

# MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

## DEPARTMENTAL REPORTING ENTITY

This report presents the Fiscal Year (FY) 2001 consolidated financial statements for the Department of Justice (Department). Under Title IV of the Government Management Reform Act (GMRA) of 1994, the Attorney General shall prepare and submit to the Director of the Office of Management and Budget (OMB), an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the Department. Under the direction of the Chief Financial Officer (CFO), the Justice Management Division (JMD) prepares the Department's consolidated financial statements. The Office of the Inspector General (OIG) is responsible for the audit of these statements. The Department's FY 2001 audited financial statements were consolidated based upon the results of audits undertaken at each of the 10 departmental reporting entities.

## MISSION AND ORGANIZATIONAL STRUCTURE

### Mission

On November 8, 2001, the Attorney General announced a comprehensive review and reorganization of the Department to meet the counterterrorism mission. At the same time, the Attorney General also released the Department's Strategic Plan for Fiscal Years 2001-2006. This Plan adds a new strategic goal that reflects the post September 11, 2001, realities of our mission—to protect our nation and its citizens from a serious, immediate, and ongoing threat of terrorism—and describes the objectives we will pursue to accomplish it. To achieve this goal, we will devote all resources necessary to disrupt, weaken, and eliminate terrorist networks, to prevent or thwart terrorist attacks, and to bring to justice the perpetrators of terrorist acts. Although the fight against terrorism has always been part of our mission, it is now the first and overriding priority of the Department. The overall mission of the Department, as reflected in its Strategic Plan for Fiscal Years 2001-2006, is:

*To enforce the law and defend the interests of the United States according to the law; to ensure public safety against threats foreign and domestic; to provide federal leadership in preventing and controlling crime; to seek just punishment for those guilty of unlawful behavior; to administer and enforce the Nation's immigration laws fairly and effectively; and to ensure fair and impartial administration of justice for all Americans.*

From this mission stems the Department's strategic and annual planning processes. The Department embraces fully the concepts of performance-based management. At the heart of these concepts is the idea that focusing on mission, agreeing on goals, and reporting results are keys to improved performance. In the Department, strategic planning is the first step in an iterative planning and implementation cycle. This cycle, which is the center of the Department's efforts to implement performance-based management, involves setting long-term goals and objectives, translating these goals and objectives into budgets and program plans, implementing

programs and monitoring the performance, and evaluating results. In this cycle, the Department's Strategic Plan provides the overarching framework for component and function-specific plans as well as annual performance plans, budgets, and reports.

## **Organizational Structure of the Department**

The Department is headed by the Attorney General of the United States. It is comprised of 39 separate component organizations. These include the U.S. Attorneys (USAs) who prosecute offenders and represent the U.S. Government in court; the major investigative agencies, the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA), which prevent and deter crime and arrest criminal suspects; the Immigration and Naturalization Service (INS) which controls the border and provides services to lawful immigrants; the U.S. Marshals Service (USMS) which protects the federal judiciary, apprehends fugitives, and detains persons in federal custody; and the Bureau of Prisons (BOP) which primarily confines convicted offenders. Litigating divisions enforce federal criminal and civil laws, including civil rights, tax, antitrust, environmental, and civil justice statutes. The Office of Justice Programs (OJP) and the Office of Community Oriented Policing Services (COPS) provide leadership and assistance to state, tribal, and local governments. Other major departmental components include the National Drug Intelligence Center (NDIC), the U.S. Trustees (UST), the JMD, the Executive Office for Immigration Review (EOIR), the Community Relations Service (CRS), and the OIG. Although headquartered in Washington, D.C., the Department conducts much of its work in offices located throughout the country and overseas. Appendix B contains an organization chart showing the structure of the Department.

## **Financial Structure**

The Department's financial structure is comprised of the following principal components:

- \$ Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- \$ Working Capital Fund (WCF)
- \$ Offices, Boards, and Divisions (OBDs) (These are listed in Appendix C.)
- \$ U.S. Marshals Service (USMS)
- \$ Office of Justice Programs (OJP)
- \$ Drug Enforcement Administration (DEA)
- \$ Federal Bureau of Investigation (FBI)
- \$ Immigration and Naturalization Service (INS)
- \$ Federal Bureau of Prisons (BOP)
- \$ Federal Prison Industries, Inc. (FPI)

## **PERFORMANCE INFORMATION**

### **Resources and Accomplishments**

A sampling of the Department's performance information is presented on the following pages. The information is organized by strategic goal and strategic objective and is consistent with the

Department's Government Performance and Results Act (GPRA) performance plans and reports. A full report on the Department's performance is included in the *FY 2001 Performance Report and FY 2003 Performance Plan*, available electronically on the Department's web site at <http://www.usdoj.gov/ag/annualreports/pr2001/TableofContents.htm>. Note that although we are now operating under a Strategic Plan that has eight strategic goals, our financial statement for FY 2001 is presented using the seven strategic goals and related performance goals that were in effect during FY 2001, as contained in the Strategic Plan dated September 2000. (This Strategic Plan is also available at [http://www.usdoj.gov/archive/mps/strategic2000\\_2005/index.htm](http://www.usdoj.gov/archive/mps/strategic2000_2005/index.htm).) The strategic goals and objectives on which this report is based are listed in Appendix D. The seven strategic goals are also listed in Table 2.

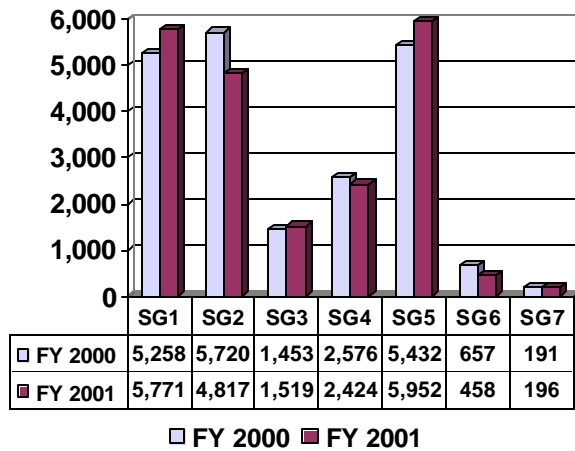
**Table 1. Source of DOJ Resources  
(Dollars in Thousands)**

Source	FY 2000	FY 2001
Appropriations Used	\$ 20,363,468	\$ 19,863,667
Other Non-exchange Revenue	1,249,249	1,012,184
Imputed Financing	506,441	575,415
Donations	1,098	792
Transfers, Net	88,602	99,764
Other Financing Sources	-	(2,350)
<b>Total</b>	<b>\$ 22,208,858</b>	<b>\$ 21,549,472</b>

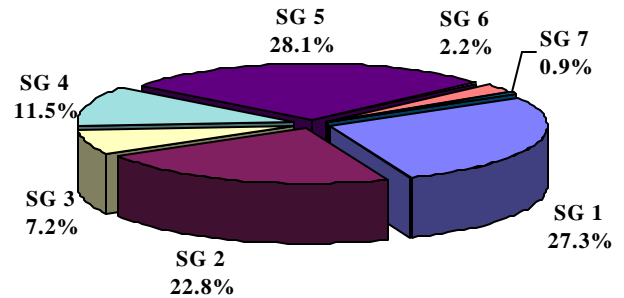
**Table 2. How DOJ Resources are Spent (Net of Earned Revenue)  
(Dollars in Thousands)**

Strategic Goal (SG)	FY 2000	FY 2001	Change%
SG 1. Keep America Safe by Enforcing Federal Criminal Laws	\$ 5,258,329	\$ 5,771,185	9.8%
SG 2. Prevent and Reduce Crime and Violence by Assisting State, Tribal, Local, and Community-Based Programs	5,719,599	4,817,069	-15.8%
SG 3. Protect the Rights and Interests of the American People by Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests	1,453,357	1,518,714	4.5%
SG 4. Fairly and Effectively Administer the Immigration and Naturalization Laws of the United States	2,575,713	2,423,980	-5.9%
SG 5. Protect American Society by Providing for the Safe, Humane, and Secure Confinement of Persons in Federal Custody	5,432,111	5,951,799	9.6%
SG 6. Protect the Federal Judiciary and Provide Critical Support to the Federal Justice System to Ensure it Operates Effectively	656,928	458,145	-30.3%
SG 7. Ensure Excellence, Accountability, and Integrity in the Management and Conduct of Department of Justice Programs	191,045	196,450	2.8%
<b>Total</b>	<b>\$ 21,287,082</b>	<b>\$ 21,137,342</b>	<b>-0.7%</b>

**Comparison of Net Costs  
(\$ mil) - FY 2000 and FY 2001**



**FY 2001 Net Costs by Strategic Goal**



### **FY 2001 Financial Highlights**

The Department's total assets as of September 30, 2001, were \$29 billion, with approximately 68 percent of that balance consisting of the fund balance held with the Department of the Treasury. Total liabilities were approximately \$7 billion. The net cost of operations totaled \$21.1 billion for the year ended September 30, 2001, an amount consistent with the \$21.3 billion in net costs reported for FY 2000, and reflective of the stability in the Department's overall program costs. Significant changes in expenditures from FY 2000 to FY 2001 are explained below for selected goals:

**Strategic Goal I, Keep America Safe by Enforcing Federal Criminal Laws**, includes the criminal prosecution related functions of the OBDs, the USAs, the Assets Forfeiture Fund, the DEA, and the FBI. In FY 2001, Goal I reflects an increase in net costs of \$512.9 million over FY 2000, or a 9.8 percent increase. Included in that increase was \$24 million in appropriated resources for the USAs (OBD component) for firearms, violent crime, computer crime, and intellectual property theft prosecutions. The FBI and DEA received over \$230 million in additional direct Salary and Expense Appropriations, and the FBI received an additional \$36.9 million in FY 2001 from the Counterterrorism Fund for post September 11, 2001, activities.

**Strategic Goal IV, Fairly and Effectively Administer the Immigration and Naturalization Laws of the United States**, primarily includes the INS. In FY 2001, Goal IV net costs decreased by \$151.7 million compared to FY 2000, a decrease of 5.9 percent. Contributing to the decrease in net costs were increased collections realized from immigration user fees, exam fees, and breached bonds reported by the INS. Also impacting the FY 2001 collections was the Legal Immigration and Family Equity Act (LIFE Act) signed into law on December 21, 2000. Provisions of the new LIFE Act allowed the INS to collect additional immigration penalties, the results of which contributed to FY 2001's increased revenue.

**Strategic Goal VI, Protect the Federal Judiciary and Provide Critical Support to the Federal Justice System to Ensure It Operates Effectively**, includes the UST program, the Department's Fees and Expenses of Witnesses programs (OBD components), and the activities of the USMS. In FY 2001, net costs decreased by \$198.8 million compared to FY 2000, a 30.3 percent decrease. Last year's higher Goal VI costs included approximately \$200 million in funding in the Violent Crime Appropriation for the USMS. In FY 2001, certain Violent Crime funding was moved to the USMS Salaries and Expenses appropriation, thus distributing FY 2001 costs between the USMS Goal V Detention activities and Goal VI Protection of the Judiciary activities.

**Strategic Goal VII, Ensure Excellence, Accountability, and Integrity in the Management and Conduct of Department of Justice Programs**, includes the JMD and the Wireless Management Office, among other OBD offices, and the WCF. In FY 2001, Goal VII net costs increased by approximately \$5.4 million over FY 2000, or 2.8 percent. This increase in expenditures is primarily due to an appropriated enhancement in the Wireless Management Office in FY 2001.

