentinel Program during FY 2007, to evaluate the FBI's use of effective acquisition



## *Management's Discussion and Analysis*

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practices and the basis for estimating schedule and costs. Based on the report, the FBI was managing the Sentinel program in accordance with many approved key system acquisition best practices and had established several successful processes for identifying and mitigating associated risks. The GAO also found the FBI was not in accordance with best practices concerning overseeing contractors, and the process to formulate the program's schedule and cost estimates did not adhere to governmental best practices. The FBI works actively with GAO to ensure the FBI is using best practices in different approaches for development (e.g., agile development). The FBI completed remediation and provided additional information to GAO in 2010. Subsequently, GAO has changed the status of the recommendation to closed and implemented. The FBI will discontinue reporting on this issue in FY 2013.

### **FMFIA Section 4 – Nonconformances**

The FBI provided reasonable assurance that its internal control over financial management systems was operating effectively, except for three system nonconformances as summarized below:

- **Financial Systems Compliance:** The FBI's Financial Management System (FMS) was inadequate and audit reports indicated there were concerns regarding its compliance with financial systems requirements. The FBI and the DOJ's Chief Information Officer addressed the most severe findings to minimize financial reporting risks until the DOJ Unified Financial Management System (UFMS) is implemented.
- **Inadequate Accountability Over the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Funding of Health Care Fraud Investigations:** In a response to an April 2005 GAO report, the FBI concurred that it did not adequately monitor use of health care fraud investigative resources. Due to the limitations of the FMS, the FBI was not in a position to determine whether all transferred funds were spent for the purpose provided. The GAO provided four recommendations, two enhancing the FBI's accountability over the HIPAA transfers and two augmenting the new UFMS cost-tracking capabilities in the long term. Enhancements to the FBI's accountability were completed and the remaining recommendations will be completed with the implementation of UFMS.
- **Management of Confidential Case Funds and Telecommunication Costs:** Reviewing cases between 2004 and 2006, a January 2008 OIG report on the FBI Management of Confidential Case Funds and Telecommunication Costs noted that the FBI's FMS, "lacks the controls necessary to prevent theft and, as such, is not an effective financial system for FBI employees to use to account for and approve confidential case funds." The OIG provided 16 recommendations to improve the FBI's internal financial controls related to the tracking, payment, and processing of undercover telecommunications expenses and case funds. The FBI initiated actions - many of them independent of the OIG audit - to improve processes and provide additional oversight of confidential case funds. Of the 16 recommendations, the OIG has considered the FBI's actions sufficient to resolve all recommendations and close 11; the FBI is awaiting the OIG's final determination as to whether additional actions were sufficient to close the remaining five recommendations.

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

In FY 2012, 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 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 Department of Justice. These processes were: Budget and Funds Management, Revenue and Receivables



## *Management's Discussion and Analysis*

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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, 2012.

### **Federal Financial Management Improvement Act of 1996**

The Federal Financial Management Improvement Act of 1996 (FFMIA or Act) was designed to improve federal financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. FFMIA requires agencies to have financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. 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 states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

### **FFMIA Compliance Determination**

During FY 2012, the FBI performed a self-assessment, and documented several areas in which its key financial management systems, principally FMS, have a moderate risk of not providing reliable and consistent information for decision-making. As a result, the FBI reported several instances in which its key financial management systems do not comply with certain provisions of FFMIA.

- **Federal Financial Management System Requirements:** The FBI relies upon several systems to provide financial information that is necessary to support their financial management needs. These systems, other than the FMS, include the Property Management Application, Vehicle Management Application, the Fixed Assets module of FMS, and the Reimbursable Agreement Management System. The FBI's core financial systems are not integrated through a common database or interfaced electronically to meet data and processing requirements.
- **Transactions Entered at the Standard General Ledger Level:** The FBI's financial management systems are not currently configured to use the USSGL at the transaction level. Specifically, certain transactions are processed outside of the FBI's core financial accounting system, but are not recorded at the transaction level using the USSGL. These transactions must be modified when recorded into the core financial accounting system through a manual or automated batch transaction process.

### **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.



## **POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS**

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

#### **The Changing Threat**

Over the past decade, the FBI has overhauled its counterterrorism operations, expanded its intelligence capabilities, modernized its business practices and technology, and improved coordination with its partners. However, the U.S. continues to face significant challenges to national security from increasingly sophisticated internal and external threats. In addition to established and lone wolf actors, the U.S. faces WMD, foreign intelligence, cyber, and criminal threats, in areas such as public corruption, complex financial crimes, violent gangs, and violent crime. Significant advances in global technological markets over the past few years have increased the risk of the FBI's technical capabilities falling significantly behind those of our adversaries. To avert this risk and to enhance the FBI's capabilities to combat rapidly changing cyber threats, the FBI is in the process of implementing its Next Generation Cyber initiative. The initiative will more strategically focus the efforts of the FBI's Cyber Division on the greatest cyber threat – intrusions into government and industry computers and networks.

Not all threats to the U.S. come from abroad. In FY 2012, the FBI and the broader IC dedicated significant time and resources to the Insider Threat. Executive Order (EO) 13587, *Structural reforms to improve the security of classified networks and the responsible sharing and safeguarding of classified networks*, identifies DOJ and the Office of the Director of National Intelligence as lead agencies to ensure compliance with the EO mandates across the IC. Due to this EO, the FBI leads the initiative to develop policies and standards, assist the USG components with implementing effective insider threat programs, conduct assessments of existing programs, and produce and share training materials with all USG agencies and partners.

#### **The Gang Threat**

Gangs are expanding, evolving and posing an increasing threat to communities nationwide. Gangs continue to commit criminal activity, recruit new members in urban, suburban, and rural regions across the U.S., and develop criminal associations that expand their influence over criminal enterprises, particularly street-level drug sales. The most notable emerging trends have been the overall increase in gang membership, and the expansion of criminal street gangs' control of street-level drug sales and collaboration with rival gangs and other criminal organizations.

Gangs are sophisticated criminal networks with members who are violent, distribute wholesale quantities of drugs, and develop and maintain close working relationships with members and associates of transnational criminal/DTOs. They are becoming more violent while engaging in less typical and lower-risk crime, such as prostitution and white-collar crime. Furthermore, gangs are more adaptable, organized, sophisticated, and opportunistic, exploiting new and advanced technology as a means to recruit, communicate discretely, target their rivals, and perpetuate their criminal activity.

#### **Constrained Budget Environment**

While the threats facing the U.S. continue to evolve, the FBI and the rest of the federal government must operate within resource constraints. Due to the high national debt and the overall state of the economy, federal spending is being closely scrutinized. In accordance with recent OMB memorandum, 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:

- Implementation of new space allocation standards. The new standards reduce office sizes, consolidate special purpose rooms, and reduce the anticipated growth factor for facilities. The FBI also reduced the





## *Management's Discussion and Analysis*

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standard furniture workstation size and is currently in the process of researching and acquiring standard benching workstations to further increase space density.

- Consolidation of FBI public access phone lines scattered across the country to one central location, freeing up personnel in the field offices to meet unaddressed operational requirements.
- Adjustment of the FBI's fleet replacement and usage policies.
- Contractor conversions into less expensive government positions. The FBI's FY 2012 Operating Plan included 550 positions in support of this effort and the FBI anticipates requesting additional conversions in the future.

### **Strategy Management System (SMS)**

How does an organization as large, complex, and diverse as the FBI – with a dual law enforcement and national security mission – evolve to stay ahead of threats to its nation?

In today's environment, the FBI needs a clear, long-term strategy to achieve the mission, and a way to manage that strategy to ensure the organization is positioned to address both current and future threats.

Based on the widely utilized Balanced Scorecard methodology, the FBI SMS is the management tool that the FBI Director and senior leaders use to manage the FBI strategy and test whether the strategy is working. Is the FBI headed in the right direction over the next three to five years? Are FBI resources aligned to its highest priorities and greatest risks? Which capabilities and internal processes does the FBI need to enhance? What new training and technology must the FBI provide to its people so they can accomplish the dual mission? These are the types of questions that the SMS framework seeks to answer.

