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# Management's Discussion and Analysis

## Mission and Organizational Structure

### Organizational Structure

**A**TF's mission is the enforcement of Federal criminal laws relating to firearms, explosives, arson, alcohol and tobacco diversion and the regulatory functions associated with the firearms and explosives industries. In connection with enforcement of Federal firearms and explosives laws, the primary objectives are to reduce firearms violence and regulate the firearms and explosives industries fairly and effectively, which will contribute to the prevention of terrorist acts.

Until the passage of the Homeland Security Act of 2002, the Bureau of Alcohol, Tobacco and Firearms (ATF) was a law enforcement bureau of the Department of the Treasury dedicated to enforcing Federal laws and regulations and collecting revenue relating to alcohol, tobacco products, firearms and explosives. With the passage of the Homeland Security Act of 2002, the regulatory and revenue collecting functions relating to the alcohol and tobacco industries were realigned to the newly created Alcohol and Tobacco Tax and Trade Bureau within the Department of the Treasury. ATF was realigned as a bureau to the Department of Justice and renamed the Bureau of Alcohol, Tobacco, Firearms and Explosives; this name change (which recognizes ATF's expertise in explosives investigation) reflects the expanded role in explosives regulation under the provisions of the SEA. ATF uses its wealth of industry expertise and knowledge in its enforcement of Federal laws relating to firearms and explosives, and Federal criminal laws relating to alcohol and tobacco, protecting the public's legitimate access to these commodities while fighting unlawful use and trafficking.

ATF's national headquarters, located in Washington, DC, includes offices that develop major policies and programs in accordance with the applicable laws and regulations that ATF enforces. ATF executive structure consists of the Director, Deputy Director, Chief Counsel/Deputy Ethics Official, and the Assistant Directors for the Offices of Field Operations; Firearms, Explosives, and Arson; Inspection; Public and Governmental Affairs; Management/Chief Financial Officer; Science and Technology/Chief Information Officer; and Training and Professional Development. These executives form the Bureau's Strategic Leadership Team and Investment Review Board. The Offices of the Chief of Staff; Ombudsman; the Executive Assistant for Equal Opportunity; and the Strategic Planning Office are key components of the Office of the Director.

Geographically, ATF has offices in major U.S. cities, and representatives that address the trafficking of firearms, explosives, alcohol, and tobacco in areas throughout the world, such as Guam, the Virgin Islands, Puerto Rico, Colombia, Mexico, France, Canada, and the Caribbean. The field structure comprises 23 field divisions strategically located throughout the United States, with a single executive heading each office and having responsibility for all law enforcement and industry regulation within the geographical area.

ATF's Internet site contains supporting documentation and reference materials on ATF programs. It can be accessed at <http://www.atf.gov>.

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## Key Functions and Responsibilities

The SEA establishes new statutory requirements that are both regulatory and criminal in nature, with ATF assigned responsibility for their implementation. This responsibility adds to ATF's role in regulating the explosives related industry. ATF continues to maintain the expertise and authority to investigate explosives-related crimes as per the Organized Crime Control Act of 1970. The provisions of the SEA will assist ATF in helping to prevent terrorist and criminal access to explosives by requiring that all persons responsible for explosives licensee/permittee operations submit fingerprints and photographs. This requirement will enable ATF and the Federal Bureau of Investigation (FBI) to verify the identities of these individuals and ensure that appropriate background checks are conducted. The Act's limited permit category is designed for the intrastate purchasers who buy explosives infrequently and do not intend to transport or use the explosives interstate. Intrastate purchasers were not required to obtain Federal permits prior to the passage of the SEA.

In addition, the Act authorizes the establishment, maintenance, and operation of a National Center for Explosives Training and Research (NCETR) at Fort AP Hill. At this facility, ATF will provide advanced and specialized training programs for Federal, State, local, and international law enforcement agencies and offer comprehensive training for all aspects of explosives detection, handling, and destruction.

ATF is committed to holding the line against domestic violent criminals. "Violent crime" has not disappeared. In 2001, more than 1.4 million violent crimes were committed nationwide, and firearms were involved in more than 25 percent of those incidents. Further, 63 percent of murders were committed with firearms. Accordingly, ATF must remain vigilant to protect the public from violent firearms crime.

The President's Project Safe Neighborhoods (PSN) initiative is tailored toward the needs of the communities in each of the 94 individual U.S.

Judicial Districts across the country. A key to the initiative is ATF's Integrated Violence Reduction Strategy (IVRS), which combines enforcement and regulatory efforts, state-of-the-art information and technology, and community outreach and prevention as a core firearms strategy. ATF will continue to fight violent firearms crime by focusing on investigating firearms traffickers, armed career criminals, and prohibited possessors; effectively regulating the firearms industry to prevent firearms diversion; and discouraging firearms violence through outreach efforts.

