



Audit Report



OIG-04-017

Review of Assertions Included in the Interagency Crime and Drug Enforcement's Fiscal Year 2003 Annual Accounting of Drug Control Funds

January 9, 2004

Office of
Inspector General

Department of the Treasury

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**Interagency Crime and Drug Enforcement's FY 2003 Annual Accounting
of Drug Control Funds**

Abbreviations

ICDE	Interagency Crime and Drug Enforcement
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code



Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

Teresa Mullet Ressel
Assistant Secretary for Management and CFO
Department of the Treasury

We have reviewed management's assertions included in Section b of the accompanying Interagency Crime and Drug Enforcement's (ICDE) Fiscal Year (FY) 2003 Annual Accounting of Drug Control Funds (Submission).

Our review was conducted in accordance with Government *Auditing* Standards, issued by the Comptroller General of the United States, which incorporate the attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

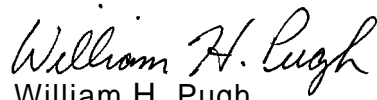
The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: "Drug Control Accounting" (Circular), and is the responsibility of ICDE's management.

Based on our review, nothing came to our attention that caused us to believe that management's assertions included in Section b of the accompanying Submission are not fairly stated, in all material respects, based on the criteria set forth in the Circular.

This report is intended solely for the information and use of the management of ICDE, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However this report is available as a matter of public record.

* * * * *

Our report has been reviewed by your staff. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

January 6, 2004

Financial Audits Division

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The Department of the Treasury

Deputy Chief Financial Officer
Office of Financial Management
Office of Accounting and Internal Control

Office of Management and Budget

OIG Budget Examiner



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 22, 2003

MEMORANDUM FOR MICHAEL FITZGERALD

Director, Financial Audits
Office of the Inspector General

From:

David Legge

Acting Director, Office of Financial Management

Subject:

FY 2003 Annual Accounting of Drug Control Funds

Attached is the FY 2003 Annual Accounting for Drug Control Funds submitted by the Department of the Treasury. This report relates to the accounting of the Interagency Crime and Drug Enforcement (ICDE) program by Departmental Offices and was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular on Drug Control Accounting, dated April 18, 2003.

I believe this submission is all that is required for the OIG to initiate an attestation review, consistent with the Statement for Standards of Attestation Engagements, promulgated by the American Institute of Certified Public Accountants. If you have any additional questions relating to this matter please do not hesitate to contact me at (202) 622-1167 or you may contact Michael Faiella, OCDETF Advisor, at (202) 622-1277.

Thank you for your assistance in this matter.

cc: Joseph McAndrew
James H. Angel, Jr.

**DEPARTMENT OF THE TREASURY
DEPARTMENTAL OFFICES
INTERAGENCY CRIME AND DRUG ENFORCEMENT
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS
FY 2003**

In accordance with Office of National Drug Control Policy (ONDCP) Circular on Drug Control Accounting, dated April 18, 2003, the information requested in Section 6a, (items 1-5) and Section 6b (items 1 -5) are provided as follows:

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2003 Drug Control Obligations

**Annual Accounting of Drug Control Funds
FY 2003**

	<u>DO</u>	<u>ATF</u>	<u>IRS-CI</u>	<u>ICE</u>	<u>Total</u>
Drug Res. by Function					
Investigations	<u>\$ 321,000</u>	<u>\$ 11,056,000</u>	<u>\$ 65,509,000</u>	<u>\$ 30,095,000</u>	<u>\$ 106,981,000</u>
Drug Res. by Decision Unit					
DO	321,000				321,000
ATF		11,056,000			11,056,000
IRS-CI			65,509,000		65,509,000
ICE				30,095,000	30,095,000
Totals	<u>\$ 321,000</u>	<u>\$ 11,056,000</u>	<u>\$ 65,509,000</u>	<u>\$ 30,095,000</u>	<u>\$ 106,981,000</u>

(1.) Drug Methodology

Management of Interagency Crime and Drug Enforcement (ICDE) obligated drug control resources through reimbursable agreements with the former Bureau of Alcohol, Tobacco and Firearms, former U.S. Customs Service (Customs), and Internal Revenue Service Criminal Investigations (IRS-CI). In FY 2003, the Homeland Security Act of 2002, Public Law 107-296, transferred the Bureau of Alcohol, Tobacco and Firearms and Customs from the Department of the Treasury (Treasury) to the Departments of Justice (Justice) and Homeland Security (DHS), respectively. The Bureau of Alcohol, Tobacco and Firearms was then renamed the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). At DHS, the drug related investigative functions of Customs became part of the Bureau of Immigration and Customs Enforcement (ICE). The transfer of these bureaus to Justice and DHS had no impact on the reimbursable agreements between ICDE and the transferred bureaus as the agreements were executed in full with their new organizations. ICDE's drug control obligations also include obligations related to salaries and expenses of two Organized Crime Drug Enforcement Task Force (OCDETF) positions within Treasury's Departmental Offices (DO). The methodologies the bureaus use to request reimbursements are described below.