SMS has four key components: Strategic Shifts (FBI vision), Strategy Map (FBI strategy), strategic measures and targets, and priority initiatives. Starting in FY 2006, and continually refined since, SMS enables all Bureau employees to speak the same language with regard to strategic planning and execution. Today, SMS is used to help drive program management, budget, inspection, and overall accountability for performance.

### **Unified Financial Management System (UFMS)**

On October 1, 2012, the FBI deployed UFMS Phase II to CJIS; the Chicago, Louisville, and Pittsburgh field offices; the Ottawa Legat; and Finance Division (FD) headquarters along with limited functionality for the budgetary personnel in the Cyber Division; Counterintelligence Division; CTD; Criminal Investigative Division; and Critical Incident Response Group. The FBI kicked off its UFMS implementation on November 15, 2010, anticipating enterprise-wide deployment in FY 2014. Since then, the FBI established and staffed its UFMS Project Management Office and established the FBI UFMS Project Team site at the Financial Systems Implementation Office facility in McLean, Virginia. The UFMS Project Team documented and validated the current business process environment; identified FBI specific business processes; completed requirement gathering sessions used to identify and validate the FBI's system requirements; documented and verified the FBI UFMS future business processes through facilitated "to be" working sessions; and held UFMS familiarization sessions and demonstrations to help users become more familiar with the UFMS functionality. After the requirements gathering sessions, the UFMS Project Team completed design of the UFMS business processes and interfaces by conducting preliminary design reviews and critical design reviews for each design; conducted system test led by the implementation team and user acceptance testing led by the FD subject matter experts; conducted business process training for the user community to encourage knowledgeable, active, and enthusiastic users.

Bureau-wide deployment of UFMS, with additional functionality and reporting capabilities, is scheduled for October 1, 2013. Through UFMS, the FBI will implement a web-based enterprise-wide core financial and acquisitions management system to improve its financial and acquisitions management performance with



## Management's Discussion and Analysis

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current technology and innovative business practices, resulting in improved service to FBI agents, decision makers, and other customers.

### **Asset Management System (AMS) – Maximo**

In May 2010, the FBI initiated procurement for enhanced asset management technology to modernize asset tracking and reporting, anticipating enterprise-wide deployment in FY 2013. AMS Phase I efforts began in November 2010 with selection of a vendor to assist the FBI transition from using four legacy systems to a consolidated AMS. IBM's Maximo platform solution was selected to replace legacy system technology with an enterprise-wide asset tracking solution that will manage nearly 600,000 FBI assets. Since the project kickoff, the AMS project team documented and validated current and "to be" business processes and focused on development efforts to meet the varied needs of the FBI's property custodians. The FBI spent six months testing AMS and validating business processes and interfaces to ensure its accuracy in performing the functions as designed. Significant effort had been placed in simulating every day scenarios within the test environment, identifying defects, and implementing necessary corrective measures. In April of 2012, the FBI piloted AMS in nine FBI field offices and Headquarters divisions. On October 9, 2012, the FBI deployed AMS throughout the enterprise. This system will improve the accuracy of current inventory processes and control, reduce administrative workload associated with manual inventory processes, and provide a scalable system that can be integrated with future system upgrades.

### **Records Management Division (RMD) User Fee Collections for National Name Check Program (NNCP)**

The FBI's RMD is currently updating the fee structure of the NNCP. Consistent with guidance in OMB Circular A-25, the FBI evaluates the user fee structure at least every two years, or as prompted by major program changes. In addition, the NNCP will incur significant costs as it continues to implement improvements in information technology to improve the efficiency and effectiveness of the NNCP.

### **Criminal Justice Information Services Division (CJIS) User Fee Collections for Criminal History Record Information (CHRI)**

The FBI's CJIS completed its user fee study, which updated the fee structure for CHRI checks for non-criminal justice purposes. Consistent with guidance in OMB Circular A-25, the FBI evaluates the user fee structure at least every two years, or as prompted by major program changes. CJIS experienced a significant increase in demand for CHRI checks for non-criminal justice purposes. As a result, CJIS adjusted the fee schedule (effective March 19, 2012) to reflect the impact of the increased volume on the per transaction costs.

## **IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT IMPLEMENTATION**

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

In accordance with the Departmental approach for implementing IPERA, the FBI assessed its activities for susceptibility to significant improper payments. The FBI also conducted its payment recapture audit



## *Management's Discussion and Analysis*

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program in accordance with the Departmental approach. 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 2012 Performance and Accountability Report.

### **LIMITATIONS OF THE FINANCIAL STATEMENTS**

- The financial statements have been prepared to report the financial position and results of operations of 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 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 USG, a sovereign entity.

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# **U.S. DEPARTMENT OF JUSTICE**

## **FEDERAL BUREAU OF INVESTIGATION**

### INDEPENDENT AUDITORS' REPORTS



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## Independent Auditors' Report on 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 balance sheets of the U.S. Department of Justice Federal Bureau of Investigation (FBI) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements" or "basic financial statements") for the years then ended. These consolidated financial statements are the responsibility of the FBI's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Federal Bureau of Investigation as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

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

U.S. generally accepted accounting principles require that the information in *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by



Independent Auditors' Report on Financial Statements  
Page 2 of 2

the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 5, 2012, on our consideration of the FBI's internal control over financial reporting and 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* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 5, 2012





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## Independent Auditors' Report on Internal Control over Financial Reporting

Inspector General  
U.S. Department of Justice

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

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

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over



Independent Auditors' Report on Internal Control over Financial Reporting  
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financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we have reported to management of the FBI in a separate letter dated November 5, 2012.

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

*KPMG LLP*

November 5, 2012



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## Independent Auditors' Report on Compliance and Other Matters

Inspector General  
U.S. Department of Justice

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

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

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

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

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

The results of our tests of FFMIA disclosed instances, described in the Exhibit, where the FBI's financial management systems did not substantially comply with federal financial management system requirements because of the lack of a unified, integrated financial management system.



Independent Auditors' Report on Compliance and Other Matters  
Page 2 of 5

The FBI's financial management systems also do not permit application of the United States Government Standard General Ledger at the transaction level. Specifically, certain transactions are processed outside of the FBI's core financial accounting system, but are not recorded at the transaction level using the United States Government Standard General Ledger. These transactions must be modified when recorded into the core financial accounting system through a manual or automated batch transaction process.

The results of our tests of FFMI A disclosed no instances in which the FBI's financial management systems did not substantially comply with applicable federal accounting standards.

The FBI's written response to the instances of FFMI A noncompliance identified in our audit and presented in the Exhibit was not subjected to the auditing procedures applied in the audit of the FBI's consolidated financial statements and, accordingly, we express no opinion on it.

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

KPMG LLP

November 5, 2012

**EXHIBIT**

**INSTANCES OF NONCOMPLIANCE**

This section contains our discussion of the instances of noncompliance with the *Federal Financial Management Improvement Act of 1996* (FFMIA) that we noted during our fiscal year 2012 audit.

During fiscal year 2012, the FBI performed a self-assessment, in accordance with OMB Circular No. A-123, and documented several areas in which its key financial management systems, principally the Financial Management System (FMS), have a moderate risk of not providing reliable and consistent information for decision-making. As a result, the FBI reported several instances in which its key financial management systems do not comply with certain provisions of FFMIA.

We concur with the FBI's assessment and also concluded that the FBI's key financial systems do not substantially comply with certain requirements of FFMIA section 803(a). Specifically, we noted deficiencies in the following categories:

- *Federal Financial Management System Requirements*: Many of the FBI's financial management systems pre-date the existing applicable functional requirements for the design, development, operation, and maintenance of financial management systems. As a result, these financial management systems do not comply with all of the functional requirements included in OMB circulars and bulletins, and the U.S. Department of the Treasury's *Treasury Financial Manual*.

