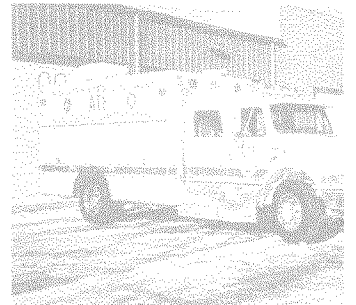
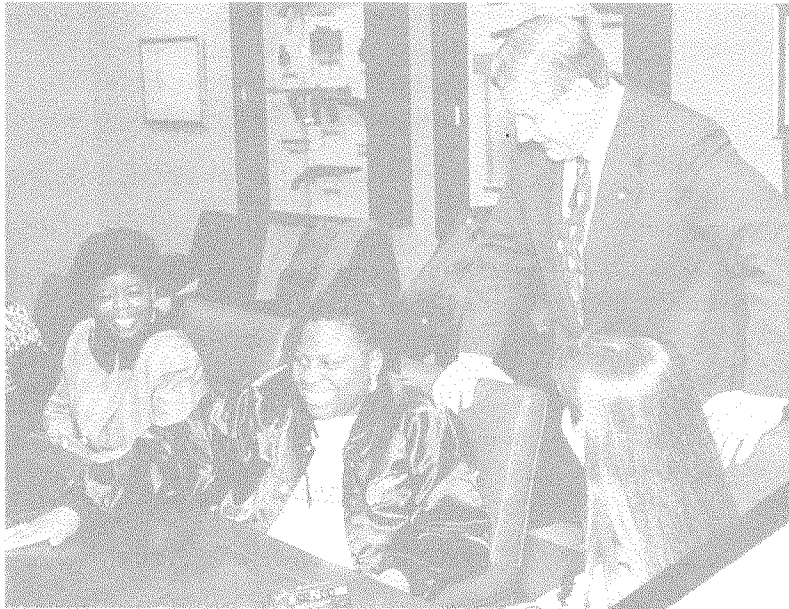
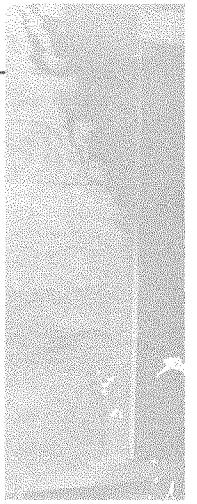
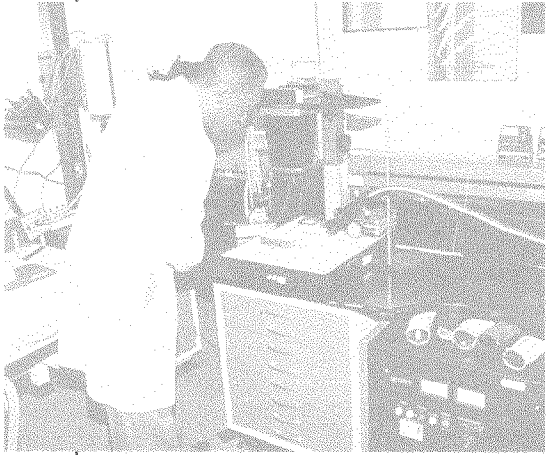
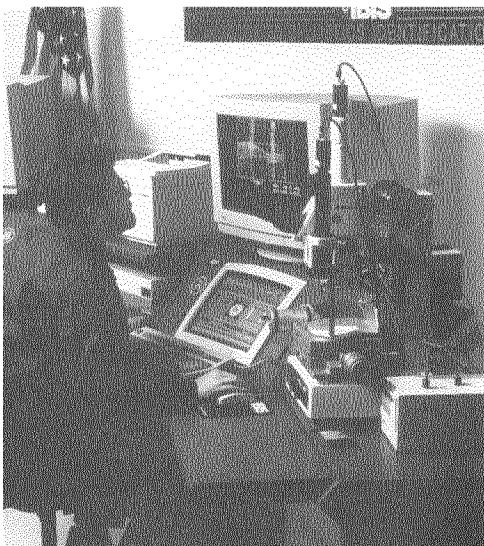
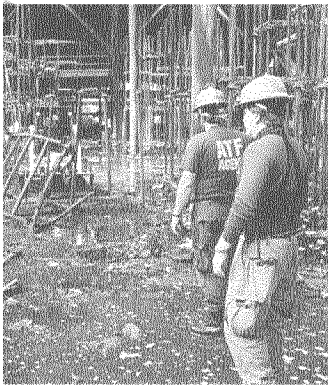


THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS





“Each new challenge strengthens our resolve to develop and implement strategies that will allow us to help secure a sound and safer America.”

