



Audit of the
Federal Bureau of Investigation
Annual Financial Statements
Fiscal Year 2020



AUDIT DIVISION

21-018

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COMMENTARY AND SUMMARY

Audit of the Federal Bureau of Investigation Annual Financial Statements Fiscal Year 2020

Objectives

In support of the Department of Justice's annual financial statements audit, the Office of the Inspector General (OIG) contracted with an independent auditor to perform an audit of the Federal Bureau of Investigation's (FBI) annual financial statements.

The objectives of the audit are to opine on the financial statements; report on internal control over financial reporting; and report on compliance and other matters, including compliance with Federal Financial Management Improvement Act of 1996 (FFMIA).

Results in Brief

KPMG LLP (KPMG) found that the FBI's financial statements are fairly presented as of and for the year ended September 30, 2020. An unmodified opinion was issued. The Independent Auditors' Report did not report any material weaknesses or instances of non-compliance.

The OIG reviewed KPMG's report 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 FFMIA, or conclusions on compliance and other matters. KPMG is responsible for the attached Independent Auditors' Report dated November 13, 2020, and the conclusions expressed in the report. Our review disclosed no instances where KPMG did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

Recommendations

No recommendations were provided in this report.

Audit Results

Under the direction of the OIG, KPMG performed the FBI's audit in accordance with auditing standards generally accepted in the United States of America. The fiscal year (FY) 2020 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in accordance with U.S. generally accepted accounting principles. For FY 2019, the FBI also received an unmodified opinion on its financial statements (OIG Audit Division Report No. 20-017).

KPMG neither identified any material weaknesses, nor reported any significant deficiencies in the FY 2020 Independent Auditors' Report.

No instances of non-compliance or other matters were identified during the audit that are required to be reported under Government Auditing Standards. Additionally, KPMG's tests disclosed no instances in which the FBI's financial management systems did not substantially comply with FFMIA.

**AUDIT OF THE
FEDERAL BUREAU OF INVESTIGATION
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2020**

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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)





Management's Discussion and Analysis

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

MISSION

The Federal Bureau of Investigation (FBI) 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 (USIC). The mission of the FBI is to protect the American people and uphold the Constitution of the U.S.

The FBI's priorities guide how the organization addresses its wide range of responsibilities. In executing the following priorities, the FBI produces and uses intelligence to protect the nation from threats and to bring to justice those who violate the law. The FBI's mission priorities are to:

- Protect the U.S. from terrorist attack;
- Protect the U.S. against foreign intelligence, espionage, and cyber operations;
- Combat significant cyber criminal activity;
- Combat public corruption at all levels;
- Protect civil rights;
- Combat transnational criminal enterprises;
- Combat significant white-collar crime; and
- Combat significant violent crime.

STRATEGIC GOALS & OBJECTIVES

The FBI contributes to the achievement of the following DOJ Strategic Goals¹ (SGs):

- SG 1: Enhance National Security and Counter the Threat of Terrorism
- SG 3: Reduce Violent Crime and Promote Public Safety
- SG 4: Promote Rule of Law, Integrity, and Good Government

The FBI's vision, mission, and strategic objectives are supported by its overall enterprise strategy. The mission of the FBI is to protect the American people and uphold the Constitution of the U.S. The FBI's vision – ahead of the threat through leadership, agility, and integration – outlines the FBI's desired strategic position. The FBI's strategy aligns to four guiding principles of People, Partnerships, Process, and Innovation. The FBI strategy will promote capabilities and an agile workforce for ongoing, emerging, and unknown national security, cyber, and criminal threats.

The FBI's headquarters (HQ) divisions must align to the enterprise strategy by cascading strategic objectives with associated measures or initiatives within the division's strategy. This vertical alignment within the organization ensures all divisions are strategically focused on the same objectives and working collectively towards the FBI's mission and vision. Strategy reviews are held with each HQ division to discuss progress towards the strategic objectives throughout the fiscal year, and the FBI's senior executive management routinely evaluates the organization's progress.

¹ The DOJ Strategic Plan includes four SGs, however the FBI will only be reporting on SGs 1, 3, and 4. The FBI does not have gross costs and earned revenue that align with the strategic objectives of SG 2: *Secure the Borders and Enhance Immigration Enforcement and Adjudication*.



Management's Discussion and Analysis

The FBI tracks the execution of its mission and operational strategy across HQ operational programs, field offices, and legal attaché (legat) offices through the Integrated Program Management (IPM) process. This process enables threats to be identified across the organization with accompanying strategies to address these threats. Every two years, HQ operational divisions prioritize national threats, determine FBI National Threat Priorities (NTPs), and develop national-level strategies to mitigate the threats. The field offices and legat offices use this information to formulate a field and legat office prioritization and complete their own specific strategic plans. These strategies undergo mid-year and end-of-year evaluations, and the field and legat offices are held accountable to their performance targets. FBI executives and program managers hold regular meetings to review and evaluate strategy effectiveness throughout the fiscal year.

The FBI's budget strategy and future resource requirements and requests are designed to enable the FBI to address the current range of threats while also focusing on the future needs of the FBI. An increasing number of the FBI's programs and initiatives are multi-year in nature, and require phased development, deployment, and operations and maintenance funding. Moreover, a multi-year planning approach allows FBI management to better understand the implications of proposed initiatives to promote capabilities and strategies that are sufficiently agile to meet ongoing, emerging, and unknown national security, cyber, and criminal threats.

ORGANIZATION STRUCTURE

The FBI operates field offices in 56 major U.S. cities and 349 resident agencies (RAs) throughout the country. RAs are satellite offices, typically staffed at fewer than 20 personnel who support the larger field offices and enable the FBI to maintain a presence in and serve a greater number of communities. FBI employees assigned to field offices and RAs perform the majority of the investigative and intelligence work for the FBI. Special Agents in Charge (SACs) and Assistant Directors in Charge (ADICs) of FBI field offices report directly to the Director and Deputy Director.

The FBI also operates 63 legat offices and 29 sub-offices in more than 70 countries around the world. These offices are typically staffed with fewer than 10 people who enable the FBI's presence in these countries and liaise with foreign counterparts and partners. These numbers fluctuate based on the global threat environment.

FBI HQ, located in Washington, D.C., provides centralized operational, policy, and administrative support to FBI investigations and programs. Under the direction of the FBI Director and Deputy Director, this support is provided by:

- The National Security Branch (NSB), which includes the Counterterrorism Division (CTD), Counterintelligence Division (CD), and the Weapons of Mass Destruction Directorate (WMDD).
- The Intelligence Branch (IB), which includes the Directorate of Intelligence (DI) and the Office of Partner Engagement (OPE).
- The Criminal, Cyber, Response and Services Branch (CCRSB), which includes the Criminal Investigative Division (CID), the Cyber Division (CyD), the Critical Incident Response Group (CIRG), and the International Operations Division (IOD).
- The Science and Technology Branch (STB), which includes the Criminal Justice Information Services (CJIS) Division, the Laboratory Division (LD), and the Operational Technology Division (OTD).

A number of other HQ offices also provide FBI-wide mission support:

- The Information and Technology Branch (ITB) oversees the Information Technology (IT) Enterprise Services Division (ITESD), the IT Applications and Data Division (ITADD), and the IT Infrastructure Division (ITID).



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- The Human Resources Branch (HRB) includes the Human Resources Division (HRD), the Training Division (TD), and the Security Division (SecD).
- Administrative and financial management support is provided by the Finance and Facilities Division (FFD), the Information Management Division (IMD), the Resource Planning Office (RPO), and the Inspection Division (INSD).
- Specialized support is provided directly to the Director and Deputy Director through a number of staff offices, including the Office of Public Affairs (OPA), the Office of Congressional Affairs (OCA), the Office of the General Counsel (OGC), the Office of Equal Employment Opportunity Affairs (OEEOA), the Office of Professional Responsibility (OPR), the Office of the Ombudsman, and the Office of Integrity and Compliance (OIC).

In Fiscal Year 2020, the FBI's appropriated staffing level of 35,534 consisted of 13,213 Special Agents, 3,113 Intelligence Analysts, and 19,208 professional staff along with an additional 3,180 reimbursable positions.

FINANCIAL STRUCTURE

The FBI's Salaries and Expenses (S&E) funding is appropriated among four decision units that are reflective of the FBI's key mission areas:

1. Intelligence
2. Counterterrorism (CT)/Counterintelligence (CI)
3. Criminal Enterprises and Federal Crimes (CEFC)
4. Criminal Justice Services (CJS)

Resources are allocated to these four decision units in one of three ways:

- Based on core mission function: Certain FBI divisions support one mission area exclusively, and thus are allocated entirely to the corresponding decision unit. For example, all of the resources of the DI are allocated to the Intelligence decision unit while all of the resources of the CJIS are allocated to the CJS decision unit.
- Based on workload: Critical investigative enablers, such as the LD, IOD, and OTD, are allocated to the decision units based on workload. For example, 21 percent of the LD's workload is in support of CT/CI investigations, and accordingly, 21 percent of LD's resources are allocated to the CT/CI decision unit. These percentage assignments may be revised upon review of workload.
- Pro-rated across all decision units: Administrative enablers, such as ITB and HRD, are pro-rated across all four decision units since these divisions support the entire organization. This pro-rata spread is based on the allocation of operational divisions and critical investigative enablers.

The FBI's Construction (CNST) funding is a separate appropriation.



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FY 2020 RESOURCE INFORMATION

Table 1 presents the sources of financing for FBI resources distinguished by Earned Revenue, Budgetary Financing Sources, and Other Financing Sources. Table 2 describes how the FBI spent its resources, divided across DOJ SGs 1, 3, and 4.

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

Source	FY 2020	FY 2019	Change%
Earned Revenue	\$ 867,901	\$ 992,281	(13%)
Budgetary Financing Sources			
Appropriations Received	9,972,902	9,577,137	4%
Appropriation Transferred-In/Out	(21,942)	(6,415)	(242%)
Other Adjustments	(72,155)	(124,737)	42%
Transfers-In/Out Without Reimbursement	134,549	132,875	1%
Other Financing Sources			
Transfers-In/Out Without Reimbursement	979	25,616	(96%)
Imputed Financing from Costs Absorbed by Others	255,758	345,916	(26%)
Other Financing Sources	(8,983)	(10,465)	14%
Total FBI Resources	\$ 11,129,009	\$ 10,932,208	2%

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

Strategic Goal (SG)	FY 2020	FY 2019	Change%
SG 1: Enhance National Security and Counter the Threat of Terrorism			
Gross Cost	\$ 5,471,090	\$ 5,197,740	
Less: Earned Revenue	264,062	261,208	
Net Cost	\$ 5,207,028	\$ 4,936,532	5%
SG 3: Reduce Violent Crime and Promote Public Safety			
Gross Cost	\$ 2,896,977	\$ 2,728,756	
Less: Earned Revenue	538,920	641,626	
Net Cost	\$ 2,358,057	\$ 2,087,130	13%
SG 4: Promote Rule of Law, Integrity, and Good Government			
Gross Cost	\$ 2,630,922	\$ 2,848,172	
Less: Earned Revenue	64,919	89,447	
Net Cost	\$ 2,566,003	\$ 2,758,725	(7%)
Total Gross Cost	\$ 10,998,989	\$ 10,774,668	
Less: Total Earned Revenue	867,901	992,281	
Total Net Cost of Operations	\$ 10,131,088	\$ 9,782,387	4%



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SUMMARY OF PERFORMANCE INFORMATION

DOJ SG 1: Enhance National Security and Counter the Threat of Terrorism *51.4 percent of the FBI's Net Cost supports this SG.*

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. The CTD at FBI HQ provides oversight and management for all CT investigations. FBI CTD provides a centralized, comprehensive, and intelligence-driven approach to addressing both international and domestic terrorism-related matters.