The FBI relies upon several systems, outside of its core general ledger system, to provide financial information that is necessary to support the FBI's financial management needs. These systems used by the FBI during fiscal year 2012 include the Available Funds File, the Procurement Module of FMS, the Enterprise Process Automation System, the Property Management Application (PMA), the Vehicle Management Application (VMA), the Fixed Assets module of FMS (FA), and the Reimbursable Agreement Management System 2.0. The FBI's core financial systems are not considered unified because the FMS general ledger, certain modules of FMS, and other systems are not linked together electronically in an efficient and effective manner to provide the agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

For example, property acquisitions must be recorded manually into both the FMS and PMA, and then depreciation information must be calculated in the FA and recorded into the FMS for financial statement and internal reporting purposes. Additionally, FMS is unable to capture all open obligations causing a variance between the population of undelivered orders from the Procurement Module of the FMS and the General Ledger Module of the FMS.

Further, certain modules within the FMS and other systems, such as the VMA and the Procurement Module of FMS, do not have historical reporting capabilities to meet the data and processing requirements of the FBI.

- Application of the United States Government Standard General Ledger at the Transaction Level: Certain transactions are processed outside of the FBI's core financial accounting system, but are not recorded at the transaction level using the United States Government Standard General Ledger. These transactions must be modified when recorded into the core financial accounting system through a manual or automated batch transaction process.

Due to the issues noted above, the FBI's financial statements have the potential to be misstated. As a result, the personnel involved in preparing the financial statements and other financial reports have been required to maintain numerous manual and automated processes in order to compensate for the controls and reporting abilities that are lacking in the FBI's financial management systems.

We make no recommendation corresponding with the instances of FFMIA noncompliance because the FBI has stated that it will be migrating to the Department of Justice Unified Financial Management System, and costs to correct the FFMIA deficiencies in the current accounting system are not justified.

#### **Management Response:**

The FBI concurs with the finding. To resolve this finding, the FBI has made an absolute commitment to implement the Department of Justice (DOJ) Unified Financial Management System (UFMS). Since 2002, DOJ has been leading the effort to implement a department-wide financial and procurement management system that will enhance current and future financial management and procurement operations and standardize key business practices. DOJ is addressing these needs through implementation of UFMS, an integrated commercial-off-the-shelf application that will replace the FBI's current Financial Management System (FMS) and legacy financial management and procurement systems throughout the Department. UFMS will fully implement all current federal financial management system requirements and applicable federal accounting standards, including recording all transactions at the USSGL level. To date, DOJ has successfully implemented UFMS at the Drug Enforcement Administration and the Bureau of Alcohol, Tobacco, Firearms and Explosives, and is planning to implement UFMS at the U.S. Marshals Service in FY 2013.

The FBI's implementation of UFMS is designed to meet the Bureau's specific business requirements, integrate business data and activities, and eliminate or interface with its various feeder systems, while at the same time meeting DOJ's goal to standardize processes across the department. Initial planning was completed by the DOJ UFMS program management office, supported by its Implementation & Integration (I&I) contractor, during FY 2008. DOJ issued a task order to the I&I contractor to complete the planning phase in October 2010, and issued an additional task order to undertake FBI implementation tasks and activities in August 2011. The FBI plans to implement UFMS in three phases—with Phase 1 the FBI implemented the UFMS Contract Writing Tool in FY 2008; with Phase 2 the FBI successfully implemented the UFMS Pilot at the Criminal Justice Information Services Division; the Chicago, Pittsburgh, and Louisville Field Offices (as well as the 5 FBI headquarters division budget offices that fund those Field Offices); and Legat Ottawa on October 1, 2012, as planned; and with Phase 3 the FBI will fully implement UFMS at the remaining FBI organizations, Field Offices, and Legats in FY 2014.

Prior to the UFMS implementation, the FBI implemented several projects to improve financial reporting using the current FMS. These projects represent a series of bridge efforts and best-practice initiatives that have helped the FBI move toward the implementation of UFMS. These initiatives included: archiving

historic and obsolete FMS data; restructuring the chart of accounts; deploying an integrated financial reporting tool; and deploying a modern graphical user interface (GUI).

The archive initiative removed a significant number of unneeded records from the FMS database, reducing the data conversion risk to UFMS implementation. On October 1, 2010, the restructured chart of accounts was deployed for all non-personnel funds, providing the FBI with funds control and financial tracking against program and subprogram levels, supporting the financial management activities of headquarters and field office divisions, satisfying the FBI's financial reporting obligations to DOJ, and preparing the FBI for migration to the budget and expense structure of UFMS. A comprehensive set of financial reports was developed using a new strategic reporting tool and deployed to all field office divisions in July 2010 and to headquarters divisions in October 2010. This tool provides FBI management with a standard set of reports to meet internal financial management needs and will also be used with UFMS, helping to reduce the impact to users when converting to UFMS. The GUI, which will facilitate the transition from the green-screens used with FMS to the GUI-oriented UFMS, was deployed to field offices and headquarters divisions in June 2010.

To resolve the findings related to the FBI's property management systems, the Finance Division led the Supply Chain Management (SCM) Program to improve the FBI's asset management business processes by implementing new technologies to streamline purchasing and payment activities and improve vendor management, enhance management of assets and inventory processes, and improve management of its growing fleet of vehicles. The SCM Program consolidated and replaced the Property and Vehicle Management Applications (PMA and VMA), the Issued Personal Property (IPP) system, and the FMS Fixed Asset (FA) Module in a new Asset Management System (AMS). AMS was successfully deployed to all FBI offices on October 9, 2012. The implementation of this modern, integrated, commercial-off-the-shelf asset management system provides improved linkages to the existing procurement processes in FMS; improves the accountability, tracking and accuracy of assets recorded; allows for better performance and metrics for financial statements and other reporting; and prepares for tighter integration with accounting and procurement enabled by UFMS.

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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, 2012 and 2011**

<b>Dollars in Thousands</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS (Note 2)</b>		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	\$ 3,601,365	\$ 3,618,458
Accounts Receivable (Note 5)	143,146	181,271
Other Assets (Note 9)	30,187	27,867
Total Intragovernmental	<u>3,774,698</u>	<u>3,827,596</u>
Cash and Monetary Assets (Note 4)	67,135	50,843
Accounts Receivable, Net (Note 5)	27,069	32,369
Inventory and Related Property, Net (Note 6)	7,310	8,103
General Property, Plant and Equipment, Net (Note 8)	2,811,251	2,558,525
Advances and Prepayments	48,789	47,144
<b>Total Assets</b>	<b><u>\$ 6,736,252</u></b>	<b><u>\$ 6,524,580</u></b>
<b>LIABILITIES (Note 10)</b>		
Intragovernmental		
Accounts Payable	\$ 183,590	\$ 229,722
Accrued Federal Employees' Compensation Act Liabilities	31,101	30,829
Other Liabilities (Note 14)	99,996	121,218
Total Intragovernmental	<u>314,687</u>	<u>381,769</u>
Accounts Payable	462,174	416,733
Actuarial Federal Employees' Compensation Act Liabilities	176,422	182,426
Accrued Payroll and Benefits	213,448	208,273
Accrued Annual and Compensatory Leave Liabilities	277,074	270,528
Environmental and Disposal Liabilities (Note 11)	10,219	9,987
Seized Cash and Monetary Instruments (Note 13)	45,262	42,880
Contingent Liabilities (Note 15)	11,788	52,335
Other Liabilities (Note 14)	6,342	4,687
<b>Total Liabilities</b>	<b><u>\$ 1,517,416</u></b>	<b><u>\$ 1,569,618</u></b>
<b>NET POSITION</b>		
Unexpended Appropriations	\$ 2,151,355	\$ 2,194,512
Cumulative Results of Operations	3,067,481	2,760,450
<b>Total Net Position</b>	<b><u>\$ 5,218,836</u></b>	<b><u>\$ 4,954,962</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 6,736,252</u></b>	<b><u>\$ 6,524,580</u></b>



**U.S. Department of Justice  
Federal Bureau of Investigation  
Consolidated Statements of Net Cost  
For the Fiscal Years Ended September 30, 2012 and 2011**