### **Data Reliability and Validity**

The Department views data reliability and validity as critically important in the planning and assessment of its performance. As such, this document includes a discussion of data validation and verification for each performance measure presented. In addition, each reporting component was requested to ensure that data reported met the OMB standards for data reliability that is presented in Circular A-11, Section 232.10(c). The OMB standard is as follows:

*Performance data are acceptably reliable when there is neither a refusal nor a marked reluctance by agency managers or government decisionmakers to use the data in carrying out their responsibilities. Performance data need not be perfect to be reliable, and the cost and effort to secure the best performance data possibly can exceed the value of any data so obtained.*

## FY 2001 Report on Selected Accomplishments

### STRATEGIC GOAL ONE:

**Keep America Safe by Enforcing Federal Criminal Laws** *27.3% of the Department's Net Costs support this Goal.*

#### Disrupt and Dismantle Major Drug Trafficking Criminal Enterprises

#### Background/Program Objectives:

To reduce the availability of drugs, the Department of Justice drug strategy is to target the largest drug supply networks and dismantle their entire infrastructure--from international supply, through national transportation cells, to regional and local distribution organizations. The Organized Crime Drug Enforcement Task Force program, with its coordinated, multi-agency, multi-district investigations, is the primary mechanism for implementing this strategy. Both DEA and the FBI are major contributors to this effort.

Under DEA's Priority Drug Enforcement system, each field division nominates drug trafficking organizations that are operating in its area of responsibility for priority status, through each annual Field Management Plan, which provides a blueprint for each field office's implementation of the Strategic Plan. DEA Headquarters approves and categorizes the nominated targets as priority International, National/Regional, and Local Targets.

In FY 2001, the FBI identified 14 National Priority Targets (NPTs) – the major Colombian, Mexican, and Dominican drug trafficking organizations. The FBI's drug resources are primarily directed against the most significant national/local drug trafficking organizations.

The USAs, USMS, INS, and other federal, state, and local law enforcement entities also participate by using a wide range of capabilities in partnership with DEA and the FBI to disrupt

#### Targeted/Dismantled/Disrupted Priority Drug Trafficking Organizations [DEA]

Priority Drug Trafficking Organizations Targeted	FY 2001
International	234
National/Regional	264
Local	134
<b>TOTAL</b>	<b>632</b>
Priority Drug Trafficking Organizations Disrupted/Dismantled	FY 2001
International	30
National/Regional	24
Local	12
<b>TOTAL</b>	<b>66</b>

**Data Definition:** Disruption occurs when the normal and effective operation of a specific enterprise of the targeted criminal organizations is impacted as a result of an affirmative law enforcement action. Indicators of disruption include changes in organizational leadership, trafficking patterns, drug production methods and violence within and between organizations. Dismantlement occurs when an identified organization is incapacitated and no longer capable of operating as a coordinated criminal enterprise. The organization must be impacted to the extent that it is incapable of reforming.

**Data Collection and Storage:** Each Special Agent in Charge (SAC) nominates priority targets (based on intelligence information). Headquarters staff ensure targets are tracked and nominations are supported by data and information stored in the Priority Target Activity and Resource Reporting System (PTARRS).

**Data Validation and Verification:** Targets are validated by the Chief, Operations Division at DEA. Headquarters staff ensure the disruptions and dismantlements are supported.

**Data Limitations:** DEA is currently improving reporting systems that capture investigative work hours and cost data. DEA also recently initiated a Managerial Cost Accounting Study that will eventually allow the agency to capture actual full costs of investigating, disrupting, and dismantling PDTOs.

and dismantle the highest level of drug trafficking organizations and those with an identified local impact.

**Performance Measure:** Priority Drug Trafficking Organizations (PDTOs) Disrupted or Dismantled [DEA]

**FY 2001 Actual Performance:** 66 organizations were dismantled or disrupted out of a total of 632 organizations targeted.

**Discussion of Accomplishments:** For FY 2001, DEA disrupted or dismantled 10% of the PDTO's that were targeted. Of the organizations dismantled or disrupted, 45% were international targets, 36% were national/regional targets, and 18% were targets with local impact.

**Performance Measure:** Dismantled Drug Trafficking Organizations (DTOs) [FBI] (Formerly United States-Based Drug Organizations Affiliated with the 14 NPTs)

**FY 2001 Actual Performance:**

NPT DTOs Identified 265

NPT DTOs Dismantled 14

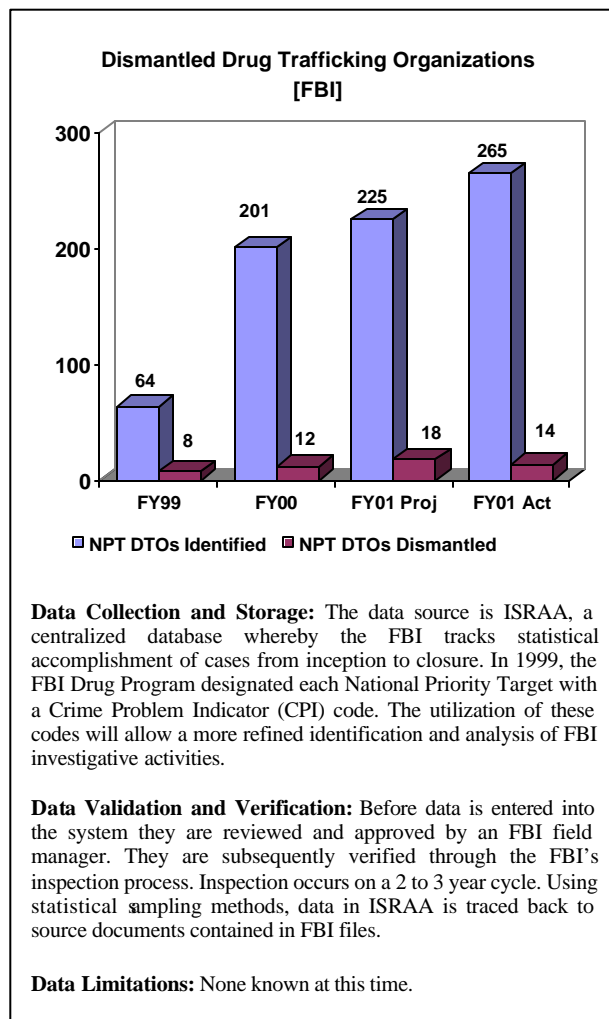
**Discussion of Accomplishments:** The most important objective of the drug strategy is its commitment to dismantle targeted drug organizations. The complete dismantlement of an organization involves long-term, comprehensive investigations that probe the full scope of the organization and its network of affiliates. In FY 2001, the FBI dismantled a total of 137 organizations, 14 of which were affiliated with the 14 NPTs.

**Combat Terrorist Activities**

**Background/Program Objectives:**

Through criminal and national security investigations the Department works to arrest, prosecute, and deport terrorists and their supporters and to disrupt financial flows that provide resources to terrorist operations. These investigations enable the Department to gather information, develop and solidify relationships with critical partners, and maintain a presence visible to both potential terrorists and the American public, all of which are critical pieces of the Department's counterterrorism efforts.

On November 8, 2001, the Attorney General outlined a wartime reorganization and mobilization of the Nation's justice and law enforcement resources to meet the counterterrorism mission of



the Department. A critical piece of this initiative is the reorganization of the FBI. Although the FBI remains the key component in the identification and investigation of terrorist activities, DEA and the INS also contribute intelligence and investigative support to the FBI. Furthermore, the USAs and the Criminal Division play a vital role in all aspects of the war against terrorism, in particular, the prosecution of terrorist acts.

For the Department to have the optimum deterrence mechanisms in place to combat terrorism, it recognizes the principle of “maximum feasible capacity.” Through the efforts of the FBI, the Department specifically identifies the critical elements of a successful counterterrorism program to: 1) assess the program’s current capacity; 2) identify performance gaps; and 3) develop strategies that maximize federal law enforcement’s ability to deter terrorist activity. Once maximum feasible capacity has been achieved, the Department will have the ability to better detect, deter, and address potential terrorist threats.

To address effectively international and domestic terrorism, the Department will investigate and prosecute terrorist matters as they occur, but the emphasis of the Department's counterterrorism program will be on prevention. By developing maximum capacity, the Department can effectively respond to terrorist activities from a reactive and proactive field, headquarters, inter-component, and interagency standpoint.

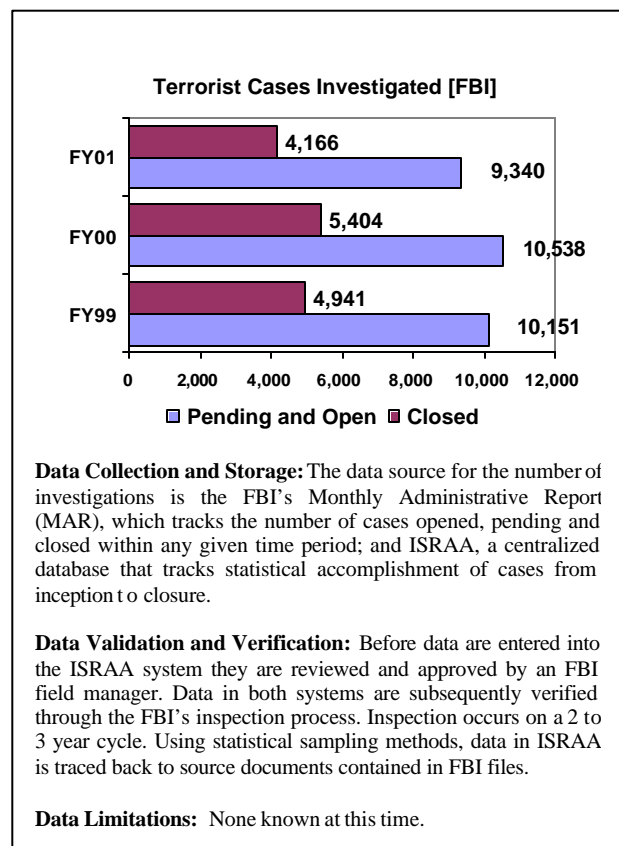
**Performance Measure:** Number of Terrorist Cases Investigated (International and Domestic)

**FY 2001 Actual Performance:**

Pending and Open – 9,340

Closed – 4,166

**Discussion of Accomplishments:** Each case represents effort towards the investigation and prevention of terrorism. While the number of investigations itself does not fully capture the efforts or effects of the Department’s counterterrorism program, this measure does show activity towards the ultimate goal of preventing terrorism. The FBI is in the process of constructing an index that will reflect the state of counterterrorism efforts more effectively. This performance capacity index, reported with number of terrorist cases investigated and terrorist convictions, will provide a more comprehensive mechanism for reporting performance in counterterrorism to external oversight and the American public.