Performance Measure: Number of terrorism disruptions affected through investigations (1.1)

FY 2020 Target: 400

FY 2020 Actual Performance: 561

Discussion of FY 2020 Results:

Under DOJ's Strategic Objectives, the FBI CTD is accountable for Objective 1.1. In FY 2020, CTD exceeded the target of 400 terrorism disruptions with an actual count of 561. Noteworthy disruptions include the arrest of a subject on federal charges of attempting to obstruct religious exercise by force using explosives, and the arrests of several subjects throughout the year on charges of material support to a foreign terrorist organization, namely Islamic State of ash-Sham (ISIS) and al-Qa'ida.

The FBI's ability to exceed the disruption target, despite the effects of the COVID-19 pandemic, is due to the continued efforts of FBI analysts and special agents who proactively and rigorously investigate terrorism threats. FBI CTD ensures continuous training of the CT workforce, effective use of advanced technology, diligent program management, and efficient stewardship of all available resources to successfully disrupt terrorist operations.

The FBI and DOJ-identified "Lawful Access" risk continues to limit law enforcement's ability to disrupt domestic and international terrorist actors. Accessing content of communications by, or data held by, known or suspected terrorists pursuant to judicially authorized warrants is increasingly difficult. Following the December 2019 shooting at Naval Air Station Pensacola, the FBI relentlessly pursued lawful access to the information in the subject's phones, during which time the FBI did not know whether he was a lone wolf attacker or if his associates had been plotting additional attacks. Providers and law enforcement must continue to collaborate in seeking technical solutions that provide both security and privacy to users while also aiding in the FBI's ability to disrupt terrorist actors.

The FBI's Threat Review and Prioritization (TRP) process allows CTD to strategically allocate funding to the appropriate programs and threats during the annual zero-based budgeting planning process, which serves as the foundation for the division's expenditure execution plan throughout the entire fiscal year. The utilization of TRP data has proven to be an extremely beneficial planning method, as it allows CTD to properly align funds to cover known and emerging threats from both foreign and domestic actors.



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PROGRAM: Cyber

Background/Program Objectives: In order to achieve DOJ strategic objective 1.2 Combat cyber-based threats and attacks, as well as the FBI's strategic and operational objectives, the CyD's strategy addresses the growing criminal and national security threat of unauthorized computer intrusions by conducting investigations, collecting intelligence, and engaging victims, all in pursuit of attribution to unmask the adversary. Imposing risk and consequences on cyber adversaries ultimately leads to deterrence, disruption, and defeat. Each fiscal year, CyD communicates cyber threat-level guidance to all FBI field offices, in order to direct efforts and drive progress toward achieving these outcomes.

A holistic view of the intrusion environment recognizes that threat actors have widely divergent means, motives, and opportunities to inflict damage on their intended victims. The FBI CyD uses four primary computer intrusion program actions to measure its mitigation success against the general threat of unauthorized computer intrusions. Deterrence is the FBI prevention of a threat actor from engaging in criminal or national security related activity through defensive countermeasures which are implemented by the FBI or implemented by strategic partners due to FBI engagement. Detection is the FBI identification of a threat actor and/or criminal or national security related activity. Disruptions are interrupting or inhibiting a threat actor from engaging in criminal or national security related activity. Disruptions are the result of direct actions and may include, but are not limited to, arrest, seizure of assets, or impairing the operational capabilities of key threat actors. Dismantlement occurs when the targeted organization's leadership, financial base, and supply network has been destroyed, such that the organization is incapable of operating and/or reconstituting itself. By definition, an organization can only be dismantled once. However, in the case of large organizations, a number of individual identifiable cells or subgroups may be present. Each of these cells or subgroups maintains and provides a distinct function supporting the entire organization. Actors respond differently to each of these FBI actions, and each action may be effective at different times in the lifespan of an investigation. Each fiscal year, the FBI CyD communicates cyber threat-level guidance to all FBI field offices, in order to direct FBI progress towards achieving these mitigation outcomes against the most important cyber threats.

Performance Measure: Number of computer intrusion program deterrences, detections, disruptions and dismantlements (1.2)

FY 2020 Target: 8,000

FY 2020 Actual Performance: 15,427

Discussion of FY 2020 Results:

CyD's strategic efforts focus on imposing risk and consequences on cyber adversaries through our unique authorities, world-class capabilities, and enduring partnerships. The Computer Intrusion Program (CIP) is a top priority of the FBI. The mission of the CIP is to identify, assess, and neutralize computer intrusion threats emanating from terrorist organizations, state sponsored threat actors, and criminal groups targeting the national information infrastructure. The CIP is characterized by an "all tools" approach, leveraging the FBI's dual law enforcement and national security authorities. In FY 2020, CyD successfully achieved a total of 15,427 operational and preventative outcomes related to detects, deters, disruptions, and dismantlements.

The number of detects, deters, disruptions, and dismantlements exceeded the FY 2020 target due to significant emphasis placed on FBI field offices to achieve judicial, operational, and preventative outcomes through the annual Field Office Strategic Plan (FOSP) creation and evaluations processes.

The Recovery Asset Team (RAT) was established in February 2018 by CyD's Internet Crime Complaint Center (IC3). The RAT streamlines communication between FBI field offices and financial institutions in an effort to recover assets for victims of any crime type that transfers funds to fraudulent domestic accounts. In FY 2020, recognizing that private sector partners are indispensable to successfully mitigating cyber threats,



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CyD continued its efforts to establish and maintain partnerships with the private sector to ensure timely sharing of information. CyD's ongoing relationships with private sector entities, including banking institutions, have aided in CyD's ability to provide robust asset recovery numbers over the last year. For example, by continuing to make contact with new financial institutions, and foster relationships established with current partners, CyD is able to maintain a platform of data sharing that is beneficial to both parties and thus, beneficial to victims. In addition, in FY 2020, IC3 developed successful relationships with financial institutions that they had not previously worked with. In FY 2020, the IC3 RAT acted on 977 complaints with a total adjusted loss of \$388,194,711.20 and froze \$328,790,265.30. This is a success rate of 85%, exceeding the target of 77%.

PROGRAM: Counterintelligence

Background/Program Objectives: The mission of the FBI's CI program is to protect the U.S. by identifying, understanding, and combating foreign government activities that pose a threat to national security. To do this, the FBI must identify and protect the nation's vital assets, and it must identify and disrupt the actors who seek to obtain these assets for the benefit of foreign governments.

The U.S. faces a broad, rising threat from the hostile intelligence activities of foreign governments and their proxies. These activities are not conducted exclusively by foreign intelligence services, nor do they primarily target U.S. Government secrets. Instead, foreign nations combine traditional and non-traditional collectors in a whole-of-government approach, seeking to acquire a wide range of vital U.S. assets to give those adversaries an economic or national security advantage.

Once a foreign nation has acquired U.S. information, items, or other assets, this damage cannot be undone by punishing those who were responsible; therefore, the FBI's CD strategy emphasizes the prevention of loss and the proactive disruption of threat actors. To prevent losses, the FBI engages the governmental or private-sector entities that possess priority assets, and the FBI makes them aware of threats, trends, and indicators; because FBI resources are limited, this engagement is prioritized toward high-value and high-risk sectors, technologies, and agencies.

To identify and disrupt threat actors, the FBI uses the full range of lawful tools, from traditional techniques such as interviews and search warrants, to advanced techniques relying on technology or tradecraft. The FBI also partners with other government agencies to use the broadest possible set of legitimate tools, such as expulsions of personae non gratae, national security reviews of proposed foreign corporate acquisitions, and regulatory and export-control enforcement. Through these partnerships, CD is positioned to best enhance national security and achieve DOJ Strategic Objective 1.3.

Performance Measure: Number of CI program disruptions and dismantlements (1.3)

FY 2020 Target: 400

FY 2020 Actual Performance: 365

Discussion of FY 2020 Results:

The public health response to the 2020 COVID-19 pandemic demanded creative ways to achieve the FBI CI mission while maintaining the safety of all employees, witnesses, victims, and suspects. The FBI CD successfully met this challenge, continuing to produce high quality outcomes through the height of the pandemic. While the total number of disruptions and dismantlements lagged behind the annual target, the numbers show this was a direct result of COVID-19 protection strategies in quarters 3 and 4.

Throughout FY 2020, the FBI CD continued its focus on identifying, understanding, and combating foreign activities in order to deter, defeat, and aggressively respond to CI threats against U.S. national and economic security. Key accomplishments include the August arrests of Alexander Yuk Ching Ma and Peter Rafael Dzibinski Debbins on charges that they provided national security information to the governments of China



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and Russia, respectively; the July forfeiture filings to seize the ill-gotten gains from North Korean and Iranian violators of international sanctions on their governments; and the February indictment of Chinese technology firm Huawei with conspiracy to violate the Racketeer Influenced and Corrupt Organizations Act (RICO), marking a novel use of this legal strategy to complete a CI investigation. In addition, Henry Kyle Frese was sentenced to 30 months in prison for leaking national defense information to journalists in 2018 and 2019, and the DOJ achieved the successful extradition of accused international sanctions violators in the custody of Georgia and the United Kingdom. Despite the pandemic, the FBI made historic strides in combatting unauthorized disclosure, insider threat, and hostile intelligence activities.

The FBI CD will continue to develop new strategies to engage entities possessing the most critical assets, employ novel legal tools and authorities, and collaborate with the widest possible set of allies at all levels of government, in the private sector, and in friendly foreign governments. This emphasis on collaboration, including the development of CI Task Forces in all FBI field offices, allows the U.S. government to exert the full scope of consequences, from asset forfeiture to trial and detention, against America's highest priority national security threats.

