

Performance Goals and Results

Reduce Violent Crime

Through this activity, ATF enforces provisions of the Gun Control Act of 1968, the National Firearms Act, the Brady Law, the Violent Crime Control and Law Enforcement Act of 1994, the Organized Crime Control Act of 1970, the Anti-Arson Act of 1982, the Church Arson Prevention Act of 1996, and the Antiterrorism and Effective Death Penalty Act of 1996. Because many Federal laws contain provisions for mandatory extended sentences, ATF strives to increase State and local awareness of available Federal prosecution under these statutes.

Strategic Goal: Effectively contribute to a safer America by reducing the future number and cost of violent crimes.

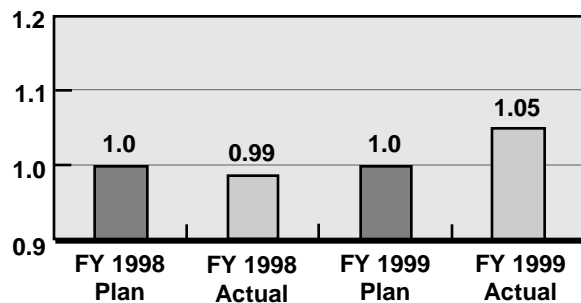
Programs: This strategic goal is accomplished through four programs:

- ❖ Deny Criminals Access to Firearms
- ❖ Safeguard the Public from Arson and Explosives Incidents
- ❖ Remove Violent Offenders from our Communities
- ❖ Prevent Violence through Community Outreach

Performance Measure: Crime-related costs avoided (in billions).

This measure tracks the estimated costs saved by incarcerating violent career criminals. Measures refer to firearms-related programs only.

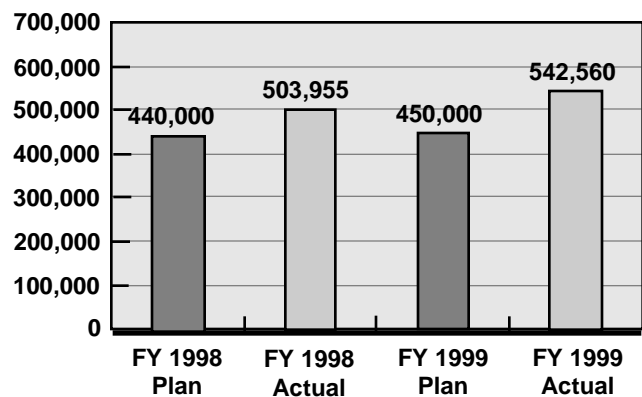
Crime-Related Costs Avoided
(in billions)



Performance Measure: Future crimes avoided.

This measure represents the number of crimes that are prevented when armed career criminals and firearms traffickers are incarcerated. The number of criminals sentenced is multiplied by the number of crimes that would have been committed by these criminals during the course of their incarceration. Measures refer to firearms-related programs only.

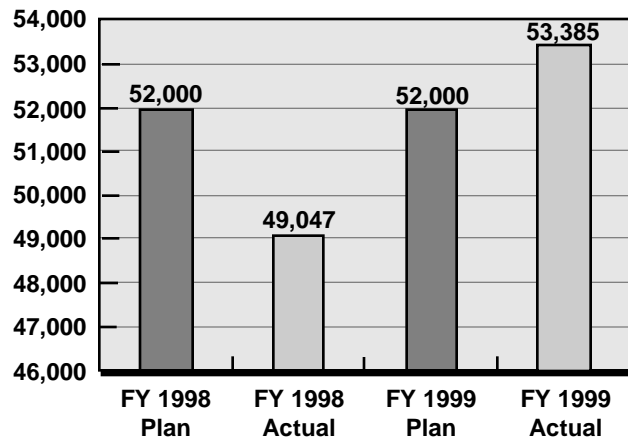
Future Crimes Avoided



Performance Measure: Number of ATF and non-ATF persons trained/developed.

This measure tracks the number of ATF personnel trained, and the number of individuals who are trained by ATF personnel including Federal, state, local, and international law enforcement personnel as well as industry members who attend ATF seminars.

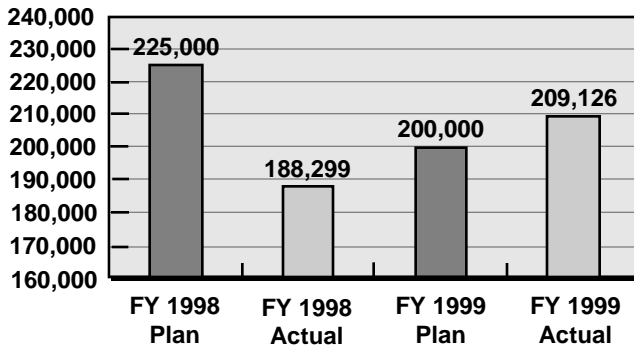
Number of ATF and Non-ATF Persons Trained/Developed



The FY 1999 actual (53,385) represents the number of ATF and non-ATF persons trained/developed. The FY 1998 actual (49,047) only represents the number of non-ATF persons trained/developed.