Fiscal year 1996 was outstanding for Bureau management initiatives and improvements. ATF is especially pleased with the progress related to preparation of financial statements, with an unqualified audit opinion from the Office of Inspector General (OIG) for the FY 1995 Statement of Financial Position. This achievement culminated a two-year Bureau-wide effort to improve management accountability and business processes. FY 1996's financial audit increased in scope to include the Statement of Operations and Changes in Net Position.

MANAGEMENT INITIATIVES

The Bureau revised its budget activity structure in FY 1996 to link strategic planning, budget formulation, and financial management execution. Benefits of the new structure include a budget easily understood by external stakeholders and an infrastructure for strategic decision making and results evaluation. Management accountability remains an integral focus of all business processes. In FY 1996, ATF continued using the CFO Steering Committee and CFO Process Teams as a primary structure for improvements in accountability and financial management processes; initiated the first steps towards developing a cost accounting system; created a strategic management team; and increased the focus on financial management training for both program officials and financial management personnel.

CFO STEERING COMMITTEE AND PROCESS TEAMS

The CFO Steering Committee, comprised of the deputies of each major Bureau component, continued to meet monthly during FY 1996. They provide a forum for monitoring progress, resolving problems, providing coordination, and developing consensus recommendations regarding audited financial statement issues and the Bureau's internal control environment. Bureau-wide process teams, created in FY 1995 to address CFO financial audit weaknesses, were successful in correcting many business process problems. In their FY 1995 financial audit, the OIG identified no material weaknesses in ATF's internal control structure and no instances of reportable noncompliance with laws and regulations. However, the OIG did identify nine reportable conditions (see page 51). The process

teams, along with financial management personnel, addressed many of these deficiencies and implemented corrective actions.

Due to the long-term nature of the issues, many of the planned corrective actions related to Electronic Data Processing (EDP) extend beyond FY 1996 for implementation. The Bureau established a new process team to address the FY 1995 CFO EDP audit findings and recommendations. This team works closely with the OIG's Director of Information Technology to address corrective actions.

COST ACCOUNTING AND PERFORMANCE MEASUREMENT

ATF formed a Bureau-wide team to gather requirements for a cost/performance measurement system. From identification of preliminary requirements for performance measurements, a new budget activity and program structure was developed to present the FY 1998 budget. The new framework links strategic planning, budgeting and program planning into a single integrated package, permitting the Bureau to improve formulation and execution of its programs.

Plans are to implement the cost/performance measurement system incrementally over the next several years. The next phases are to refine definitions of performance measures, develop a costing methodology, and implement an operational cost accounting pilot.

STRATEGIC MANAGEMENT TEAM

In FY 1996, the Bureau established a Strategic Management Team to direct implementation of the strategic plan and to make strategic business decisions. The team, comprised of the Associate

"ATF formed a Bureau-wide team to gather requirements for a cost/performance measurement system."

Director (Enforcement), Chief Counsel, and the five Assistant Directors, under the leadership of the Deputy Director, meets on a bi-weekly basis. The team's focus is to ensure that the elements of teamwork, accountability, communications, and training are incorporated into the daily activities of implementing the strategic plan. In accordance with the provisions of the Information Technology Management Reform Act of 1996, the Strategic Management Team serves as the Bureau's investment review board to evaluate all new major investments and determine whether to retain funding for existing investments that were deployed in prior years.

Notable accomplishments for FY 1996:

- established an Ombudsman in two ATF program areas, who will establish a formal process for resolving external customer and stakeholder concerns. ATF will evaluate the effectiveness of the function after one year to determine whether to expand the Ombudsman position to additional ATF program areas;
- authorized the development of a centralized case management system for operations conducted in the Office of Enforcement. The system will reduce employee paperwork, enhance ATF's intelligence capabilities, and provide key management information; and
- approved three new budget activities (Reduce Violent Crime, Collect Revenue, and Protect the Public) for the FY 1998 budget submission.