## Identify, Prevent, and Defeat Foreign Intelligence Operations

### Background/Program Objectives:

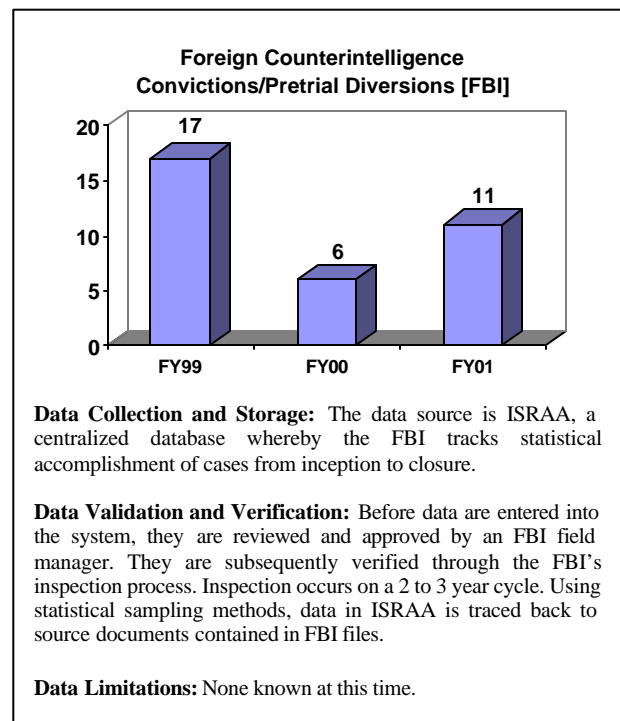
Foreign intelligence operations directed against the United States reflect the complexity and fluidity of the new world order. While the national goals of many traditional rivals have changed, their capabilities and willingness to target traditional objectives, such as national defense information, plans, and personnel, have not. At the same time, many of these rivals have increased their activities in other sectors affecting our national interests, such as in economic competitiveness, and now target U.S. interest in these areas. They join a formidable array of other foreign powers jockeying for economic or political preeminence whose success in these areas is dependent upon effective intelligence operations directed against the United States.

Foreign intelligence threats can never be eliminated given that their origin and impetus lie primarily with sovereign states. They are planned, authorized, and financed by government entities beyond our boundaries and the reach of our laws. Measures of success in these areas will gauge the FBI's capacity to detect potential hostile activities by foreign powers against the United States. In addition, the FBI will analyze its record at preventing and defeating these hostile activities in comparison to the best available estimates of the magnitude of foreign intelligence operations.

**Performance Measures:** Foreign Counterintelligence Convictions/Pretrial Diversions

**FY 2001 Actual Performance:** 11 Convictions/Pretrial Diversions

**Discussion of Accomplishments:** The strategies in place regarding the FBI's Foreign Counterintelligence (FCI) Program remain unchanged. The measures reported above represent a portion of the overall success of the program in that the individuals implicated in these actions are prevented from conducting any further intelligence operations against the United States.



## STRATEGIC GOAL TWO:

**Prevent and Reduce Crime and Violence by Assisting State, Tribal, Local and Community-Based Programs** *22.8% of the Department's Net Costs support this Goal.*

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### Support Substance Abuse Programs

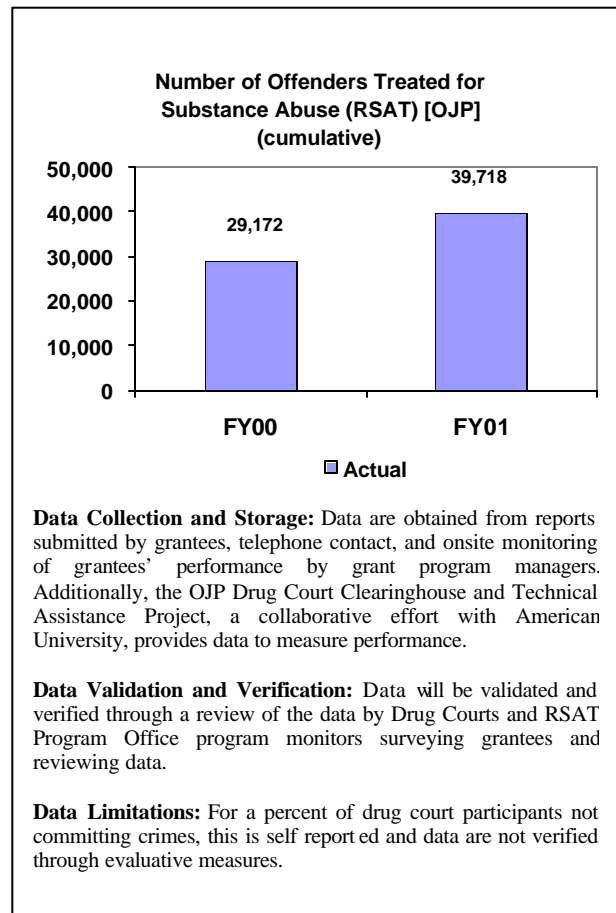
#### Background/Program Objectives:

The drug court movement began as a community response to reduce crime and substance abuse among criminal justice offenders. Today, drug courts are successfully employing the coercive power of the judicial system to subject non-violent offenders to an integrated mix of treatment, drug testing, incentives, and sanctions to break the cycle of substance abuse and crime. OJP provides financial, technical, and training assistance to states, state drug courts, units of local government, local courts, and tribal governments to develop and implement drug treatment courts. In FY 2001, 49 new drug courts were funded. The drug court program administers a four-step strategy that provides a mix of programmatic guidance and leadership to communities interested in drug courts in order to build capacity at the state and local level. The four steps include: funding to implement or enhance a drug court; training and technical assistance; supporting the evaluation of drug courts to demonstrate effectiveness; and partnering with the drug court field to integrate the drug court movement into the mainstream court system.

**Performance Measure:** Number of Offenders Treated for Substance Abuse (RSAT)

**FY 2001 Actual Performance:** 10,546 offenders treated in FY 2001, for a cumulative total of 39,718 since the beginning of FY 1998.

**Discussion of Accomplishments:** The Residential Substance Abuse Treatment (RSAT) for the State Prisoners Program is a formula grant program assisting states and units of local government. These programs are administered within state and local correctional and detention facilities where prisoners are incarcerated for a period of time sufficient to permit substance abuse treatment (approximately 6 to 12 months). Due to overlapping start/end dates, not all offenders entering the program in FY 2001 have completed treatment. However, at the end of FY



2001, 10,546 offenders either completed treatment, or began treatment during FY 2001 and are on track to complete the treatment during FY 2002.

**Support Community Policing Initiatives**

**Background/Program Objectives:**

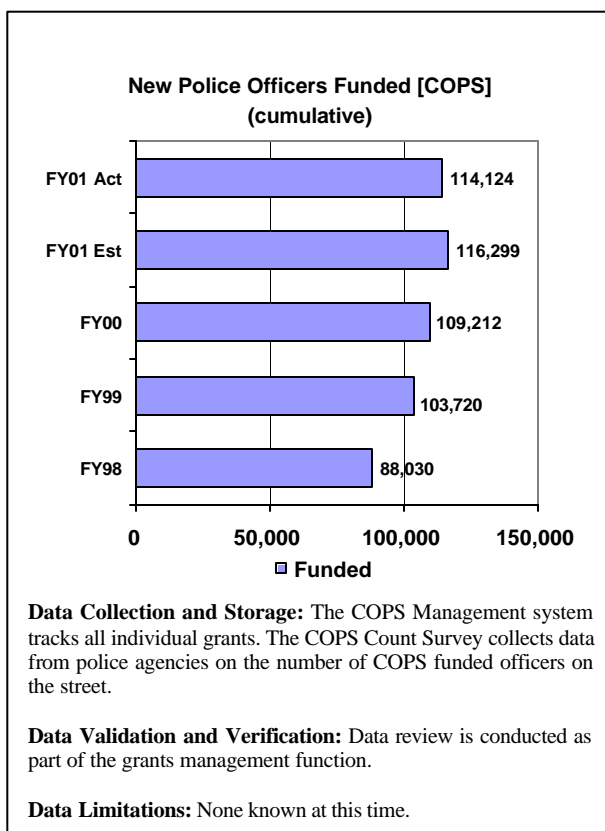
As crime and the fear of crime rose in the 1970s and 1980s, it became apparent that the traditional law enforcement response was not effective. Police found themselves reacting to crime, rather than preventing it, and communities felt law enforcement was unresponsive to their concerns. A few cities began experimenting with community involvement in solving problems and addressing the conditions that lead to crime. They found it surprisingly effective. As the practice grew and developed, it came to be known as community policing.

The COPS Office has three primary objectives: reduce the fear of crime; increase community trust in law enforcement; and contribute to the reduction in locally-identified, targeted crime and disorder. Community policing rests on three primary principles: 1) a continuous community-law enforcement partnership to address issues in the community; 2) a problem-solving approach to the causes of crime; and 3) a sustained organizational change in the law enforcement agency that decentralizes command and empowers front-line officers to build partnerships in the community and address crime using innovative problem-solving techniques.

The COPS Office awards grants based on a jurisdiction’s public safety needs and its ability to sustain the financial commitment to deploy additional community policing officers beyond the life of the grant. The number of officers that are ultimately deployed can either increase or decrease from the initial award estimate based on many factors including: the success of a jurisdictions’ officer recruitment efforts; the actual availability of local matching funds (which could vary from initial estimates based on funding appropriated by local governments); and the number of officers that successfully complete academy training.

**Performance Measure:** New Police Officers Funded

**FY 2001 Actual Performance:** 114,124 new officers funded (cumulative); 6,543 new officers funded in FY 2001. NOTE: The number of new police officers funded in FY 2001 represents officers funded with funding appropriated in FY 2001. The cumulative figures account for



withdrawals, modifications, and terminations that have occurred over the past 7 years and represent the number of additional officers funded for American law enforcement since 1995.

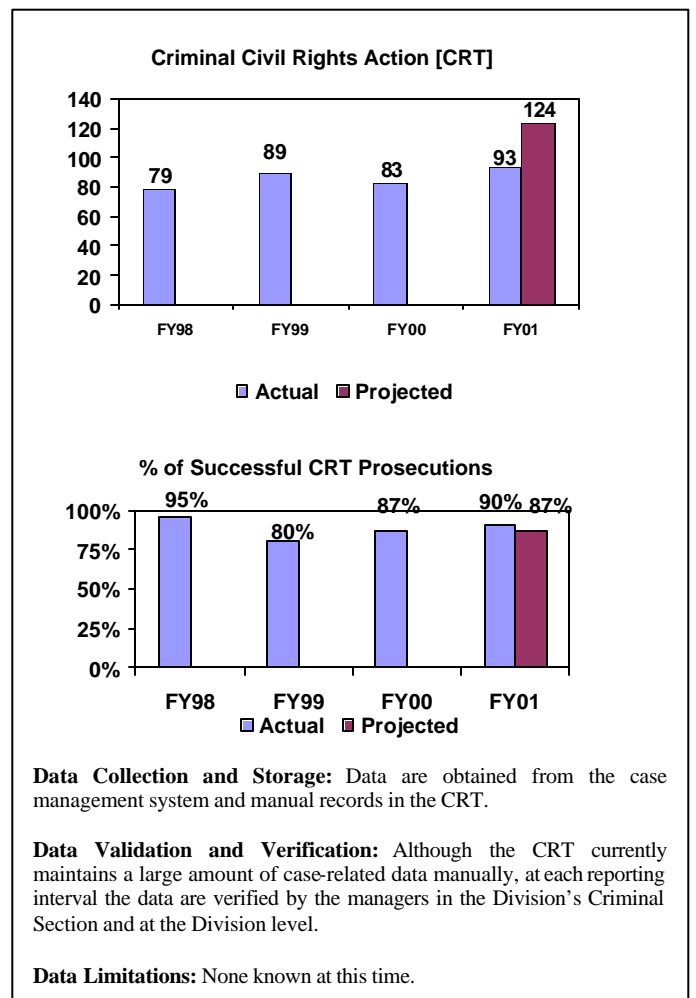
**Discussion of Accomplishments:** By the end of FY 2001, the COPS Office had funded 114,124 additional officers over 7 years. In FY 2001, law enforcement agencies hired additional officers through COPS programs, including the Universal Hiring Program (UHP), COPS In Schools (CIS), Tribal Resources Grant Program (TRGP), and Making Officer Redeployment Effective (MORE). COPS funds were used to pay the salaries and benefits of new officers practicing community policing under UHP, and TRGP and School Resources Officers through CIS. The MORE program provided funds to law enforcement agencies to purchase technology that will allow their officers to spend more time fighting crime and less time performing administrative tasks. The technology funded in FY 2001 included: mobile data computers/laptops, mobile data terminals, crime analysis hardware or software, personal computers, automated booking systems, automated fingerprint identification systems, computer aided dispatch systems, record management systems, and video arraignment equipment. In addition, the COPS Office conducted specialized training for MORE grantees to address various issues surrounding mobile computing, procurement of technology systems, strategic planning, and system implementation.