Performance Measure: Number of firearms traces.

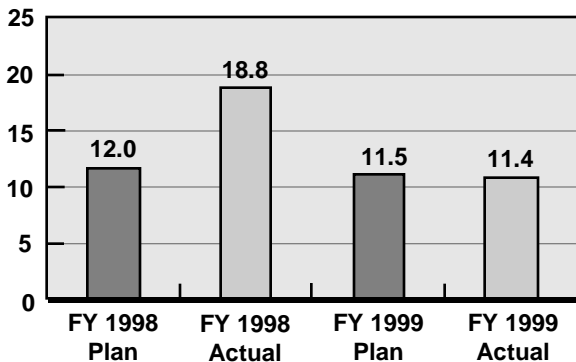
Number of Firearms Traces



The number of firearm traces projected for FY 1998 was based on the implementation of electronic data transfer systems. Those systems were not operable until FY 1999. During FY 1999 each of the 27 Youth Crime Gun Interdiction Initiative (YCGII) cities was provided the capability of transmitting trace requests to the National Tracing Center (NTC). The NTC is now in the process of deploying the ATF Electronic Trace Submission System (ETSS).

Performance Measure: Average trace response time (# of days).

Average Trace Response Time (number of days)



In FY 1998, NTC underwent a complete change over in the systems platform for the Firearms Tracing System Database. This impacted the FY 1998 projection of a 12-day average per trace, resulting in an average of 18.8 days. The projection for FY 1999 was 11.5 days per trace. The actual average for FY 1999 was 11.4 days.

❖ **Program: Deny Criminals Access to Firearms**

This program involves projects and services that identify, deter, and stop the sources of, and participation in, illegal firearms trafficking.

Illegal Firearms Trafficking

ATF reduces the criminal availability of firearms by identifying illegal sources of firearms and incarcerating illegal firearms traffickers. Overall goals include recommending for prosecution the most active illegal firearms traffickers, preventing future firearms crimes, and reducing crime-associated costs by incarcerating illegal firearms traffickers.

Youth Crime Gun Interdiction Initiative (YCGII)

This initiative is a focused component of ATF's nationwide Firearms Trafficking Program, which identifies and investigates the illegal sources of firearms to youths. In response to the increased number of crimes involving America's youth, ATF developed and deployed YCGII in FY 1996. In FY 1997, YCGII was deployed in 17 cities. In FY 1998, the initiative was expanded to 27 cities and in FY 2000 it will be expanded to 38 cities. It is anticipated that the program will continue to expand to 75 cities in the next few years. In FY 1999, ATF promoted the use of online information from the National Tracing Center that provides essential investigative leads. Two major goals of YCGII are to encourage comprehensive crime gun tracing by State and local law enforcement agencies and to provide crime gun market analyses to break the chain of illegal supply of firearms to youths.

National Tracing Center

With restructuring effective October 1, 1999, ATF's National Tracing Center (NTC), Falling Waters, WV, became a division within ATF's Office of Firearms, Explosives and Arson. The new division is comprised of the former National Tracing Center Branch of the Firearms, Explosives and Arson Services Division, and the Crime Gun Analysis Branch.

The NTC is the only operation of its kind in the world. This facility conducts traces of firearms recovered at crime scenes and from youth for any Federal, State, local, or international law enforcement agency. Frequently, firearms trace results are the crucial piece of evidence that can link a

criminal to a violent crime and allow law enforcement officials to make an arrest. At a minimum, firearms trace information provides investigators with leads on the origin of the crime-related firearms in their investigations. The specific goal of the NTC is to increase the number of trace requests via increased electronic access to NTC information. The National Tracing Center is the only repository for all Federal firearms licensee out-of-business records, where millions of records are currently stored.

ATF developed and initiated the Electronic Trace Submission System (ETSS). The ETSS is currently deployed in 20 law enforcement agencies. Police departments in the YCGII cities can now electronically transmit crime gun trace requests to NTC. In addition to ETSS, the NTC utilizes the National Law Enforcement Telecommunications System and electronically transfers other data from State and local law enforcement systems. NTC is working with major firearms manufacturers and wholesalers to implement electronic transfer of trace information from business records that are maintained electronically. The Access 2000 system that is being used to do this by three manufacturers and one wholesaler, was developed by ATF.

The Crime Gun Analysis Branch provides ATF personnel and other law enforcement agencies with crime gun data specific to their geographical areas. The Branch uses crime gun data amassed by the NTC to identify illegal firearms trafficking patterns and trends throughout the world. The Branch conducts in-depth analysis using graphs and maps to provide visual effect. Online LEAD, a computerized investigative tool, is used by ATF personnel to identify illegal traffickers. The web-based Online LEAD software provides ATF field personnel and industry members with real-time statistical information concerning the segments of the firearms industry regulated by ATF. An essential part of denying criminals access to firearms is educating law enforcement officers of the benefits of comprehensive crime gun tracing. NTC representatives meet frequently with police officials to provide information concerning comprehensive crime gun tracing and to brief them on using crime gun data to assist in reducing violent crime. In FY 1999, the Crime Gun Analysis Branch made approximately 992 referrals to ATF field divisions. A total of 292 proactive referrals were also made to ATF field divisions. Crime Gun Analysis Branch employees conducted more than 21,000 queries.