**Dollars in Thousands**

	FY	Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 16)
		Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
<b>Goal 1</b>	<b>2012</b>	\$ 1,424,724	\$ 3,917,146	\$ 5,341,870	\$ 458,969	\$ 1,870	\$ 460,839	\$ 4,881,031
	<b>2011</b>	\$ 1,420,503	\$ 3,802,831	\$ 5,223,334	\$ 446,885	\$ 721	\$ 447,606	\$ 4,775,728
<b>Goal 2</b>	<b>2012</b>	790,598	2,173,677	2,964,275	340,061	-	340,061	2,624,214
	<b>2011</b>	813,795	2,178,615	2,992,410	318,479	-	318,479	2,673,931
<b>Goal 3</b>	<b>2012</b>	280,253	770,530	1,050,783	334,507	151,387	485,894	564,889
	<b>2011</b>	275,867	738,525	1,014,392	335,879	175,158	511,037	503,355
<b>Total</b>	<b>2012</b>	<u>\$ 2,495,575</u>	<u>\$ 6,861,353</u>	<u>\$ 9,356,928</u>	<u>\$ 1,133,537</u>	<u>\$ 153,257</u>	<u>\$ 1,286,794</u>	<u>\$ 8,070,134</u>
	<b>2011</b>	<u>\$ 2,510,165</u>	<u>\$ 6,719,971</u>	<u>\$ 9,230,136</u>	<u>\$ 1,101,243</u>	<u>\$ 175,879</u>	<u>\$ 1,277,122</u>	<u>\$ 7,953,014</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



U.S. Department of Justice  
Federal Bureau of Investigation  
Consolidated Statements of Changes in Net Position  
For the Fiscal Years Ended September 30, 2012 and 2011

Dollars in Thousands	2012	2011
<b>Unexpended Appropriations</b>		
Beginning Balances	\$ 2,194,512	\$ 2,255,206
<b>Budgetary Financing Sources</b>		
Appropriations Received	8,117,973	7,941,932
Appropriations Transferred-In/Out	(60,821)	(61,176)
Other Adjustments	-	(15,884)
Appropriations Used	(8,100,309)	(7,925,566)
<b>Total Budgetary Financing Sources</b>	<u>(43,157)</u>	<u>(60,694)</u>
<b>Unexpended Appropriations</b>	<u>\$ 2,151,355</u>	<u>\$ 2,194,512</u>
<b>Cumulative Results of Operations</b>		
Beginning Balances	\$ 2,760,450	\$ 2,413,112
<b>Budgetary Financing Sources</b>		
Appropriations Used	8,100,309	7,925,566
<b>Other Financing Sources</b>		
Transfers-In/Out Without Reimbursement	5,333	74,270
Imputed Financing from Costs Absorbed by Others (Note 17)	276,722	305,129
Other Financing Sources	(5,199)	(4,613)
<b>Total Financing Sources</b>	<u>8,377,165</u>	<u>8,300,352</u>
<b>Net Cost of Operations</b>	<u>(8,070,134)</u>	<u>(7,953,014)</u>
<b>Net Change</b>	307,031	347,338
<b>Cumulative Results of Operations</b>	<u>\$ 3,067,481</u>	<u>\$ 2,760,450</u>
<b>Net Position</b>	<u>\$ 5,218,836</u>	<u>\$ 4,954,962</u>



**U.S. Department of Justice  
Federal Bureau of Investigation  
Combined Statements of Budgetary Resources  
For the Fiscal Years Ended September 30, 2012 and 2011**

Dollars in Thousands	2012	2011
<b>Budgetary Resources:</b>		
Unobligated Balance, Brought Forward, October 1	\$ 947,534	\$ 946,877
Recoveries of Prior Year Unpaid Obligations	290,427	216,564
Other Changes in Unobligated Balance	(53,259)	(58,985)
Unobligated Balance from Prior Year Budget Authority, Net	1,184,702	1,104,456
Appropriations (discretionary and mandatory)	8,110,411	7,923,857
Spending Authority from Offsetting Collections (discretionary and mandatory)	1,395,880	1,321,494
<b>Total Budgetary Resources</b>	<b>\$ 10,690,993</b>	<b>\$ 10,349,807</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 18)	9,591,524	9,402,273
Unobligated Balance, End of Period:		
Apportioned	624,435	594,313
Unapportioned	475,034	353,221
Total Unobligated Balance - End of Period	1,099,469	947,534
<b>Total Status of Budgetary Resources</b>	<b>\$ 10,690,993</b>	<b>\$ 10,349,807</b>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net - Brought Forward, October 1		
Unpaid Obligations, Gross	\$ 3,165,268	\$ 3,221,811
Less: Uncollected Customer Payments from Federal Sources	492,704	479,261
Total Obligated Balance, Net - Brought Forward, October 1	2,672,564	2,742,550
Obligations Incurred	9,591,524	9,402,273
Less: Outlays, Gross	9,394,120	9,242,252
Change in Uncollected Customer Payments from Federal Sources	(75,764)	(13,443)
Less: Recoveries of Prior Year Unpaid Obligations	290,427	216,564
Obligated Balance, Net - End of Period		
Unpaid Obligations, Gross	3,072,245	3,165,268
Less: Uncollected Customer Payments from Federal Sources	568,468	492,704
<b>Total Obligated Balance, Net - End of Period</b>	<b>\$ 2,503,777</b>	<b>\$ 2,672,564</b>
<b>Budgetary Authority and Outlays, Net:</b>		
Budgetary Authority, Gross (discretionary and mandatory)	9,506,291	9,245,351
Less: Actual Offsetting Collections (discretionary and mandatory)	1,320,116	1,308,051
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(75,764)	(13,443)
Budgetary Authority, Net (discretionary and mandatory)	<b>\$ 8,110,411</b>	<b>\$ 7,923,857</b>
Outlays, Gross (discretionary and mandatory)	\$ 9,394,120	\$ 9,242,252
Less: Actual Offsetting Collections (discretionary and mandatory)	1,320,116	1,308,051
Outlays, Net (discretionary and mandatory)	8,074,004	7,934,201
Less: Distributed Offsetting Receipts	145	(7,284)
Agency Outlays, Net (discretionary and mandatory)	<b>\$ 8,073,859</b>	<b>\$ 7,941,485</b>



**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, multi-year, and no-year Salaries and Expense (S&E) funds; appropriated no-year Construction (CNST) funds; and no-year Violent Crime Reduction Program (VCRP) trust 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. Other Assets include Advances and Prepayments, and Other Liabilities include 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) 2012 and 2011, 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 as a whole, such as General Services Administration (GSA) owned property and equipment, and



## *Notes to the Financial Statements*

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### **1. Summary of Significant Accounting Policies (continued)**

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 amounts due to overpayments and 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 collections 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.





**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.

**I. General Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, less accumulated depreciation. The FBI capitalizes property, plant, and equipment with an acquisition cost (or individual asset recognition value) greater than \$25 and a useful life greater than or equal to two years. Beginning in FY 2012, the FBI raised the Aircraft capitalization threshold to greater than \$100. 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 calculates a salvage value of 10 percent or less for capitalized property.

Since October 1, 2000, the FBI has capitalized internal use software and bulk purchases of Commercial Off-the-Shelf (COTS) software with an acquisition cost exceeding \$500 and a useful life exceeding two years. Internal use software and bulk-purchases of COTS software not meeting this capitalization threshold or useful life timeframe are expensed.

During FY 2002, the FBI implemented revised DOJ policy regarding FBI-funded improvements to facilities leased by, or for, the FBI. The revised DOJ policy requires capitalization of improvements exceeding \$100 that expand the capacity of a facility, or otherwise upgrade it to serve a function different from, or significantly greater than, that originally intended.

The FBI uses work-in-progress (WIP) accounts to capitalize expenditures associated with on-going leasehold improvements 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.

Depreciation of capitalized assets (other than land and WIP accounts) is computed on a straight-line basis over the estimated useful economic life of the respective asset.

While the FBI does own 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.

**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.



**1. Summary of Significant Accounting Policies (continued)**

**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 7 at the appraised or fair market value at the time of the seizure and is not adjusted to any subsequent increases and decreases in estimated fair market value. It is not recognized as an asset on the balance sheet.