**STRATEGIC GOAL THREE: Protect the Rights and Interests of the American People by Enforcement of Federal Laws, Legal Representation, and Defense of U.S. Interests** *7.2% of the Department's Net Costs support this Goal.*

**Prosecute Criminal Civil Rights Violations**

**Background/Program Objectives:**

The Department's Civil Rights Division works with the FBI and the USAs to prosecute cases of national significance involving the deprivations of Constitutional liberties which cannot be, or are not, sufficiently addressed by state or local authorities. These include acts of bias-motivated violence; misconduct by local and federal law enforcement officials; violations of the peonage and involuntary servitude statutes that protect migrant workers and others held in bondage; criminal provisions which prohibit conduct intended to injure, intimidate, or interfere with persons seeking to obtain or to provide reproductive health services; as well as a law which proscribes interference with persons in the exercise of their religious beliefs and the destruction of religious property. The federal criminal civil rights statutes provide for prosecutions of conspiracies to interfere with federally protected rights, deprivation



of rights under color of the law, and the use of threat or force to injure or intimidate persons in their enjoyment of specific rights.

**Performance Measure:** Criminal Civil Rights Defendants Charged/% Successful CRT Prosecutions

**FY 2001 Actual Performance:** During the year, 93 cases were filed charging 189 defendants, including 97 law enforcement officers. In addition, the average overall success rate was 100% in non-law enforcement prosecutions and 80% in color of law cases for an average success rate of nearly 90%.

**Discussion of Accomplishments:** FY 2001 marked a record number of cases filed and defendants charged. Of the 189 defendants charged, 97 law enforcement officers, including police officers, deputy sheriffs and state and federal prison correctional officials were charged with having used their positions to deprive individuals of constitutional rights, such as the right to be free from unwarranted assaults and illegal arrests and searches.

**Protect the Public Fisc**

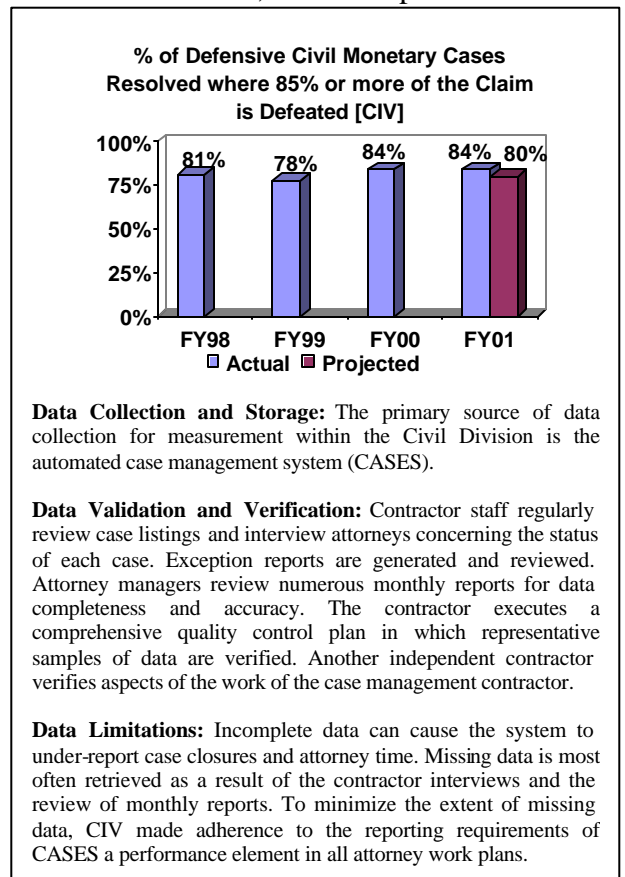
**Background/Program Objectives:**

The Department defends the public Treasury in lawsuits alleging unwarranted monetary claims. Plaintiffs advancing contract claims, allegations of government misconduct, claims of patent infringement and the like, expose the government to potentially staggering losses. The Department consistently mounts strong defenses against unfounded or exaggerated claims to ensure that only those claims with merit under the law are paid. Favorable resolutions in defensive cases prevent the Treasury from incurring massive losses and preserve funds to support the counterterrorism fight, military objectives, economic stimulus efforts, or other top initiatives.

**Performance Measure:** % of Defensive Civil Monetary Cases Resolved Where 85% or More of the Claim is Defeated

**FY 2001 Actual Performance:** In FY 2001, 85% or more of the claim was defeated in 84% of Defensive Civil Monetary Cases.

**Discussion of Accomplishments:** For the second straight year, the Civil Division exceeded its 80% goal. This accomplishment understates the Civil Division's impact because it does not reflect the consequences of the Division's successful defense of limiting provisions in entitlement programs. Court



challenges to such limitations affect billions of dollars of public funds annually.

Two major cases exemplify the importance of these efforts on behalf of taxpayers. The Civil Division secured a key victory in the 10-year dispute over the termination of the "A-12" stealth fighter aircraft program. In 1999, an appellate court overturned an earlier \$1.2 billion award to the contractors and remanded the case to trial. In August 2001, the trial court held that the contract had been properly terminated for default. If the decision is affirmed on appeal, the government will receive \$1.3 billion in unliquidated progress payments plus interest (for a total in excess of \$2 billion).

Triggered by legislation to address the 1980's savings and loan crisis, the *Winstar* litigation is composed of nearly 120 separate lawsuits, involving more than 400 financial institutions. The plaintiffs are parties associated with the savings and loan industry. Plaintiffs' claims are over \$30 billion; although overstated, if undefended these claims would pose a material threat to the U.S. Treasury (Treasury). The Civil Division has defended the government vigorously: Through FY 2001, \$88 million has been awarded out of more than \$7.7 billion sought. The Federal Circuit vacated the \$909 million restitution award in *Glendale*, remanding for calculation of actual costs resulting from the breach. Six favorable settlements also have been reached, resulting in a total of \$104 million for the plaintiffs – a fraction of the \$1.5 billion in damages claimed.

#### **STRATEGIC GOAL FOUR:**

**Fairly and Effectively Administer the Immigration and Naturalization Laws of the United States** *11.5% of the Department's Net Costs support this Goal.*

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<b>Ensure Immigration Benefit Services are Timely, Fair, and Consistent</b>
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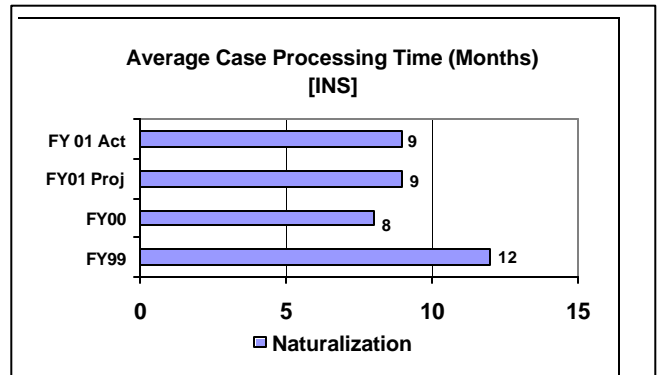
#### **Background/Program Objectives:**

The INS is committed to building and maintaining an immigration services system that provides immigration information and benefits in a timely, accurate, consistent, courteous, and professional manner. A key element of this commitment is to eliminate the backlog of naturalization applications while maintaining the quality of these adjudications. In FY 2001, the INS set a 6-9 month processing time target and an 800,000 completions target for Naturalization applications (N-400s), while raising its targets for completion of Adjustment of Status (I-485) and other cases, while maintaining a 99% level of compliance with the Naturalization Quality Procedures. As a result of continual improvements in the processing mechanisms, as well as staff performance and realignment, the INS is improving efficiency of service as well as timeliness of adjudication of applications to its customers.

**Performance Measure:** Average Case Processing Time – Naturalization. NOTE: This measure is calculated by dividing the average of the past 12 months of completions into the number of pending applications at the end of September.

**FY 2001 Actual Performance:** 9 months

**Discussion of Accomplishments:** In FY 2001, a total of 831,486 Naturalization applications cases was completed (104% of target) and a 9-month processing time was met while again maintaining a 99% quality processing rate. Overall, in FY 2001 the INS completed 556,890 more applications of all types than in FY 2000. The INS ended FY 2001 with 586,850 N-400 applications pending (September 2001 Performance Analysis System data), a 28% decrease compared to FY 2000, and the lowest pending total since September 1995.



**Data Collection and Storage:** Data are collected locally under manual counts and reported monthly through the automated Performance Analysis System (PAS) database, and some counts are provided from various automated systems supporting casework (e.g. Computer Linked Application Information Management Systems (CLAIMS 3 and CLAIMS 4), and the Re-engineered Naturalization Application Casework System (RNACS)).

**Data Validation and Verification:** A Data Integrity Team (DIT) monitors, assesses and verifies N-400 data. The DIT reviews monthly submissions of N-400 data that INS Service Centers, District Offices and Sub-Offices enter into PAS. In coordination with the nationwide PAS management office at Headquarters, actions are taken by the DIT to reconcile and adjust counts as necessary, and action is taken with field components to adjust practices and procedures to prevent future errors. Beginning with FY 2000, at the close of each fiscal year INS performs, via independent auditors, a comprehensive audit of designated "pending" applications, including N-400s. This end-year count of actual pending N400s is used to adjust the September number used for end-year closeout in the PAS.

**Data Limitations:** In FY 2001, N-400 Naturalization case capability was fully deployed under CLAIMS4. Additional customer-based types will be addressed in follow-on efforts. This will allow data to be fully automated, timely, and accurate.