Stolen Firearms

This project seeks to reduce thefts of firearms from Federal Firearm Licensees and interstate carriers transporting firearms. The project is designed to assist the Firearms Trafficking Program by reducing the number of stolen firearms available to criminals. This is accomplished through collecting and analyzing firearm licensee and interstate carrier theft information, and providing investigative leads to special agents and inspectors. In FY 1999, the Stolen Firearms Program received 1,550 reports of theft/loss of firearms from Federal Firearm Licensees with 8,910 firearms reported lost/stolen. It also received 1,009 reports of firearms missing/stolen from interstate shipments with 1,983 firearms reported lost/stolen. Firearm theft recoveries reported in FY 1999 were 10,069.

All of these reports of thefts/recoveries were provided to ATF Field Offices for their consideration in the opening of a criminal investigation.

❖ Program: Safeguard the Public From Arson and Explosive Incidents

An integral part of ATF's overall violent crime reduction strategy, ATF's arson and explosives projects are directed toward preventing the criminal misuse of explosives and the crime of arson, as well as providing effective post-incident response. ATF, in part, measures its success by the amount it saves the public resulting from proactive investigations. This is particularly true with arson-for-profit schemes. ATF's efforts in arson cases save money for the insurance industry and, ultimately, save the American public by exposing millions of dollars annually in fraudulent claims.

Prevent Criminal Misuse of Explosives

Through this program, ATF provides resources to identify and pursue those who misuse explosive materials in bombings and arson fires. ATF has a cadre of explosive technologists with unique capabilities in explosives and bomb disposal. These professionals:

- Construct facsimiles of explosive and incendiary devices;
- Analyze destructive devices for the courts;
- Conduct safety procedures on destructive devices;
- Improvise explosive/incendiary devices and booby traps;

- Provide expert analyses of intact and functioned explosive/incendiary devices;
- Provide onsite technical investigative assistance during tactical operations and bombing and arson scene examinations;
- Classify new explosive/incendiary devices and materials;
- Keep abreast of the latest explosives technology;
- Provide technical advice on Federal explosives storage regulations;
- Provide training and instruction concerning explosives handling, storage and destruction for Federal, State, local, and foreign law enforcement officers and members of the explosives and pyrotechnics industries;
- Serve as explosives origin and cause experts in all National Response Team and International Response Team activations;
- Conduct explosives threat assessments; and
- Assist the State Department and the Diplomatic Security Service in conducting antiterrorism capability assessments outside of the continental United States.



ATF Director John Magaw and Gary Myers, President of The Fertilizer Institute (pictured left) signed a letter of agreement expanding a new voluntary public-private partnership, the "Be Aware for America Campaign." The campaign serves to raise awareness across the country among dealers, product users and law enforcement agencies to be suspicious of purchasers and to have an increased vigilance over storage and distribution of fertilizer grade ammonium nitrate.

National Repository

In 1996, Congress recognized ATF's expertise in the arson and explosives arena and passed legislation authorizing the Treasury Secretary to establish a National Repository of information on arson

incidents and the criminal misuse of explosives throughout the United States. The Secretary of the Treasury directed ATF to carry out this Congressional mandate. The information will be available for statistical research and analysis, investigative leads, and intelligence. The National Arson and Explosives Repository System (AEXIS) is an extension of the ATF Explosives Incidents System (EXIS) and incorporates information from Federal, State, and local fire service and law enforcement personnel. ATF recognizes that partnerships with other Federal agencies are integral to the success of the National Arson and Explosives Repository. The principal Federal partners in the data collection effort are ATF, the Federal Bureau of Investigation (FBI), and the United States Fire Administration (USFA).

The National Repository's development is divided into three phases. Phases one and two were completed respectively in 1997 and 1998. Phase one involved the establishment of a public Internet site that provides aggregate statistical summaries of data regarding arson and explosives incidents from data collected by ATF, the FBI, and the USFA. Phase two involved the modernization of the ATF's EXIS.

In FY 1999, data from EXIS, which dates back 20 years, was moved into AEXIS as part of Phase three. Phase three, which is to be completed in 2000, will integrate data from all contributing sources. It will provide statistical information to the public, and will establish a secure web site that will provide investigative information to authorized user groups.

The National Repository's secure site will be a law enforcement and fire service intelligence database, designed to aid investigators in identifying trends and similarities between arson and explosives incidents. The National Repository will help authorized investigators identify case-specific similarities regarding explosive and incendiary device construction, methods of initiation, types of fuels/explosives used, and methods of operation. The system will link thefts of explosives material

with the later criminal misuse of the explosives. Through partnership with other Federal, State, and local law enforcement and fire service agencies, the system will also help identify persons who commit crimes of violence using arson or

explosives. The system will link investigators who may be investigating similar incidents and will rely on communication among investigators to disseminate case-specific information on a case-by-case basis.