DOJ SG 3: Reduce Violent Crime and Promote Public Safety *23.3 percent of the FBI's Net Cost supports this SG.*

PROGRAM: Criminal Enterprises

Background/Program Objectives: The FBI's CID strategy focuses on strategic objectives and efforts to fulfill the FBI's vision to stay ahead of the threat through leadership, agility, and integration. CID has developed, implemented, and prioritized strategies as part of DOJ's SG 3: Reduce Violent Crime and Promote Public Safety Objective 3.1 "Combat violent crime, promote safe communities, and uphold the rights of victims of crime," and Objective 3.2 "Disrupt and dismantle drug trafficking organizations (DTOs) to curb opioid and other illicit drug use in our nation".

The FBI uses the Enterprise Theory of Investigation (ETI), which focuses on disrupting and dismantling the entire criminal organization through intelligence-based targeting and execution of coordinated investigations against the high value subjects.

The FBI has developed a holistic strategy 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 FBI's strategy focuses on the FBI's counter-drug resources on identified Consolidated Priority Organizations Targets (CPOTs) with the most adverse impact on U.S. national interests. The FBI also prioritizes efforts to combat the nationwide opioid epidemic, including addressing traditional criminal enterprises and dark web vendors importing, distributing, and selling fentanyl and illegal opioids, as well as sources of illegitimate prescription opioids. The Prescription Drug Initiative targets healthcare providers and pharmaceutical companies involved with illegal marketing and distribution practices as well as fraudulent prescriptions. The FBI and DOJ are partnered together on the Appalachian Regional Prescription Opioid Strike Force, which has dedicated investigators and prosecutors to address the problem in the region.

The FBI also uses ETI to reduce the threat of violent crime and promote safe neighborhoods, and is committed to vigorous enforcement efforts against violent transnational criminal organizations and gangs. The FBI will continue to strive for the goals set forth of non-Consolidated Priority Organizations Targets (non-CPOTs) gangs and criminal enterprise dismantlements in order to be accountable and committed to reduce violent crime through partnerships.



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Performance Measure: Percent of gang/criminal enterprise dismantlements non-CPOTs (3.1)

FY 2020 Target: 15 percent (227)

FY 2020 Actual Performance: 185

Performance Measure: Number of disruptions and dismantlements of DTOs linked to CPOTs (3.2)

FY 2020 Target: 70

FY 2020 Actual Performance: 87

Discussion of FY 2020 Results:

The FBI CID coordinates, manages, and directs investigative programs focused on financial crime, violent crime, organized crime, public corruption, violation of individual civil rights, drug related crime, and informant matters associated with these investigative areas. The measures and accomplishments provide a limited snapshot of the impactful work of the Criminal program directed towards gangs, criminal enterprises/organizations, DTOs, and elder fraud.

During the FY 2020 reporting period, the FBI had significant gang/non-CPOT dismantlements, including Operation Only Family. The Operation Only Family investigation was initiated by the FBI Chicago field office (CG) to target The Black Disciples (BD), a violent gang operating in the Greater Chicago area. The BDs were involved in the distribution of street level and wholesale amounts of narcotics, gang-related homicides, credit card fraud, assaults, armed robberies, and aggravated batteries. The investigation progressed to a large-scale, multi-state endeavor involving federal, state, and local law enforcement partners. CG's Confidential Human Source operations, 16 Title III intercepts, and multiple search warrants led to CG's arrest of 27 individuals and seizure of 20 firearms, over 14 kilograms of cocaine, and 2.5 kilograms of heroin in July 2020. In a spin-off case, FBI Milwaukee initiated an investigation into the BD based on intelligence gained from the CG operation. Gang members were subsequently indicted on narcotics and firearms violations. These investigations and dismantlements had a significant impact on the operations of the BD in the Midwestern U.S.

The FBI also made significant progress toward CPOT-linked dismantlements. One notable example is the Executive Office for Organized Crime Drug Enforcement Task Forces (OCDETF) Operation Bake Shop, which dismantled the Donte L. Gibson Drug Trafficking and Money Laundering Organization (DT/MLO) through the sentencing of primary case subjects & DT/MLO leaders, Donte Gibson and Audrey Gibson in April 2020. The investigation revealed that the Gibsons were utilizing dark web links and encrypted email services to communicate with fentanyl and carfentanil suppliers based in China. They purchased supplies through Bitcoin and other types of crypto-currencies and set up a web of concealed U.S. Postal Service P.O. Boxes to receive the fentanyl and carfentanil shipments. These shipments were distributed to regional drug dealers in the greater Northeast Ohio area, specifically in the Akron, Lorain, and Cleveland areas. Both Donte and Audrey plead guilty to charges of conspiracy to distribute carfentanil and conspiracy to commit money laundering. They were sentenced to 25 and 11 years in prison, respectively. In addition to the Gibsons, seven other defendants in the captioned investigation were sentenced to Federal prison and/or Federal probation for their drug trafficking and money laundering conspiracy roles in the organization.

The COVID-19 pandemic affected all target measures and severely impacted certain investigative accomplishments for FY 2020. Numerous planned operations did not occur and were postponed until FY 2021. The widespread shutdown also affected the U.S. Attorney's Offices and courts (including Federal Grand Jury (FGJ) procedures), which are responsible for the prosecution, trial, and sentencing of subjects. The FBI defines a criminal organization dismantlement as when a criminal organization (e.g., leadership, financial infrastructure) is incapable of operating or reconstituting itself, so the FBI does not claim these statistics until the last subject in the organization is sentenced. This extended period in which there were



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limited court proceedings (e.g., indictments, trials, proffers) greatly affected the FBI's ability to fully dismantle criminal enterprises and claim statistics under DOJ strategic objectives 3.1 and 3.2. These operational challenges were compounded by other COVID-19 challenges, such as FBI personnel exposures/quarantines, the inability to conduct sensitive case analysis from remote environments ("telework"), and the lack of private industry responsiveness (specifically to FGJ subpoenas for business records). Additionally, there was an increase in COVID-19 crime, specifically in schemes/complaints related to Price Gouging/Hoarding, Procurement Fraud, Investment Fraud, Counterfeit Public Health Products, and Unemployment Insurance. The FBI needed to reallocate investigative resources to hedge the financial losses from these crimes.

DOJ SG 4: Promote Rule of Law, Integrity, and Good Government *25.3 percent of the FBI's Net Cost supports this SG.*

The FBI was not assigned performance measures that significantly led to managing, budgeting, or overseeing of SG 4.



ANALYSIS OF FINANCIAL STATEMENTS

The FBI's financial statements received unmodified audit opinions for FYs 2020 and 2019. These financial statements were prepared from the accounting records of the FBI in conformity with U.S. generally accepted accounting principles (GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

Assets: Total Assets was \$8.75 billion as of September 30, 2020, an increase of \$219.9 million, or three percent, from the previous fiscal year's Total Assets of \$8.53 billion. The increase is primarily related to increases in Fund Balance with Treasury, General Property, Plant, and Equipment and Advances and Prepayment. Fund Balance with Treasury increased in FY 2020 by \$32.9 million, or one percent, which is primarily due to an increase in Appropriations Received and not yet disbursed. General Property, Plant, and Equipment increased by \$139.2 million, or five percent, which is primarily due to an increase in Building, Improvements and Renovations costs. Advances and Prepayments increased in FY 2020 by \$54.0 million, or 79 percent, which is primarily due to an increase in recorded prepayment activity, mainly attributable to increases in technology licensing and maintenance agreements. The remaining assets reflect a net decrease of \$6.2 million.

Liabilities: Total Liabilities was \$1.67 billion as of September 30, 2020, an increase of \$89.9 million, or six percent, from the previous fiscal year's Total Liabilities of \$1.58 billion. The net increase is primarily related to an increase in Accrued Payroll and Benefits and Accrued Annual and Compensatory Leave Liabilities. Accrued Payroll and Benefits increased by \$36.5 million, or 20 percent, due to a two-day increase in the number of compensable days included in the payroll accrual, as compared to FY 2019. Accrued Annual and Compensatory Leave Liabilities increased by \$69.7 million, or 20 percent, which is primarily attributed to an increased unfunded leave liability as compared to FY 2019. This net increase is offset by a decrease in Accounts Payable with the Public of \$57.3 million, or 14 percent, due to a decrease in accrued liabilities with the public. The remaining liabilities reflect a net increase of \$41.0 million.

Net Position: Total Net Position was \$7.08 billion as of September 30, 2020, an increase of \$130.0 million, or two percent, from the previous fiscal year's Total Net Position of \$6.95 billion. The net increase is primarily due to an increase in Unexpended Appropriations – Beginning Balances of \$212.7 million, or six percent, and an increase in Appropriations Received of \$395.8 million, or four percent. The net increase is offset by an increase in Net Cost of Operations of \$348.7 million and a decrease in Imputed Financing of \$90.2 million, or 26 percent. The Imputed Financing change is attributed to higher agency contribution factors for Federal Employees Retirement System (FERS) and a decrease in the Office of Personnel Management (OPM) cost factor for imputed employer's pension expenses. The remaining changes in Net Position reflect a net decrease of \$39.6 million.

Net Cost of Operations: Total Net Cost of Operations was \$10.13 billion for FY 2020, an increase of \$348.7 million, or four percent, from Total Net Cost of Operations of \$9.78 billion for FY 2019. The increase is primarily attributed to a net increase of \$224.3 million, or two percent, in Gross Costs and a decrease of \$124.4 million, or 13 percent, in Earned Revenue. The decrease in Earned Revenue is primarily attributed to a decrease in demand for services from the CJIS User Fee program.

Budgetary Resources: Total Budgetary Resources was \$13.22 billion for FY 2020, an increase of \$111.8 million, or one percent, from Total Budgetary Resources of \$13.10 billion in FY 2019. The change is related to an increase in Appropriations of \$448.3 million, corresponding with decreases in both Unobligated Balance from Prior Year Budget Authority of \$251.1 million and Spending Authority from Offsetting Collections of \$85.4 million.

COVID-19: The FBI received \$20 million in the Coronavirus Aid, Relief, and Economic Act (CARES) Act to address the impact of COVID-19 on FBI operations. The funds were used to purchase Personal Protective



Management's Discussion and Analysis

Equipment (PPE) for FBI personnel, safely returning FBI employees from duty stations overseas, cleaning and sanitizing FBI facilities/workspaces, and acquiring critical information technology equipment and services. As described within the Summary of Performance Information, the FBI maintained an operational tempo that enabled it to remain successful in dispensing its mission and duties, to include investigating those criminal activities arising as a result of the COVID-19 pandemic. Generally, the FBI did not recognize adverse impacts to its financial activities due to the COVID-19 pandemic, but did note a decrease in the demand for services within its CJIS User Fee program, which drove down Earned Revenue.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b).

The statements are prepared from records of Federal entities in accordance with U.S. GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records.