**Manage Port-of-Entry Traffic**

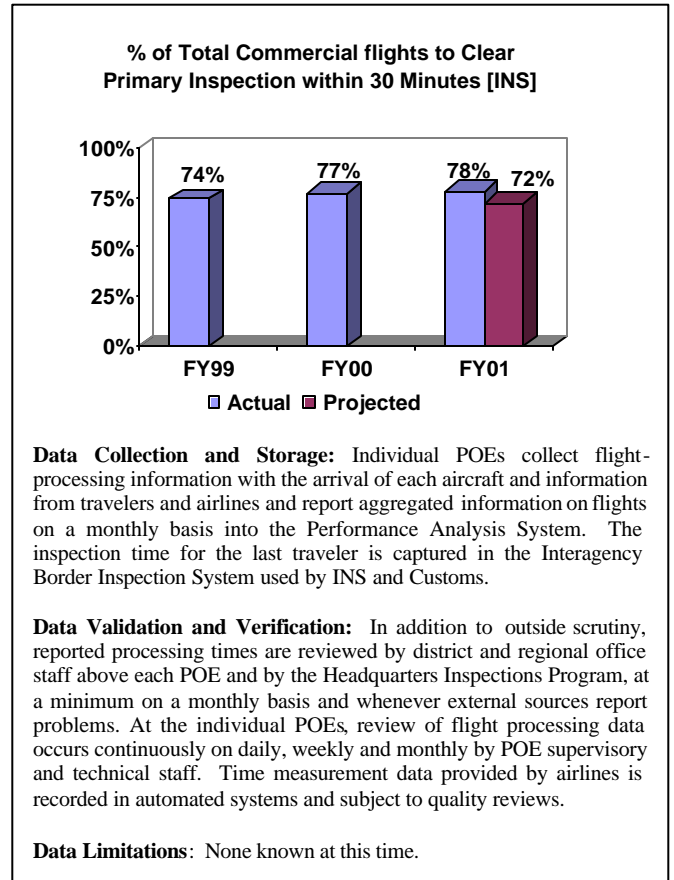
**Background/Program Objectives:**

Legal entry of individuals into the United States is through designated air, land and sea ports-of-entry (POEs). Screening or inspecting individuals for entry, with or without goods subject to U.S. Custom laws, involves ensuring that legal, secure entry occurs expeditiously. Managing the dual concern of secure entry and expediting the legitimate travel of individuals involves using management standards and practices that maximize both security and expeditious entry. To this end, the INS uses processing time standards and targets to manage inspections activity. At air POEs, the INS must provide primary inspection of all passengers on a given flight within a 45-minute primary inspection limit established by law. In addition, the INS, in accord with federal objectives to increase service to the traveling public, identified a 30-minute primary inspection target to be attained, where possible, while maintaining secure entry.

**Performance Measure:** % of Commercial Air Flights to Clear Primary Inspection in 30 Minutes or Less NOTE: The time to clear primary inspection for a flight is measured from the time the initial travelers present themselves for inspection at the POE primary inspection line/area to the time the last traveler on that flight is either approved for entry or forwarded to a secondary inspection point for more in-depth inspection.

**FY 2001 Actual Performance:** 78%

**Discussion of Accomplishments:** At air POEs, the INS inspected more than 67.6 million passengers in FY 2000, an increase over FY 1999, and cleared 77% of all commercial flights within 30 minutes or less, up from 74% in FY 1999. In FY 2001, the INS inspected more than 67.2 million passengers, a .5% decrease from FY 2000, and cleared 78% of all commercial flights within 30 minutes or less. Threat Level One operations, in place since September 11, 2001, adversely affected fourth quarter and annualized results.



**Increase the Number of Criminal Alien Removals**

**Background/Program Objectives:**

A key element of the INS’s enforcement mission is to remove illegal aliens from the United States. The INS is legally required to remove aliens who have received formal removal orders or who have volunteered to be repatriated. A fundamental part of this mission is to ensure the removal of the criminal element in the alien population. Focusing on the criminal alien removals enhances the promotion of public safety and provides crosscutting support to Strategic Goal One: “Keeping America Safe by Enforcing Federal Criminal Laws.”

The INS is adopting new policies and procedures to improve the effectiveness of the Institutional Removal Program (IRP), a program designed to identify and remove criminal aliens by means of administrative or hearing processes before their release from custody.

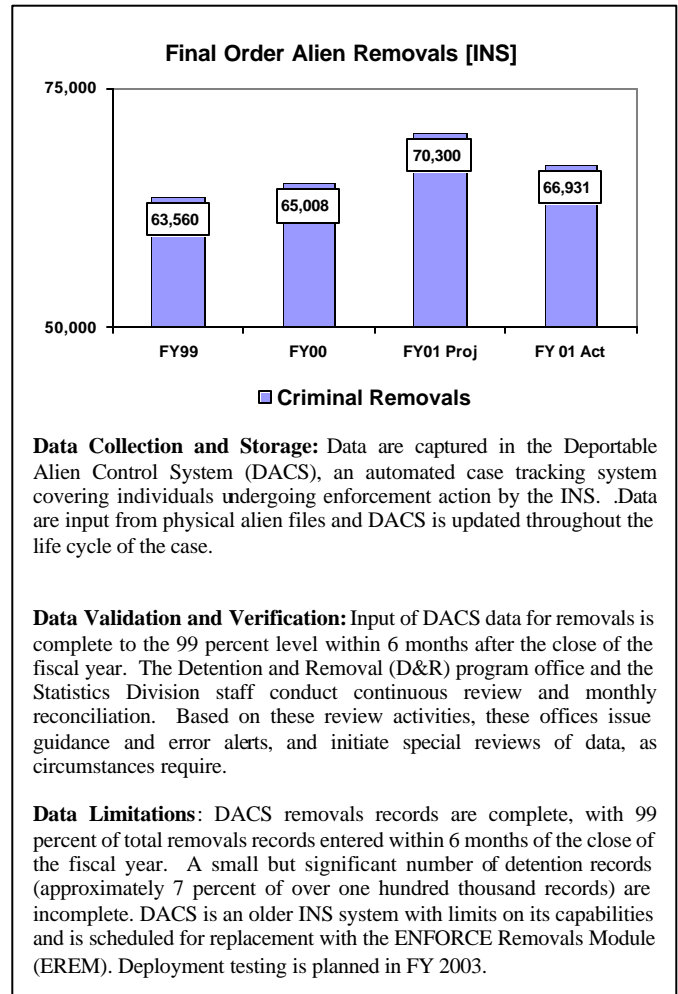


**Performance Measure:** Final Order Criminal Alien Removals NOTE: Prior year actuals have been updated to reflect the most current and accurate data available.

**FY 2001 Actual Performance:** 66,931

**Discussion of Accomplishments:** The recent trend in criminal removals for the INS has been one of continuous increases. There was a 14.4% increase in FY 1999, a 2.3% increase in FY 2000 and 3.0% increase in FY 2001. The terrorist events of September 11, 2001, appear to have resulted in a sharp drop in removals for the remainder of the last month of FY 2001 (approximately 24% lower removals in comparison with the number for September in FY 2000). This drop in removals may be attributable to problems in arranging for and effecting transport of those individuals out of the United States.

As in FY 2000, much of the success achieved in FY 2001 was due to the removal of nearly 30,000 aliens through the IRP. The IRP is enabling the INS to identify and process aliens prior to their release from federal, state and local penal institutions, allowing for almost immediate removal with little or no detention cost to the INS. Additionally, the INS has worked with the EOIR to reduce the time required to receive court removal orders to allow removal action. To effect the actual removals more timely, the INS has also made significant progress in obtaining agreements/improving cooperation with foreign countries on accepting repatriations of criminals back to their home country (e.g., with Cambodia, Vietnam, and Laos).



## STRATEGIC GOAL FIVE:

**Protect American Society by Providing for the Safe, Secure, and Humane Confinement of Persons in Federal Custody 28.1% of the Department's Net Costs support this Goal.**

### Reduce Prison Crowding

#### Background/Program Objectives:

BOP facilities are crowded above rated capacity systemwide and there does not seem to be relief in the near future due to the burgeoning inmate population. While state and local incarceration growth rates have declined in recent years, BOP has experienced record growth. Given increased resources for law enforcement and prosecutorial agencies, and stronger emphasis on prosecution of gun related crimes, federal inmate growth promises to continue into the future.

BOP constantly monitors facility capacity, population growth, and prisoner crowding. As federal inmate population levels are projected to increase and continue to exceed the capacity of BOP, every possible action is being taken to protect the community, while keeping institutional crowding at manageable proportions to ensure that federal inmates continue to serve their sentences in a safe and humane environment.

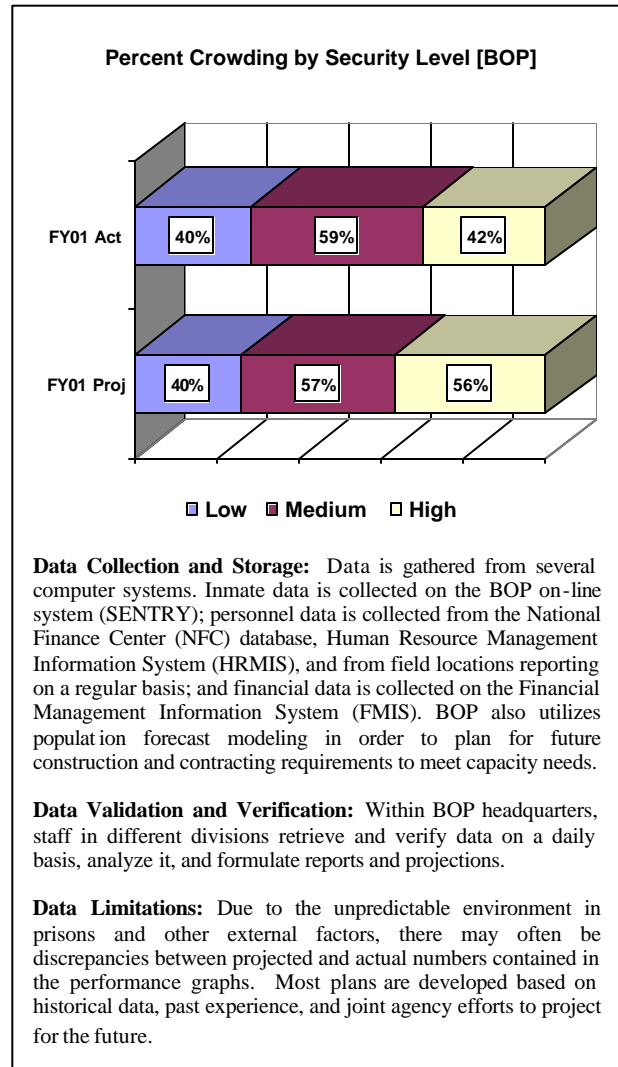
**Performance Measure:** % Crowding by Security Level

#### FY 2001 Actual Performance:

Low security	40%
Medium security	59%
High security	42%

**Discussion of Accomplishments:** The BOP activated the following facilities during FY 2001:

Honolulu, HI Federal Detention Center; Atwater, CA, Work Camp; Coleman, FL, U.S. Penitentiary; and the Pollock, LA, U.S. Penitentiary. Crowding at high security facilities was lowered somewhat by activating the two U.S. Penitentiaries noted above, and entering into Intergovernmental Agreements with the State of Virginia to house high security District of Columbia sentenced felons.