Church Fires

In early 1996, Federal officials detected a sharp rise in the number of reported attacks at houses of worship, especially African-American churches in the South. In June 1996, President Clinton formed the National Church Arson Task Force (NCATF) and made the investigation of these fires a top priority of Federal law enforcement. The task force combined the efforts of ATF, the FBI, Justice Department attorneys, Federal Emergency Management Administration, Department of Housing and Urban Development, and the Community Relations Service of the Department of Justice. ATF was designated as the lead Federal agency to investigate the origin and cause of fire and bombing incidents at houses of worship.

At the conclusion of the second year, the task force published a second report to the President for the period of January 1, 1995, through September 8, 1998. Analytical results are being compiled by ATF's Intelligence Division for inclusion in the President's third annual report. Thus far, the task force has opened 813 arson/bombing investigations. A total of 353 defendants have been arrested nationwide which solved 286 of the 813 investigations. ATF's Intelligence Division has reviewed 6,301 investigative leads and entered information on 1,395 crime scenes into its analytical database. The task force continues to investigate arsons, bombings, and attempted bombings that are targeted at houses of worship and will continue to promote church arson awareness through outreach efforts across the country.

Canines

The Accelerant Detection Canine Program is a product of a joint ATF/Connecticut State Police endeavor to place accelerant detection canines with State and local agencies to support their arson investigation activities. Through FY 1999, ATF certified a total of 68 accelerant-detecting canines for State and local agencies. In 1999, ATF trained six additional accelerant detection canine teams at the Canine Enforcement Training Center in Front Royal, Virginia.

Under a training arrangement with the U.S. Department of State, ATF trains explosive detection canines for foreign countries to be used overseas

in the war against terrorism and to protect American travelers abroad against terrorism. ATF has certified 190 canine teams for the program, deployed in ten countries worldwide. In FY 1999, ATF trained 26 additional canine teams and seven canine trainers for the Department of State, Office of Antiterrorism Assistance. ATF continues to perform assessments of additional foreign countries for placement in this program. ATF has special agent/canine teams stationed in Atlanta, Dallas, Miami, Los Angeles, San Francisco, and two teams stationed in Washington, DC.

ATF developed the Department of the Treasury's Odor Recognition Proficiency Standard for explosives detection canines. This standard was validated in 1999 by Oakridge National Laboratories. This standard is available to law enforcement agencies employing explosives detection canines.

During FY 1999, ATF trained and certified seven odor detection canine teams for State/local law enforcement agencies and three canine teams during FY 1999 for other Federal law enforcement agencies.

Research Initiatives

In FY 1999, in conjunction with the U.S. Army Corps of Engineers, the National Security Council, and the Defense Nuclear Agency, ATF continued to participate in a project known as Dipole Might. The objective of the program is to create a computer database and investigative protocol to assist investigators when processing large car bomb scenes. In 1999, the tests included the evaluation of road sign damage from blasts, taggant survival/retrieval, and explosives residue testing.

Currently, ATF has two full-time fire protection engineers, making it the only Federal enforcement agency that employs this level of specialized, professional expertise. ATF's fire protection engineers are dedicated solely to the analyses of origins and dynamics of fire as they pertain to criminal investigations. Additional fire scientists and engineers are being recruited in order to support criminal investigations and the new Fire Research Laboratory.

In FY 1996, Congress approved funding for the relocation and construction of a new National Laboratories Center, which will also house the new Fire Research Laboratory. Groundbreaking for the new facility in suburban Maryland is scheduled for December 1999. The new ATF National Laboratories Center is expected to be fully operational by mid-year 2001.

Explosives Study Group

Section 732 of the Antiterrorism and Effective Death Penalty Act of 1996 (April 24, 1996), mandates the Secretary of the Treasury to conduct a study of: the tagging of explosive materials for purposes of detection and identification; the feasibility and practicability of rendering common chemicals used to manufacture explosive materials inert; the feasibility and practicability of imposing controls on certain precursor chemicals used to manufacture explosive materials; and State licensing requirements for the purchase and use of commercial high explosives. The Omnibus Consolidated Appropriations Act for Fiscal Year 1997 provided the necessary funding for the study and added a requirement that the Secretary, in consultation with the Attorney General, concurrently report to Congress on the possible use and exploitation of new prevention technologies.

The Secretary delegated the responsibility for conducting the study to ATF, and on April 26, 1996, ATF established its Explosives Study Group (ESG). The director of the study group reports directly to the Assistant Director, Firearms, Explosives, and Arson.

The ESG is comprised of personnel from multiple directorates, all with specialized, extensive experience in the field of explosives. The work of the ESG includes consulting on study-related issues with domestic and foreign experts, including: law enforcement officials; Federal, State, and local-level regulatory officials; members of the scientific community; military personnel; and representatives from the industries that have an interest in the study. In addition to conducting in-house analyses of study-related issues and data, the ESG has established several research and development contracts and is pursuing further contracts. Finally, the ESG is engaged in explosives testing to determine the viability of several existing and proposed technologies.