Quantities of illegal drugs and firearms held as evidence are disclosed in Note 7 in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property*, 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 consider adverse decisions “probable” and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions “probable” or “reasonably possible” and the amounts are reasonably estimable are disclosed in Note 15, Contingencies and Commitments. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered “remote.”

**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.



**1. Summary of Significant Accounting Policies (continued)**

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

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). For employees covered by the CSRS, the FBI contributes 7.0 percent of the support employees' gross pay for normal retirement and for agents 7.5 percent. For employees covered by the FERS, the FBI contributes 11.9 percent of the support employees' gross pay and for agents 26.3 percent. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For employees covered by the FERS, the FBI automatically contributes 1.0 percent of gross pay and matches employee contributions up to 4.0 percent of gross pay. 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 any related unfunded liabilities, which may be applicable to its employees. Such reporting is the responsibility of OPM.

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.

**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.



**1. Summary of Significant Accounting Policies (continued)**

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.

**R. Intragovernmental Activity**

Intragovernmental cost and exchange revenue 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. 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 execute 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, and is determined 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.



**1. Summary of Significant Accounting Policies (continued)**

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.

**T. Earmarked Funds**

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, defines “earmarked funds” as being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government’s general revenues. The three required criteria for an earmarked fund are:

1. A statute committing the federal government to use specifically identified resources and other financing sources only for designated activities, benefits, or purposes;
2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the government’s general revenues.

There are no funds that meet the definition of an earmarked fund.

**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 2011 financial statements were reclassified to conform to the FY 2012 Departmental financial statement presentation requirements. The FBI has realigned its Statement of Net Cost and Note 16, Net Cost of Operations by Suborganization to further align to the revised goal structure in accordance with the Department’s Strategic Plan. Also, changes to the presentation of the Combined and Combining Statements of Budgetary Resources were made, in accordance



## Notes to the Financial Statements

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### 1. Summary of Significant Accounting Policies (continued)

with guidance provided in OMB Circular A-136, *Financial Reporting Requirements*, and as such, activity and balances reported on the FY 2011 Combined and Combining Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year. Certain other prior year amounts have been reclassified to conform with the current year presentation. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

#### X. Subsequent Events

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

### 2. 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, 2012 and 2011	2012	2011
Intragovernmental		
Fund Balance with U.S. Treasury	\$ 576	\$ 429
With the Public		
Cash and Monetary Assets	48,302	46,005
Total Non-Entity Assets	48,878	46,434
Total Entity Assets	6,687,374	6,478,146
Total Assets	\$ 6,736,252	\$ 6,524,580



*Notes to the Financial Statements*

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**3. Fund Balance with U.S. Treasury**

As of September 30, 2012 and 2011		
	2012	2011
Fund Balances		
Trust Fund	\$ -	\$ 4
General Funds	3,600,789	3,618,025
Other Fund Types	576	429
Total Fund Balances with U.S. Treasury	<u>\$ 3,601,365</u>	<u>\$ 3,618,458</u>
Status of Fund Balances		
Unobligated Balance - Available	\$ 624,435	\$ 594,313
Unobligated Balance - Unavailable	475,034	353,221
Obligated Balance not yet Disbursed	2,503,777	2,672,564
Other Funds (With)/Without Budgetary Resources	<u>(1,881)</u>	<u>(1,640)</u>
Total Status of Fund Balances	<u>\$ 3,601,365</u>	<u>\$ 3,618,458</u>

The Trust Fund amount in FY 2011 included the remaining funds resulting from VCRP which was established by the Violent Crime and Law Enforcement Act of 1994. 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-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 Monetary Assets**

As of September 30, 2012 and 2011		
	2012	2011
<b>Cash</b>		
Undeposited Collections	\$ 16,370	\$ 2,765
Imprest Funds	2,461	2,071
Other Cash	3,042	3,127
Total Cash	<u>21,873</u>	<u>7,963</u>
<b>Monetary Assets</b>		
Seized Monetary Instruments	45,262	42,880
Total Cash and Monetary Assets	<u>\$ 67,135</u>	<u>\$ 50,843</u>

Undeposited Collections includes various in-transit accounts where account activities have been processed in the FBI's Financial Management System, but not deposited in the bank and reported to Treasury via the Classification Transaction and Accountability Report (formerly SF-224) monthly submission. The Undeposited Collections balance represents timing differences in the recording of transactions between the FBI and Treasury.

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 evidence obtained during FBI investigations held pending release to the rightful owners.





**5. Accounts Receivable, Net**

As of September 30, 2012 and 2011		
	2012	2011
Intragovernmental		
Accounts Receivable	\$ 143,146	\$ 181,271
With the Public		
Accounts Receivable	28,343	33,719
Allowance for Uncollectible Accounts	(1,274)	(1,350)
Total With the Public	27,069	32,369
Total Accounts Receivable, Net	\$ 170,215	\$ 213,640

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 working in a field other than law enforcement.

**6. Inventory and Related Property, Net**

As of September 30, 2012 and 2011		
	2012	2011
Operating Materials and Supplies		
Held for Current Use	\$ 7,310	\$ 8,103

**7. Seized Property**

**Analysis of Change in Seized Property:**

Seized Monetary Instruments (see also Notes 4 and 13) 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, 2012 and September 30, 2011, 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*.



*Notes to the Financial Statements*

**7. Seized Property (continued)**

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. “Disposals” occur when evidence is either returned to the owner or destroyed in accordance with federal guidelines.

For the Fiscal Year Ended September 30, 2012							
Seized Property Category		Beginning Balance	Adjustments**	Seizures	Disposals	Ending Balance	
<b>Seized for Evidence</b>							
Seized Monetary Instruments							
Value	\$	42,880	\$ (2,180)	\$ 28,200	\$ (23,638)	\$	45,262
Personal Property							
Number		1,342	45	310	(338)		1,359
Value	\$	35,931	\$ (308)	\$ 9,545	\$ (15,436)	\$	29,732
Non-Valued							
Firearms							
Number		29,383	(1,101)	3,809	(2,386)		29,705
Drug Evidence							
Cocaine	KG	6,144	(241)	605	(278)		6,230
Heroin	KG	418	-	16	(9)		425
Marijuana	KG	3,689	(127)	69	(75)		3,556
Methamphetamine	KG	546	(11)	163	(21)		677
Other	KG	1,080	(72)	21	(31)		998
Total Drug Evidence		11,877	(451)	874	(414)		11,886



*Notes to the Financial Statements*

**7. Seized Property (continued)**

For the Fiscal Year Ended September 30, 2011							
Seized Property Category		Beginning Balance	Adjustments**	Seizures	Disposals	Ending Balance	
<b>Seized for Evidence</b>							
Seized Monetary Instruments							
Value	\$	42,120	\$ (4,910)	\$ 38,423	\$ (32,753)	\$	42,880
Personal Property							
Number		1,385	4	404	(451)		1,342
Value	\$	24,692	\$ 9,632	\$ 13,886	\$ (12,279)	\$	35,931
Non-Valued							
Firearms	Number	27,564	261	3,401	(1,843)		29,383
Drug Evidence							
Cocaine	KG	6,361	(356)	577	(438)		6,144
Heroin	KG	428	(19)	28	(19)		418
Marijuana	KG	3,990	(111)	104	(294)		3,689
Methamphetamine	KG	481	1	84	(20)		546
Other	KG	1,233	(182)	140	(111)		1,080
Total Drug Evidence		12,493	(667)	933	(882)		11,877

\*\*Adjustments include property status and valuation changes received after, but properly credited to, prior fiscal years. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

**Method of Disposition of Seized Property:**

During FYs 2012 and 2011, \$14,387 and \$10,416 were returned to parties with a bonafide interest, and \$24,687 and \$34,616 were either released to a designated party or transferred to the appropriate federal entity under forfeiture or abandonment proceedings. Non-valued property was primarily disposed of through destruction.