## STRATEGIC GOAL SIX:

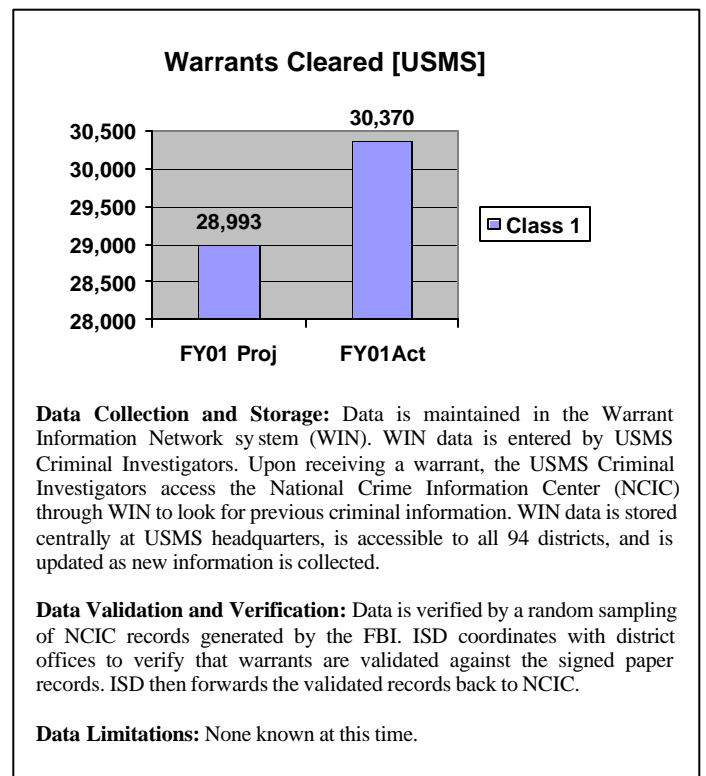
**Protect the Federal Judiciary and Provide Critical Support to the Federal Justice System to Ensure It Operates Effectively** *2.2% of the Department's Net Costs support this Goal.*

### Apprehend Federal Fugitives

#### Background/Program Objectives:

The USMS has primary jurisdiction for conducting investigations to locate and apprehend escaped federal prisoners; probation, parole, supervised release, and bond default violators; bench warrants; fugitives wanted by agencies without arrest authority; and fugitives indicted in DEA investigations. The USMS is the primary agency responsible for locating, apprehending, and extraditing U.S. fugitives that have fled to foreign countries and foreign fugitives that have fled to the United States.

Although the USMS is very successful at apprehending fugitives, sometimes a fugitive is not caught immediately. This results in a warrant backlog. Often this is the result of a lack of unique identifying information. If a prisoner fails to appear for a court case and becomes a fugitive, there is frequently not a significant source of investigative information available. Investigating fugitives that were indicted but never arrested is another challenge for the USMS, as the information on the offender may be incomplete. Additionally, if an offender escapes to another country, assistance from the foreign country can be limited.



**Performance Measure:** Warrants Cleared

**FY 2001 Actual Performance:** 30,370 Class I Warrants cleared

**Discussion of Accomplishments:** The USMS directed its investigative efforts to reduce violent crime, including organized crime and drug and gang-related violence. During FY 2001, the USMS received 32,072 Class 1 warrants, and cleared 30,370 of them. The warrants cleared included apprehension of seven of the USMS 15 Most Wanted Fugitives.

## STRATEGIC GOAL SEVEN:

**Ensure Professionalism, Excellence, Accountability, and Integrity in the Management and Conduct of Department of Justice Programs** *0.9% of the Department's Net Costs support this Goal.*

### Provide Professional Oversight

#### Background/Program Objectives:

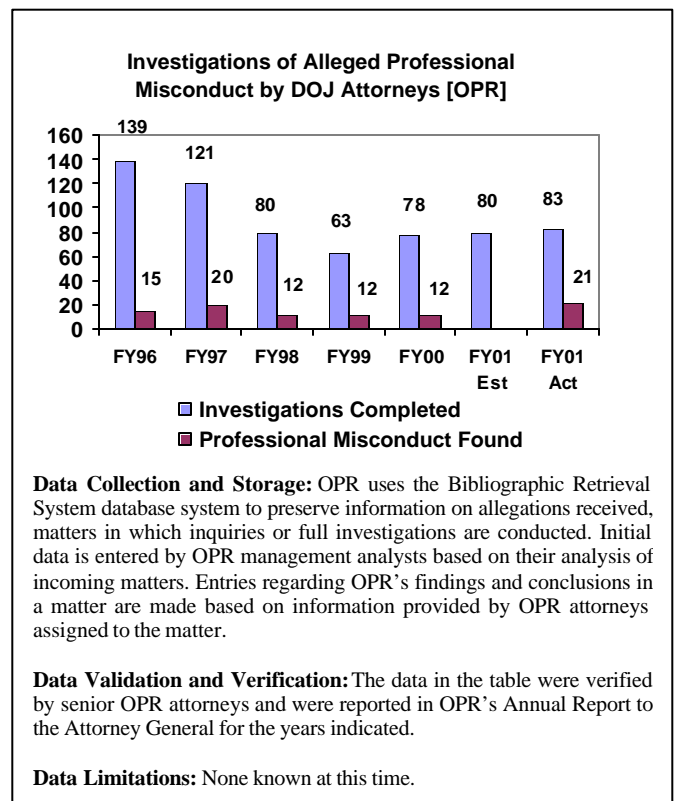
The Department through its Office of Professional Responsibility (OPR) ensures that Department attorneys meet and maintain the high ethical standards expected of the nation's principal law enforcement agency. Specifically, OPR reviews and investigates allegations of misconduct by Department attorneys that relate to the exercise of their authority to investigate, litigate, or provide legal advice. Through the performance of OPR, the Department seeks to ensure that Department attorneys comply with obligations to standards imposed by law, applicable rules of professional conduct, or Department regulations or policy, and that instances of failure to comply with those standards are identified and appropriately disciplined.

**Performance Measure:** Investigations of Alleged Professional Misconduct by Department Attorneys

**FY 2001 Actual Performance:** 83 completed investigations; 21 findings of professional misconduct

**Discussion of Accomplishments:** OPR exceeded its goal by closing out 83 investigations this fiscal year. The number of cases that resulted in findings of professional misconduct increased significantly over the previous years. OPR is currently in the process of evaluating this data to identify any trends that warrant corrective training or other action to ensure that the Department maintains the highest professional standards.

OPR worked with the EOIR to produce an ethics manual for immigration judges, members of the Board of Immigration Appeals and administrative law judges. OPR continues to participate in a variety of Department training exercises designed to increase awareness of professional obligations and standards and to address training issues identified in the course of OPR investigative activities.



## **ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE**

The Federal Managers' Financial Integrity Act (Integrity Act) requires federal agencies to conduct on-going evaluations of the adequacy of the systems of internal accounting and administrative control, and to report yearly to the President all material weaknesses and nonconformances found through these evaluations. The Integrity Act also requires the heads of agencies to provide the President with yearly assurance that 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.

### **Management Controls Program in the Department of Justice**

The Department is committed to using its financial resources properly and ensuring that its financial operations are both secure and efficient. Managers must conform to specific management accountability and improvement policies when designing, planning, organizing, and carrying out their responsibilities in order to ensure the most efficient and effective operation of their programs. Briefly, these policies address written guidance, delegation of authority and responsibility, hierarchical reporting of emerging management problems, personal integrity, quality data, separation of key duties and responsibilities, periodic comparisons of actual with recorded accountability of resources, routine assessment of programs with a high potential for risk, systematic review strategy to assess the effectiveness of program operations, and prompt management actions to correct significant problems or improve operations.

Annually, Department components must review their financial operations, systems, and controls, and report significant results to the Attorney General. At the same time, the heads of components must assure the Attorney General that their management systems incorporate at least the minimum control standards described in Department guidance. In addition, any inspection, audit, evaluation, peer or program review process, self-assessment, or equivalent, used by component management to keep informed about needs and opportunities for improvement must incorporate these same standards into its methodology. Management accountability systems in all organizations must assure basic compliance with the objectives of the Integrity Act and the management control standards set by the General Accounting Office (GAO).

## Integrity Act Material Weaknesses and Nonconformances Reported to the President for FY 2001

### Summary of Status of Weaknesses

	FIRST REPORTED	LAST TARGET	CURRENT TARGET
<b>Material Weaknesses</b>			
Prison Crowding (BOP)	1985	ongoing	ongoing
Detention Space and Infrastructure (USMS, INS)	1989	2002	2004
Computer Security (DOJ)	1991	2001	2003
Monitoring of Alien Overstays (INS)	1997	2000	2002
Organizational and Management Issues (INS)	1997	2001	2002
Management of Automation Programs (INS)	1997	2001	2002
Efforts to Identify and Remove Criminal Aliens (INS)	1997	2001	2003
Alien Smuggling (INS)	2000	2003	2003
<i>Delivery Bonds (INS)</i>	<i>1990</i>	<i>2000</i>	<b>CLOSED</b>
<i>Management of Property (INS)</i>	<i>2000</i>	<i>TBD</i>	<b>CLOSED</b>
<b>Material Nonconformances</b>			
DOJ Financial Systems Compliance	2001 - <i>new</i>	2002	2002
INS Deferred Revenue	2001 - <i>new</i>	TBD	
FPI Adherence to Accounting Standards and Financial Management System Requirements ( <i>previously Financial Management</i> )	2000	2001	2002
DEA Adherence to Accounting Standards and Financial Management System Requirements ( <i>previously Financial Management</i> )	2000	2001	2003
<i>INS Financial Management</i>	<i>1997</i>	<i>2003</i>	<b>CLOSED</b>
<i>USMS Financial Management</i>	<i>2000</i>	<i>2001</i>	<b>CLOSED</b>

See Appendix G for Corrective Action Reports for all material weaknesses and nonconformances reported by the Department for FY 2001.

**Financial Systems:** The Department of Justice components are supported by seven different financial management systems. Five of those seven systems (FBI, INS, DEA, USMS, and FPI) are not compliant with certain accounting system standards and security requirements cited in the Federal Financial Management Improvement Act (FFMIA). Further, in three of those five systems (FBI, INS, and USMS), it is likely that ultimate compliance with federal systems standards will require replacement of legacy accounting systems with a more modern core financial system approved by the Joint Financial Management Improvement Program (JFMIP).

Accordingly, while the Department can provide reasonable assurance that its financial systems, taken as a whole, meet the systems objectives in Section 4 of the Integrity Act, this year the Department reported a separate material nonconformance specifically on financial systems compliance in its Section 4 certification.

***Unified Financial Management System Project:*** To focus resources on the material nonconformance on financial systems compliance, the Attorney General, through the Department's Strategic Management Council, has included improvements in financial systems and performance as one of the Department's goals. Because the ability to improve the Department's financial management is directly related to the capacity to rely on core systems, in FY 2001, the CFO announced a plan to acquire a new Departmentwide core financial system. Known as the Unified Financial Management System Project, the Department has submitted plans to the OMB indicating that the Department will be acquiring a JFMIP certified commercial off-the-shelf (COTS) core accounting system(s) for phased implementation by all Department components. The project will be a major multi-year effort, with implementation beginning with the components currently operating non-compliant systems. Remaining components will move to the new core system as current compliant systems mature through their normal replacement life cycle or as required to keep current with accounting and systems standards. Significant work to identify a system boundary document and acquire systems integration support began in late FY 2001, with those initial tasks scheduled for completion by FY 2002.

***Financial Controls:*** The Department's Integrity Act Section 4 certification reported three financial management material nonconformances related to general internal controls and adherence to accounting standards. Nonconformances included findings related to the INS's accounting for deferred revenue and FPI's controls over inventory reporting and accounts receivable. FPI auditors also reported that FPI did not fully comply with the Debt Collection Improvement Act of 1996. Additionally, DEA reported a material nonconformance resulting from issues with certain asset accounting, cash reconciliation, accrual verification, fee accounting, and systems issues. The USMS corrected its past weaknesses in its Treasury reconciliation process, enabling removal of the FY 2000 nonconformance on that issue. In addition to the control issues reported as Integrity Act nonconformances, the FBI auditors reported internal control weaknesses in accounting for property, financial statement preparation, and recording accruals.