The goal of the ESG is to conduct a comprehensive study in order to recommend to Congress an integrated strategy to improve the current state of public safety. This strategy will likely include recommendations for more efficient regulation of explosives; voluntary, industry-based programs aimed at heightening public awareness; and the potential for use of efficient technologies to identify and detect explosives and explosive materials.

The ESG submits, through Treasury, annual reports to Congress. The first and second annual report is available on the Internet at <http://www.atf.treas.gov/pub/taggent.htm>. The third annual report, and any subsequent reports, will be posted to the Internet upon its submission by Treasury to Congress. Upon conclusion of the study, the ESG will submit a final report to Congress, including recommendations, and hearings will be conducted.

Effective Post-Incident Response

ATF has long held that a coordinated and rapid deployment of highly trained and well-equipped individuals and related support functions is critical to the investigation of any arson or explosives incident. This "team approach" is the basis for ATF's National Response Team (NRT), its International Response Team, division response teams, and arson task forces.

The NRT can respond within 24 hours to major bombing and fire scenes anywhere in the United States. In FY 1999, the team provided effective post-incident response in 42 activations. These incidents involved \$129.3 million in damages and were responsible for 17 deaths and 29 injuries. Arrests were made in 46 percent of the criminal incidents investigated by the NRT, a percentage considerably greater than that for like incidents investigated nationwide. ATF continued to issue customer satisfaction surveys to those who used the NRT this year. The responses received have been positive. When surveys are received, ATF tabulates the data to determine the National Response Team's effectiveness.

ATF also maintains the International Response Team, formed as a result of an agreement with the Department of State. The team has been



Members of ATF's Northeast National Response Team examining the debris from a fire at an auto supply store.

deployed to such countries as Peru, Argentina, Pakistan, El Salvador, and Macedonia. Since its inception in 1991, the International Response Team has been activated 19 times for incidents involving explosives and fires. In FY 1999, the International Response Team was activated to Lusaka, Zambia to provide technical assistance to the Government of Zambia which was conducting a national investigation into a series of bombings directed against Government facilities and the Angolan Embassy. An International Response Team was activated to assist in the investigation of a bombing that occurred at the deputy prime minister's headquarters in Mbabane, Swaziland. There were one death and two injuries resulting from this bombing.

ATF provides vital resources to local communities in the wake of arson and explosives incidents. ATF pioneered the development of multi-agency task forces designed to pool resources and expertise in areas experiencing significant arson problems. In FY 1999, ATF led formal arson task forces in 16 major metropolitan areas throughout the United States.



An ATF agent at the scene of a fire that destroyed a warehouse belonging to a mining company.

A Certified Fire Investigator (CFI) and Certified Explosives Specialist (CES) are critical to the success of a comprehensive post incident response. ATF's CFIs are the only investigators trained by a Federal law enforcement agency to qualify as expert witnesses in fire cause determinations. In FY 1999, there were 82 of these investigators stationed throughout the United States. Nine CFI candidates will be certified in FY 2000. This provides strategic placement of these investigators throughout the country to assist Federal, State, and local agencies with fire origin and cause determinations and training. ATF's

270 CES personnel, who have developed an unmatched level of expertise in postblast analysis through years of experience, are proficient in all aspects of explosive identification, handling, instruction, demonstration, and destruction.

Because many arson crimes involve insurance, bank, mail and other types of fraud, these investigations often require complex forensic financial analyses. These complex financial investigations are provided through ATF's Office of Science and Technology, Audit Services Division. The office also provides comprehensive forensic science services, supports the task forces by providing financial auditing services, information systems



ATF Certified Fire Investigators' conduct extensive studies of an abandoned building that was burned for fire investigation training and research purposes.



ATF Certified Fire Investigators' conducting fire origin and cause investigation in school fire.



ATF Certified Explosive Specialists' set an explosive charge.

and equipment, and high-speed data communications. This includes Internet access to facilitate the research and exchange of national and international technical data and intelligence.

In the spirit of public/private partnerships, ATF, the U.S. Fire Administration, American Re-Insurance Company, and the National Fire Protection Association have developed a CD-ROM training tool that pools resources by combining the latest investigative techniques with state-of-the-art interactive computer training technology to create the most comprehensive fire investigation training tool to date. It uses interactive virtual reality software to put a fire investigator in the middle of a fictional, but highly realistic, fire investigation. The training program will cover the fundamentals of fire scene examination, show fire investigators how to access and use important information collected by the insurance industry, and stress how to handle, order, and present the physical evidence collected so that it will withstand the rigors of courtroom examination. Final delivery of the InterFIRE virtual reality CD-ROM training package is anticipated in the first quarter of FY 2000. ATF expects to distribute 30,000 copies of InterFIRE—free of charge—to Federal, State, and local investigators across the country.

❖ **Program: Remove Violent Offenders From Our Communities**

This program involves projects and services to investigate, arrest, and recommend for prosecution, the most violent criminals who use firearms and explosives in their criminal activity.