FINANCIAL MANAGEMENT AND TRAINING

FY 1996 financial management initiatives included implementation of a new internal control process and training in new processes related to financial statement preparation. The Monthly

Accountability Plan (MAP) is a reporting mechanism used to monitor critical key activities that must be accomplished in order to achieve an efficient and effective integrated financial management process. Included in the MAP are data on key operating duties and indicators, such as account reconciliations, system assurance, financial reporting, and workload statistics.

ATF focused on providing financial management training to personnel throughout the Bureau. Funds Management personnel from headquarters and the field attended training sessions on the CFO Act, the Government Performance and Results Act, Government Management Reform Act, linkage between strategic planning and budgeting, finance and payment issues, year end closing procedures, and training on new financial systems submodules. Financial management staff attended the first phase of Instructor Training in order to achieve certification in financial management training for the Bureau.

FINANCIAL SYSTEMS

The Bureau's systems modernization efforts are designed to improve the effectiveness and efficiency of financial data processing and reporting capabilities. Planned improvements to the Financial Management Information System (FMIS) address integrating all financial-related systems and establishing direct links between program costs, performance measures, and financial reporting for the execution of the Bureau's mission.

The development of an Integrated Collections System (ICS) will provide the foundation for the Bureau's revenue management function. The ICS integrates numerous stand-alone tax and fee databases to provide comprehensive

"In FY 1996, ATF continued using the CFO Steering Committee and CFO Process teams as a primary structure for improvements in accountability and financial management systems."

revenue management information for Bureau program managers. Completion of the ICS will reduce the risk of revenue loss, eliminate duplication found in multiple databases, and increase ATF's tax return and claim verification efficiency.

FINANCIAL MANAGEMENT INFORMATION SYSTEM

Core FMIS is an off-the-shelf software package that provides general ledger control for administrative and revenue accounting. Core modules include budget execution and funds control, reimbursable project cost accounting, accounts payable and receivable, travel, document tracking, purchasing, disbursements and a reports management system. Maintenance and development tasks focus on providing more reliable, consistent and meaningful information to management for decision making.

FMIS FY 1996 accomplishments:

- began a three-year process to migrate Bureau managers from existing financial cuff systems (independent, non-integrated systems) to FMIS. Program Office Desktop, a Windows-based client server application, will fully integrate with FMIS and enable funds control managers to electronically prepare, route, and process financial documents, establish budgetary plans, and define and run their own management reports;
- upgraded to a new suite of personal computers to accommodate new software associated with Program Office Desktop and other planned applications; and
- implemented an enhanced payroll interface to facilitate error correction and cash reconciliation.

FMIS plans:

- install a new time and attendance system called Simplified Time and Attendance Tracking (STATS), scheduled for implementation during FY 1997. STATS is an on-line, mainframe application that will enhance transmission of data by timekeepers and provide on-line edits of data to prevent transmission of incorrectly coded payroll transactions;
- complete implementation of Program Office Desktop; and
- implement new property and space management systems. Implementation of the property system is scheduled for FY 1997.

INTEGRATED COLLECTIONS SYSTEM

The ICS is a long-range project to integrate Bureau revenue management, including operational and financial processes. Areas specifically targeted for improvement are ATF business processes; revenue collection; management and accounting practices; and system flexibility to respond to changing functional and information requirements.

Following is an overview of the objectives for the seven major ICS business areas scheduled for development:

Permit Management: provide enhanced system capability to more effectively administer permit and license application processing for alcohol, tobacco, firearms, and explosives industries.

FY 1996 accomplishments:

- modified the Firearms Explosives Import System Pilot to an open systems architecture

- completed Certificate of Label Approval Formula Modernization software development
- completed Federal Firearms Licensee Verification System
- completed National Firearms Act database working prototype
- completed Alcohol and Tobacco Permit database design

Plans for FY 1997 include continuing development of the National Firearms Act database, and the Alcohol and Tobacco and Firearms Licensing Systems.