***Corrective Actions:*** Each Department component has developed corrective action plans designed to eliminate its Integrity Act material nonconformances and the internal control weaknesses reported in the financial audits. These plans are reviewed by the CFO, and are subject to the CFO's direction and guidance. As noted above, at least three components have weaknesses that stem directly from outdated financial systems, and these weaknesses are likely to exist until the Unified Financial Management System Project provides those components with new core systems. For the short term, the major focus of the Department's FY 2002 corrective action process will be to eliminate component procedural weaknesses in business practices and financial operations, and the Attorney General's financial management improvement goal clearly articulates this expectation.

**Accomplishments:** Despite significant challenges, Department components continue to make improvements to their financial operations and controls. OJP made strides in offering a fully automated and paperless grant management system to its customers, and already a portion of the OJP grant activity is awarded in this new manner. In the Financial Management Information System 2 (FMIS2), the core accounting system supporting the statements of the OBDs, BOP, Assets Forfeiture Fund, and the WCF, a new reporting and access portal modeled after the JFMIP core systems structure was put into production, and the business continuity plans were upgraded this past year. BOP continued its extensive program review activities, with 25 separate and independent reviews performed at field sites and headquarters during FY 2001. Additionally, BOP's headquarters finance branch performed financial audit quality assurance reviews at 11 different field sites in preparation for the FY 2001 audits. The FBI derived significant benefit this year from its use of its personnel funding and planning model, enabling more precise forecasting of its resource needs.

### **Integrity Act Section 2 – Material Weaknesses**

**Prison Crowding.** As of September 30, 2001, BOP's systemwide crowding rate was 32 percent over rated capacity, and likely will continue as a material weakness. This rate reflects the cumulative average for all security levels, including minimum, low, medium, and high security, as well as administrative and other special population housing. The most crucial crowding is at the medium and high security level facilities, which house some of the most dangerous and predatory inmates. BOP relies on funding for contract beds and to build and acquire additional facilities to help it manage its growing inmate population and reduce the crowding rate. As of September 30, 2001, BOP's institution-based population was 130,327 – 4,767 more inmates than were housed at the end of FY 2000. The total BOP population (including contract facilities) increased by 11,447 during FY 2001. The Department projects continued growth in the prison population, which should reach 196,535 by September 30, 2006. Through new facilities construction and expansion projects at existing institutions, the Department's Long Range Capacity Plan projects a rated capacity of 127,185 beds by September 30, 2006, at which time crowding is projected to be 31 percent over rated capacity. These projections were revised during FY 2002 based on analysis of data provided by the Administrative Office of the U.S. Courts.

**Detention Space and Infrastructure.** The Department's need for detention space continues to grow rapidly and likely will increase in the wake of the September 11 terrorist attacks, as the Department uses all means available to combat and prevent terrorism. This growth has placed an increased demand on the infrastructure of the INS and the USMS as it pertains to detention, including transportation, communications, buildings, equipment, and staff. To obtain sufficient detention space, the Department relies upon outside contractors (including state and local governments and private entities) to supplement existing federal detention space. In FY 2001, the Department established a Federal Detention Trustee with broad responsibilities related to managing detention needs throughout the Department. In FY 2002, the Trustee will conduct a needs assessment of detention and detainee handling requirements and will develop a baseline report for the present efficiency and effectiveness of the aspects of detention and detainee handling. In the FY 2003 budget, both INS and USMS resources related to the detention



function are consolidated within the Office of the Detention Trustee. This will centralize the majority of the Department's detention activities, allowing for a coordinated Department effort when obtaining detention space and ensuring the Trustee has the authority necessary to direct detention policy and manage detention resources.

Computer Security. Designated a material weakness since 1991, computer security continues to be a major focus of senior management attention. During the past 12 months, the Department has taken a number of actions that not only reflect the commitment of present management to correcting past deficiencies, but also establish a solid foundation for sustained future progress. In particular, the Department began an information technology (IT) strategic planning effort that will, in part, establish the foundation for a departmental security architecture; issued a new IT security policy that sets strong standards for component security programs and system security controls; continued its aggressive program of penetration tests and independent assessments and follow-up; certified and accredited 83 percent of Department systems; established a database that will assist in tracking and remedying security weaknesses system by system; integrated security with its capital planning and investment controls processes; and identified a list of critical IT, personnel, and physical assets that support the Department's critical infrastructure, completed the critical infrastructure planning vulnerability analysis, and currently is finalizing the remedial plan for corrective action.

Monitoring of Alien Overstays. Foreign visitors who legally enter the United States and then do not leave comprise a significant percentage of the illegal alien population. In a 1997 inspection report, the OIG found that the INS had insufficient systems to compile information on the overstay population and lacked an enforcement policy that targeted that population. Currently, the INS is developing an integrated system that will capture arrival and departure information at air, sea, and land ports-of-entry. The Arrival/Departure Information System (ADIS) will be used as the repository for the information. The INS is currently evaluating systems to serve as the collection platform for ADIS at the land ports-of-entry. Once ADIS is fully operational, the INS will provide the Department of State with access.

Organizational and Management Issues. In 1997, GAO found that the INS needed to take steps to resolve management problems, including clarifying lines of communication and disseminating organizational policies and guidelines through manuals. Since then, the INS has evaluated roles and responsibilities of organizational entities and reassigned duties where necessary; provided written guidance on appropriate relationships, communication methods, and coordination among the INS programs and offices; reviewed staff levels; issued comprehensive policy manuals; and reviewed the new deployment planning process. However, conversion of documentation from older formats into the new field manual format has been slower than anticipated, and updating "completed manuals" involves more resources than anticipated. Nevertheless, based on progress to date, the INS plans to release all operations field manuals by 2003.

Management of Automation Programs. The INS's Office of Information Resources Management (IRM) has experienced longstanding difficulty in providing timely and consistent information about its activities, and has been cited by the OIG for the lack of adequate management controls and repeatable business processes to efficiently and effectively manage IT.

In FY 2001, the INS provided its response to the OIG audit. The INS presented its current approach to tracking IT projects through the use of quad charts and quarterly project management reviews with the portfolio managers and the Department. In FY 2002, IRM will engage external contractors to review various project management tools and recommend approaches to IRM management. Meanwhile, IRM has initiated a project management training program, which provides critical knowledge on project management principles. The INS is awaiting a formal response from the OIG.

Efforts to Identify and Remove Criminal Aliens. In July 1997, GAO issued a report on the INS Institutional Hearing Program (IHP), noting that the INS: (1) failed to identify many deportable criminal aliens, including aggravated felons, and to initiate IHP proceedings for them before they were released from prison; (2) did not complete the IHP by the time of prison release for the majority of criminal aliens it did identify; and (3) had not realized intended enhancements to the IHP. Since then, the INS Institutional Removal Program (IRP, formerly IHP) has exceeded its removal goals annually. The IRP has focused more attention on up-front processing to ensure that criminal aliens are not released into INS's custody without removal orders, and the INS has created a mechanism to finalize unfinished removal proceedings within 1 day of release from federal, state, or local incarceration. The INS is finalizing the IRP transition plan from Investigation to the Detention and Removal program. In FY 2002, the INS will finalize a reclassification of Immigration Agents and Detention Enforcement Officers into one job series to provide greater authority to more officers to work IRP cases and to lower the attrition rate. Finally, the IRP Criminal Alien Information System (CAIS) has been deployed to all federal sites. The INS is exploring the possibility of deploying CAIS to state IRP programs and/or using functionality already in the INS ENFORCE system to track and manage IRP cases. Eventually, all IRP case management and tracking functions will be incorporated into ENFORCE Apprehension and Removal modules.

Alien Smuggling: Management and Operational Improvements Needed to Address a Growing Problem. Between FY 1997 and FY 1999 the number of apprehended aliens smuggled into the United States increased nearly 80 percent. The INS predicts that the smuggling will continue to increase and that alien smuggling organizations will become more sophisticated, organized, and complex. GAO, in a report dated May 2000 (GGD-00-103), listed the following impediments to the domestic component: 1) a lack of program coordination; 2) the absence of an agencywide automated case tracking and management system; and 3) limited performance measures to assess the effectiveness of the strategy. Additionally, GAO stated that the INS's Intelligence Program had been impeded by a lack of understanding among field staff regarding how to report intelligence information, a lack of staff to perform intelligence functions, and an inefficient and cumbersome process of organizing data that does not allow for rapid retrieval and analysis. As a result, the INS has limited ability to identify targets for enforcement and to help focus its anti-smuggling resources on efforts that would have the greatest impact.

#### **Integrity Act Section 4 – Material Nonconformances**

Department of Justice Financial Systems Compliance. The Department's audit report on the FY 2000 consolidated financial statements identified the INS, FBI, DEA, USMS, and FPI as not

meeting federal accounting standards or systems requirements, and having material weaknesses in system controls/security. Additional and related issues on the INS, FPI, and DEA are reported separately under the INS, FPI, and DEA financial management nonconformances. The need to address weaknesses cited in the financial statement audits, nonconformances with OMB Circular No. A-127, technological changes, and the need to better support critical financial operations and agency programs contribute to the necessity to modernize the Department's financial systems and improve internal controls. Almost every departmental component needs to either implement a new system or is in the final phases of implementing a new system. The Department plans to implement a unified core financial system. The comprehensive project plan and milestones will be developed during the planning phase, to be completed May 2002. This issue also includes Milestone 3 from the material weakness, INS Financial Management, reported in last year's Integrity Act Report (issued as a stand-alone report, "U.S. Department of Justice Management Controls Report for FY 2000").

INS Deferred Revenue. INS auditors report that systems and management controls used by the INS to process applications for immigration and naturalization benefits do not ensure applications are adequately controlled or provide reliable data on the status of applications. Without adequate control on the status of applications received and completed, the INS is not able to accurately determine deferred and earned revenue without relying on an extensive servicewide manual application count. The INS will develop a plan, with milestones, to implement a system that will report accurate deferred and earned revenue by April 30, 2002. The Department notes that the INS made significant progress in its servicewide inventory process during FY 2001. This issue reflects Milestone 1 from the material weakness, INS Financial Management, reported in last year's Integrity Act Report.

FPI Adherence to Accounting Standards and Financial Management System Requirements. (Previously "FPI Financial Management.") The FPI implemented Millennium, a new financial management system, in May 2000. However, the system does not yet meet all the financial management requirements of OMB Circular No. A-127. FPI also has nonconformances in controls over inventories and accounts receivable, and in the financial statement preparation process. During FY 2001, FPI obtained system security certification and accreditation. The FPI will complete modifications to its system to comply with financial management requirements by February 28, 2002. FPI will resolve the other nonconformances by March 15, 2002.

DEA Adherence to Accounting Standards and Financial Management System Requirements. (Previously "DEA Financial Management.") DEA has not maintained a system that accurately and completely accounts for property and equipment. DEA also should clear fund balances with the Treasury, properly perform quarterly certifications of open obligations, improve its financial reporting process, charge full cost for Controlled Substance Act Registration Fees, and improve automated security. Solutions include complete conversion of property to the Fixed Asset Subsystem, complete implementation of an automated interface for purchase card data to clear fund balances with the Treasury, and proper certification of open obligations. To improve the financial reporting process, additional written procedures on the process will be developed. DEA will adjust rates for Controlled Substance Act Registration Fees to charge for full cost and

recertify financial system users. The DEA target date for correction of these issues is November 30, 2003.