Armed Violent Criminal Apprehension Program

This program uses specific provisions of the 1968 Gun Control Act, as amended, that mandate extended periods of incarceration to remove the most dangerous, armed career criminals and armed drug traffickers from the streets. Firearms use and possession by these violent criminals become their “Achilles’ heel” as they are exposed to lengthy prison sentences under these Federal laws. The firearms they possess yield valuable information regarding their previous criminal acts and criminal associates. Further, through firearms tracing, the illegal firearms sources for these violent criminals are investigated under ATF’s Firearms Trafficking Program. These two projects, which are complementary, strive to incarcerate armed violent criminals for longer periods of time to prevent future crimes of violence and the costs of those crimes to the American public. Sentences have substantially increased because ATF special agents have been more effective at focusing on the more dangerous and violent armed criminals.



ATF weapons seizure - Achilles Gang Task Force.

National Integrated Ballistics Information Network (NIBIN)

The purpose of this project is to provide support to law enforcement agencies experiencing serious firearms-related violent crime. The project is based on providing focused investigative assistance to ATF's partners through the integration of ATF's various firearms enforcement programs and new forensic technology. Under the NIBIN Program, ATF is utilizing a state-of-the-art system that allows firearms technicians to digitize, correlate, and compare bullet and shell casing signatures automatically at a greatly accelerated rate. The equipment expeditiously provides investigators with leads to solve a greater number of crimes in a shorter period of time. The technological advances of this initiative draw upon the Integrated Ballistics Identification System (IBIS).

ATF, the Federal Bureau of Investigation (FBI), and a representative from State and local law enforcement have formed a partnership to ensure that agencies have the opportunity to acquire automatic ballistics technology. An agency representative from ATF, the FBI, and the Boston Police Department serve on the NIBIN board. The NIBIN strategy has been designed to join technological advances with various skilled human resources in a concerted effort to reduce firearms-related crimes. ATF supports NIBIN from its three major IBIS sites at ATF laboratories in Atlanta, San Francisco, and Washington, DC.

The NIBIN concept combines ATF's former CEASEFIRE and the FBI's DRUGFIRE Program initiatives into a Federally-sponsored initiative that creates a partnership among ATF, the FBI, and State and local law enforcement. The NIBIN board will set policy, develop budgets, review requests for system technology, and execute spending plans. The board is committed to ensuring that cartridge case compatibility is achieved between IBIS and DRUGFIRE. An objective of the board is to provide State and local requesters with the particular system that best meets their needs.

❖ Program: Prevent Violence through Community Outreach

This program focuses on community efforts designed to encourage and participate in the prevention of violence.

G.R.E.A.T. Program

The mission of the Gang Resistance Education and Training (G.R.E.A.T.) Program is to provide classroom instruction for school-aged children and a wide range of community-based activities that result in the necessary life skills, a sense of competency, usefulness, and personal empowerment needed to avoid involvement in youth violence and criminal activity. The Bureau provided funding to 109 different agencies to support their participation in the G.R.E.A.T. program. Over 350



IBIS Specialist acquires a bullet image into the IBIS.

agencies have officers certified to teach the program. During FY 1999, G.R.E.A.T. officers around the country have taught approximately 334,443 school-aged children.

As a result of a partnership established with Boys and Girls Clubs and their police departments last year, G.R.E.A.T. officers have taught the G.R.E.A.T. program in 49 cities nationwide in non-school environments. Students continue to have positive role models and adult leadership to reinforce the

lessons taught in G.R.E.A.T. at school and throughout the summer months.

In FY 1999, ATF initiated the addition of G.R.E.A.T.'s five regional training partners: the LaCrosse, Wisconsin Police Department, the Phoenix Police Department, the Orange County, Florida, Sheriff's Department, the Portland Police Bureau, and the Philadelphia Police Department. Eighteen G.R.E.A.T. Officer Training programs were conducted at these training sites.



Students participate in ATF's Gang Resistance Education and Training (G.R.E.A.T.) Program.

Performance Goals and Results

Collect Revenue

ATF plays a critical role in the Federal Government's tax collection process. Through this activity, the Bureau collects over 12 billion dollars in excise taxes levied on alcohol [wine, distilled spirits, and malt beverages] and tobacco products, firearms, and ammunition.

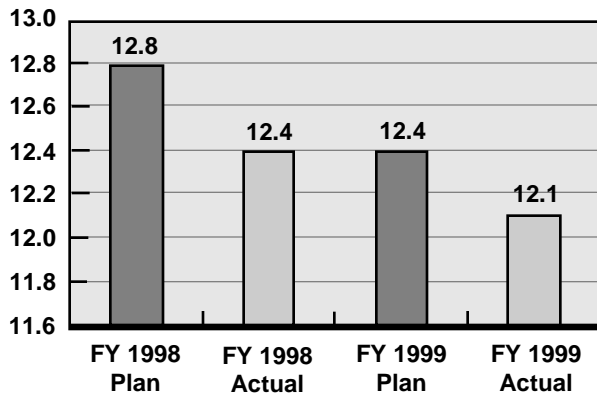
Strategic Goal: Maintain a sound revenue management and regulatory system that continues reducing taxpayer burden, improves service, collects the revenue due, and prevents illegal diversion.