*Notes to the Financial Statements*

**8. General Property, Plant and Equipment, Net**

As of September 30, 2012				
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	\$ 8,901	\$ -	\$ 8,901	N/A
Construction in Progress	385,171	-	385,171	N/A
Buildings, Improvements, and Renovations	582,810	(270,689)	312,121	10-50 years
Other Structures and Facilities	36,760	(11,130)	25,630	10-50 years
Aircraft	261,055	(63,705)	197,350	5-30 years
Boats	10,155	(5,602)	4,553	5-25 years
Vehicles	266,169	(173,938)	92,231	2-25 years
Equipment	948,547	(524,688)	423,859	2-25 years
Leasehold Improvements	477,424	(165,672)	311,752	3-10 years
Internal Use Software	953,869	(244,992)	708,877	3-10 years
Internal Use Software in Development	340,806	-	340,806	N/A
<b>Total</b>	<u>\$ 4,271,667</u>	<u>\$ (1,460,416)</u>	<u>\$ 2,811,251</u>	

During FY 2012, the FBI purchased \$123,890 in capital property from federal sources and \$439,936 from the public.

As of September 30, 2011				
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	\$ 12,590	\$ -	\$ 12,590	N/A
Construction in Progress	312,699	-	312,699	N/A
Buildings, Improvements, and Renovations	567,734	(256,565)	311,169	10-50 years
Other Structures and Facilities	35,088	(9,622)	25,466	10-50 years
Aircraft	248,256	(50,214)	198,042	5-30 years
Boats	7,813	(4,661)	3,152	5-25 years
Vehicles	243,191	(155,673)	87,518	2-25 years
Equipment	916,763	(500,456)	416,307	2-25 years
Leasehold Improvements	398,010	(118,939)	279,071	3-10 years
Internal Use Software	530,413	(147,893)	382,520	3-10 years
Internal Use Software in Development	529,991	-	529,991	N/A
<b>Total</b>	<u>\$ 3,802,548</u>	<u>\$ (1,244,023)</u>	<u>\$ 2,558,525</u>	

During FY 2011, the FBI purchased \$104,894 in capital property from federal sources and \$454,953 from the public.



**9. Other Assets**

As of September 30, 2012 and 2011		
	2012	2011
Intragovernmental		
Advances and Prepayments	\$ 30,187	\$ 27,867

**10. Liabilities not Covered by Budgetary Resources**

As of September 30, 2012 and 2011		
	2012	2011
Intragovernmental		
Accrued FECA Liabilities	\$ 31,101	\$ 30,829
Other Unfunded Employment Related Liabilities	278	288
Total Intragovernmental	31,379	31,117
With the Public		
Actuarial FECA Liabilities	176,422	182,426
Accrued Annual and Compensatory Leave Liabilities	277,074	270,528
Environmental and Disposal Liabilities (Note 11)	10,219	9,987
Contingent Liabilities (Note 15)	11,788	52,335
Total With the Public	475,503	515,276
Total Liabilities not Covered by Budgetary Resources	506,882	546,393
Total Liabilities Covered by Budgetary Resources	1,010,534	1,023,225
Total Liabilities	\$ 1,517,416	\$ 1,569,618

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.

**11. Environmental and Disposal Liabilities**

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, federal agencies are required to recognize liabilities for environmental cleanup costs when the future outflow or sacrifice of resources is probable and reasonably estimable.



## **11. Environmental and Disposal Liabilities (continued)**

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.

### **Asbestos**

Section 112 of the Clean Air Act requires the U.S. Environmental Protection Agency (EPA) to develop and enforce regulations to protect the general public from exposure to airborne contaminants 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 by 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 liability of \$11,613 is based on the square footage of the facilities that may be contaminated. This value, divided by the useful life and multiplied by the number of years in service, is the estimated cleanup liability. As of September 30, 2012 and 2011, the FBI reported the estimated cleanup liability of \$10,219 and \$9,987, respectively. The estimated asbestos cleanup liability is increased each quarter by recording future funded expenses for the asbestos cleanup costs. During FY 2012, future funded expense for asbestos cleanup is \$232. There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2012.

## **12. 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 5 years and the maximum is 15 years. The minimum lease term for a field office is 15 years and the maximum is 20 years.

The FBI has a long-range program to relocate all field offices into single tenant, stand-alone, secure facilities. All new leases for field offices and some RAs will be noncancelable.

The FBI currently anticipates relocating 15 field offices between FY 2013 and FY 2017. When field offices relocate, often from space leased for 20 years or longer, the rental rates increase significantly to accommodate the FBI's growth in workforce, space needs, and specialized security requirements.



*Notes to the Financial Statements*

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**12. Leases (continued)**

As of September 30, 2012			
Future Noncancelable Operating Lease Payments Due			
<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2013	\$ 191,569	\$ 8,910	\$ 200,479
2014	209,799	4,320	214,119
2015	223,218	4,320	227,538
2016	227,623	-	227,623
2017	226,610	-	226,610
After 2017	<u>2,372,060</u>	<u>-</u>	<u>2,372,060</u>
Total Future Noncancelable Operating Lease Payments	<u>\$ 3,450,879</u>	<u>\$ 17,550</u>	<u>\$ 3,468,429</u>

**13. 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, 2012 and 2011 are \$45,262 and \$42,880, respectively.



*Notes to the Financial Statements*

**14. Other Liabilities**

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

As of September 30, 2012 and 2011		
	2012	2011
<b>Intragovernmental</b>		
Employer Contributions and Payroll Taxes Payable	\$ 66,432	\$ 62,866
Other Post-Employment Benefits Due and Payable	294	594
Other Unfunded Employment Related Liabilities	278	288
Advances from Others	32,916	57,468
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	76	2
<b>Total Intragovernmental</b>	<b>99,996</b>	<b>121,218</b>
<b>With the Public</b>		
Advances from Others	2,818	1,155
Liability for Clearing Accounts	482	405
Other Liabilities	3,042	3,127
<b>Total With the Public</b>	<b>6,342</b>	<b>4,687</b>
<b>Total Other Liabilities</b>	<b>\$ 106,338</b>	<b>\$ 125,905</b>

**15. Contingencies and Commitments**

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
<b>As of September 30, 2012</b>			
Probable	\$ 11,788	\$ 11,788	\$ 18,083
Reasonably Possible		11,312	16,667
<b>As of September 30, 2011</b>			
Probable	\$ 52,335	\$ 52,335	\$ 166,900
Reasonably Possible		9,910	14,690





*Notes to the Financial Statements*

**16. Net Cost of Operations by Suborganization**

In FY 2012, DOJ published an updated Strategic Plan under which the FBI now reports on all three DOJ Strategic Goals (SGs or Goal). The methodology by which the FBI allocates gross costs and earned revenue across the three SGs is consistent with the methodology used to allocate the FBI's budget to the three SGs in the FY 2013 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, 2012				
	Suborganizations			Consolidated
	CNST	VCRP	S&E	
<b>Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law</b>				
Gross Cost	\$ 74,345	\$ -	\$ 5,267,525	\$ 5,341,870
Less: Earned Revenue	-	-	460,839	460,839
Net Cost of Operations	74,345	-	4,806,686	4,881,031
<b>Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law</b>				
Gross Cost	6,721	4	2,957,550	2,964,275
Less: Earned Revenue	-	-	340,061	340,061
Net Cost of Operations	6,721	4	2,617,489	2,624,214
<b>Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels</b>				
Gross Cost	1,494	-	1,049,289	1,050,783
Less: Earned Revenue	-	-	485,894	485,894
Net Cost of Operations	1,494	-	563,395	564,889
Net Cost of Operations	\$ 82,560	\$ 4	\$ 7,987,570	\$ 8,070,134



*Notes to the Financial Statements*

**16. Net Cost of Operations by Suborganization (continued)**

	Suborganizations			Consolidated
	CNST	VCRP	S&E	
For the Fiscal Year Ended September 30, 2011				
Goal 1: Prevent Terrorism and Promote the Nation's Security Consistent with the Rule of Law				
Gross Cost	\$ 55,391	\$ -	\$ 5,167,943	\$ 5,223,334
Less: Earned Revenue	-	-	447,606	447,606
Net Cost of Operations	55,391	-	4,720,337	4,775,728
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law				
Gross Cost	10,061	-	2,982,349	2,992,410
Less: Earned Revenue	-	-	318,479	318,479
Net Cost of Operations	10,061	-	2,663,870	2,673,931
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	8,668	-	1,005,724	1,014,392
Less: Earned Revenue	-	-	511,037	511,037
Net Cost of Operations	8,668	-	494,687	503,355
Net Cost of Operations	\$ 74,120	\$ -	\$ 7,878,894	\$ 7,953,014

**17. Imputed Financing from Costs Absorbed by Others**

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e. non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the FBI from a providing entity that is not part of the DOJ. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental financing sources recognized by the FBI are the actual cost of future benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and the federal pension plans that are paid by other federal entities, 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 requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. For employees covered by CSRS, the cost factors are 29.8 percent of basic pay for regular, 50.9 percent law enforcement officers, 23.2 percent regular offset, and 45.2 percent law enforcement officers offset. For employees covered by FERS, the cost factors are 13.7 percent of basic pay for regular and 29.7 percent for law enforcement officers.