Users of the statements are advised that the statements are for a component of the U.S. Government.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

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

Internal Controls Program

FBI's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the FMFIA. In accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, revised June 6, 2018, 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 summarized below. Corrective Action Plans were established to institute programs and/or controls to eliminate this condition.

FMFIA Section 2 – Reportable Conditions

Information Systems: For the FY 2020 assessment, testing showed improvements in the strength of general control areas DOJ selected. Additional improvements are in progress to remediate deficiencies identified in the areas of: Access Control, Audit and Accountability, and Risk Assessment. FBI is working with stakeholders to ensure that the new processes are fully implemented and executed in accordance with the FBI



Management's Discussion and Analysis

and DOJ policies. FBI considers the aggregated deficiencies to be one significant deficiency for information systems general controls.

Procurement - Contract Transition: The FBI Procurement Section relocation to Huntsville, Alabama led to increased contract transition due to a significant turnover in the Contracting Officer/Contracting Specialist (CO/CS) workforce. The process did not include steps to account for the contract files that should have been reassigned but never went through the process. FBI was unable to assess the operating effectiveness of controls within the contract transition process. The process owner is currently addressing remediation efforts.

Procurement - Obligation and Commitment of Funds for Acquisition Review Board (ARB): Pre-award activity for contracts \$5 million and above include obtaining ARB approval and maintaining documentation of the approval within the contract file. FBI was unable to assess the operating effectiveness of controls due to a lack of documentation. The process owner was unable to locate multiple ARB approvals because the original CO has since left the FBI. The process owner is currently addressing remediation efforts.

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

In FY 2020, 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 Enterprise Risk Management and Internal Control*, revised June 6, 2018. 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 business processes deemed to be significant to the FBI and the DOJ. These processes included: Budget and Funds Management; Revenue and Receivables Management; Procurement; Property Management; Treasury and Fund Balance with Treasury; Human Resources; Financial Reporting; and Information Systems. The results of the assessment disclosed no material weaknesses in the FBI's internal control over financial reporting as of June 30, 2020.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA or the Act) was designed to advance federal financial management by ensuring that federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with federal financial management system requirements, applicable federal accounting standards, and the application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. Furthermore, the FFMIA requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report.

FFMIA Compliance Determination

During FY 2020, the FBI assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially complied with the FFMIA. This determination is based on the results of the Federal Information Security Management Act (FISMA) reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the FY 2020 FBI financial statement audit.

Analysis of Legal Compliance

In the FBI's update to the FY 2019 Assurance Statement and Sub-certification, FBI management reported deficiencies for the Digital Accountability and Transparency Act (DATA Act) compliance because the preliminary results of the OIG's statistical sample of the FBI's 2019 Quarter 2 spending data on



Management's Discussion and Analysis

USASpending.gov identified deficiencies. FBI management reviewed the OIG's findings and took action to improve data quality and compliance. The FBI's analyses in FY 2020 identified some deficiencies, none of which was significant enough, individually or in the aggregate to be considered a significant deficiency or material weakness. In FY 2021, the FBI will continue to work with the Department's DATA Act Team to strengthen the controls for which additional focus is needed.

FORWARD LOOKING INFORMATION

The Changing Threat

The U.S. continues to face a range of criminal, terrorist, and nation-state threats, such as organized crime syndicates seeking to defraud financial systems and/or entities who conduct espionage activities or network attacks. While these threats are not new, the means by which adversaries are constantly changing and evolving the ways in which they carry out their activities. Cyber actors are using new technologies to obfuscate their activities, further complicating identification and attribution efforts. Although cyber has expanded industry profitability, it has also served as a platform for nefarious activity. Despite formidable investments and concerted efforts by the private sector and government to build more secure and defensible computer networks, risks remain high and cybersecurity remains a rapidly growing concern with no easy solutions in sight.

The FBI's cyber mission is to counter these cyber threats through its investigative and intelligence authorities. Through its authorities, the FBI works to identify criminal, terrorist, and nation-state actors and engage in activities to reduce or neutralize these threats. At the same time, the FBI collects and disseminates information helpful to those responsible for defending networks, including information regarding threat actor targets and techniques. The FBI's jurisdiction is not defined by network boundaries; rather, it includes all territory governed by U.S. law, whether domestic or overseas, and spans individual citizens, private industry, critical infrastructure, U.S. government, and other interests alike. As a federal law enforcement agency and member of the USIC, the FBI is in a unique position to further its own operations and enhance those of interagency partners. Collectively, the FBI and its federal partners take a whole-of-government approach to help deter future threats and bring closure to current threats that would otherwise continue to infiltrate and harm network defenses.

The foreign intelligence threat to the U.S. continues to increase as foreign powers seek to establish economic, military, and political preeminence and to position themselves to compete with the U.S. in economic and diplomatic arenas. The most desirable U.S. targets are political and military plans, technology, and economic institutions, both governmental and non-governmental. Foreign intelligence services continue to target and recruit U.S. travelers abroad to acquire intelligence and information. Foreign adversaries are increasingly employing non-traditional collectors – e.g., students and visiting scientists, scholars, and businesspersons – as well as cyber-based tools to target, penetrate, and influence U.S. institutions.

The FBI continues to work to identify individuals who seek to join the ranks of foreign fighters traveling in support of ISIS, as well as homegrown violent extremists (HVE) who may aspire to attack the U.S. from within. These terrorism threats remain among the highest priorities for the FBI and the Intelligence Community (IC). HVEs aspire to carry out attacks in the U.S. or travel overseas to participate in terrorist activity. Countering the HVE threat is especially challenging for law enforcement because HVEs often act with little to no warning. The FBI has HVE cases that span all 56 FBI field offices across all 50 states and territories.

The FBI will meet these threats head-on, while adhering to its mission to protect the American people and uphold the Constitution of the U.S. and realizing its vision to be ahead of the threat. These threats require the FBI to strategically assess current and prospective operations to ensure it meets mission requirements at the lowest possible cost to the U.S. taxpayer.



Management's Discussion and Analysis

Budget Environment

The foundation of the FBI's budget strategy is supported by the FBI's mission, vision, and strategic objectives as discussed in previous sections. At the heart of the FBI's strategy is the vision statement: Ahead of the threat. By understanding the threat-based landscape and identifying critical enterprise-wide capabilities needed to perform its mission, the FBI crafts a budget strategy that maximizes the effectiveness of current resources as well as forecasts programmatic areas that require enhanced resources in order to meet threats of the future, some known and some not. This strategic planning of resources is increasingly important given the number of FBI programs and initiatives that are multi-year in nature, and require phased development, deployment, and operations and maintenance funding. This approach allows FBI management to better understand the implications and impacts of proposed initiatives on FBI resources.

First and foremost in this strategic planning approach, the FBI prioritizes core operational needs, to include resources necessary to sustain Special Agents, Intelligence Analysts, and critical enabling personnel. The FBI ensures that funding is sufficient and available to establish and sustain sources that are critical to gathering intelligence and building cases. In addition to operational funding, the FBI requires a robust physical and IT infrastructure that meets the needs of the workforce of the future, as well as a threat environment that is increasingly impacted by the digital revolution. In FY 2020, the FBI continued to invest in future operational capacity through its 21st Century Facilities Plan.

FBI's 21st Century Facilities Plan

The FBI continued to work towards consolidating and improving its operations through the construction of modern facilities. In FY 2020, the construction of the Central Records Complex (CRC) in Frederick County, Winchester, Virginia was completed. The CRC will house more than two billion pages of records by 2022. The 256,000-square-foot facility uses robots to help manage the storage of truckloads of archived records now housed at each of the FBI's field offices and other sites. The CRC ensures FBI records are stored in a facility which is compliant with the National Archives and Records Administration's federal records storage standards.

The largest investment in the FBI's 21st Century Facilities plan is ongoing at Redstone Arsenal (RSA) in Huntsville, Alabama. The FBI has maintained a presence RSA for almost 50 years, and the FBI is expanding its footprint across the base, positioned among some of the nation's top defense, law enforcement, and technology organizations. The U.S. Army made available approximately 1,600 acres of land at RSA to the FBI, which enables the FBI to enhance operations, operational support, technology, training, and research and development capabilities and capacities. The FBI's plans for constructing new facilities at RSA remains centered around three key opportunities:

- 1) Creating a center of excellence for FBI explosives and counter-improvised explosive device programs and activities;
- 2) Leveraging the Huntsville-area technology, science, and engineering interest to create an FBI technology hub to support investigations and operations; and;
- 3) Providing additional advanced and specialized training capabilities to address requirements that cannot be fulfilled at the FBI Academy campus.

User Fee Study

Beginning in FY 2018, the FBI conducted an extensive business review of the automation portion of the FBI CJIS user fee rate due to the considerable transformation in the business and operational environments to include changes in technology. As a result, the FBI approved an adjustment to the fee schedule and published a Notice of the Change in the Federal Register on September 24, 2019. Effective January 1, 2020, fingerprint-based criminal history record identification (CHRI) checks were increased by \$1.25 to \$11.25,



Management's Discussion and Analysis

fingerprint-based for volunteer CHRI was increased by \$0.50 to \$9.25, and the name-based CHRI checks remained unchanged at \$2.00.

In FY 2020, the FBI completed a separate business review of the FBI National Name Check Program (NNCP) user fee structure due to similar shifts in the technology supporting the business and operational environments. As a result, the FBI approved an adjustment to the fee schedule and published a Notice of the Change in the Federal Register on December 30, 2019. Effective February 1, 2020, FBI Investigative Files Checks were collapsed from three service submission categories with varying fee levels to a single fee structure of \$21.25.

Over the Horizon

The FBI must continue to invest in the future. Threat actors continue to evolve and become more sophisticated, and so must the FBI. Facilities investments represent only a portion of those areas that will require resources and energy. As data usage continues to expand, the FBI continues to execute its network improvement strategy given current and projected network infrastructure gaps. Developing more sophisticated ways to ingest and transport this data is only part of the equation. The opportunities to leverage this data for maximum operational gain continue to require greater investments in analytical tools and data structure design. The security of this data from external and internal threat actors requires enhanced network monitoring. Technology improvements are also essential in the identification of DarkNet marketplaces used to facilitate the opioid crisis and the investigation of CI threat actors seeking to influence U.S. domestic life, among other threat areas.