## Statistical Summary of Performance – FY 2001

### Section 2: Internal Controls

<b>Report Year</b>	<b># of Issues <i>First Reported</i> In Year</b>	<b># of Issues <i>Corrected</i> In Year</b>	<b># of Issues <i>Pending</i> at end of Year</b>
Prior Years	53	37	16
1999	0	8	8
2000	2	0	10
2001	0	2	8
Total	55	47	8

### Section 4: Financial Management Systems

<b>Report Year</b>	<b># of Issues <i>First Reported</i> In Year</b>	<b># of Issues <i>Corrected</i> In Year</b>	<b># of Issues <i>Pending</i> at end of Year</b>
Prior Years	38	37	1
1999	0	0	1
2000	3	0	4
2001	2	2	4
Total	43	39	4

## Legal Compliance

The Department is committed to ensuring its financial activities are carried out in full compliance with applicable laws and regulations. To ensure this responsibility is carried out, senior Department financial managers direct annual reviews of financial operations and programs, and provide assurance to the Attorney General that Department activities are compliant with laws and regulations. The JMD, under the direction of the CFO, directs an annual review of operations and controls pursuant to the Integrity Act. In the FY 2000 report of the independent auditors, the Department was cited for noncompliance with federal systems standards and certain accounting standards. Also cited were limited instances of noncompliance with the Prompt Payment Act, certain reprogramming requirements, and an instance of noncompliance with standard general ledger requirements. During FY 2001, the Department was able to correct its noncompliances with the exception of the systems and accounting standard issues noted above.

## INSPECTOR GENERAL'S LIST OF THE TEN MOST SERIOUS MANAGEMENT CHALLENGES FACING THE DEPARTMENT

On December 31, 2001, the Department's Inspector General (IG) identified his list of the top ten most serious management challenges for the Department. These challenges are discussed below, along with the Department's response. The IG's letter to the Attorney General is provided in Appendix H, and can be accessed electronically on the Department's web site at <http://www.usdoj.gov/oig/ighp01.htm>.

(1) Counterterrorism. Last year, for the first time, the OIG included the "Departmental Response to Terrorism" as a top management challenge facing the Department. As the events of September 11, 2001, have illustrated, the United States faces grave threats of terrorist attacks, and, this year, the Attorney General has identified terrorism as the most important challenge facing the Department. As such, the Attorney General has added a new strategic goal to the Department's Strategic Plan for Fiscal Years 2001-2006, and has initiated reviews of all of our efforts to prevent, investigate, and prosecute terrorist acts, and to improve our entire counterterrorism program.

(2) Sharing of Intelligence and Law Enforcement Information. One of the lessons arising from the September 11 terrorist attacks is the critical importance of sharing intelligence and other law enforcement information among federal, state, and local agencies, both for the investigation of terrorist attacks and for the prevention of future attacks. The Department must ensure that law enforcement agencies at all levels have access to information that could be important in helping detect and deter terrorist attacks. In a memorandum dated September 21, 2001, the Attorney General directed that information exposing a credible threat to the national security interests of the United States should be shared with appropriate federal, state, and local officials so that any threatened act may be disrupted or prevented. In late October, the President signed the *USA Patriot Act of 2001*, which permits greater sharing of intelligence and law enforcement information. The Department will ensure that these new authorities are used appropriately and that other federal, state, and local law enforcement agencies have access to information important to their work.

(3) Information Systems Planning and Implementation. Given the crucial role that the Department's mission-critical computer systems play in its operational and administration programs -- not to mention the vast sums of money spent on developing and deploying these systems -- information systems planning and implementation remains a key priority for the Department. In 2001 the Department issued an information technology investment management (ITIM) policy and guidance that establish a sound disciplined management process that guides information systems planning and implementation. Currently, the Department is revising the systems development life cycle methodology to be in line with the ITIM process. The process ensures long-range planning. A disciplined budget decision-making approach is the foundation for managing IT portfolios of assets to meet performance goals and objectives with minimal risk, lowered life-cycled costs, and greater benefits to the Department's overall business needs.

(4) Computer Systems Security. The Department acknowledges the need to improve its IT security program. The Department has made progress during the past 12 months, but still has a great deal of work to do. To this end, the Department has submitted the required critical infrastructure protection plan and issued a new IT security policy. The Department continues to certify and accredit its systems, and has integrated IT security into the capital planning and investment controls process. Specifically, the Department will: (1) continue to conduct an aggressive program of penetration tests and independent assessments and carefully follow up on the results; (2) continue to certify and accredit systems and monitor corrective action plans to address the vulnerabilities of systems; (3) develop remedial action plans for identifying vulnerabilities; and (4) reevaluate and assess the Department's critical infrastructure and planning initiatives based upon the recent terrorist events of September 11, 2001. This issue has also been identified as an Integrity Act material weakness, and is discussed in the previous section, "Analysis of Systems, Controls, and Legal Compliance."

(5) INS's Enforcement of Immigration Laws. The INS's enforcement of immigration laws, particularly its ability to deter illegal immigration and remove aliens who are here illegally, is a critical challenge. The Border Patrol faces significant enforcement challenges along the southwest and northern borders to stem the tide of illegal aliens, drugs, and potential terrorists. Additional appropriations provided the INS in FY 2002, and requested by the President in FY 2003, will augment considerably the INS's border control efforts. Recently, the INS reassessed its approach in managing risks at the northern border. Its new approach focuses on enhancing national security and on controlling cross-border crime activity and illegal migration while facilitating legitimate travel and commerce.

The monitoring of alien overstays and removal of criminal aliens are also critical issues for the Department. In FY 2003, the INS will continue its aggressive campaign to remove all removable aliens with a concentrated focus on criminal aliens. The INS will develop a fugitive operations program to identify, locate, apprehend, and remove criminal aliens who have received final orders of removal and who have not presented themselves for final removal (absconders). The INS will continue its IRP to identify, locate, process, and provide hearings for aliens within the criminal justice system and effect their expedient removal after their release from custody and/or incarceration. The INS will also develop systems to monitor and track individuals released from custody to ensure their appearance for final removal. The INS will continue its coordination and cooperation with both government and non-government organizations to facilitate the efficient and expeditious removal of all removable aliens. The INS will target its efforts to include the use of the National Crime Information Center to identify criminals and recidivists.

(6) Financial Systems and Statements. The Department plans to achieve a full unqualified audit opinion on all its financial statements and has identified a unified core financial system as one of the ten goals for revamping the Department's management. Three systems have been identified for replacement in the first phases of this project: FBI, INS, and USMS. Other systems will be replaced as they reach the end of their normal life cycles, or as immediate needs require. The unified core system will be a COTS financial management system product(s) certified by the JFMIP as meeting core federal financial management system requirements. The comprehensive project plan and milestones will be developed during the planning phase, to be completed in May

2002. Additionally, the Department is now focusing on resolving the individual accounting, internal control, and reporting weaknesses cited in the audits, rather than the overall financial statement audit opinion.

(7) Detention Space and Infrastructure – the USMS and the INS. This issue has also been identified as an Integrity Act material weakness, and is discussed in the previous section, “Analysis of Systems, Controls, and Legal Compliance.”

(8) Grant Management. Each year, OJP develops a risk-based financial monitoring plan that considers inherent programmatic and recipient risks, including the amount of funding at risk, known problems/issues, special requests, and a random sample of active awards. OJP currently initiates financial monitoring on an average of 14 percent of its active grant funds by reviewing an average of 7 percent of its active grant universe each year. When rare instances of waste, fraud, or abuse are reported, OJP responds with direct technical assistance to the recipients to correct serious problems or to the investigators in bringing about the appropriate criminal prosecutions. In all cases, results of financial monitoring are communicated to the respective OJP program office and the results of financial monitoring are used in OJP’s nationwide Regional Financial Management Training Seminars, as well as in the grant course offered to state and local law enforcement officers at the FBI National Academy. In addition, OJP invests resources in preventive monitoring and training provided to grantees, law enforcement officers, OJP program monitors, and grant administrators.

(9) Performance Based Management. The Department is working to improve its performance accountability systems and to establish performance based management. On November 8, 2001, the Attorney General challenged the Department to hold itself accountable through performance measures, stating that “Performance should be measured by outcomes and results, not inputs.” Similarly, the President’s “Management Agenda for Fiscal Year 2002,” prepared by OMB, demands integration of budget and performance, stating “Over the past few years the Department has seen a significant expansion in its mission and measures supported by performance data, particularly rapid growth in resources. Meaningful measures of program outcomes are essential to evaluate this investment and determine future resource requirements.”

(10) Department Organizational Structure. The Department is developing or implementing reorganization plans in several of its components. While some of this reorganization is related to our heightened counterterrorism mission, some is designed to correct long-standing organizational problems. The INS has proposed reorganizing into two separate but connected bureaus, one to handle enforcement of immigration laws and one to provide services and benefits to immigrants. OJP is reorganizing to reduce duplication in grant programs and improve efficiency. The FBI is reorganizing its operations and reevaluating its mission in light of the September 11 attacks and its new priority to prevent acts of terrorism. The OIG listed two management challenges in this regard: (1) ensuring that the reorganizations accomplish their intended purposes; and (2) ensuring that the Department’s interconnected programs and functions are not adversely impacted by the changes.

## **POSSIBLE EFFECTS OF EXISTING, CURRENTLY-KNOWN DEMANDS, RISKS, UNCERTAINTIES, EVENTS, CONDITIONS, AND TRENDS**

### **FY 2002 Change in Strategic Goal Structure**

As discussed, on November 8, 2001, the Attorney General announced major changes in the Department to support its counterterrorism role. The Department continues to enforce vigorously the broad spectrum of laws of the United States. However, the fight against terrorism is now the first and overriding priority of the Department.

In support of the Department's change in focus, the Department's Strategic Plan for Fiscal Years 2001-2006 was also announced. The new Strategic Plan now includes eight strategic goals, which replace the seven goals reported here. Implementing these new goals will certainly effect the many functions and responsibilities of the Department and will change the presentation of performance information in the coming years.

### **Other Factors and Future Trends Affecting Department of Justice Goal Achievement**

#### **Technology**

\$ Advances in high speed telecommunications, computers, and other technologies are creating new opportunities for criminals, new classes of crimes, and new challenges for law enforcement.

#### **Economy**

\$ Possible increases in consumer debt may affect bankruptcy filings.

\$ Deregulation, economic growth, and globalization are changing the volume and nature of anti-competitive behavior.

\$ The interconnected nature of the world's economy is increasing opportunities for criminal activity, including money laundering, white collar crime, and alien smuggling.

#### **Government**

\$ Changes in the fiscal posture or policies of state and local governments could have dramatic effects on the capacity of state and local governments to remain effective law enforcement partners.



## **Globalization**

- \$ Issues of criminal and civil justice increasingly transcend national boundaries, require the cooperation of foreign governments, and involve treaty obligations, multinational environment and trade agreements, and other foreign policy concerns.

## **Social-Demographic**

- \$ The number of adolescents and young adults, now the most crime-prone segment of the population, is expected to grow rapidly over the next several years.

## **The Unpredictable**

- \$ Changes in federal laws may affect responsibilities and workload.
- \$ Much of the litigation caseload is defensive. The Department has little control over the number, size, and complexity of the civil lawsuits it must defend.

The Department's leadership is committed to ensuring its programs and activities will continue to be targeted to meeting the dynamic demands of the changing legal, economic, and technological environments of the future.

## **LIMITATIONS OF THE FINANCIAL STATEMENTS**

- \$ The financial statements have been prepared to report the financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b).
- \$ While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- \$ The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.