Programs: This strategic goal is accomplished through three programs:

- ❖ Fully Implement the National Revenue Center
- ❖ Collect All Revenue that is Rightfully Due
- ❖ Use Electronic Commerce

Performance Measure: Taxes/fees collected from alcohol, tobacco, firearms and explosives industries (in billions). This measure includes revenue collected through alcohol, tobacco, firearms, and ammunition excise taxes, firearms and explosives license/permit fees, and special occupational taxes.

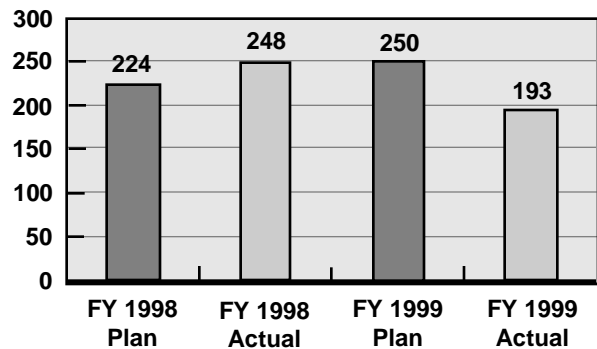
Taxes/Fees Collected (in billions)



ATF has isolated the decrease in tax collections of tobacco. ATF has also noted a decrease in domestic consumption of tobacco and is analyzing other data such as production and exportation for both spirits and tobacco.

Performance Measure: Ratio of taxes and fees collected vs. resources expended. This measure represents the amount of taxes and fees collected, divided by the amount of resources to collect such taxes and fees.

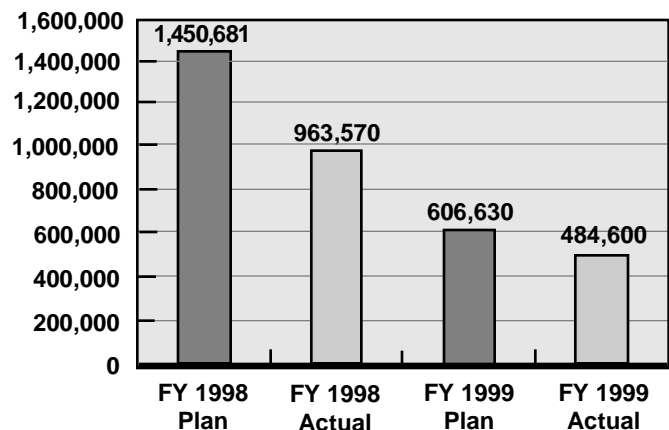
Ratio of Revenue Collected to Dollars Expended



The ratio is less than planned due to increased operating expenses, personnel additions, and a decrease in tax collections on tobacco products.

Performance Measure: Burden hours reduced. This measure reflects the reduction in hours from FY 1998 to FY 1999 to comply with ATF regulations including the preparation of forms.

Burden Hours Reduced



Based on unforeseen changes in the laws and regulations, ATF was unable to meet the planned burden reduction performance measure.

❖ Program: Fully Implement the National Revenue Center

Effective management of taxpayer accounts and proper receipt of tax returns and payments ensure that ATF accurately collects and reports all revenue receivables. The business processes performed by the employees and contractor personnel assigned to the National Revenue Center in Cincinnati, Ohio, and the Technical Services offices in San Francisco and Philadelphia are essential to ATF's effective management of excise taxpayers' accounts and collection of receivables. The principal activities of these entities are audits of tax returns and reports, audits of claims, collection actions, review and approval of applications for permits, registration of plants and surety bonds, and maintaining custody of official case files.

During FY 1999, ATF's National Revenue Center continued to consolidate business processes by reducing the number of Technical Services offices from three to two and by assimilating the functions of the Tax Processing Center. By the end of 2000, the National Revenue Center will process all tax and permit matters nationwide. The process of building a permanent home for the National Revenue Center was more than ninety percent completed and several technological improvements were implemented. At the National Revenue Center, a document and imaging workflow management system was implemented to reduce the volume of paper files and to improve the access to vital information. This system will assist in more efficient processing of documents and applications received in the National Revenue Center. The database systems for critical tax and permit operations are being upgraded, and should be completed in FY 2000. Technology is continuing to improve at the National Revenue Center to ensure that revenue owed is collected. In FY 2000, ATF will be in the process of fully automating the processing and analysis of industry operational reports.

ATF's other major initiative at the National Revenue Center is Electronic Commerce. This will play a more important role in determining how the National Revenue Center interfaces with industry.



National Revenue Center employee examining tax documents.