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

INDEPENDENT AUDITORS' REPORT





KPMG LLP
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Washington, DC 20006

Independent Auditors' Report

Inspector General
U.S. Department of Justice

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice Federal Bureau of Investigation (FBI), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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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, 2020 and 2019, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2020, we considered the FBI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FBI's internal control. Accordingly, we do not express an opinion on the effectiveness of the FBI's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FBI's consolidated financial statements as of and for the year ended September 30, 2020 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

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

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the FBI's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 13, 2020

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

PRINCIPAL FINANCIAL STATEMENTS AND RELATED NOTES





**U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Balance Sheets
As of September 30, 2020 and 2019**

Dollars in Thousands	2020	2019
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 5,034,741	\$ 5,001,862
Accounts Receivable (Note 5)	407,594	425,127
Other Assets (Note 8)	32,501	31,297
Total Intragovernmental	5,474,836	5,458,286
Cash and Other Monetary Assets (Note 4)	117,992	101,374
Accounts Receivable, Net (Note 5)	31,967	38,463
General Property, Plant and Equipment, Net (Note 7)	3,003,056	2,863,828
Advances and Prepayments	122,495	68,469
Other Assets (Note 8)	4	29
Total Assets	\$ 8,750,350	\$ 8,530,449
LIABILITIES (Note 9)		
Intragovernmental		
Accounts Payable	\$ 155,703	\$ 171,214
Accrued Federal Employees' Compensation Act Liabilities	37,116	35,328
Custodial Liabilities (Note 18)	2,512	1,809
Other Liabilities (Note 13)	159,550	123,997
Total Intragovernmental	354,881	332,348
Accounts Payable	347,365	404,718
Accrued Payroll and Benefits	214,543	178,065
Accrued Annual and Compensatory Leave Liabilities	417,973	348,240
Federal Employee and Veteran Benefits	212,447	223,158
Environmental and Disposal Liabilities (Note 10)	4,777	4,729
Seized Cash and Monetary Instruments (Note 12)	62,345	49,008
Contingent Liabilities (Note 14)	33,600	15,840
Other Liabilities (Note 13)	24,820	26,764
Total Liabilities	\$ 1,672,751	\$ 1,582,870
NET POSITION		
Unexpended Appropriations	\$ 3,948,889	\$ 3,730,758
Cumulative Results of Operations	3,128,710	3,216,821
Total Net Position	\$ 7,077,599	\$ 6,947,579
Total Liabilities and Net Position	\$ 8,750,350	\$ 8,530,449

Federal Bureau of Investigation

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



**U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2020 and 2019**

Dollars in Thousands

	FY	Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 15)
		Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
Goal 1	2020	\$ 1,656,455	\$ 3,814,635	\$ 5,471,090	\$ 251,186	\$ 12,876	\$ 264,062	\$ 5,207,028
	2019	\$ 1,532,557	\$ 3,665,183	\$ 5,197,740	\$ 248,504	\$ 12,704	\$ 261,208	\$ 4,936,532
Goal 3	2020	711,203	2,185,774	2,896,977	381,422	157,498	538,920	2,358,057
	2019	643,562	2,085,194	2,728,756	458,539	183,087	641,626	2,087,130
Goal 4	2020	849,676	1,781,246	2,630,922	60,669	4,250	64,919	2,566,003
	2019	827,926	2,020,246	2,848,172	85,287	4,160	89,447	2,758,725
Total	2020	<u>\$ 3,217,334</u>	<u>\$ 7,781,655</u>	<u>\$ 10,998,989</u>	<u>\$ 693,277</u>	<u>\$ 174,624</u>	<u>\$ 867,901</u>	<u>\$ 10,131,088</u>
	2019	<u>\$ 3,004,045</u>	<u>\$ 7,770,623</u>	<u>\$ 10,774,668</u>	<u>\$ 792,330</u>	<u>\$ 199,951</u>	<u>\$ 992,281</u>	<u>\$ 9,782,387</u>

Goal 1 Enhance National Security and Counter the Threat of Terrorism
Goal 3 Reduce Violent Crime and Promote Public Safety
Goal 4 Promote Rule of Law, Integrity, and Good Government

Federal Bureau of Investigation

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



U.S. Department of Justice
Federal Bureau of Investigation
Consolidated Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2020 and 2019

Dollars in Thousands	2020	2019
Unexpended Appropriations		
Beginning Balances	\$ 3,730,758	\$ 3,518,062
Budgetary Financing Sources		
Appropriations Received	9,972,902	9,577,137
Appropriations Transferred-In/Out	(21,942)	(6,415)
Other Adjustments	(72,069)	(51,737)
Appropriations Used	(9,660,760)	(9,306,289)
Total Budgetary Financing Sources	218,131	212,696
Total Unexpended Appropriations	\$ 3,948,889	\$ 3,730,758
Cumulative Results of Operations		
Beginning Balances	\$ 3,216,821	\$ 3,271,977
Budgetary Financing Sources		
Other Adjustments	(86)	(73,000)
Appropriations Used	9,660,760	9,306,289
Transfers-In/Out Without Reimbursement	134,549	132,875
Other Financing Sources		
Transfers-In/Out Without Reimbursement	979	25,616
Imputed Financing (Note 16)	255,758	345,916
Other Financing Sources	(8,983)	(10,465)
Total Financing Sources	10,042,977	9,727,231
Net Cost of Operations	(10,131,088)	(9,782,387)
Net Change	(88,111)	(55,156)
Cumulative Results of Operations	\$ 3,128,710	\$ 3,216,821
Net Position	\$ 7,077,599	\$ 6,947,579

Federal Bureau of Investigation

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



**U.S. Department of Justice
Federal Bureau of Investigation
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2020 and 2019**

Dollars in Thousands	2020	2019
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 17)	\$ 2,247,284	\$ 2,498,401
Appropriations (discretionary and mandatory)	9,903,407	9,455,067
Spending Authority from Offsetting Collections (discretionary and mandatory)	1,065,926	1,151,339
Total Budgetary Resources	\$ 13,216,617	\$ 13,104,807
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	\$ 11,110,687	\$ 11,028,402
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,892,507	1,768,373
Unapportioned, Unexpired Accounts	2,472	25,410
Unexpired Unobligated Balance, End of Year	1,894,979	1,793,783
Expired Unobligated Balance, End of Year	210,951	282,622
Unobligated Balance - End of Year (Total)	2,105,930	2,076,405
Total Status of Budgetary Resources	\$ 13,216,617	\$ 13,104,807
Outlays, Net:		
Outlays, Net (Total) (discretionary and mandatory)	\$ 9,822,566	\$ 9,353,329
Less: Distributed Offsetting Receipts	3	5
Agency Outlays, Net (discretionary and mandatory)	\$ 9,822,563	\$ 9,353,324



Notes to the Principal Financial Statements

U.S. DEPARTMENT OF JUSTICE FEDERAL BUREAU OF INVESTIGATION NOTES TO THE FINANCIAL STATEMENTS (Dollars in Thousands, Except as Noted)

1. Summary of Significant Accounting Policies

A. Reporting Entity

The FBI, established in 1908, is an integral component of the DOJ. The FBI's vision is to be ahead of the threat and its mission is to protect the American people and uphold the Constitution of the U.S. This mission incorporates protecting and defending the U.S. against terrorist and foreign intelligence threats, upholding and enforcing the criminal laws of the U.S., and providing leadership and criminal justice services to federal, state, local, and international agencies and partners. The FBI also provides assistance to other federal, state, and local law enforcement agencies and the public at large. Assistance includes forensic services, training law enforcement officials, background investigations, name checks, fingerprint analyses, and cooperative criminal investigations.

The accompanying financial statements of the FBI include the following funds under the administrative and/or operational control of the FBI: appropriated single year, multi-year, and no-year S&E funds; and appropriated no-year CNST funds. These funds include new appropriations, transfers of appropriations from other federal agencies, and the carry-over of prior years' unobligated balances for multi-year and no-year appropriated funds. The FBI also receives reimbursable funding from other agencies and the public 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. GAAP issued by the FASAB and presentation guidelines in the 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, Federal Employee and Veteran Benefits, and Other Liabilities, as defined by OMB Circular A-136, have been disaggregated on the Balance Sheets. These include Advances and Prepayments; Accrued Federal Employees' Compensation Act (FECA) Liabilities, Custodial 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 FYs 2020 and 2019, 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



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

as General Services Administration (GSA) owned property and equipment, and borrowings from the public by the 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 Treasury, and Cash and Other Monetary Assets

Fund Balance with Treasury primarily represents appropriated 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 legats maintain imprest funds to accommodate law enforcement cash requirements occurring outside normal banking system operating hours.

G. Accounts Receivable

Accounts Receivable are established for reimbursable expenses incurred by the FBI in providing goods and services ordered by other entities. Intragovernmental accounts receivable represents amounts due from federal entities and agencies, which are considered fully collectible. Receivables with the public 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 by number of days outstanding weighted against the collection rate of receivables with the public. An analytical review is conducted annually and the percentages applied are updated as needed. An invoice with the public is deemed delinquent if it is unpaid after 30 days or 180 days dependent upon the associated business line.



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

H. Inventory and Related Property

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

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

I. General Property, Plant, and Equipment (PP&E)

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

Expenditures for property and equipment with an acquisition cost or individual asset recognition value less than the applicable threshold are charged to operating expenses as incurred. The FBI uses work-in-process (WIP) accounts to capitalize expenditures associated with on-going leasehold improvement projects, the on-going construction of facilities, and 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 if the project exceeds the capitalization threshold.

Below are the capitalization thresholds (dollars in thousands):

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

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



1. Summary of Significant Accounting Policies (continued)

J. Advances and Prepayments

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

K. Seized Property

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

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

Quantities of illegal drugs and firearms held as evidence are disclosed in Note 6 in accordance with 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. Commitments and Contingencies

The FBI is party to various administrative proceedings, legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where management and the Chief Counsel considers adverse decisions "probable" and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 14, Commitments and Contingencies. 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" by the Chief Counsel.



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

N. Annual, Sick, and Other Leave

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

O. Interest on Late Payments

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

P. Retirement Plans

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

- 1) Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). The FBI contributes 7.0 percent of the gross pay for regular employees and 7.5 percent for law enforcement officers.
- 2) Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).
 - a) Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The FBI contributes 16.0 percent of the gross pay for regular employees and 33.4 percent for law enforcement officers.
 - b) Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) System. The FBI contributes 14.2 percent of the gross pay for regular employees and 31.6 percent for law enforcement officers.
 - c) Employees hired January 1, 2014 or later are covered by the Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE). The FBI contributes 14.2 percent of the gross pay for regular employees and 31.6 percent for law enforcement officers.

The accompanying financial statements report expenses incurred by the FBI for required contributions made to retirement accounts administered by the OPM. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For employees covered by the FERS, FERS-RAE and FERS-FRAE, a TSP account is automatically established to which the FBI is



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

required to contribute an additional 1.0 percent of gross pay and match employee contributions up to 4.0 percent. The FBI is not authorized to make automatic or matching contributions to the TSP for employees covered by CSRS. The FBI's financial statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of OPM. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service.