ATF provides advanced and specialized training programs for ATF; for other Federal, State, local and international law enforcement officers at the NCETR located at Fort AP Hill, VA; and at the Canine Training Facility, Front Royal, VA. These programs include explosives and accelerant detection for canines and canine handlers, post-blast investigation, advanced explosives destruction techniques, and ATF Certified Explosives Specialist (CES) certification and re-certification. International law enforcement agencies that have participated in the training include Poland, Egypt, South Africa, Ukraine, Kazakhstan, Colombia, Bangladesh, and Mexico.

ATF is responsible for enforcing Federal criminal laws as they relate to alcohol and tobacco diversion. ATF's investigative efforts are directed at reducing the source of funding to criminal and terrorist organizations and ensuring the proper collection of Federal excise tax revenue. ATF's efforts stem the ever-increasing loss of revenue to affected states and the Federal government.

The incentive to evade cigarette taxes has risen dramatically along with tax rates, resulting in billions of dollars of lost revenue from cigarette smuggling, export cigarette diversion (gray market), offshore infiltration, stamp counterfeiting, and Internet sales (currently over 250 sites). Internationally, contraband cigarette trafficking is a common commodity crime, and according to the World Bank, in 2002 governments around the world lost approximately \$24 to \$30 billion in uncollected tax revenue. A research firm mentioned in a General Accounting Office (GAO) report estimates that Internet sales in the United

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States will exceed \$5 billion in 2005 and that the states will lose about \$1.4 billion in tax revenue from these sales.

Current investigations have identified several instances of terrorist groups forming alliances with tobacco traffickers to generate monies used to support their organization and activities. Diversion schemes often generate tremendous cash profits that are then laundered to disguise the origin of the money and to further unlawful schemes. Criminal organizations also use these profits to fund other criminal activities such as smuggling illegal immigrants and trafficking narcotics, firearms, and stolen property.

Although not as common as tobacco diversion, the smuggling of illegal alcohol is very much a part of the moneymaking schemes utilized by organized criminal enterprises. The encroachment of organized crime and other groups played a pivotal role in the movement of alcohol through illegal channels. Enforcement efforts on both the domestic and international front have contributed to a reduction of illicit trade associated with tobacco and alcohol diversion.

Increased emphasis on homeland security and ATF's move from the Department of the Treasury to the Department of Justice have heightened the requirement for law enforcement and intelligence agencies to work together as a seamless unit. ATF is a rich source of information given its jurisdiction and historical expertise in firearms, explosives, arson, and investigating the illegal diversion of alcohol and tobacco products as potential sources of funding for criminal and terrorist enterprises. The Bureau's unique data as it relates to homeland security and counter-terrorism efforts is integral to the overall mission and support of law enforcement in the United States.

ATF also serves on many intelligence committees and task forces associated with special events management, homeland security, and terrorist-related investigations and has representatives to most of the traditional intelligence organizations. ATF products will be available to the intelligence community, and, in turn, ATF will gain access to critical information possessed by other agencies that will make the Bureau more proactive, by equipping its special agents and

inspectors with information necessary to disrupt criminal organizations and individuals that threaten public safety.

## Financial Structure

Congressional appropriations provide financing sources to ATF on an annual, multiple-year, and no-year basis in nine different appropriations. These appropriations finance operating expenses and the purchase of property and equipment as specified by law. Appropriations are also received to meet specific program objectives. Generally, annual appropriations provide for most, but not all, salaries and expenses, and core program activities, while multi-year and no-year funding provides for a variety of specialized programs, activities, and functions.