DO

In 1998, fiscal responsibility for the ICDE was divided between Treasury and Justice. Since receiving independence for the ICDE program, Treasury's Office of Enforcement created two OCDETF Advisor positions. Special agents from Treasury enforcement bureaus subsequently filled the two positions. The drug control obligations incurred for DO relate to salaries, travel and miscellaneous expenses incurred by two full-time OCDETF Advisors, and expenses incurred for the purchase of equipment and travel expenses incurred by the Treasury bureaus.

ATF

ATF's estimate of drug-related obligations (for ICDE only) is developed based on data from its Financial Resources Desktop (FreD) utilizing elements such as gross obligations and project codes. All funding spent using the unique project code for ICDE has a drug nexus. 100% of the resources identified in a query of FreD under this project code are reflected in this report.

IRS-CI

Information obtained from the Internal Revenue Service's Criminal Investigation Management Information System (CIMIS) for FY 2003, disclosed that IRS-CI dedicated 13.19 percent of its Direct Investigative Time (DIT) to the investigation and prosecution of ICDE related investigations. This resulted in 516 full time equivalents (FTE) and \$75.284 million dedicated to the ICDE Program. During FY 2003, IRS-CI expended more resources on ICDE investigations than actual reimbursement (449 FTE and \$65.509 million) received.

The programs in IRS-CI that are reported as ICDE related programs are OCDETF and High Intensity Drug Traffic Areas (HIDTA)/OCDETF. The percent of DIT for each of these areas is obtained from CIMIS. These percentages are applied to the total realized program FTE for CI for the year ending 9/30/03 to compute the total ICDE related FTE. The total CI realized FTE are obtained from the year-end Report of Plan Execution (ROPE), less the Earned Income Tax Credit (EITC) appropriation. The total resources attributable to the FTE expended on ICDE programs are computed by multiplying the ICDE related FTE by the costs that apply to a single FTE. The costs per FTE are computed by dividing the total dollars realized for CI as shown in the year-end ROPE (less EITC appropriation), and dividing the resulting amount by the total realized FTE. For example, 516 FTE multiplied by \$145,900 per FTE in FY 2003 equals \$75.284 million.

ICE

ICE reimbursable costs are derived from the actual number of case hours worked by Agents and Intelligence Analysts as reported in the Case Management System. The total FTE captured in the Case Management System are multiplied by a cost model (based on average costs) to arrive at total cost.

(2.) Methodology Modifications

None

(3.) Material Weaknesses or Other Findings

None

4.) Reprogramming or Transfers

ICDE made three transfers during FY 2003 and one reprogramming from FY 2002. Modifications to the original reimbursement agreements were made for all transfers and reprogramming of funds. A summarization of transfers and reprogrammed funds made during FY 2003 are as follows:

Interagency Crime and Drug Enforcement Reprogramming and Transfers FY 2003

	<u>DO</u>	<u>ATF</u>	<u>IRS-CI</u>	<u>ICE</u>	<u>Total</u>
Orig. Agmt.	\$ 672,000	\$ 11,128,000	\$ 65,585,000	\$ 30,191,000	\$ 107,576,000
Rescession - M1	<u>-5,000</u>	<u>-72,000</u>	<u>-426,000</u>	<u>-196,000</u>	<u>-699,000</u>
	\$ 667,000	\$ 11,056,000	\$ 65,159,000	\$ 29,995,000	\$ 106,877,000
Reprog. - FY02	104,000				104,000
03-PA-0080-M2	(225,000)		225,000		
03-PA-0080-M3	(125,000)		125,000		
03-PA-0047 M1	(100,000)			100,000	
Subtotal	<u>\$ 321,000</u>	<u>\$ 11,056,000</u>	<u>\$ 65,509,000</u>	<u>\$ 30,095,000</u>	<u>\$ 106,981,000</u>

(5.) Other Disclosures

None

b. Assertions

(1.) Obligation by Budget Decision Unit

The obligations reported by budget decision unit are the actual obligations from the accounting system of record for these budget decision units.

(2.) Drug Methodology

The management of ICDE asserts that the methodology used to calculate obligations of FY 2003 budgetary resources by function and decision unit is reasonable and accurate.

(3.) Application of Drug Methodology

The drug methodology disclosed in Section a above was the actual methodology used to generate the Table of FY 2003 Drug Control Obligations.

(4.) Reprogrammings or Transfers

The data presented are associated with obligations against a financial plan that properly reflects all revisions.

(5.) Fund Control Notices

The data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. Section 1703 (f) and Section 8 of the ONDCP Circular, Budget Execution, dated April 18, 2003.