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

Q. Federal Employee Compensation Benefits

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

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

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

DOJ calculates and distributes each reporting components respective portion of the total DOJ actuarial liability that is recorded for reporting purposes only. The Federal Employee and Veteran Benefits 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 costs and exchange revenues represent transactions made between two reporting entities within the Federal Government. Costs and exchange revenues with the public represent transactions made between the reporting entity and a non-federal entity. With the



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

exception of certain accruals, the classification of revenue or cost as “intragovernmental” or “with the public” is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the Federal Government to prepare consolidated financial statements, not to match public and intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

S. Revenues and Other Financing Sources

The FBI receives funding to support its programs and executes its assigned mission from three primary sources: (1) annual, no-year, and multi-year appropriations by the U.S. Congress; (2) appropriated funds transferred to the FBI; and (3) reimbursable program funding. Appropriated funds (appropriated to the FBI or appropriated to other federal entities and transferred to the FBI for execution) represent the majority of the FBI’s operating budget. A source of revenue to the FBI are fees authorized by law for providing fingerprint-based and name-based CHRI checks and other identification services submitted by authorized users for noncriminal justice purposes, including employment and licensing. The fee is based on full-cost recovery, determined by using an activity-based cost model. Per Public Law 101-515, the FBI may set such fees at a level to include an additional amount to establish a fund to defray expenses for the automation of fingerprint identification and criminal justice information services and associated costs. Fee schedules are announced in the Federal Register following a public comment period. The FBI is not authorized to charge fees for fingerprint identification and criminal justice information services for law enforcement purposes. Other financing sources to the FBI include assets transferred to the FBI without reimbursement and imputed financing for: (1) FBI pension and other benefits expenses not covered by employee and FBI contributions and which are ultimately paid by OPM; and (2) expenses for legal claims paid out of the Treasury Judgment Fund on behalf of the FBI. Appropriations are recognized as financing sources when the goods and services authorized to be paid from the appropriations have been received and accepted, or when program or administrative expenses have been incurred. Revenue from reimbursable activities is recognized when it is earned, i.e. when the goods or services ordered have been delivered or rendered to the ordering entity. The FBI also generates proceeds from the sale of certain assets, primarily vehicles.

T. Funds from Dedicated Collections

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

The three required criteria for a Fund from Dedicated Collections are:

1. A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-federal source only for designated activities, benefits, or purposes;



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

2. Explicit authority for the funds to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

The FBI does not have funds that meet the definition of Funds from Dedicated Collections.

U. Tax Exempt Status

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

V. Use of Estimates

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

W. Reclassifications

The FY 2019 financial statements were reclassified to conform to the FY 2020 Departmental and OMB financial statement presentation requirements. The reclassifications had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources previously reported.

X. Subsequent Events

Subsequent events and transactions occurring after September 30, 2020 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.

Y. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed to present the disclosure of classified information.

Z. Public-Private Partnerships

SFFAS No. 49, *Public-Private Partnerships: Disclosure Requirements* establishes principles to ensure that disclosures about Public-Private Partnerships (P3) are presented in the reporting entity's general purpose federal financial reports (GPFFR). The principles guide financial reporting by establishing a P3 definition and identifying risk-based characteristics that need to exist before considering the P3 arrangement or transaction for disclosure.



Notes to the Principal Financial Statements

1. Summary of Significant Accounting Policies (continued)

SFFAS No. 49 exempts certain arrangements or transactions from the P3 disclosure requirements. Such exempt arrangements or transactions are subject to existing disclosure requirements in other SFFASs applicable to such arrangements or transactions.

As of September 30, 2020, the FBI has not identified any P3 arrangements that meet the SFFAS No. 49 disclosure requirements.



Notes to the Principal Financial Statements

2. Non-Entity Assets

As of September 30, 2020 and 2019		
	2020	2019
With the Public		
Cash and Other Monetary Assets	\$ 82,292	\$ 71,148
Accounts Receivable, Net	3,632	3,075
Total With the Public	85,924	74,223
Total Non-Entity Assets	85,924	74,223
Total Entity Assets	8,664,426	8,456,226
Total Assets	\$ 8,750,350	\$ 8,530,449

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

3. Fund Balance with Treasury

As of September 30, 2020 and 2019		
	2020	2019
Status of Fund Balances With Treasury		
Unobligated Balance - Available	\$ 1,892,507	\$ 1,768,373
Unobligated Balance - Unavailable	213,423	308,032
Obligated Balance not yet Disbursed	2,964,430	2,955,604
Non-Budgetary Fund Balance with Treasury	(35,619)	(30,147)
Total Status of Fund Balances	\$ 5,034,741	\$ 5,001,862

Unobligated Balance – Available includes current year apportionments that may be used for new obligations and amounts restricted for use in future fiscal years (apportioned as Category C) and amounts available for obligation in a subsequent period. For the fiscal years ended, September 30, 2020 and 2019, the amounts restricted for future use are \$184,893 and \$192,344, respectively.

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.

Non-Budgetary Fund Balance with Treasury includes unavailable receipt accounts and clearing accounts that do not have budget authority.



Notes to the Principal Financial Statements

4. Cash and Other Monetary Assets

As of September 30, 2020 and 2019		
	2020	2019
Cash		
Imprest Funds	\$ 35,700	\$ 30,225
Other	19,947	22,141
Total Cash	<u>55,647</u>	<u>52,366</u>
Other Monetary Assets		
Seized Monetary Instruments	62,345	49,008
Total Cash and Other Monetary Assets	<u>\$ 117,992</u>	<u>\$ 101,374</u>

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

Other Cash consists of project-generated proceeds.

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

5. Accounts Receivable, Net

As of September 30, 2020 and 2019		
	2020	2019
Intragovernmental		
Accounts Receivable	\$ 407,594	\$ 425,127
With the Public		
Accounts Receivable	32,017	38,502
Allowance for Uncollectible Accounts	<u>(50)</u>	<u>(39)</u>
Total With the Public	<u>31,967</u>	<u>38,463</u>
Total Accounts Receivable, Net	<u>\$ 439,561</u>	<u>\$ 463,590</u>

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.



Notes to the Principal Financial Statements

6. Seized Property, Net

Analysis of Change in Seized Property:

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

The item counts and financial value of non-monetary valuable property in the custody of the FBI as of September 30, 2020 and 2019, excluding forfeited property for evidentiary purposes, and activity during each fiscal year are summarized in the following charts in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*.

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

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

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

For the Fiscal Year Ended September 30, 2020							
Seized Property Category		Beginning Balance		Adjustments*	Seizures	Disposals	Ending Balance
Seized for Evidence							
Seized Monetary Instruments	Value	\$	49,008	\$	(3,341)	\$	24,944
						\$	(8,266)
							\$ 62,345
Personal Property	Number		322		34		78
	Value	\$	6,112	\$	355	\$	2,286
						\$	(822)
							\$ 7,931
Non-Valued							
Firearms	Number		31,001		(494)		5,418
							(2,199)
Drug Evidence							
Cocaine	KG		7,255		20		-
							(1,799)
Heroin	KG		376		30		9
							(60)
Marijuana	KG		1,059		22		-
							(49)
Methamphetamine	KG		5,557		275		57
							(187)
Other	KG		240		38		7
							(21)
Total Drug Evidence	KG		14,487		385		73
							(2,116)
							12,829

Federal Bureau of Investigation

These notes are an integral part of the financial statements.



Notes to the Principal Financial Statements

6. Seized Property, Net (continued)

For the Fiscal Year Ended September 30, 2019												
Seized Property Category		Beginning Balance		Adjustments*		Seizures		Disposals		Ending Balance		
Seized for Evidence												
Seized Monetary Instruments		Value	\$	46,385	\$	(3,658)	\$	15,554	\$	(9,273)	\$	49,008
Personal Property		Number		297		7		60		(42)		322
		Value	\$	5,670	\$	8,676	\$	1,234	\$	(9,468)	\$	6,112
Non-Valued												
Firearms		Number		30,777		(1,643)		4,515		(2,648)		31,001
Drug Evidence												
Cocaine		KG		6,934		167		324		(170)		7,255
Heroin		KG		281		39		59		(3)		376
Marijuana		KG		1,174		53		52		(220)		1,059
Methamphetamine		KG		1,609		3,582		474		(108)		5,557
Other		KG		183		37		33		(13)		240
Total Drug Evidence		KG		10,181		3,878		942		(514)		14,487

*Adjustments include property status, asset group, and valuation changes that occurred during the current year for assets that were already on hand at the start of the year. Asset group changes occur primarily when cash is substituted for a different asset category. Valuation changes occur when an item is appraised and are not subsequently adjusted.

Method of Disposition of Seized Property:

During FYs 2020 and 2019, \$3,801 and \$11,730, respectively, were returned to parties with a bona fide interest, and \$5,287 and \$7,011, respectively, were either released to a designated party or transferred to the appropriate federal entity under abandonment proceedings. Non-valued property was primarily disposed of through destruction.



Notes to the Principal Financial Statements

7. General Property, Plant, and Equipment, Net

As of September 30, 2020				
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	\$ 7,372	\$ -	\$ 7,372	N/A
Construction in Progress	374,723	-	374,723	N/A
Buildings, Improvements, and Renovations	1,456,368	(512,547)	943,821	10-50 years
Other Structures and Facilities	335,035	(90,957)	244,078	10-50 years
Aircraft	473,894	(160,557)	313,337	5-30 years
Boats	9,373	(4,778)	4,595	5-25 years
Vehicles	174,677	(94,179)	80,498	2-25 years
Equipment	1,032,714	(600,207)	432,507	2-25 years
Leasehold Improvements	952,596	(619,457)	333,139	3-10 years
Internal Use Software	1,901,101	(1,657,810)	243,291	3-7 years
Internal Use Software in Development	25,695	-	25,695	N/A
Total	<u>\$ 6,743,548</u>	<u>\$ (3,740,492)</u>	<u>\$ 3,003,056</u>	

As of September 30, 2019				
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	\$ 7,011	\$ -	\$ 7,011	N/A
Construction in Progress	461,960	-	461,960	N/A
Buildings, Improvements, and Renovations	1,274,727	(466,710)	808,017	10-50 years
Other Structures and Facilities	249,502	(77,461)	172,041	10-50 years
Aircraft	421,900	(141,390)	280,510	5-30 years
Boats	9,571	(4,504)	5,067	5-25 years
Vehicles	168,369	(90,038)	78,331	2-25 years
Equipment	986,584	(611,403)	375,181	2-25 years
Leasehold Improvements	841,493	(551,996)	289,497	3-10 years
Internal Use Software	1,901,101	(1,520,293)	380,808	3-7 years
Internal Use Software in Development	5,405	-	5,405	N/A
Total	<u>\$ 6,327,623</u>	<u>\$ (3,463,795)</u>	<u>\$ 2,863,828</u>	

Current Year-Property Plant and Equipment	
	2020
	Net PP&E
Balance beginning of year	\$ 2,863,828
Capitalized Acquisitions	527,574
Dispositions	(11,979)
Revaluations	1,128
Depreciation Expense	(377,495)
Balance at end of year	<u>\$ 3,003,056</u>

Federal Bureau of Investigation

These notes are an integral part of the financial statements.