*Notes to the Financial Statements*

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

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 DOJ. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The FBI does not have any imputed intra-departmental financing sources.

For the Fiscal Years Ended September 30, 2012 and 2011		
	2012	2011
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	\$ 8,262	\$ 11,862
Health Insurance	178,189	181,280
Life Insurance	685	679
Pension	89,586	111,308
Total Imputed Financing	<u>\$ 276,722</u>	<u>\$ 305,129</u>

**18. Information Related to the Statement of Budgetary Resources**

**Apportionment Categories of Obligations Incurred:**

The apportionment categories are determined in accordance with the guidance provided in Part 4, *Instructions on Budget Execution*, of OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B 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, Terrorist Explosive Device Analytic Center, and the training facility at Quantico, Virginia. Category B also includes mortgage fraud investigations, operations along the U.S. southwest border, Department of State funding, and supplemental "bridged" funding including Overseas Contingency Operations, Render Safe mission, and FBI Laboratory requirements. These are per OMB's guidance.



*Notes to the Financial Statements*

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

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2012			
Obligations Apportioned Under:			
Category A	\$ 8,119,683	\$ 1,321,482	\$ 9,441,165
Category B	150,359	-	150,359
Total	<u>\$ 8,270,042</u>	<u>\$ 1,321,482</u>	<u>\$ 9,591,524</u>
For the Fiscal Year Ended September 30, 2011			
Obligations Apportioned Under:			
Category A	\$ 7,807,714	\$ 1,300,384	\$ 9,108,098
Category B	294,175	-	294,175
Total	<u>\$ 8,101,889</u>	<u>\$ 1,300,384</u>	<u>\$ 9,402,273</u>

**Status of Undelivered Orders:**

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

As of September 30, 2012 and 2011	2012	2011
UDO Obligations Unpaid	\$ 2,156,076	\$ 2,258,248
UDO Obligations Prepaid/Advanced	94,514	74,140
Total UDO	<u>\$ 2,250,590</u>	<u>\$ 2,332,388</u>

**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.



*Notes to the Financial Statements*

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

**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, 2011 is presented below.

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

Offsetting Receipts and Expired Funds are reported in the FBI's Statement of Budgetary Resources, but not reported in the Budget.

For the Fiscal Year Ended September 30, 2011 (Dollars in Millions)				
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	\$ 10,350	\$ 9,402	\$ (7)	\$ 7,941
Funds not Reported in the Budget				
Expired Funds	(285)	(10)	-	-
Offsetting Receipts	-	-	7	(6)
Budget of the United States Government	<u>\$ 10,065</u>	<u>\$ 9,392</u>	<u>\$ -</u>	<u>\$ 7,935</u>

**19. Net Custodial Revenue Activity**

For the fiscal years ended September 30, 2012 and 2011, the FBI collected \$10,736 and \$902, 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. In addition, the FBI reports a custodial liability when custodial revenues are held by the FBI, but have not yet been transmitted to the U.S. Treasury's General Fund. As of September 30, 2012 and 2011, the FBI did not have any custodial liabilities.



## Notes to the Financial Statements

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

For the Fiscal Years Ended September 30, 2012 and 2011

	2012	2011
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,591,524	\$ 9,402,273
Less: Spending Authority from Offsetting Collections and Recoveries	1,686,307	1,538,058
Obligations Net of Offsetting Collections and Recoveries	7,905,217	7,864,215
Less: Offsetting Receipts	145	(7,284)
Net Obligations	7,905,072	7,871,499
Other Resources		
Transfers-In/Out Without Reimbursement	5,333	74,270
Imputed Financing from Costs Absorbed by Others (Note 17)	276,722	305,129
Other	(5,199)	(4,613)
Net Other Resources Used to Finance Activities	276,856	374,786
Total Resources Used to Finance Activities	8,181,928	8,246,285
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	166,852	77,563
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(46,561)	(14,829)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	145	(7,284)
Resources That Finance the Acquisition of Assets	(563,033)	(560,023)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	1,579	13,026
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(441,018)	(491,547)
Total Resources Used to Finance the Net Cost of Operations	\$ 7,740,910	\$ 7,754,738
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 21)	\$ 18,424	\$ 5,076
Depreciation and Amortization	295,457	247,881
Revaluation of Assets or Liabilities	18,593	16,217
Other	(3,250)	(70,898)
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	329,224	198,276
Net Cost of Operations	\$ 8,070,134	\$ 7,953,014



*Notes to the Financial Statements*

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

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling \$506,882 and \$546,393 as of September 30, 2012 and 2011, respectively, are discussed in Note 10, Liabilities not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2012 and 2011		
	2012	2011
Resources that Fund Expenses Recognized in Prior Periods		
Other		
Decrease in Actuarial FECA Liabilities	\$ (6,004)	\$ -
Decrease in Accrued FECA Liabilities	-	(402)
Decrease in Contingent Liabilities	(40,547)	(14,427)
Decrease in Other Unfunded Employment Related Liabilities	(10)	-
Total Other	<u>(46,561)</u>	<u>(14,829)</u>
Total Resources that Fund Expenses Recognized in Prior Periods	<u>\$ (46,561)</u>	<u>\$ (14,829)</u>
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	\$ 6,546	\$ 4,753
Increase in Environmental and Disposal Liabilities	232	232
(Increase)/Decrease in Exchange Revenue Receivable from the Public	4,637	(1,899)
Other		
Increase in Actuarial FECA Liabilities	-	6,073
Increase in Accrued FECA Liabilities	272	-
Increase in Other Unfunded Employment Related Liabilities	-	97
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	<u>6,737</u>	<u>(4,180)</u>
Total Other	<u>7,009</u>	<u>1,990</u>
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	<u>\$ 18,424</u>	<u>\$ 5,076</u>

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# **U.S. DEPARTMENT OF JUSTICE**

## **FEDERAL BUREAU OF INVESTIGATION**

REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)





**U.S. Department of Justice  
Federal Bureau of Investigation  
Required Supplementary Information  
Combining Statement of Budgetary Resources  
By Major Appropriation  
Unaudited  
For the Fiscal Year Ended September 30, 2012**