❖ Program: Collect All Revenue that is Rightfully Due

ATF collected \$12.1 billion, before refunds, in taxes, interest, penalties, and fees in FY 1999. Ninety-eight (98) percent of this revenue was derived from payments of alcohol [wine, distilled spirits, and malt beverages] and tobacco excise taxes. ATF's revenue management program includes a variety of processes and functions based on the reviewing, auditing, and recording of tax returns, deposits, and operating reports. The program includes the accounting for all deposits and payments for taxes and fees from the alcohol, tobacco, firearms, ammunition, and explosives industries. On-site inspections of those who pay alcohol, tobacco, firearms, and ammunition taxes are focused on facilities posing the greatest risk to the revenue based on the volume of operations, past history of violations, relative strength of management controls, and financial condition. A more detailed description of the various types and sources of revenues follows in the Financial Statements, Note 14, Non-exchange Revenue.

The National Revenue Center and Technical Services continued to monitor tax collections by auditing tax returns; levying assessments; initiating enforced collection action; analyzing required reports; requesting field verifications; and, accounting for tax payments and related refunds. These offices also review and act on applications and bonds submitted by companies that produce, import, or wholesale alcohol or tobacco products. When criminal conduct is suspected—as with diversion or label fraud cases—teams of ATF special agents, auditors, and inspectors conduct complex investigations of violations of the Federal Alcohol Administration Act and the Internal Revenue Code.

Diversions and Smuggling

ATF is engaged in an ongoing effort to reduce a rising trend in the illegal diversion of cigarettes and distilled spirits products. Diversion activity generally occurs when legally manufactured or produced alcohol and tobacco products deviate from their normal legal distribution method to an illegal unregulated scheme. In the illegal schemes, the products are being diverted and sold in violation of federal laws and regulations. Diversion activities also defraud the United States of tax revenue. For example, cigarettes and distilled spirits products are often fraudulently claimed for export markets (for which there is no tax liability) when, in fact, they are being diverted into the United States domestic market for sale where Federal and State taxes apply. ATF's goal is to ensure compliance with U.S. laws that will greatly reduce the illegal diversion of alcohol and tobacco products.

In addition to criminal penalties, ATF pursues tax assessments against domestic producers and individuals when the documentation offered to ATF to support the tax-free exportation of these products is determined to be counterfeit, inaccurate, or non-existent. ATF also considers administrative action or criminal prosecution against retailers, wholesalers, and manufacturers who knowingly supply to smuggling organizations.

In addition to alcohol and tobacco export fraud, ATF also enforces several statutes that deal with the illegal interstate trafficking of alcohol and tobacco products. Illegal commerce also occurs with the trafficking of alcohol and tobacco products from a state with a low excise tax rate to a state with a high excise tax rate. The profits can be significant and the states are often not prepared to deal with these multi-state criminal conspiracies. ATF agents, inspectors, and auditors work closely with their state counterparts during these types of investigations.

Another important part of the effort to fight fraud and diversion is the expanding cooperative relationship between ATF laboratories and the government laboratories of many foreign countries. The laboratories have identified or are attempting to identify and catalogue alcohol and tobacco formulas so that they can utilize them in much the same way as fingerprints are used. This data is essential for health issues to prevent consumer deception and to insure the appropriate collection of taxes. This exchange of information serves the best interests of the United States and its trading partners.

The seizures of cash, vehicles, beverage alcohol, and tobacco products during diversion investigations by ATF agents and inspectors in 1999 has resulted in over \$1.4 million being credited to the Treasury Asset Forfeiture Fund. ATF was also one of the lead agencies in a federal investigation that resulted in a payment of \$10 million to the Treasury Asset Forfeiture Fund from a company wholly-owned by a major United States cigarette manufacturer for their involvement in illegally diverting cigarettes to Canada. In FY 1999, 49 defendants were recommended for prosecution and several members of organized crime groups have been successfully prosecuted for alcohol and tobacco related criminal activity.

❖ Program: Use Electronic Commerce

ATF continued imaging operational documents received at the National Revenue Center, and also started imaging historical documents that are maintained at the National Revenue Center. ATF studied Optical Character Recognition (OCR) of certain returns with the intent to use OCR during the next fiscal year. ATF started limited electronic filing of certain forms through a pilot program with certain industry members. This program will be expanded to reduce industry burden in compiling these forms and ATF's burden in using the information from these forms. ATF expects to complete the imaging of historical documents at the National Revenue Center for electronic availability by the end of 2000.

ATF has committed to having all of its tax and related permit databases Year 2000 (Y2K) compliant and has expended considerable effort to do so. Most programs are currently Y2K compliant or are scheduled to be compliant prior to the start of the year. ATF has issued an Industry Circular to the regulated industries concerning Y2K problems and electronic funds transfer. ATF has developed contingency plans to deal with possible problems that may be caused by Y2K.

In FY 2000, ATF will begin a project that will allow many of the revenue-related forms to be downloaded, filled in, saved electronically, and filed over the Internet. In some cases, it would allow the payment of tax over the Internet at the same

time. The electronic filing will save the taxpayer and ATF considerable time, reduce the burden to the taxpayer, and help ATF determine if the rev-

enue is properly collected. ATF has plans to develop the ability to let taxpayers pay by credit card before the end of FY 2000.



Imaging of documents at the National Revenue Center.