Notes to the Principal Financial Statements

8. Other Assets

As of September 30, 2020 and 2019		
	2020	2019
Intragovernmental		
Advances and Prepayments	\$ 32,501	\$ 31,297
With the Public		
Other Assets With the Public	4	29
Total Other Assets	\$ 32,505	\$ 31,326

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

9. Liabilities Not Covered by Budgetary Resources

As of September 30, 2020 and 2019		
	2020	2019
Intragovernmental		
Accrued FECA Liabilities	\$ 37,116	\$ 35,328
Other Unfunded Employment Related Liabilities	286	133
Total Intragovernmental	37,402	35,461
With the Public		
Federal Employee and Veteran Benefits	212,447	223,158
Accrued Annual and Compensatory Leave Liabilities	417,973	348,240
Environmental and Disposal Liabilities (Note 10)	4,777	4,729
Contingent Liabilities (Note 14)	33,600	15,840
Total With the Public	668,797	591,967
Total Liabilities Not Covered by Budgetary Resources	706,199	627,428
Total Liabilities Covered by Budgetary Resources	962,697	952,237
Total Liabilities Not Requiring Budgetary Resources	3,855	3,205
Total Liabilities	\$ 1,672,751	\$ 1,582,870

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.

Liabilities not requiring Budgetary Resources reports liabilities that have not in the past required and will not in the future require the use of budgetary resources.



Notes to the Principal Financial Statements

10. Environmental and Disposal Liabilities

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

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

As of September 30, 2020 and 2019		
	2020	2019
Firing Ranges		
Beginning Balance, Brought Forward	\$ 2,303	\$ 2,303
Total Firing Range Liability	2,303	2,303
Asbestos		
Beginning Balance, Brought Forward	\$ 2,426	\$ 3,330
Inflation Adjustment	1	1
Future Funded Expenses	47	(905)
Total Asbestos Liability	2,474	2,426
Total Environmental and Disposal Liabilities	<u>\$ 4,777</u>	<u>\$ 4,729</u>

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

The FBI exercises due care in determining the presence of contamination in adherence to the law, rules and regulations, and policies of the Clean Air Act. The FBI has identified FBI-owned facilities in Quantico that contain hazardous friable and non-friable asbestos. The facilities have a useful life of 70 years. The total estimated asbestos liability of \$3,327 is based on an environmental survey of the facilities that may be contaminated. The current estimated asbestos cleanup liability of \$2,474 is the total estimated asbestos liability divided by the useful life and multiplied by the number of years in service, less any current year abatements, and adjusted for inflation. The estimated asbestos cleanup liability is adjusted each quarter by recording future funded expenses for the asbestos cleanup costs. As of September 30, 2020, and 2019, the FBI reported the estimated asbestos cleanup liability of \$2,474 and \$2,426, respectively.

Federal Bureau of Investigation

These notes are an integral part of the financial statements.



Notes to the Principal Financial Statements

10. Environmental and Disposal Liabilities (continued)

EPA's Statement on National Guidance EPA-902-B-01-001 discusses the potential environmental impacts of firing ranges. The FBI has identified owned range facilities in Quantico, VA and El Toro, CA that contain possible contamination issues based on the Federal Financial Accounting and Auditing Technical Release No. 2, *Environmental Liabilities Guidance* and EPA-902-B-01-001. Due care requires the agency to exert a reasonable effort to identify the presence or likely presence of contamination. The FBI completed a remedial investigation/feasibility study (RI/FS) for the Quantico ranges in March 2015 which is used to estimate the cost of cleanup for the Quantico ranges. The FBI has not conducted a RI/FS for the El Toro ranges. Technical Release No. 2, *Environmental Liabilities Guidance* then requires the agency to recognize the anticipated cost of conducting a future study, plus any other identifiable costs, as a future environmental and disposal liability. The FBI has estimated the cost of the RI/FS for El Toro based on the cost of the Quantico study, adjusted for range size.

The estimated total firing range liability of \$2,303 is based on the estimated costs for contamination remediation. As of September 30, 2020 and 2019, the FBI reported the estimated firing range cleanup liability of \$2,303 and \$2,303, respectively.

There are no other potentially responsible parties to the environmental liability and there are no unrecognized amounts to disclose as of September 30, 2020.

11. Leases

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

Typically, the minimum lease term for a RA is five years and the maximum is 15 years. The minimum lease term for a field office is 15 years and the maximum is 20 years. Some leases for field offices and RAs are noncancelable.

The FBI has submitted packages to the GSA for the Albuquerque, Anchorage, Birmingham, Jackson, Jacksonville, Louisville, Oklahoma City, and Omaha field offices which are scheduled to expire within the next five years. The FBI is relocating two field offices through FY 2023 with the potential for two additional relocations prior to FY 2025. The FBI is currently reviewing the expiration for the Buffalo and Knoxville field offices which expire within the next five years.

When field offices relocate, often from space leased for 20 years or longer, the rental rates may increase. The field offices that relocate will accommodate the FBI's growth in workforce, space needs, and increased security requirements.



Notes to the Principal Financial Statements

11. Leases (continued)

As of September 30, 2020

Future Noncancelable Operating Lease Payments Due

Intragovernmental

<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2021	\$ 259,742	\$ -	\$ 259,742
2022	257,063	-	257,063
2023	273,053	-	273,053
2024	270,965	-	270,965
2025	259,130	-	259,130
After 2025	2,550,747	-	2,550,747
Total Future Noncancelable Operating Lease Payments	<u>\$ 3,870,700</u>	<u>\$ -</u>	<u>\$ 3,870,700</u>

With the Public

<u>Fiscal Year</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
2021	\$ 6,658	\$ 6,696	\$ 13,354
2022	5,416	-	5,416
2023	4,329	-	4,329
2024	3,643	-	3,643
2025	1,972	-	1,972
After 2025	3,697	-	3,697
Total Future Noncancelable Operating Lease Payments	<u>\$ 25,715</u>	<u>\$ 6,696</u>	<u>\$ 32,411</u>



Notes to the Principal Financial Statements

12. Seized Cash and Monetary Instruments

Seized Cash and Monetary Instruments represents liabilities for seized assets held by the FBI pending disposition. The Seized Cash and Monetary Instruments as of September 30, 2020 and 2019 are \$62,345 and \$49,008, respectively.

13. Other Liabilities

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

As of September 30, 2020 and 2019		
	2020	2019
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	\$ 79,871	\$ 61,523
Other Post-Employment Benefits Due and Payable	-	345
Other Unfunded Employment Related Liabilities	286	133
Advances from Others	78,132	60,684
Liability for Clearing Accounts	-	(5)
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	1,261	1,317
Total Intragovernmental	159,550	123,997
With the Public		
Advances from Others	\$ 4,792	\$ 4,540
Liability for Clearing Accounts	81	83
Other Liabilities	19,947	22,141
Total With the Public	24,820	26,764
Total Other Liabilities	\$ 184,370	\$ 150,761

14. Commitments and Contingencies

As of September 30, 2020	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
Legal Contingencies:			
Probable	\$ 33,600	\$ 33,600	\$ 58,700
Reasonably Possible	-	65,800	86,725



Notes to the Principal Financial Statements

14. Commitments and Contingencies (continued)

As of September 30, 2019	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
Legal Contingencies:			
Probable	\$ 15,840	\$ 15,840	\$ 30,260
Reasonably Possible	-	13,770	26,560

15. Suborganization Program Costs

The tables below and on the next page break out costs and revenue across the three reported DOJ SGs.

For the Fiscal Year Ended September 30, 2020				
	Suborganizations			
	CNST	S&E		Consolidated
Goal 1: Enhance National Security and Counter the Threat of Terrorism				
Gross Cost	\$ 39,248	\$ 5,431,842	\$	5,471,090
Less: Earned Revenue	-	264,062		264,062
Net Cost of Operations	39,248	5,167,780		5,207,028
Goal 3: Reduce Violent Crime and Promote Public Safety				
Gross Cost	21,877	2,875,100		2,896,977
Less: Earned Revenue	-	538,920		538,920
Net Cost of Operations	21,877	2,336,180		2,358,057
Goal 4: Promote Rule of Law, Integrity, and Good Government				
Gross Cost	18,523	2,612,399		2,630,922
Less: Earned Revenue	-	64,919		64,919
Net Cost of Operations	18,523	2,547,480		2,566,003
Net Cost of Operations	\$ 79,648	\$ 10,051,440	\$	10,131,088



Notes to the Principal Financial Statements

15. Suborganization Program Costs (continued)

For the Fiscal Year Ended September 30, 2019			
	Suborganizations		Consolidated
	CNST	S&E	
Goal 1: Enhance National Security and Counter the Threat of Terrorism			
Gross Cost	\$ 13,939	\$ 5,183,801	\$ 5,197,740
Less: Earned Revenue	-	261,208	261,208
Net Cost of Operations	13,939	4,922,593	4,936,532
Goal 3: Reduce Violent Crime and Promote Public Safety			
Gross Cost	7,441	2,721,315	2,728,756
Less: Earned Revenue	-	641,626	641,626
Net Cost of Operations	7,441	2,079,689	2,087,130
Goal 4: Promote Rule of Law, Integrity, and Good Government			
Gross Cost	7,647	2,840,525	2,848,172
Less: Earned Revenue	-	89,447	89,447
Net Cost of Operations	7,647	2,751,078	2,758,725
Net Cost of Operations	\$ 29,027	\$ 9,753,360	\$ 9,782,387

16. Imputed Financing

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e. non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the FBI from a providing federal entity that is not part of the DOJ. In accordance with SFFAS No. 55, *Amending Inter-entity Cost Provisions*, SFFAS No. 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental Financing Sources recognized by the FBI are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), the Federal Pension plans that are paid by other federal entities, and any unreimbursed payments made from the Treasury Judgment Fund on behalf of the FBI. The Treasury Judgment Fund was established by Congress and funded at 31.U.S. Code 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expense when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

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

Federal Bureau of Investigation

These notes are an integral part of the financial statements.