Dollars in Thousands	<b>2012</b>			
	<u>CNST</u>	<u>VCRP</u>	<u>S&amp;E</u>	<u>TOTAL</u>
<b>Budgetary Resources:</b>				
Unobligated Balance, Brought Forward, October 1	\$ 103,721	\$ -	\$ 843,813	\$ 947,534
Recoveries of Prior Year Unpaid Obligations	16,728	-	273,699	290,427
Other Changes in Unobligated Balances	-	-	(53,259)	(53,259)
Unobligated Balance from Prior Year Budget Authority, Net	120,449	-	1,064,253	1,184,702
Appropriations (discretionary and mandatory)	80,982	-	8,029,429	8,110,411
Spending Authority from Offsetting Collections (discretionary and mandatory)	1	-	1,395,879	1,395,880
<b>Total Budgetary Resources</b>	<b>\$ 201,432</b>	<b>\$ -</b>	<b>\$ 10,489,561</b>	<b>\$ 10,690,993</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred	104,743	-	9,486,781	9,591,524
Unobligated Balance, End of Period:				
Apportioned	96,688	-	527,747	624,435
Unapportioned	1	-	475,033	475,034
Total Unobligated Balance - End of Period	96,689	-	1,002,780	1,099,469
<b>Total Status of Budgetary Resources</b>	<b>\$ 201,432</b>	<b>\$ -</b>	<b>\$ 10,489,561</b>	<b>\$ 10,690,993</b>
<b>Change in Obligated Balance:</b>				
Obligated Balance, Net - Brought Forward, October 1				
Unpaid Obligations, Gross	\$ 395,266	\$ 4	\$ 2,769,998	\$ 3,165,268
Less: Uncollected Customer Payments from Federal Sources	-	-	492,704	492,704
Total Obligated Balance, Net - Brought Forward, October 1	395,266	4	2,277,294	2,672,564
Obligations Incurred	104,743	-	9,486,781	9,591,524
Less: Outlays, Gross	166,510	4	9,227,606	9,394,120
Change in Uncollected Customer Payments from Federal Sources	-	-	(75,764)	(75,764)
Less: Recoveries of Prior Year Unpaid Obligations	16,728	-	273,699	290,427
Obligated Balance, Net - End of Period				
Unpaid Obligations, Gross	316,771	-	2,755,474	3,072,245
Less: Uncollected Customer Payments from Federal Sources	-	-	568,468	568,468
<b>Total Obligated Balance, Net - End of Period</b>	<b>\$ 316,771</b>	<b>\$ -</b>	<b>\$ 2,187,006</b>	<b>\$ 2,503,777</b>
<b>Budgetary Authority and Outlays, Net:</b>				
Budgetary Authority, Gross (discretionary and mandatory)	80,983	-	9,425,308	9,506,291
Less: Actual Offsetting Collections (discretionary and mandatory)	1	-	1,320,115	1,320,116
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	-	-	(75,764)	(75,764)
Budgetary Authority, Net (discretionary and mandatory)	<b>\$ 80,982</b>	<b>\$ -</b>	<b>\$ 8,029,429</b>	<b>\$ 8,110,411</b>
Outlays, Gross (discretionary and mandatory)	\$ 166,510	\$ 4	\$ 9,227,606	\$ 9,394,120
Less: Actual Offsetting Collections (discretionary and mandatory)	1	-	1,320,115	1,320,116
Outlays, Net (discretionary and mandatory)	166,509	4	7,907,491	8,074,004
Less: Distributed Offsetting Receipts	-	-	145	145
Agency Outlays, Net (discretionary and mandatory)	<b>\$ 166,509</b>	<b>\$ 4</b>	<b>\$ 7,907,346</b>	<b>\$ 8,073,859</b>



**U.S. Department of Justice  
Federal Bureau of Investigation  
Required Supplementary Information  
Combining Statement of Budgetary Resources  
By Major Appropriation  
Unaudited  
For the Fiscal Year Ended September 30, 2011**

Dollars in Thousands	<b>2011</b>			
	<u>CNST</u>	<u>VCRP</u>	<u>S&amp;E</u>	<u>TOTAL</u>
<b>Budgetary Resources:</b>				
Unobligated Balance, Brought Forward, October 1	\$ 166,000	\$ 4	\$ 780,873	\$ 946,877
Recoveries of Prior Year Unpaid Obligations	25,421	-	191,143	216,564
Other Changes in Unobligated Balances	(288)	-	(58,697)	(58,985)
Unobligated Balance from Prior Year Budget Authority, Net	191,133	4	913,319	1,104,456
Appropriations (discretionary and mandatory)	107,095	-	7,816,762	7,923,857
Spending Authority from Offsetting Collections (discretionary and mandatory)	15	-	1,321,479	1,321,494
<b>Total Budgetary Resources</b>	<b>\$ 298,243</b>	<b>\$ 4</b>	<b>\$ 10,051,560</b>	<b>\$ 10,349,807</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred	194,522	4	9,207,747	9,402,273
Unobligated Balance, End of Period:				
Apportioned	103,706	-	490,607	594,313
Unapportioned	15	-	353,206	353,221
Total Unobligated Balance - End of Period	103,721	-	843,813	947,534
<b>Total Status of Budgetary Resources</b>	<b>\$ 298,243</b>	<b>\$ 4</b>	<b>\$ 10,051,560</b>	<b>\$ 10,349,807</b>
<b>Change in Obligated Balance:</b>				
Obligated Balance, Net - Brought Forward, October 1				
Unpaid Obligations, Gross	\$ 379,835	\$ -	\$ 2,841,976	\$ 3,221,811
Less: Uncollected Customer Payments from Federal Sources	-	-	479,261	479,261
Total Obligated Balance, Net - Brought Forward, October 1	379,835	-	2,362,715	2,742,550
Obligations Incurred	194,522	4	9,207,747	9,402,273
Less: Outlays, Gross	153,670	-	9,088,582	9,242,252
Change in Uncollected Customer Payments from Federal Sources	-	-	(13,443)	(13,443)
Less: Recoveries of Prior Year Unpaid Obligations	25,421	-	191,143	216,564
Obligated Balance, Net - End of Period				
Unpaid Obligations, Gross	395,266	4	2,769,998	3,165,268
Less: Uncollected Customer Payments from Federal Sources	-	-	492,704	492,704
<b>Total Obligated Balance, Net - End of Period</b>	<b>\$ 395,266</b>	<b>\$ 4</b>	<b>\$ 2,277,294</b>	<b>\$ 2,672,564</b>
<b>Budgetary Authority and Outlays, Net:</b>				
Budgetary Authority, Gross (discretionary and mandatory)	107,110	-	9,138,241	9,245,351
Less: Actual Offsetting Collections (discretionary and mandatory)	15	-	1,308,036	1,308,051
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	-	-	(13,443)	(13,443)
Budgetary Authority, Net (discretionary and mandatory)	<b>\$ 107,095</b>	<b>\$ -</b>	<b>\$ 7,816,762</b>	<b>\$ 7,923,857</b>
Outlays, Gross (discretionary and mandatory)	\$ 153,670	\$ -	\$ 9,088,582	\$ 9,242,252
Less: Actual Offsetting Collections (discretionary and mandatory)	15	-	1,308,036	1,308,051
Outlays, Net (discretionary and mandatory)	153,655	-	7,780,546	7,934,201
Less: Distributed Offsetting Receipts	-	-	(7,284)	(7,284)
Agency Outlays, Net (discretionary and mandatory)	<b>\$ 153,655</b>	<b>\$ -</b>	<b>\$ 7,787,830</b>	<b>\$ 7,941,485</b>

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# U.S. DEPARTMENT OF JUSTICE

## FEDERAL BUREAU OF INVESTIGATION

OTHER ACCOMPANYING INFORMATION  
(UNAUDITED)



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U.S. Department of Justice  
Federal Bureau of Investigation  
Other Accompanying Information  
Schedule of Spending  
Unaudited

For the Fiscal Year Ended September 30, 2012

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**Dollars in Thousands** **2012**

**What Money is Available to Spend?**

Total Resources	\$ 10,690,993
Less: Amount Available but Not Agreed to be Spent	624,435
Less: Amount Not Available to be Spent	475,034
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 9,591,524</b>

**How was the Money Spent?**

Personnel Compensation and Benefits	
11 Personnel Compensation	\$ 3,530,060
12 Personnel Benefits	1,372,081
13 Benefits for Former Personnel	1,080
Contractual Services and Supplies	
21 Travel and Transportation of Persons	245,049
22 Transportation of Things	19,270
23 Rent, Communications, and Utilities	843,568
24 Printing and Reproduction	5,560
25 Other Contractual Services	2,416,648
26 Supplies and Materials	162,034
Acquisition of Assets	
31 Equipment	611,656
32 Land and Structures	185,550
Grants and Fixed Charges	
42 Insurance Claims and Indemnities	1,564
Total Spending	9,394,120
Amounts Remaining to be Spent	\$ 197,404
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 9,591,524</b>