Tax Protection: improve timeliness of tax and fee collection and claims processing, with more reliable internal controls to ensure fair and accurate tax assessments to ATF's customers.

Plans for FY 1997 include continuing development of the Federal Excise and Special Occupational Tax Systems.

Program Management: provide an enhanced capability to evaluate mission program performance.

Commodity Compliance: provide additional safeguards to the public from the threat of deception, contamination, and fraud in alcohol beverage products.

Public Safety: provide stronger safety measures from potential hazards inherent in the firearms and explosives industries (such as storage, transfer and sale).

Administrative Actions: provide the framework to enhance the Bureau's ability to follow up on all regulatory enforcement actions.

Funds Management: integrate financial information from all business areas described above with the FMIS general ledger.

As the FMIS and ICS developments proceed, ATF will continue to reexamine and redesign business processes to

ensure maximum return on the taxpayers' investment. The Bureau will strive to align all financial systems planning with the needs of the regulated industries and other key stakeholders.

FINANCIAL PERFORMANCE

PROMPT PAYMENT

The Prompt Payment Act requires the Federal Government to make vendor payments timely, with interest penalties for late payments and discounts for meeting approved accelerated payments. ATF implemented systems enhancements and edits to ensure compliance with the Prompt Payment Act, which included controls to ensure that the acceptance of goods and services date is drawn from the receiving document only. FMIS was reconfigured to permit rescheduling of

payments if the payment falls on weekends or holidays. In FY 1996, ATF made significant improvements in the timeliness of vendor payments. The FY 1996 2.8 percent annual delinquency rate represents a 61 percent decrease in the prompt pay delinquency rate from the Bureau's FY 1995 average.

CASH MANAGEMENT

A number of initiatives are under way or planned to improve and modernize cash management business practices. ATF eliminated cash advances for travel. Employees now obtain travel advances from Automated Teller Machines with their Government American Express charge card.

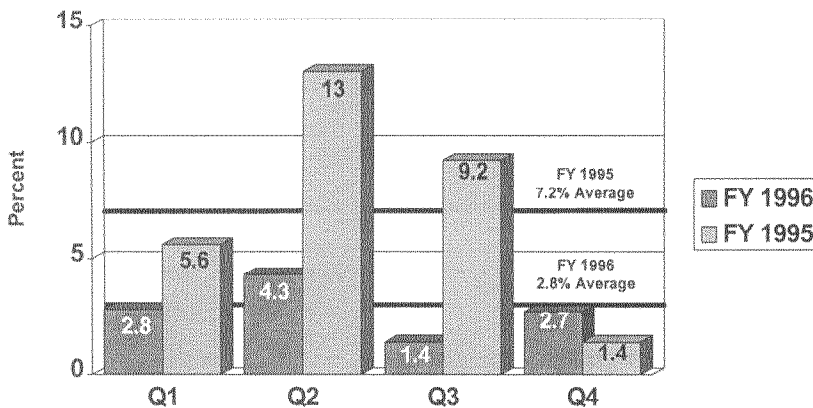
The Electronic Funds Transfer program replaces checks and cash by directly transferring payments to vendor and customer accounts through an electronic network used by commercial banks. In FY 1996, the Bureau imple-

mented this program for all travel reimbursement payments. Additionally, over 95 percent of Bureau employees participate with salary direct deposit, substantially reducing administrative responsibilities for distribution of paychecks.

The Bureau uses the automated FEDWIRE Deposit System for semi-monthly collection of alcohol and tobacco excise tax payments by taxpayers who pay more than \$5 million per calendar year. ATF also maintains a network of commercial post office boxes, or lockboxes, throughout the United States for collection of other excise taxes, firearms license and permit fees, and Special Occupational Taxes. The lockbox depository credits collections received by ATF directly to a clearing account for subsequent transfer to the United States Treasury, ensuring timely deposit of tax revenue to the Treasury General Fund. ATF collects over 97 percent of excise tax revenues through these electronic means.

"The FY 1996 2.8 percent annual delinquency rate represents a 61 percent decrease in the prompt pay delinquency rate from the Bureau's FY 1995 average."

Prompt Pay Quarterly Comparison
Frequency of Invoices with Paid Interest Penalties



Treasury Goal is 2%