Notes to the Principal Financial Statements

16. Imputed Financing (continued)

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees	38.5
	Regular Employees Offset	28.6
	Law Enforcement Officers	62.7
	Law Enforcement Officers Offset	53.4
Federal Employees Retirement System (FERS)	Regular Employees	16.7
	Regular Employees - Revised Annuity Employees (RAE)	17.2
	Regular Employees - Further Revised Annuity Employees (FRAE)	17.4
	Law Enforcement Officers	34.7
	Law Enforcement Officers Offset - RAE	35.2
	Law Enforcement Officers Offset - FRAE	35.4

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, 2020 and 2019		
	2020	2019
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	\$ 7,969	\$ 3,765
Health Insurance	245,717	229,859
Life Insurance	810	792
Pension	1,262	111,500
Total Imputed Financing	<u>\$ 255,758</u>	<u>\$ 345,916</u>



Notes to the Principal Financial Statements

17. Information Related to the Statement of Budgetary Resources

Net Adjustments to Unobligated Balance, Brought Forward, October 1

As of September 30, 2020 and 2019		
	2020	2019
Unobligated Balance Brought Forward from Prior Year	\$ 2,076,405	\$ 2,300,625
Adjustments to Budgetary Resources Made During Current Year		
Downward Adjustments of Prior Year Undelivered Orders	\$ 197,149	\$ 186,389
Downward Adjustments of Prior Year Delivered Orders	11,910	24,457
Other Adjustments	(38,180)	(13,070)
Total Adjustments	170,879	197,776
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	\$ 2,247,284	\$ 2,498,401

Net adjustments to Unobligated Balance, Brought Forward, October 1 primarily includes activity relating to Downward Adjustments of Prior-Year Undelivered and Delivered Orders, Transfers of Prior-Year Balances, and other changes in obligated balances. There were no material corrections of errors relating to the Net Adjustments to Unobligated Balance, Brought Forward, October 1.

Status of Undelivered Orders:

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

As of September 30, 2020 and 2019		
Intragovernmental	2020	2019
UDO Obligations Unpaid	\$ 424,665	\$ 533,162
UDO Obligations Prepaid/Advanced	32,501	31,297
Total Intragovernmental UDO	457,166	564,459
With the Public	2020	2019
UDO Obligations Unpaid	\$ 2,312,142	\$ 2,169,123
UDO Obligations Prepaid/Advanced	122,495	68,469
Total With the Public UDO	2,434,637	2,237,592
Total UDO	\$ 2,891,803	\$ 2,802,051

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

Federal Bureau of Investigation

These notes are an integral part of the financial statements.



Notes to the Principal Financial Statements

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

symbols are not available for new obligations, but may be used to adjust previously established obligations.

Explanation of Differences between the SBR and the Budget of the U.S. Government:

The Statement of Budgetary Resources (SBR) versus the Budget of the U.S. Government as of September 30, 2019 is presented below.

The reconciliation as of September 30, 2020 is not presented, because the submission of the Budget of the U.S. Government for FY 2022, which presents the execution of the FY 2020 Budget, occurs after publication of these financial statements. The DOJ Budget Appendix can be found on the OMB website and will be available in early February 2021.

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

For the Fiscal Year Ended September 30, 2019 (Dollars in Millions)				
	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Agency Outlays, Net
Statement of Budgetary Resources (SBR)	\$ 13,105	\$ 11,028	\$ -	\$ 9,353
Funds not Reported in the Budget				
Expired Funds	(365)	(82)	-	-
Other	1	-	-	-
Budget of the United States Government	\$ 12,741	\$ 10,946	\$ -	\$ 9,353

18. Custodial Revenues

For the fiscal years ended September 30, 2020 and 2019, the FBI collected \$5,165 and \$2,244, 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 to the Treasury's General Fund. As of September 30, 2020, and 2019, the FBI had Custodial Liabilities of \$2,512 and \$1,809 respectively.



Notes to the Principal Financial Statements

19. Reconciliation of Net Costs to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The Reconciliation of Net Outlays, presented on a budgetary basis, and the Net Cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The reconciliation explains the relationship between the Net Cost of Operations and Net Outlays by presenting (1) Components of Net Cost That Are Not Part of Net Outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities); and (2) Components of Net Outlays That Are Not Part of Net Cost (e.g. acquisition of capital assets); and (3) Other Temporary Timing Difference (e.g. prior period adjustments due to correction of error). The analysis below illustrates this reconciliation by listing the key differences between Net Cost and Net Outlays.

Other Components of Net Operating Cost Not Part of the Budgetary Outlays includes primarily Cost Capitalization Offset, Advances and Prepayments, Contingent Liabilities, and Other Liabilities with/without Related Budgetary Obligations.

As of September 30, 2020			
	Intra- governmental	With the Public	Total FY 2020
NET COST	<u>\$ 2,524,057</u>	<u>\$ 7,607,031</u>	<u>\$ 10,131,088</u>
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant, and Equipment Depreciation	\$ -	\$ (377,495)	\$ (377,495)
Property, Plant, and Equipment Disposal and Revaluation	-	(11,656)	(11,656)
Increase/(Decrease) in Assets			
Accounts Receivable	(17,533)	(6,496)	(24,029)
Other Assets	1,204	51,807	53,011
(Increase)/Decrease in Liabilities			
Accounts Payable	(1,936)	57,100	55,164
Salaries and Benefits	(18,003)	(36,478)	(54,481)
Environmental and Disposal Liabilities	-	(48)	(48)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(2,587)	(74,588)	(77,175)
Other Financing Sources			
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to the Agency	(255,758)	-	(255,758)
Transfers Out (In) Without Reimbursement	(153,740)	-	(153,740)
Total Components of Net Cost That are Not Part of Net Outlays	<u>\$ (448,353)</u>	<u>\$ (397,854)</u>	<u>\$ (846,207)</u>
Component of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	\$ 116,419	\$ 412,283	\$ 528,702
Other	-	8,983	8,983
Total Component of Net Outlays That Are Not Part of Net Cost	<u>\$ 116,419</u>	<u>\$ 421,266</u>	<u>\$ 537,685</u>
Distributed Offsetting Receipts	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ (3)</u>
NET OUTLAYS	<u>\$ 2,192,123</u>	<u>\$ 7,630,440</u>	<u>\$ 9,822,563</u>

Federal Bureau of Investigation

These notes are an integral part of the financial statements.



Notes to the Principal Financial Statements

19. Reconciliation of Net Costs to Net Outlays (continued)

As of September 30, 2019			
	Intra- governmental	With the Public	Total FY 2019
NET COST	\$ 2,211,715	\$ 7,570,672	\$ 9,782,387
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant, and Equipment Depreciation	\$ -	\$ (367,097)	\$ (367,097)
Property, Plant, and Equipment Disposal and Revaluation	-	(10,336)	(10,336)
Increase/(Decrease) in Assets			
Accounts Receivable	12,261	5,218	17,479
Other Assets	6,427	(7,351)	(924)
(Increase)/Decrease in Liabilities			
Accounts Payable	31,617	(18,539)	13,078
Salaries and Benefits	(5,967)	(19,391)	(25,358)
Environmental and Disposal Liabilities	-	904	904
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(1,580)	(51,884)	(53,464)
Other Financing Sources			
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to the Agency	(345,916)	-	(345,916)
Transfers Out (In) Without Reimbursement	(167,130)	-	(167,130)
Total Components of Net Cost That are Not Part of Net Outlays	\$ (470,288)	\$ (468,476)	\$ (938,764)
Component of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	\$ 82,199	\$ 416,461	\$ 498,660
Acquisition of Other Assets	-	582	582
Other	4	10,460	10,464
Total Component of Net Outlays That Are Not Part of Net Cost	\$ 82,203	\$ 427,503	\$ 509,706
Distributed Offsetting Receipts	\$ -	\$ (5)	\$ (5)
NET OUTLAYS	\$ 1,823,630	\$ 7,529,694	\$ 9,353,324

20. COVID-19 Activity

For the Fiscal Year Ended September 30, 2020		
Budgetary Activities	Total	
Supplemental Appropriated Funds Received	\$ 20,000	
Other COVID-19 Budgetary Resources	3,871	
Total Budgetary Resources	23,871	
Less: Obligations Incurred	23,707	
Budgetary Resources Remaining Available	\$ 164	

In addition to the supplemental funding received in the CARES Act, the FBI identified other appropriations to address the on-going impacts of COVID-19. The other appropriations were used to provide additional PPE and COVID-19 related supplies for FBI personnel, cleaning and sanitizing services for FBI facilities/workspaces, and support workspace accessibility for FBI operations.

U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)





**U.S. Department of Justice
Federal Bureau of Investigation
Combining Statement of Budgetary Resources
By Major Appropriation
For the Fiscal Year Ended September 30, 2020**

Dollars in Thousands		2020		
		<u>CNST</u>	<u>S&E</u>	<u>TOTAL</u>
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	\$	767,943	\$ 1,479,341	\$ 2,247,284
Appropriations (discretionary and mandatory)		485,000	9,418,407	9,903,407
Spending Authority from Offsetting Collections (discretionary and mandatory)		-	1,065,926	1,065,926
Total Budgetary Resources		\$ 1,252,943	\$ 11,963,674	\$ 13,216,617
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	\$	331,867	\$ 10,778,820	\$ 11,110,687
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts		920,604	971,903	1,892,507
Unapportioned, Unexpired Accounts		472	2,000	2,472
Unexpired Unobligated Balance, End of Year		921,076	973,903	1,894,979
Expired Unobligated Balance, End of Year		-	210,951	210,951
Unobligated Balance - End of Year (Total)		921,076	1,184,854	2,105,930
Total Status of Budgetary Resources		\$ 1,252,943	\$ 11,963,674	\$ 13,216,617
Outlays, Net:				
Outlays, Net (Total) (discretionary and mandatory)	\$	291,056	\$ 9,531,510	\$ 9,822,566
Less: Distributed Offsetting Receipts		-	3	3
Agency Outlays, Net (discretionary and mandatory)		\$ 291,056	\$ 9,531,507	\$ 9,822,563



**U.S. Department of Justice
Federal Bureau of Investigation
Combining Statement of Budgetary Resources
By Major Appropriation
For the Fiscal Year Ended September 30, 2019**

Dollars in Thousands				2019
		CNST	S&E	TOTAL
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	\$	877,796	\$	1,620,605
Appropriations (discretionary and mandatory)		385,000		9,070,067
Spending Authority from Offsetting Collections (discretionary and mandatory)		-		1,151,339
Total Budgetary Resources		\$ 1,262,796	\$ 11,842,011	\$ 13,104,807
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	\$	501,126	\$	10,527,276
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts		759,500		1,008,873
Unapportioned, Unexpired Accounts		2,170		23,240
Unexpired Unobligated Balance, End of Year		761,670		1,032,113
Expired Unobligated Balance, End of Year		-		282,622
Unobligated Balance - End of Year (Total)		761,670		1,314,735
Total Status of Budgetary Resources		\$ 1,262,796	\$ 11,842,011	\$ 13,104,807
Outlays, Net:				
Outlays, Net (Total) (discretionary and mandatory)	\$	168,455	\$	9,184,874
Less: Distributed Offsetting Receipts		-		5
Agency Outlays, Net (discretionary and mandatory)		\$ 168,455	\$ 9,184,869	\$ 9,353,324