## Major Challenges Facing ATF

### Headquarters Relocation

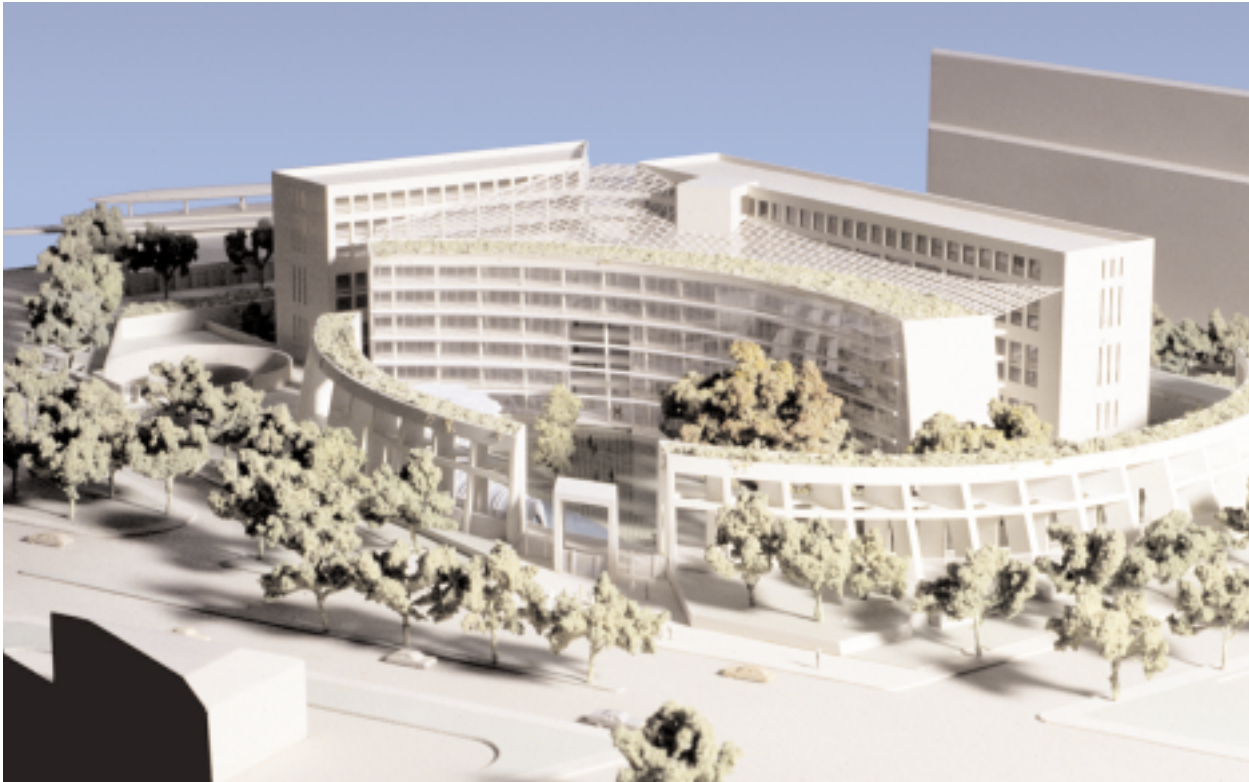
The most urgent priority facing ATF is to secure the necessary funds to complete construction and relocation of a new ATF Headquarters. It will be a structure with reinforcement against progressive collapse, blast resistant exterior facades, and sophisticated electronic access control and intrusion detection systems. Following the Oklahoma City bombing, Congress mandated this protection initiative as part of the 1995 Anti-Terrorism Act in order to mitigate ATF's vulnerability to terrorist attack. Subsequent world events, such as those of September 11, prompted a heightened exigency to provide safe and protected key Federal buildings, such as the planned ATF Headquarters. Not only will the new building better protect its employees, but it will be the first Federal facility built at Florida and New York Avenues, a currently underdeveloped downtown area. The new ATF building along with a metro station will help revitalize this neighborhood with shops and restaurants springing up to serve the new Federal employees on the block along with their contractors. The facility supports the Presi-

dent’s Homeland Security initiatives and will consolidate the majority of ATF corporate headquarters operations into a single secure location. For the first time in 15 years, ATF will be based in a Federally owned and controlled facility, rather than a shared commercially leased space.

### **Building on Current Expertise to Meet Strategic Objectives**

ATF has recognized expertise in its programmatic areas; other Federal, State, local, and international organizations rely on ATF as a key player in counter-terrorism and violent crime reduction efforts. ATF’s ranking as the 8th best place to work of the 189 subcabinet agencies illustrates both its employees’ belief in and dedication to its mission and its commitment to supporting its employees with sound technology and resource management. ATF has continued to advance in the face of an ever-changing world, where criminals and terrorists have increasingly sophisticated weapons to damage and destroy.

To continue that advance requires ATF to leverage limited resources and use technology as a force multiplier. Focused and timely intelligence and the collection and analysis of information allow ATF to use its limited resources in a way that best accomplishes its mission. Continued advancements in technological capabilities allow ATF employees to make the most of their knowledge, experience, and expertise. Additionally, ATF must continue to capture meaningful measures on its IT investments and find a balance between IT investments and program infrastructure needs as budget funds become more limited. The retention of ATF’s dedicated and skilled professionals and the recruitment of new, equally dedicated employees to add to its ranks are critical if ATF is to move forward. ATF’s prospective leaders need to possess a blend of business acumen, people skills, and an ability to lead change to accomplish ATF’s mission. These individuals will play a key role in turning the President’s principles of citizen-centered, results-oriented, and market-based government into a reality. These are all challenges that ATF faces.



*Conceptual design of new ATF Headquarters.*